



HOW TO WRITE AN EFFECTIVE STRATEGIC PLAN



Get your practice on the road to success by answering these six questions.

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There are about 7,000 private independent ophthalmic practices in America today, and only about 5% of them have a written, up-to-date, and active strategic plan. There are several reasons for this. One is that ophthalmology clinics typically do not have outside investors, who often pressure businesses to develop a strategic plan in order to convince potential investors of the business' merit. Another is that ophthalmology clinics don't often borrow money from banks, so there is no external pressure to create a business plan. Additionally, most ophthalmologists and their administrators are fairly time-poor. Although they know the absence of a strategic plan could land them in trouble in the future, it doesn't pose an immediate threat in the way that not attending to operational details does, so it gets pushed to the bottom of the to-do list. A fourth reason is the high overall survival rate of ophthalmology private practices. Strategic planning, however, can make the difference between survival and real success.

WHAT MAKES AN EFFECTIVE STRATEGIC PLAN?

The terms *strategies* and *tactics* are often used interchangeably, yet they refer to two distinct aspects of planning. *Strategic planning* involves long timescales—what you will be doing 10 years down the line. In contrast, *tactical planning* focuses on shorter timescales, and it is driven by the strategic plan's structure and content.

Essentially, an effective strategic plan is developed by answering six key questions.

1 What is your service area? Is your practice serving a small subset of an urban core, a few blocks of Manhattan, or is it serving your county and its contiguous counties? Alternatively, if it is a large practice, is it operating in an entire state, perhaps acting across state lines regionally? A few eye care enterprises are national, and some will eventually become international.

2 What is your service mix? Next, figure out your service mix. Is yours a comprehensive practice, with all of the "Os"—ophthalmology, optometry, and optical—under one roof, or is its scope of care more limited? It's perfectly reasonable to fall anywhere on that continuum, but it's important to be clear about what you want to do at the outset, as you're beginning to write your strategic plan.

3 What is your provider mix? The lines surrounding scope of care and comanagement with optometrists are only getting blurrier. As you consider your practice, it's important to decide what that scope of care will be and what the rate is like. There are nearly three optometrists for every ophthalmologist in the United States today, so if your goal is to have a comprehensive one-stop facility, start thinking about growing your practice to a 2:1 or 3:1 ratio of ODs to MDs.

4 What is your growth rate? The demand for eye care is growing at about four or five times the rate of population growth in the United States. This is because the American public is aging, and patients who are 65 years of age and older use approximately 10 times as many eye care services as younger patients.

Ophthalmology is a high-growth industry. The ophthalmic practice growing by just 4% or 5% a year is probably preserving—not growing—its market share, which is fine so long as this goal is noted in your strategic plan. If, however, you intend to grow your practice's market share, you may want to increase your growth rate. A growth rate is typically expressed in terms of the year-over-year net revenue increase (see *Defining a Growing Market Share*).

5 What is the competitive environment? Thoughtful strategic plans take into account the age distribution of the other ophthalmologists in town as an assessment of the competitive environment in which the practice exists. This type of analysis can produce a roadmap of the practice's future competitive environments. For example, although it may seem like a large number of ophthalmologists are practicing in your area, perhaps the majority of them are older and in their last 5 years or so of practice. If so, the competitive environment ahead looks different—and much more favorable.

6 What is your succession plan? It's important to have a sense of

DEFINING A GROWING MARKET SHARE

A practice with **\$1 million in collections** in the first year of business that had **\$1.1 million in collections** in the second year of business would have a **10% growth rate**, which is about **two times** the pace of demand growth in the industry. This practice would be growing its market share.

your institutional environment and to identify, as practice owner, your goals for its future. Do you want to build a private independent organization, grow the practice to a certain scale and partner with private equity, or sell the practice to a hospital or larger private practice in the community? The answers to these questions are all elements of succession planning, one of the final and most important steps in writing an effective strategic plan. Having built all of this, how will you one day convey it to the next generation? If you practice in a rural market, you may have to close it down. If you're in a suburban or urban setting, numerous parties would probably be happy to take over your practice and pay you for doing that.

A LIVING DOCUMENT

The answers to the aforementioned questions (and more) can be unified to form your practice's strategic plan, but this is not a finished product. Effective strategic plans are living documents. They do not just sit up on a credenza and molder. To be truly effective, a strategic plan should be revisited at regular intervals over the years.

For example, in group-owned practices, reading excerpts from the plan before every board meeting can get the meeting started with a reminder of the group's shared long-term goals. Ultimately, every practice owner should dust off their strategic plan at least once a year to review and revise as needed.

CONCLUSION

Even in the absence of a strategic plan, most US ophthalmology practices will have lasting success, but taking the time to craft one will make the pathway much smoother. A strategic plan is also beneficial for employees at all levels of the practice because they like to have an idea of what upper management envisions for the future of the ophthalmic business, and practice administrators can make decisions more easily because the plan clarifies the practice's focus.

An effective strategic plan gets every employee marching toward the same overall goals. Answering the questions outlined in this article is a great place to start. ■

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