Requisites to Strategic Planning

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Until a few years ago, the business environment for the practice of pathology was robust: stable third-party reimbursement, high revenues, content customers, and negligible competition. However, that environment is changing and the future does not look so favorable. Reduced federal and third-party reimbursements will diminish practice revenues.[1] Fee-for-service is on track to morph into value-based remuneration,[2] a paradigm shift that will likely have pathologists bickering with their colleagues for a fair share of the reimbursement check. The proliferation of pathology specialty training programs[3] will likely escalate customers' demand for specialized pathology expertise, diverting yet more work from generalist pathologists who never dreamed that work to be at risk. Mergers, consolidations, and acquisitions may eliminate pathology positions altogether.

Pathology groups may be forced, perhaps for the first time, to engage in high-level business strategic planning, the stakes of which are the very preservation of their livelihoods. In many practices, several partners hold equal equity and hence equal voices in decision making. Finalizing strategic business decisions requires group consensus. For some groups, reaching consensus decisions may be difficult. As requisite to strategic planning, partners in those practices might be well served by answering several questions.

WHAT IS THE "CULTURE" OF OUR GROUP?

By "culture," we mean the way members of an organization choose to behave collectively: their beliefs and values. It is the glue that holds organizations together. Group culture is built on mutual trust, respect, and transparency.[4] It stands to reason that to achieve a homogeneous, harmonious group culture, group members must know and understand each other's needs and personal goals. It is not realistic to expect everyone to share the same needs and goals. The aspirations, lifestyles, and professional requirements of pathologists are likely to differ at various stages of their careers. Single parents may need to be home at 3 PM to meet school buses; pathologists in mid practice may need to work overtime to meet tuition bills; and older members late in their practice careers may want to work half time, no weekends.

As diverse as these needs may be, groups often require that all members conform to single practice and workload distribution models, which in fact may work ideally for no one. Members whose life and practice goals invite long workdays conflict with those whose view of the world does not. They may suspect that group workloads, and hence group incomes, are distributed inequitably. "Cultural differences" becomes a euphemism for "he doesn't work as hard as I do." The results of this cultural autocracy are likely to be vilification of colleagues, infighting among group partners, and collapse of consensual decision making.[5] Unless practice groups establish common cultural platforms and visions that incorporate the divergent needs of all constituents, it may be impossible to reach business decisions.

Even if groups do have common visions of their future, they may not have appreciated the necessity of factoring into their hiring decisions, the affinity of new recruits—new recruits who may someday be full voting partners—in sharing them. Practice groups might want to consider whether their long-term interests are well served by including, on their interview checklists, the preferences and goals of prospective group members.[6]

HOW WELL DO WE WORK AS A TEAM?

Some practice members may find that working independently in cloistered silos improves their productivity. However, operating alone in silos rather than collectively in teams erodes mutual trust and with it, the ability to compromise, an essential requirement of consensual decision making. One measure of a group's ability to make collective decisions is "group IQ," defined as the sum total of the talents of each group member. Teamwork raises group IQ; working in silos lowers it.[7]

Group IQ depends not on intellectual IQ, but rather on "emotional IQ," those human qualities such as empathy, social skills, self-awareness, and self-efficacy. By connecting the emotional IQs of individual members, groups are able to aggregate talents and raise their group IQ, the end results of which are improved organizational performance, productivity, and decision-making ability. Conversely, organizations with low group IQ become paralyzed, dysfunctional, and often dissociate under pressure. Members tend to suffer from burnout, exhaustion, and cynicism. Eventually, productivity—the original advantageous characteristic of solo performance—is undermined. Decision making suffers.[7] Pathology practices may find it necessary to assess their group IQ and if low, explore ways to increase it.

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HOW DO WE PROCESS INFORMATION?

To arrive at decisions, some individuals require possessing in hand clear tangible data, while others may prefer abstract, conceptual, and big-picture information. Some individuals base decisions on objective analytic data that focus on outcomes. Others make decisions on visceral and value-oriented perceptions that focus on the impact those decisions have on other people. Individuals who grasp big pictures intuitively may view details as nuisances, the removal of which they are comfortable with delegating to subordinates. Detail-oriented people who become paralyzed by what they view as the enormous complexity of operational technicalities may be unable to navigate to, or even visualize, end results.[8]

Practice governing boards may need to establish protocols for decision making in which big-picture strategy drives tactics (not vice versa) and in which strategic outcomes are defined by outcome metrics, timetables, and contingencies when those metrics and timetables fail to meet expectations.

WHAT IS OUR LEVEL OF BUSINESS ACUMEN?

It is probably fair to say that most pathology practices seek to recruit pathologists who have demonstrated, in their previous residency or practice positions, high levels of professional expertise. After a period of time, pathology practices may offer full-equity business partnerships to those recruits who continue to demonstrate acceptable professional acumen.[9] There may be no guarantees that either the ambient or the recruited physician partners have the experience, aptitude, and skills in making, executing, and evaluating business decisions. Partners may be happy to abrogate business decisions to peers who seem to be the least incompetent business decision makers, but by no means have demonstrated favorable track records in commerce. Lack of proficiency raises the probabilities of decisional inertia and worse, fiscal misadventure. Furthermore, by stealing time from the relatively high revenue–generating activities of practicing pathology, delegating business activities to physicians is financially inefficient.

Finding themselves in leadership vacuums, some practices hire chief executives. If executives meet groups' expectations, partners may offer them equity positions, the magnitude of which they may tie to continued success and corporate growth. As logical as this solution may appear to some group members, others may wrestle with perceived loss of control. They may find it difficult to separate their roles involving governance and strategic planning from executives' roles involving operations and tactical execution.[10] In order for corporate practice arrangements to work, practice partners may need to draft governance documents that define the ground rules and borders of governance and operations.

CONCLUSIONS

To be successful, strategic planning requires more than a weekend retreat. It requires considerable requisite preparation. Its tipping point is the establishment of a common culture. Culture drives the strategy, not the other way around. Practice group partners must commit to resolve polarizing differences and work together as a team. They must set ground rules for processing information, reaching decisions, and tracking the successes or failures of those decisions. Finally, business leadership must be delegated in a fiscally efficient manner to those with the expertise and experience to provide it.

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