Applying the Balanced Scorecard in Healthcare Provider Organizations

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EXECUTIVE SUMMARY

Several innovative healthcare executives have recently introduced a new business strategy implementation tool: the Balanced Scorecard. The scorecard's measurement and management system provides the following potential benefits to healthcare organizations:

- It aligns the organization around a more market-oriented, customer-focused strategy
- It facilitates, monitors, and assesses the implementation of the strategy
- It provides a communication and collaboration mechanism
- It assigns accountability for performance at all levels of the organization
- It provides continual feedback on the strategy and promotes adjustments to marketplace and regulatory changes

We surveyed executives in nine provider organizations that were implementing the Balanced Scorecard. We asked about the following issues relating to its implementation and effect:

1. The role of the Balanced Scorecard in relation to a well-defined vision, mission, and strategy
2. The motivation for adopting the Balanced Scorecard
3. The difference between the Balanced Scorecard and other measurement systems
4. The process followed to develop and implement the Balanced Scorecard
5. The challenges and barriers during the development and implementation process
6. The benefits gained by the organization from adoption and use

The executives reported that the Balanced Scorecard strategy implementation and performance management tool could be successfully applied in the healthcare sector, enabling organizations to improve their competitive market positioning, financial results, and customer satisfaction. This article concludes with guidelines for other healthcare provider organizations to capture the benefits of the Balanced Scorecard performance management system.

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Executives of healthcare provider organizations that face increased payer power, growing healthcare consumerism, and constraining regulations must balance complex tradeoffs among cost, quality, access, and consumer choice (Shortell et al. 2000). They look to new business tools and best practices to help them take a more strategic approach, one that will not only differentiate their services and attract more business but also complement their current focus on operational improvements. Healthcare leaders have begun to use the Balanced Scorecard (BSC), a "multidimensional framework for describing, implementing, and managing strategy at all levels of an enterprise by linking objectives, initiatives, and measures to an organization's strategy" (Kaplan and Norton 1996).

This new management tool provides an enterprise view of an organization's performance by integrating financial measures with other key performance indicators related to customer preferences; internal business processes; and organizational growth, learning, and innovation. Based on experience in other industries, the BSC has the potential to deliver the following benefits:

- Provide a framework for focus and alignment around a market-oriented customer-focused strategy
- Establish core principles and processes for implementing the strategy
- Provide a communication and collaboration mechanism that clearly assigns accountability to those responsible for carrying out the strategy at all levels of the organization
- Develop a measurement and reporting system to assess the progress and success of the strategy
- Direct resource allocations to develop new products and services for targeted customers and improve their access to healthcare
- Allow continual feedback and learning processes, facilitating rapid adjustments to marketplace and regulatory changes

Although BSC applications in healthcare organizations have just begun, several articles have described the use and potential benefits of this tool in various healthcare settings: community health partnerships (Hageman et al. 1999); Children's Hospital (Meliones et al. 2001); Army Medical Department (AMEDD) (Holt 2001); outpatient services (Curtright, Stolp-Smith, and Edell 2000); and hospital systems (Pink et al. 2001). Another set of articles provides information and advice on the general issues and specific steps healthcare organizations should consider when building a BSC (Oliveira 2001; MacStravic 1999; Weber 2001; Griffith and King 2000). None of these articles, however, describes the motivation, experience, and results from the perspective of healthcare executives who have implemented the BSC in their organizations.

To address this gap, we conducted a research study of nine provider organizations that had begun to implement the BSC. The first section of this article provides a brief description of the BSC, the second section presents

the results of the research study, and the third section provides guidelines for successful implementation of the concept in healthcare organizations.

DESCRIPTION OF THE BALANCED SCORECARD

The BSC originated in 1990 from a one-year, multicompany study of private sector companies (Kaplan and Norton 1992). The study concluded that even in for-profit organizations, reliance on financial measures alone was insufficient for managing complex and everchanging business environments, especially as organizations became more customer focused and wanted to benefit from their intellectual capital and knowledge-based assets. During the next decade, the BSC evolved from an improved measurement system to a strategic management system. Senior executives used the BSC as a central organizing framework to formulate, communicate, and execute strategy and to learn and adapt their strategy to changing conditions (Kaplan and Norton 2001).

