Ideas at Work

The Balanced Scorecard
Solution at Peel Memorial Hospital

By Bruce W. Harber

Hospitals and regional health authorities across Canada are under siege. From mergers to forced closures to funding restraints, the healthcare industry is facing tremendous challenges. To make matters more complicated, add mediating cultural differences and the integration of non-acute and community-based services. At the same time, healthcare entities attempt to remain focused on delivering high-quality patient care and aligning the key stakeholders to the newly created vision.

In the midst of these challenges, management must ensure that it brings as much alignment, direction and purpose as possible into the organization. A clearly articulated vision statement, measurable corporate goals and objectives, together with a strategic plan all help to bring more certainty to staff, patients and volunteers. The "deliverable" is the ability of staff and teams to align accountabilities, activities and resources in support of the vision and goals of the organization.

For Peel Memorial Hospital (PMH) in Brampton Ontario, 1995 was a watershed year. It was evident that our corporate goals and objectives had run their course. We lacked measurable targets. We had a tired Mission Statement that tried to be all things to all people. Internal surveys revealed that employees weren't clear on what our objectives were, what strategic direction we were taking and how certain hospital initiatives were inter-related.

However, back in 1994, PMH had embarked on a comprehensive Continuous Quality Improvement (CQI) training program for all staff that was followed by a flurry of departmental and interdepartmental improvement initiatives. Management looked closely at whether time, money and energy was being focused on the key clinical and business processes. Meanwhile, employees asked, How does our evolving program management structure relate to our move into a patient-focused care model? How do these organizational development initiatives tie in with our move to shared-governance models for nursing and the professional disciplines? Where is the fit for CQI and our new computer system?

To resolve this dicotomy, we chose to partner with Xerox Quality Services. The company has significant expertise in an integrated structure that not only addressed our existing issues, but also enabled the organization to work towards common objectives. Ironically, we did not go out to the marketplace looking specifically to find a 'balanced scorecard' solution. We backed into this initiative because it was a good fit for our culture, addressed our issues and was considered to be an effective vehicle to help the organization evolve further.

VALUE OF THE BALANCED SCORECARD

For PMH, the balanced scorecard provides us with:
1. a framework for performance measurement and evaluation;
2. the ability to translate the organization's strategic objectives into a coherent set of performance measures;
3. the alignment of seemingly disparate elements with organizational objectives;
4. a focus on accountability at all levels; and
5. a balance between productivity and quality, that is, an interrelationship between the elements in the model.

Essentially, the balanced scorecard specifies desired performance, assesses current performance and identifies the gaps between the two. Through this technique, PMH was able to focus on the 'vital few' actions necessary to close the gaps. All teams align their objectives and activities to the achievement of our performance results (corporate goals and objectives). To do this, they rely on corporate and team performance indicators, collect and analyze data, measure progress against targets, and develop action plans.

ASSESSMENT OF THE HOSPITAL'S PREPAREDNESS

One of the first things we did was to conduct an environmental assessment to determine the state of readiness of the organization. Through focus-group discussions, we determined the strengths of the hospital and of the people involved. In addition, we identified some areas that required development and were considered necessary for the effective implementation and use of the balanced scorecard. In essense, the process was like a cultural due-diligence process. We gathered together people from all levels of the organi-

zation and explained the importance of measuring performance to improve the underlying capability of the organization. Together, we focused on identifying our 'vital few' – the most critical elements of our business that had to change.

The initial stages of our partnership with Xerox involved transforming its corporate-sector model into a model appropriate and relevant to a healthcare organization. The company also assisted in the development of our vision statement, which was the critical foundation and the desired state from which we formulated our performance results. Our motto was changed to "Together We Achieve Great Things" which sums up the essence of our vision statement.

