Balanced Scorecard-
Going Back to Go Forward or:
Linking Measurement to Strategy

Rural Health Resource Center
Duluth, Minnesota
“We’ve measured but something’s missing.”

“Our Balanced Scorecard is o.k. but it could be better”

“Our Balanced Scorecard just isn’t getting the results we had hoped”
What Happens to Most Balanced Scorecard Initiatives

The Dip
How Balanced Scorecards Can Get Off Track
“Tennis has a Dip. The difference between a mediocre club player and a regional champion isn’t inborn talent- it’s the ability to push through the moments where it’s just easier to quit. Politics has a Dip as well – it’s way more fun to win an election than to lose one, and the entire process is built around many people starting while most people quit.

The Dip creates scarcity; scarcity creates value.”

- *The Dip*

*Seth Godin*
Top 5 Reasons to Implement the BSC

1. Provides focus
2. Creates alignment of resources and strategy
3. Makes strategy “real”
4. Facilitates organization-wide communication
5. Tells an organizational story
Understanding the Balanced Scorecard

• It’s more than most people realize
  - Not just a measurement system
  - Not primarily about the four “quadrants”
  - Not primarily a benchmarking tool

• Proven Best Practice for achieving strategies and breakthrough results

• Successfully adapted for Rural Hospitals
“A framework for getting people, processes and resources aligned and moving in the same direction. The ultimate goal is to achieve strategies that benefit the customer and the bottom line and that result in organizational excellence.”

- RHRC
Demystifying the BSC

What it is:

1. A way of expressing and measuring your hospital’s strategy
2. A way of linking hospital operations to that strategy
3. A way of monitoring and comparing hospital performance
What it shouldn’t be:

1. A magic bullet that will automatically “fix” every problem
2. Just another benchmarking project that generates meaningless data
3. Something that exists without commitment and effort
“The whole process of measuring performance is completely wasted unless action is taken on the performance data that are collected. Far too often, and in far too many organizations, management fails to do this. They produce the charts. They produce the reports, but then they fail to analyze the data and decide what they are going to do differently inside the organization to make sure that next month’s figures are better than this month’s figures. It is almost as if managers today have become so obsessed with measuring performance, that they no longer have time to act on the performance data once they have been gathered.”[i]


Courtesy of Paul Niven, Author of “Balanced Scorecard Step by Step”
# The BSC as a Strategy Tool

## Perspective

<table>
<thead>
<tr>
<th>Financial</th>
<th>To succeed financially, how should we appear to our stakeholders?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The drivers of Shareholder Value</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer/Community</th>
<th>To achieve our vision, how should we appear to our customers?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The differentiating value proposition</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Internal Business Processes</th>
<th>To satisfy our customers and shareholders, what business processes must we excel at?</th>
</tr>
</thead>
<tbody>
<tr>
<td>How value is created and sustained</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Learning &amp; Growth</th>
<th>To achieve our vision, how will we sustain our ability to change and improve?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role for intangible assets – people, systems, climate and culture</td>
<td></td>
</tr>
</tbody>
</table>
The Strategy Execution Gap

Mission
Why we exist

Values
What's important to us

Vision
What we want to be

Strategy
Our game plan

How do you communicate and operationalize strategy?

Operational Quality Management, Six Sigma, etc.
What we want to improve

Empowerment / Personal Objectives (MBOs)
What I need to do

Source: Kaplan, 2002
Dye and Garmen: Cornerstones of Healthcare Leadership

Well-Cultivated Self-Awareness

Compelling Vision

Masterful Execution

Real Way With People
• Communication of a vision is the first step in execution.

• Why being visionary is so important

• Communicating a common vision

• Using the BSC to communicate a vision
Cause and Effect Links in a Strategy Map

Part of a Strategy Map for a Manufacturing Company

- **Financial Perspective:**
  - Increase Profit Margins
  - Improve Stock Price

- **Customer Perspective:**
  - Earn Customer Loyalty by being trusted advisors

- **Internal Processes:**
  - Develop the best Customer Support in the Industry

- **Learning & Growth:**
  - Reduce Staff Turnover for Customer Support Team
  - Increase Tech Training for Customer Support Reps
Prototype Balanced Scorecard Strategy Map

**Business and Development**

As financial stakeholders, how do we intend to meet the goals and objectives in the hospital’s Mission Statement?

- Grow revenues from existing market
- Increase margin to fund mission
- Increase operating efficiency

**Patient and Healthcare Community**

As customers of the hospital’s services, what do we want, need or expect?

- Optimize physician use of hospital services
-Provide outstanding customer service
- Grow patient and community confidence
- Engage patients in decision making process
- Provide appropriate level of clinical services

**Hospital wide Quality and Safety**

As members of the hospital staff, what do we need to do to meet the needs of the patients and healthcare community?

- Meet practice needs of medical staff
- Enhance business office processes
- Maximize patient safety
- Deliver positive clinical outcomes
- Deliver timely and effective care

**Staff and Clinicians**

As an organization, what type of culture, skills, training and technology are we going to develop to support our processes?