The BSC strategic management system uses a framework and core principles to translate an organization's mission and strategy into a comprehensive set of performance measures and strategically aligned initiatives. The organization's mission and strategy are translated into strategic objectives and measured around four perspectives—(1) financial, (2) customer, (3) internal process, and (4) learning and growth—that represent the BSC framework. The framework provides a balance between short- and long-term objectives, financial and nonfinancial measures, and external and internal performance indicators. Most importantly, the scorecard balances the outcomes the organization wants to achieve (typically in the financial and customer perspectives) and the drivers of those outcomes (typically in the internal process and learning and growth perspectives). Detailed cause-and-effect reasoning, depicted in a strategy map, links the drivers of the strategy to the desired financial and customer outcomes that represent the success of the strategy (Kaplan and Norton 2000).

Executives implemented the BSC framework by applying five core principles:

1. Translate the strategy into operational terms
2. Align the organization to the strategy
3. Make strategy everyone's job
4. Make strategy a continual process
5. Mobilize change through executive leadership

In this research study, we evaluated the potential value to healthcare provider organizations from applying the BSC framework and the five core principles. The next section describes and presents the results from the research study.

RESULTS ON THE APPLICATION OF THE BSC IN HEALTHCARE

The research study examined nine innovative healthcare provider organizations that were early adopters of the BSC framework. We conducted interviews with executives of these

FIGURE 1:
Interviewee Code/Position and by Organization Type

Interviewee Code	Title	Organization Code	Organization Type
[A]	*Senior Vice President*	[1]	Integrated Delivery System
[B]	*Director Strategic Planning*	[2]	Integrated Delivery System
[C]	*Chief Executive Officer (CEO)*	[3]	Integrated Delivery System
[D]	*Vice President of Patients Services Healthcare Consultant*	[4]	Integrated Delivery System
[D]	*Vice President of Strategic Planning Healthcare Consultant*	[4]	Integrated Delivery System
[E]	*Chief Operating Officer (COO)*	[5]	Academic Medical Center
[F]	*Executive Vice President*	[6]	Skilled Nursing Facility
[G]	*Director of Clinical Integration*	[7]	Integrated Delivery System
[H]	*Chief Executive Officer (CEO)*	[8]	Integrated Delivery System
[I]	*Chief Strategy Officer*	[9]	Community Hospital

organizations to evaluate the potential value of the BSC as a strategic management tool for healthcare organizations. Figure 1 describes the positions of the interview participants and their organization type (for confidentiality only the participants' and organizations' codes are shown). The following questions about each organization were asked at the interviews[1]:

1. Did your organization have a well-defined vision, mission, and strategy before utilizing the Balanced Scorecard?
2. What motivated your organization to adopt the Balanced Scorecard?
3. How did the Balanced Scorecard differ from other measurement systems?
4. What process was followed to develop and implement the Balanced Scorecard?
5. What major challenges and barriers arose during the Balanced Scorecard development and implementation?
6. What benefits did your organization receive?

All nine organizations were in the early stages of implementing their BSCs. Therefore, the results are only suggestive about the potential value of the scorecard for healthcare organizations.

1. Well-Defined Vision, Mission, and Strategy

All interview participants, with one exception, had a well-defined vision, mission, and strategy prior to launching their BSC project. This finding is consistent with the BSC being a strategy implementation tool rather than one for strategy formulation. Of course, the effectiveness of the new strategic management system will depend on the soundness of the underlying strategy. The organizations had several common strategic themes:

- Achieve financial strength
- Develop reputation or brand image
- Grow the business (patient volume) through market analysis and customer focus
- Achieve operational excellence and demonstrate value through improved measurement systems
- Form strategic alliances and partnerships, especially with physicians
- Develop infrastructure to offer and integrate across the continuum of care through enhancing information technology capabilities

Interview participants stated that the cause-and-effect reasoning to construct strategic objectives in the four BSC perspectives often identified gaps in their existing strategies. Later, as they evolved the BSC into their strategic management system, many anticipated using the scorecard to learn from the strategy and to provide input to a new strategy-setting cycle. None of the organizations, however, had yet to progress that far in their implementation.