IDENTIFICATION OF MAJOR BUSINESS CATEGORIES
Through the integrated management model PMH next identified six major categories of our business and how they intersect with each other.
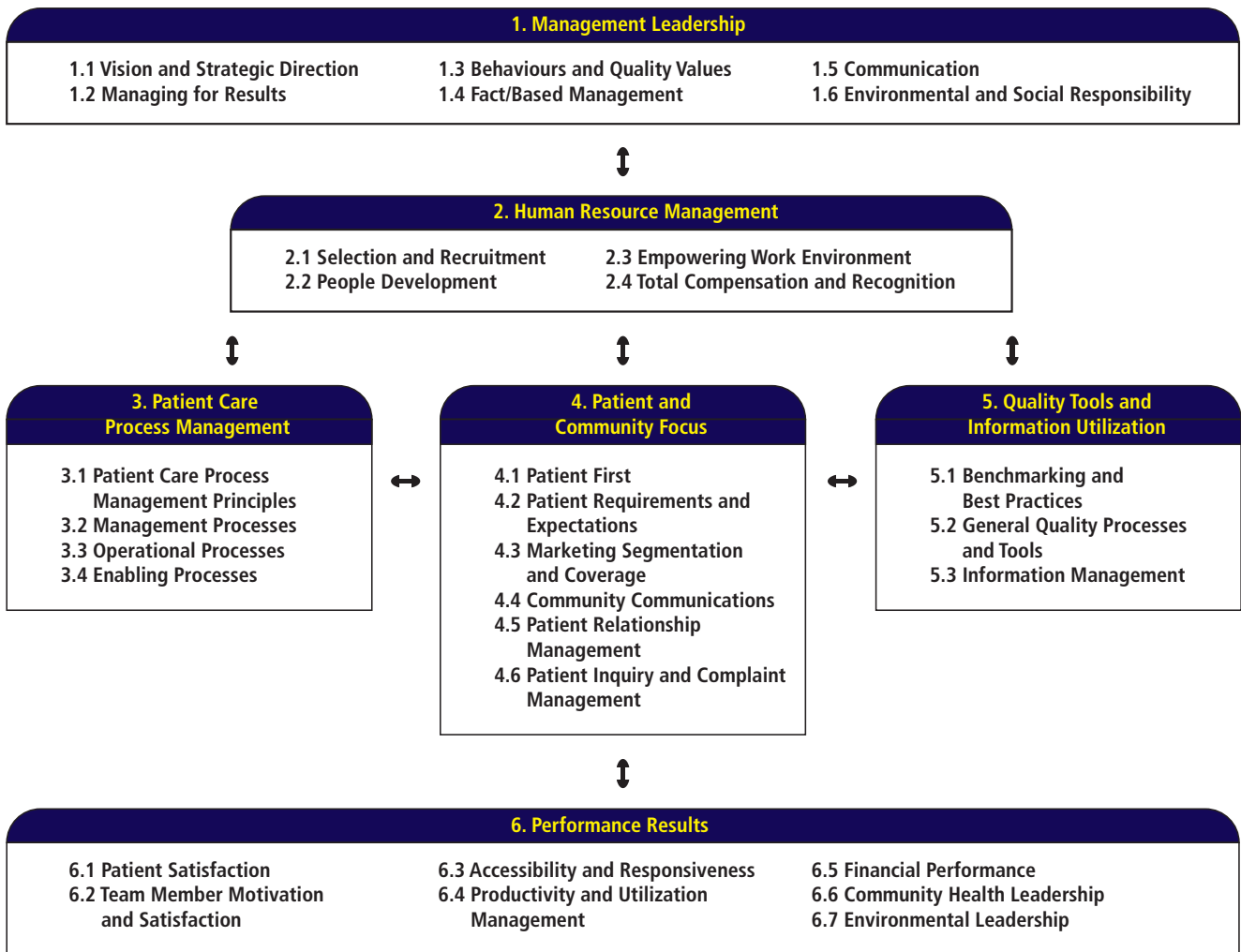
Each of the categories has several data elements (such as Vision and Strategic Direction, Managing for Results, and Behaviours and Quality Values within the category of Management Leadership), a desired state and diagnostic criteria. The latter include what to measure, how to measure progress and what objective must be met. The performance results include these aspects plus annual objectives with targets.

At the centre of the model is Patient and Community Focus. The collective aspects of the model focus on the patient and community. No one category is a key driver. The 23 data elements are drivers of the performance results.