- Retain nursing and support staff
- Cultivate environment of improvement
- Support professional development
- Link individual roles to strategy
- Build strategic awareness
Example of Part of a Rural Hospital Strategy Map

Financial Perspective

- Grow revenues from existing market

Customer Perspective

- Optimize physician’s use of hospital services
- Improve Patient Satisfaction
Example of Part of a Rural Hospital Strategy Map

<table>
<thead>
<tr>
<th>Financial Perspective</th>
<th>Grow revenues from existing market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Perspective</td>
<td>Optimize physician’s use of hospital services</td>
</tr>
<tr>
<td>Internal Processes Perspective</td>
<td>Meet practice needs of medical staff</td>
</tr>
<tr>
<td>Learning &amp; Growth Perspective</td>
<td>Support professional development</td>
</tr>
</tbody>
</table>
Example of *Part* of a Rural Hospital Strategy Map

**Hospital Mission**

**Financial Perspective**
- Grow revenues from existing market

**Customer Perspective**
- Optimize physician’s use of hospital services
- Improve Patient Satisfaction

**Internal Processes Perspective**
- Meet practice needs of medical staff

**Learning & Growth Perspective**
- Support professional development
Example of *Part* of a Rural Hospital Strategy Map

**Hospital Mission**

**Financial Perspective**
- Grow revenues from existing market
  - Measure

**Customer Perspective**
- Optimize physician's use of hospital services
  - Measure
- Improve Patient Satisfaction
  - Measure

**Internal Process Perspective**
- Meet practice needs of medical staff
  - Measure

**Learning & Growth Perspective**
- Support professional development
  - Measure
Example of Part of a Rural Hospital Strategy Map

Hospital Mission

Financial Perspective
- Grow revenues from existing market
- Measure

Customer Perspective
- Optimize physician’s use of hospital services
- Measure
- Improve Patient Satisfaction
- Measure

Internal Process Perspective
- Meet practice needs of medical staff
- Measure

Learning & Growth Perspective
- Support professional development
- Initiatives
Linking Vision to Operation

• Vision Barrier
  - Only 5% of staff understand the strategy

• People Barrier
  - Only 25% of managers have incentives linked to strategy

• Management Barrier
  - 85% of executive teams spend one hour a month or less on strategy

• Resource Barrier
  - 60% of organizations don’t link budget to strategy
Why Strategies Fail

Only 10% - 30% of Strategies are Successfully Executed

Where we are today

Measuring the wrong stuff
Not a “team” working together
Leaders too busy fighting fires
Staff not aligned with strategy
Unclear strategy definition

Strategy-Execution Gap

Where we want to be
“To kick start individual contribution engines people must have the ability to demonstrate how their everyday actions are making a difference and assisting the company in fulfilling its strategic objectives.”

Paul Niven

Balanced Scorecard Diagnostics
Strategic Alignment Enables Execution

• Our strategy is set, now we need to execute to make it happen

• Alignment does not mean that everyone does the same thing, but that everyone is contributing to the goal of the whole

• Alignment comes through understanding the goal, and how “I” fit in
Developing a Strategy

• Look at what you CAN control

• Significant opportunities to improve financial and operational performance – the question is: HOW?

• Performance Improvement doesn’t just happen!
  – It’s not enough to see the need and set goals
  – The chosen strategy must be executed
## Putting it All Together

**What is the strategy trying to achieve?**

**How will the performance of the objectives be monitored?**

**What performance level is required?**

**What are the actions or programs to achieve the target?**

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Measures</th>
<th>Targets</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offer the Best ED service in the area</td>
<td>Patient Satisfaction Scores</td>
<td>80% Excellent</td>
<td>Deploy Customer Service Training Program</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Recruit ED Specialist</td>
</tr>
</tbody>
</table>

80% Excellent

Deploy Customer Service Training Program

Recruit ED Specialist
Objectives

• Maintain fast ground turnaround

Statement of what strategy must achieve and what’s critical to its success

Target

• 30 Minutes
• 90%

The level of performance or rate of improvement needed

Key action programs required to achieve objectives

Strategy Map: Diagram of the cause-and-effect relationships between strategic objectives

Essential Seven – Developing Effective Measures

Strategy Map

- Financial
  - Profitability
    - Lower Costs
    - Increase Revenue

- Customer
  - Flight is on time
  - Lowest prices

- Internal
  - Maintain fast ground turnaround

- Learning
  - Ground crew alignment

Objectives

- Maintain fast ground turnaround

Measurement

- On Ground Time
- On-Time Departure

Target

- 30 Minutes
- 90%

Initiative

- Cycle time optimization
Success Stories

- Advanced Beneficiary Notice – User Friendly Billing
- “The Hoarders” – Being Fiscally Responsible
- Continuing Education – A Well-trained, competent staff
- Dress Code Violation – Professional, Highly Qualified Staff
Use of Balanced Scorecard

- Common denominator for:
  - Board
  - Administration
  - Medical staff
  - Department managers
  - All staff meetings
  - New employee orientation
“Vision without action is merely a dream, Action without Vision merely passes time. Vision with Action can change the world.”

Joel A. Barker, Independent Scholar and Futurist