The nine organizations distributed their measures across these four perspectives:

- Financial (23 percent)
- Customer (33 percent)
- Internal processes (27 percent)
- Learning and growth (17 percent)

This distribution is consistent with the distribution used in private-sector organizations.

2. Motivation to Adopt the Balanced Scorecard

The organizations adopted the BSC as a proactive response to external forces, including financial pressure, competition, consumerism, industry consolidation, regulatory reporting, information management, and new technology (see Figure 2). These forces motivated them to search for more effective strategic management tools, as captured in the following quotes:

> We had a tired mission statement and no vision; our lack of focus on key business and clinical processes had led to employee dissatisfaction and a lot of internal pain. The Balanced Scorecard made sense to help us pull everything together ([C] - [3]).

> We were fighting for our lives . . . [we had] immense financial pressures. However, we knew it was too easy to cut costs and muck-up care; we did not want to do this—our reputation was too important. The Balanced Scorecard allowed us to reduce costs without hurting quality. Also, we needed desperately to focus the energy of the executive team and understand how we could quantify our strategic goals and measure performance ([D] - [4]).

FIGURE 2:
External Forces Driving the Introduction of the Balanced Scorecard

External Forces	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	Total
Financial Pressure (Managed Care)	X	X		X	X		X		X	6
Increasing Competition	X	X		X	X		X		X	6
Increasing Consumerism	X		X	X	X	X				5
Industry Consolidation Regionalization			X	X	X			X	X	5
Regulatory Reporting	X	X		X						3
Information Management				X		X				2
New Technology Inpatient to Outpatient	X									1
Total Number of Forces	5	3	2	6	4	2	2	1	3	

> We chose the Balanced Scorecard because of the recognition of the board of directors and the Sisters that we needed to attach measurement to strategy, to understand our business, and to know how we were doing in terms of achieving our mission. We were not in touch with our mission, and we had been operating on faith for too long ([G] - [7]).
>
> We were in a strong position, but we knew we had to be prepared. The Balanced Scorecard provided clarity and focus and helped us align the organization. It gave us a balanced approach to results management and provided a way to know how well we were producing results and how to improve ([1] - [9]).

3. Comparison of the Balanced Scorecard to Other Measurement Systems

Performance measurement in healthcare became commonplace in the 1990s. For example, the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) uses a set of performance measures to accredit more than 18,000 healthcare organizations. The National Committee for Quality Assurance (NCQA) provides accreditation and overall performance measurement for health plans using the Health Plan Employer Data and Information Set (HEDIS). Interview participants enumerated ways the BSC differed from these and other common measurement systems:

- Most measurement systems serve a narrow regulatory, clinical, or diagnostic function. They are not constructed to tell the story of an organization's strategy and to guide its implementation.
- Other measurement systems do not offer the timeliness and forward-

looking leading indicators of the Balanced Scorecard.

- The cause-and-effect linkages of the Balanced Scorecard capture the complexity and interrelationships of the strategy, facilitating explicit tradeoffs among cost, quality, and access.
- Many of the other measurement systems complement the Balanced Scorecard by guiding operational and process improvement.

The interviewed participants concurred that the measures on their BSC represented the few strategically important indicators for organizational success. These were typically quite different from the regulatory and clinical reporting measures required by other measurement systems. The interviewees stated, however, that they did use components from the other measurement systems to complement the BSC.

4. Development and Implementation of the Balanced Scorecard

The BSC was initiated at the executive level with the exception of one organization. All participants stated that support from senior management was critical to the long and involved process of developing and implementing the scorecard. The average time to develop and implement the scorecard ranged from one to five years, with an average of two years. The typical resources devoted to the development of the scorecard included executive management time, managerial time, workforce time, consulting fees, business and clinical information systems, new software packages, intranet and Internet development, and both in-house and outsourced market research studies.