DETERMINING THE 'VITAL FEW' PERFORMANCE INDICATORS
The first year of implementation included objectives that identified the need for corporate measurement tools such as patient and staff/team satisfaction. In the initial stages, the 'vital few' activities

Integrated Management Model

1. Management Leadership

1.1 Vision and Strategic Direction	1.3 Behaviours and Quality Values	1.5 Communication
1.2 Managing for Results	1.4 Fact/Based Management	1.6 Environmental and Social Responsibility

↕

2. Human Resource Management

2.1 Selection and Recruitment	2.3 Empowering Work Environment
2.2 People Development	2.4 Total Compensation and Recognition

↕

3. Patient Care Process Management

3.1 Patient Care Process Management Principles
3.2 Management Processes
3.3 Operational Processes
3.4 Enabling Processes

↔

4. Patient and Community Focus

4.1 Patient First
4.2 Patient Requirements and Expectations
4.3 Marketing Segmentation and Coverage
4.4 Community Communications
4.5 Patient Relationship Management
4.6 Patient Inquiry and Complaint Management

↔

5. Quality Tools and Information Utilization

5.1 Benchmarking and Best Practices
5.2 General Quality Processes and Tools
5.3 Information Management

↕

6. Performance Results

6.1 Patient Satisfaction	6.3 Accessibility and Responsiveness	6.5 Financial Performance
6.2 Team Member Motivation and Satisfaction	6.4 Productivity and Utilization Management	6.6 Community Health Leadership
		6.7 Environmental Leadership

may equate (as they did with us) to the objectives of the organization. Selecting the vital few is part science and part art. Conducted once a year before the next fiscal year, the process involves brainstorming at the senior level as to which drivers will improve performance results. Typically, we select at least four vital projects from the 23 data elements that will require improvement-team attention. An assessment of these elements based on the diagnostic criteria and progress toward the desired state will prioritize where to place resources over the next 12 months. Collectively you anticipate that the action plans associated with these vital few will impact positively on the next series of quarterly performance results. Over time and with experience, the organization will become more sophisticated in the cause-and-effect game.

One of the most important aspects of implementing organizational change is the ability to sell the rationale to the organization. People must see the connection between the past, present and future. Before implementing any change, we communicate with those involved to explain what we're doing, why we're doing it, how it benefits the organization and its people, what the issues will be, the timetables and the level of involvement we expect from staff.

STREAMLINING THE MODEL

During Year Two of implementation we have evolved and streamlined the model, that is, reduced the data elements. As well, we have become more adept at managing and understanding the causal relationship between performance indicators and performance results. We now have a good sense of which performance results help to drive performance results in other areas.

After two years of actual implementation, every team is aware of the model, performance results and their specific accountabilities. Most teams can report on all performance results, others can report on most, while some actually collect data and develop action plans that assist other teams in achieving their objectives. A leadership guide was developed for each of the team leaders to assist in the process of communicating the model and expectations of performance and accountabilities to all front-line staff.

All teams make quarterly report presentations to the senior team. The senior team meets weekly, with the first hour dedicated to team reports. Teams, usually two representatives, have 15 minutes to present highlights and identify issues that may require corporate support and action plans overall. We have a process in place that continuously looks at the format and content of reports.

Team reports are available to everyone in the organization. Teams are encouraged to share information and the 'how to's' in terms of successful achievement of performance results. This form of internal benchmarking is another strategy to achieving corporate performance results. The Board of Directors receives a quarterly roll-up report of performance reports. This model assists the board and its accountability for looking at the 'ends' and not the 'means.'

SCORECARD RESULTS

Since implementing the model, positive patient satisfaction levels have increased from 89 percent to 95 percent. Staff satisfaction survey participation levels have increased from 33 percent to 75 percent. As soon as the organization knew what we were measuring and the fact that we were being held accountable for follow-up, the results spoke for themselves. The use of CQI tools and techniques is alive and well and integrated. The model has been able to revitalize and sustain the investment we made in CQI training.

Further, we believe that the model has enabled PMH to become the lowest-cost provider in our peer group and to receive a four-year Accreditation Award with Distinction.

LESSONS LEARNED

1. Priorities and strategic directions are positively affected by the use of the balanced scorecard. Performance results have assisted us in reinvestment decisions, allocation of resources, use of space and even the purchase of capital equipment. When we go out to the marketplace to seek a public/private-sector partnership, that is, in material management, laboratories and support services, we ask vendors to outline in their proposals how the partnership will help us achieve our performance results.