The BSC implementation typically involved two processes: (1) developing the top-level BSC and (2) implementing and cascading the top-level BSC throughout the organization. The organizations typically used the steps shown in Figure 3.

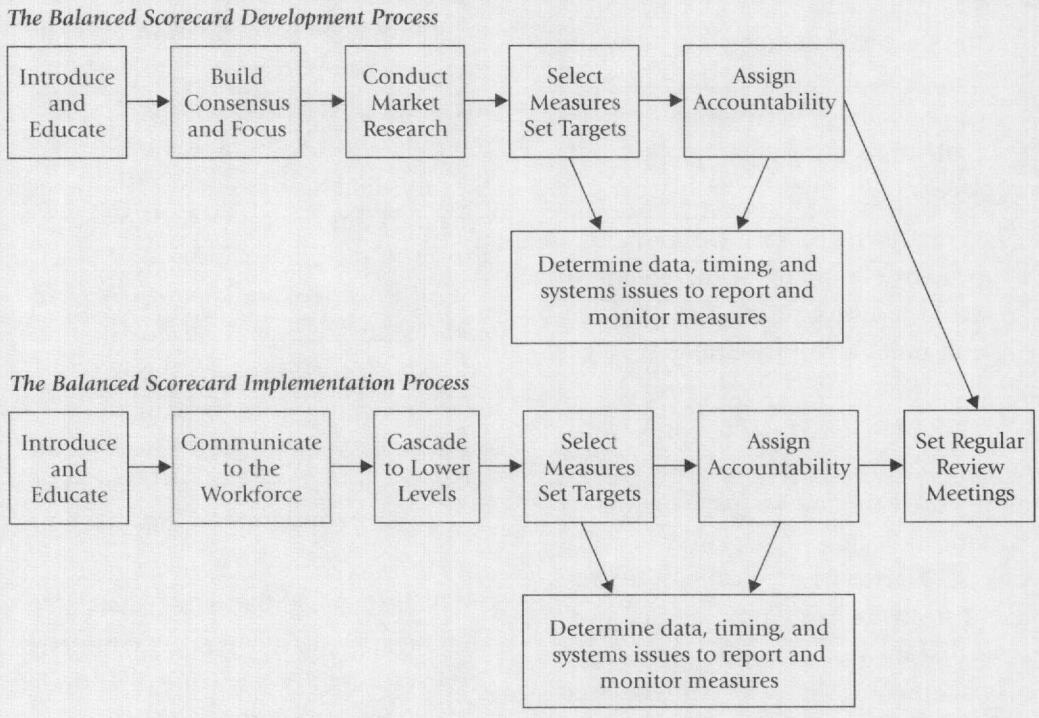
All interview participants remarked that healthcare organizations should not expect to go through the BSC development and implementation quickly. They used much teaching, discussion, and consensus building to embed the scorecard in their organizations.

5. Challenges and Barriers Encountered

The interview participants encountered numerous challenges while developing and implementing their BSCs. The following seven challenges were most often mentioned:

1. *Obtaining approval to implement the BSC.* The interviewed executives were pioneers in applying the BSC to healthcare organizations and did not have any previous model to follow. They did not have evidence that a new business tool could improve performance in the complex and fragmented healthcare environment. Many participants mentioned that it was an incredible challenge for them to have their board members and other members of the senior management to buy-in and support the long and difficult development and implementation process. The

FIGURE 3:
The Balanced Scorecard Development and Implementation Processes



most difficult constituents were the physician leaders who felt that any resources spent on the development of the scorecard were wasted. The interview participants had to "build a case and create a burning platform" as to why the BSC was essential to the ongoing viability of their organizations.

2. *Obtaining executive time and commitment.* The BSC causes a major shift in the way healthcare management thinks about strategy and its implementation. People did not easily accept the four-perspective framework because the "culture did not value looking at measures in a balanced way." They found measuring learning and growth objectives difficult to accept. Also, the cause-and-effect logic was difficult to learn, understand, and employ because people were not accustomed to thinking this deeply about the strategy.

3. *Developing the value proposition for the customer perspective.* Four major constituents—payers, patients, regulators, and physicians—generate revenues for healthcare providers. Each constituent can require a conflicting value proposition in terms of access, quality, cost, and choice. Executives had to make difficult tradeoffs to operationalize the different value propositions with

measures that were aligned and did not conflict with each other. Also, most organizations realized they did not have enough information about customer preferences and their performance with customers. They often initiated market research studies to fill this void.

4. *Deploying the BSC throughout the organization.* Extensive time (six months to one year) and effort to gain consensus was required after the first draft of the scorecard had been completed. Obtaining consensus about what was strategically important at the organization level versus the operational measures typically used at lower levels was especially time consuming.
5. *Gaining commitment to implement the BSC.* Many of the organizations had previously attempted to implement business tools but had not taken them to completion. The workforce was skeptical and viewed the BSC as "just another fad." Also, the workforce had limited time to devote to this effort in relation to other responsibilities. This challenge was further exacerbated by the fear of being measured, often for the first time—interviewees stated that people just did not want their performance measured. Because of the many interrelationships in healthcare, they did not feel in control of the results; therefore, people held back from setting stretch targets, especially when achievement was tied to compensation. Finally, people feared accountability for achieving targeted performance. To address the time constraints, assist the education of the workforce, and to overcome their fears, organizations typically hired consultants or assigned employees to work full-time on implementing the BSC.
6. *Obtaining and interpreting timely data in a cost-effective manner.* Numerous healthcare service areas had to be synchronized to obtain regular reporting of the measures. Getting the data on a timely basis in the right format was a tremendous feat. Many found the cost to acquire a data repository, which connected disparate systems and accessed information from different sources into one seamless automated process, to be exorbitant. Often the skills to analyze and interpret measures were nonexistent. Organizations had to teach the workforce how to gather, analyze, and use data for the measures.
7. *Keeping the scorecard simple and using it for learning.* Organizations had to be disciplined to avoid "indicator creep" as many participants reported a common tendency to add more measures without any coming off. This tendency was more a political reaction to the acceptance of the scorecard by board members, and individuals vying for visibility for their programs. Participants advocated that the scorecard should never sleep; it should be continually evolving and adjusting to new strategies. They reported, however, that executives could not agree on how to use the BSC for

reflection and learning. The continual addition of measures and the time delay to see results from the scorecard (six to twelve months) made it difficult to evaluate if the measures were motivating the right behavior. Finally, the BSC required a team-based interdisciplinary approach to reap its full benefits, but teams did not meet regularly to learn from the feedback of the reported measures.

The following quotes from the interviews revealed the challenges during the implementation process:

> It was painful in the beginning. I had to make them understand we were not going to give up ([A] - [1]).
>
> I could see the fear in people; it took a lot of time to appease the fears ([E] - [5]).
>
> Bless our patience, we overcame resistance, piece by piece; but it took time, persistence, and education ([F] - [6]).
>
> At the beginning, no one wanted to participate in the development of the Balanced Scorecard, now everybody wants to participate ([B] - [2]).

6. Benefits and Performance Results

Responses to a quantitative questionnaire across seven themes indicated that respondents received significant incremental value, above and beyond what they anticipated, from their project.

BENEFIT THEMES

1. *Participants stated that the scorecard development process forced them to clarify and gain consensus on the strategy.* This consensus in turn allowed them to focus and align all the entities that comprised the organization and to communicate the strategy to the workforce. This led to focus *and* alignment throughout all levels of the organization.
2. *The BSC increased the credibility of management with board members,* who now were clearer about the measures and target results for which the CEO and other top executives would be held accountable.
3. *The four perspectives of the BSC gave executives a framework for decision making.* The cause-and-effect logic to construct a scorecard forced their "brains to think in ways that led to better decisions." New leading indicators allowed for real-time decision making based on facts. One reported that "anecdotal information no longer was elevated now that factual data and measurements existed to assess the impact on the business."
4. *The BSC set priorities by identifying, rationalizing, and aligning initiatives.* Executives could "keep the clutter out" because the process helped them focus on core business processes and launch initiatives to support these processes. This brought strategy down to the level of the front-line workers who now understood the value of their work and how it related to the organization's strategic objectives. Multidisciplinary groups could be aligned through their work on common initiatives.