2. We now have a better handle on how to invest in our learning objectives. Before we were unclear about the value-added nature of our investment in training, education and development. The performance results have enabled us to align funding to improve results, particularly in the area of staff/team satisfaction. The challenge is to put the resources, time and energy into areas that get the best bang for the buck in terms of improved performance results.

3. While the development and implementation of the balanced scorecard was a major undertaking, the return on investment has exceeded our expectations. Our corporate partner got us started but over time we assumed ownership of the tool and its application. This is an important consideration for organizations as they contemplate the relevance of this model to their organization. The sooner you take ownership, the more the organization and its teams will become committed and supportive of the initiative and integrate it into their day-to-day activities.

4. The development of the performance measures is a challenge. Although most of the measures were readily available, we had to go through a structural process to ensure indicators are aligned to objectives, targets and performance results. When you start, you will not have it all in place. Expect to evolve and get on with it. The easiest and most readily available measures are the financial and productivity indicators. The soft measures (such as patient and staff satisfaction) are harder to obtain but they ultimately help to create a quality-focused and innovative working culture, which in turn drives the hard measures.

APPLYING THE SCORECARD IN LABORATORY RESTRUCTURING

The Peel Memorial Hospital's integrated management model was key to the hospital laboratory's restructuring success. The Laboratory's restructuring initiatives, which were implemented in four distinct phases over a five year period, included: the introduction of self-directed teams; a decrease in the previous hierarchical management structure; and redesign of work allocations including the crosstraining of staff.

The major achievements from this restructuring relate primarily to the performance research of Team Member Motivation and Satisfaction, and Financial Performance. Highlights range from:

- A $1 M reduction in the former staffing budget, and a 15% increase in productivity;
- Elimination of terratorialism that had existed between various lab areas; and,
- Enrichment of the technologist and technician roles and empowerment of all laboratory staff.

5. Often people become too enamoured with using the same measure over and over again. You must learn to reject some of them – those that didn't initiate any change in performance, where it's unclear about what's being measured and how results should be interpreted, where there's no display of progress toward strategic objectives, where there's no ownership for performance.

At the outset, I challenge you to ask yourself how you can bring out the best in your people. Determine how you can achieve the highest standard of quality possible and make sure that what you're doing is very relevant, effective and appropriate. If you have a vision statement, how do you know that you're constantly living it? To what extent are you truly a value-based organization? If you believe in those questions and learn how to operationalize them, you've got it made. The balanced scorecard is a powerful tool to accomplish just that! **HQ**

Bruce Harber is President and Chief Executive Officer at Peel Memorial Hospital in Brampton, Ontario.

BRUCE HARBER

CRITICAL SUCCESS FACTORS

- Organizations that are already functioning as a team-based environment, i.e. under a program management structure, are best equipped for effective roll-out of the scorecard.
- An environmental assessment is required in order to evaluate the state of readiness for the initiative – determine what strengths or underpinnings are in place, identify critical success factors and what challenges will need to be addressed in preparing for implementation.
- A top-down bottom-up approach allows teams to create their own indicators. This helps to ensure appropriate buy-in and ownership, especially for the performance indicators.
- Accountability for the scorecard lies with the team not a single person. Often the ownership is assigned to a chief financial officer. I believe organizations that take this approach do so at their own peril. The scorecard is a core management tool, the ownership of which lies with the entire leadership team. Accordingly, we have a weekly leadership team meeting to compare our performance measures and progress against the corporate goals.
- A commitment to change whatever you measure when neces-

sary. It's easy to constantly review the financial and productivity measures. But it's your progress against the soft, non-financial measures that really makes the difference, because they drive all the other performance results. If you are turning on your teams of employees and your patients, then your financial picture will take care of itself.
- Become disciplined in looking at the cause-and-effect relationships between the data elements or risk putting resources in the wrong place. This is important, as the power of a balanced scorecard is in the interrelationship between measures and results.
- IS infrastructures must support the needs of a balanced scorecard, i.e., financials. There are packaged 'user friendly' software solutions where programs are loaded from a server that may be useful to hospitals looking to upgrade their IS.
- Commit to a periodic organization-wide assessment of your performance against all the data elements.
- Balanced scorecard structures succeed when they provide relevant facts and data about current performance and show what needs to be improved, either immediately or in the future.