5. *The BSC linked strategy with resource allocation.* Before the scorecard, most organizations had separate processes for strategic planning and for budgeting and resource allocation. Participants wanted to drive organizational change by linking resource allocation to their strategic objectives. They reported difficulty, however, in de-politicizing resource allocation because of the cultural mindset of provider organizations to support physician preferences. The interviewees also reported that the scorecard helped them balance short-term financial goals with long-term investments for growth.
6. *The BSC supported greater accountability, especially when it was linked to managers' incentive plans.* One described it as a "tool for performance evaluation and focused accountability at all levels of the organization." Employee morale increased as people came to understand how their work related to the strategic objectives of the organization and to the value of team-based approaches to strategy implementation. The scorecard facilitated performance comparisons across different healthcare service areas in the organization. Finally, the scorecard development process exposed bad data, strengths and weaknesses of the performance tracking system, and conflicts in priorities—how emphasis is more on cost and less on quality and service. This benefit theme did receive lower ratings from participants because many of the organizations were in the early stages of scorecard implementation and had not yet established the link between compensation and the measures.
7. *The BSC enabled learning and continuous improvement.* Executives stated that the scorecard educated employees about what was going on in the industry and how leaders in the industry measured success. Interviewees reported "the 'aha' moments when people see the measures, view the business as patient care, and see the opportunities for improvement and high performance never actualized before." The scorecard increased the pace of learning by allowing people to observe whether actual results conformed to predictions and making them understand the cause of discrepancies.

After discussion on the nature of benefits from the development and implementation of the BSC, interviewees rated the performance results from these benefits. Figure 4 presents the quantification of these results by organization and the average scores across all nine organizations (0 percent represented no results achieved, and 100 percent meant maximum results achieved). This procedure introduces interviewee bias because each interviewee gave his or her personal perspective on the performance results achieved. Kaplan and Norton (1996) have documented four major barriers to strategy implementation. The first panel in Figure 4 shows the extent to which these barriers were overcome using the BSC. The average score was in

FIGURE 4:
Balanced Scorecard Performance Results Across the Nine Healthcare Organizations

Balanced Scorecard Results	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	Average
Overcome the Four Barriers to Implementation:										
Vision Barrier (strategy is understood by most of the organization)	50%	40%	100%	80%	75%	70%	100%	100%	55%	74%
Management Barrier (executives spend time discussing strategy and have incorporated feedback and learning)	70%	50%	100%	80%	80%	70%	80%	100%	60%	77%
Resource Barrier (strategy and resource allocations are linked)	50%	30%	100%	70%	40%	100%	50%	100%	50%	66%
People Barrier (management and workforce have incentives linked to strategy and effective communication is taking place)	80%	60%	90%	70%	75%	50%	100%	100%	60%	76%
Overcome Barriers Average	63%	45%	98%	75%	68%	73%	83%	100%	56%	73%

Organizational Performance Improvement:										
Competitive Market Position Has Improved	60%	20%	80%	80%	80%	70%	N/A	50%	30%	52%
Financial Position Has Improved	N/A	80%	90%	80%	90%	70%	N/A	60%	60%	76%
cost reduction										
revenue enhancement										
Leading Indicators Have Improved	N/A	85%	60%	80%	90%	70%	N/A	70%	60%	64%
increase in volume of provided services										
increase in productivity										
increase in patient satisfaction										
improved utilization management										
Performance Improvement Average	60%	62%	77%	80%	87%	70%	N/A	60%	50%	64%

the 70th percentile range for the vision, management, and people barriers, but only in the 60th percentile range for the resource barrier. As indicated earlier, the organizations were still encountering significant political barriers in aligning resource allocations to the strategy.

In response to a question on whether their organization had experienced performance improvements, respondents indicated a 52 percent improvement in competitive position, a 76 percent improvement in financial position, and a 64 percent improvement in their leading indicators. We believe that financial performance received the highest score because it received the most attention among the three performance areas. The following quotes present qualitative feedback on the performance results realized from the BSC project:

> We received the top accreditation award with distinction (given to 40 hospitals out of 3,000) one year after the Balanced Scorecard implementation. Compared to our peer groups, we went to number one on all our measures ([C] - [3]).
>
> The Balanced Scorecard allowed us to step back and see our organization at the systemwide level ([B] - [2]).
>
> It promoted alignment among clinicians, management, and the hospital workforce ([E] - [5]).
>
> People are now forcing resolution where before they would have held back. The Balanced Scorecard drives this behavior. Now that they are being held accountable, they take no prisoners; it's fascinating to watch ([A] - [1]).

In summary, the development and implementation of the BSC enabled executives in the nine organizations to address strategic management challenges and improve performance along several dimensions.

GUIDELINES FOR THE SUCCESSFUL APPLICATION OF THE BSC

In this section, we leverage the knowledge gained from this study to formulate five guidelines for BSC implementation.

Guideline One: Evaluate the organization's ability and readiness to apply the BSC

The organizational characteristics and the resources required for an organization to support the scorecard development and implementation include:

- *Hands-on executive leadership with deep content expertise.* The three most successful organizations—[3], [4], and [5]—had executives who were experts on the BSC. One of them had published and spoken at conferences about the BSC; vice presidents of another organization had written material on the implementation of the BSC in the healthcare industry; and the COO of another organization, with the highest performance improvement, had spoken extensively on the application of the BSC. Kaplan and Norton (2001) state, "experience has shown over and over that the single most important condition for successful implementation of the Balanced Scorecard is the

ownership and active involvement of the executive leadership team."

- *Focus on consumerism.* Of the six external forces shown in Figure 1, organizations that were motivated by increasing consumerism demonstrated the greatest performance improvement. These organizations strove to understand their customers' value propositions, implemented their strategies targeted to meet those needs, and were correspondingly rewarded for their efforts.
- *Resources: time, skill set, and information systems.* The more successful organizations were able to complete their projects in one year (which is half the average) because they devoted significant time and resources to accelerate the development and implementation processes. Skills in formulating strategic hypotheses (cause-and-effect reasoning), data analysis, and management were also critical to success.

Guideline Two: Manage the BSC development and implementation processes

All organizations in this study, with the exception of one, managed the development and implementation processes shown in Figure 3. The interviewees stated that following the processes shown in Figure 3 increased the credibility of management and allowed for leadership from the middle, enhancing the cooperation among the multiple constituencies participating in the processes.

Guideline Three: Manage the learning before, during, and in later stages of the implementation process

Perhaps the greatest need for improvement was in implementing feedback and learning processes. Organizations that scored high in instituting feedback and learning processes derived the greatest organizational performance improvement. These successful organizations used team-based processes that encouraged learning in groups by creating an environment of psychological safety, which encouraged a willingness to experiment, ask for help, ask questions, and speak up (Edmondson, Bohmer, and Pisano 2001).

Guideline Four: Expect and support role changes among different constituents

Organizations must expect and support changes in roles and relationships among different constituents. The BSC typically alters roles and relationships in the healthcare delivery process. One executive described the shift of resource allocation power from physicians to management: "We now point to what the customer wants versus what the doctor wants; this allows us to explain to doctors why they can't have something. We make customers king, and the physicians can't argue with it."

A successful BSC project requires a team-based collaborative approach among disciplines that have not previously worked together—that is, nurses, physicians, management, and the workforce. Responsibilities and accountability among the different constituents change. Nursing was accorded more managerial decision-making responsibilities, while middle management

was given more accountability for achieving specific targeted performance measures. Physicians were given more management responsibilities, and their relationship with other constituents was altered to be more collaborative.

Guideline Five: Take a systems approach

All interview participants agreed that the benefits and performance improvement from the BSC could only be realized by taking a systems approach, applying the BSC as a strategic management system rather than a measurement system. The application of the BSC as a strategic management system means fully incorporating the four-perspective framework and implementing the five core principles discussed in the first section of this article. Half of the interviewed executives stated they launched their BSC project as a better measurement system, but over time it evolved into a strategic management system. Only after evolving into a strategic management system did the BSC help to deliver significant performance results.

In addition, the BSC must be cascaded throughout the organization. Each individual healthcare service area, comprising the organization and departments within each service area, has to develop scorecards aligned with the organization-level scorecard. Executives have stated that, although, cascading was time consuming and often frustrating, it eventually focused and aligned the different parts of the organization into a unified entity dedicated to high-quality and cost-effective delivery of healthcare services.

CONCLUSION

This research study has identified how the BSC can become a valuable tool for healthcare executives in their difficult challenge of managing their organizations in a highly complex and uncertain environment. The study took an average of two years, careful attention to design and implementation guidelines, and significant effort to successfully apply the BSC in the nine early-adopting organizations. The payoff from this considerable effort, however, was measurable performance improvement in competitive market positioning, financial results, and customer satisfaction.

Note

1. Professor Karin Dumbaugh, Harvard School of Public Health, and the Balanced Scorecard Collaborative research department assisted in the design of the questionnaire.

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PRACTITIONER RESPONSE

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Implementing the Balanced Scorecard in theory sounds like an excellent initiative that links the organization's mission and strategy to performance measures and strategically aligned initiatives. The Balanced Scorecard can be a valuable tool for managers in a number of different ways. First, it provides a tangible link to the mission and strategy of the organization. This link can boost employee morale and job satisfaction by giving employees a stake in the realization of the mission through attainment of goals and objectives. Employees who have a personal connection to their job and to their organization may feel more a sense of pride and achievement with the realization of strategic goals. Second, the implementation of the Balanced Scorecard involves all levels of the organization and that offers the possibility of bringing together employees for the attainment of a common goal. This may lead to a heightened sense of cooperation among the employees and physicians in the organization that may spill over onto other projects as well. Third, the Balanced Scorecard can help to increase communication and visibility between senior executives and lower-level employees. Higher visibility of senior management over a period of time may have a positive effect on employees and may also be a motivator for attainment of established goals.

Some significant challenges arise, however, in the implementation of the Balanced Scorecard. First, translating the strategy and performance measures into language and terminology that all can understand is difficult. Documents must be translated so that employees in even the lowest layers of the organization fully understand its content. Second, communicating the importance of the Balanced

Scorecard to employees may be challenging. The challenge is in finding the best communication medium that will have the greatest effect. Third, gaining commitment to implement the Balanced Scorecard will also be a challenge because of the number of previous initiatives that have peaked, fizzled, and died over the years.

Several additional suggestions may increase the chances of successful implementation of the Balanced Scorecard. First, establish clearly defined roles and responsibilities for all employees in relation to the big picture; this may help achieve buy-in and show employees how they contribute to its success. Second, constantly and consistently articulate its importance through highly visible senior executives. Writing articles in the newsletter and sending e-mails is all well and good; however, nothing is more effective to employees than actually seeing and hearing senior administrators talk about its importance and act on it. Third, link the Balanced Scorecard to other initiatives such as preparations for re-accreditation or initiatives to increase patient satisfaction. Fourth, provide incentives and recognition for achievement of performance measures. Fifth, provide a timeline complete with milestones and visible achievable targets. Sixth, communicate in realistic terms how long implementation will take and be consistent with this communication.

Using the Balanced Scorecard can be worthwhile in helping an organization achieve key performance measures that are aligned with its mission and strategic plan. If senior management is willing to put forth the time and resources to implement and is willing to stick with it for the long haul, it has the potential to be a very valuable tool to achieve organizational effectiveness.