Introduction to the Balanced Scorecard for Mission Driven Organizations

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Agenda

- Common Issues in Executing Strategy
- Case Study: Duke Children’s Hospital
- The Strategy Map
- Measures
- Initiatives
- Results
Why do organizations struggle to execute their strategy?

**The People Barrier**

Only one in five was enthusiastic about their team's and organization's goal.

**The Vision Barrier**

Only 37% said they have a clear understanding of what their organization is trying to achieve.

**9 of 10 organizations fail to execute strategy**

**The Alignment Barrier**

Only one in five said they have a clear "line of sight" between their tasks and their organization's goals.

**The Resource Barrier**

Only 15% felt that their organization fully enables them to execute key goals.
If this were a professional football team

- **The People Barrier**: Only two of the 11 would care.

- **The Resource Barrier**: Nine players would not even have the right equipment to enable them to compete.

- **The Alignment Barrier**: Only 18% of players would know what position they play and know exactly what they are supposed to do.

- **The Vision Barrier**: Only four of the 11 players on the field would know which end zone is theirs.

The team would lose **9 out of 10 games**!
However, many mission-driven organizations have achieved breakthrough results

Duke Children’s Hospital
- Parent Sat. up from 4.3 to 4.7
- Cost per case down 33%
- Length of stay down 31%
- Nursing absentee down 42%
- Net Margin up $15 Million

Hillside Family of Agencies
- Reduced engagement wait time 56%
- Shrank administrative overhead 25% in 2 years
- Exceeded revenue growth targets for 8 quarters in a row

Fulton County Schools
- SAT up 23 pts over nation with 89% testing vs. 48%
- 82% parent Sat. vs. 68% nationally
- Teacher vacancies and admin expenses down
- 5 pt annual improvement in state tests for 3 years

City of Charlotte, NC
- Robberies down 16%
- Auto thefts down 15%
- Investment portfolio performed twice its benchmark, AAA bonds
- Voted Most Livable City in America

How did they do it? They executed their strategy with the Balanced Scorecard

Map
Where are we going?
- Mission Statement
- Change Agenda
- Strategy Map

Measure
Are we there yet?
- Measures
- Targets

Manage
How do we react?
- Initiatives
- Review & Revise
An Illustrative Case Study
Duke Children’s Hospital (DCH) Needed a Map

1992-1993

› DCH is a 134 bed pediatric hospital in North Carolina
› About 800 employees specialize in treating sick children
› Acceptable losses of $2 million per year
› Average of $10,500 per case

Ongoing Struggles

› “No margin = No mission”
› “Our hospital was a collection of fiefdoms: each group, from accountants to clinicians, was focusing on its individual goal rather than on the organization as a whole”
› “Nearly everyone complained that applying a systematic approach to cost management is “cookbook medicine””

1996: The Fallout

› $11 million/yr in losses due to reductions in federal and managed care reimbursement rates
› Average cost exceeded $14,800 per case
› Low Patient & Staff Satisfaction
› Programs were slated for elimination and services were targeted for reductions
First, they had to clearly define who they were

Starting with the Mission Statement

Duke Children’s Hospital

*Excellence* in the clinical care of infants and children;

*Innovation* in basic and applied research;

*Advocacy* for children's health; and

*Leadership* in the education of health care professionals.

*Note: Case Study Modified for Instruction*
A Strategic Change Agenda defines direction

**Past/ Present**

- “By the Book” sterile medical care focused on the patient
- Each case is unique, no standards
- Acceptable losses
- Insurance driven
- No real effort
- Traditional medical staff, siloed and infighting between clinical and managerial teams

**Experience**

- Include family in decision making & care

**Procedures**

- Utilize standard “Clinical Pathways”

**Bottom Line**

- Sustainability, margin for growth

**Revenues**

- More donors, research grants

**Advocacy**

- Actively engaging the community, telling inspiring stories

**Team**

- Integrated, united team, proud to give some of the sickest children a second chance at life
Duke Children's Hospital's Strategy Map

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*Excellence* in the clinical care of infants and children; *Innovation* in basic and applied research; *Advocacy* for children's health; and *Leadership* in the education of health care professionals.

**Internal Perspective**
- **Excellence**
  - Reduce Waste
  - Maintain a Broad Scope of Services
  - Create and Utilize Successful Clinical Pathways
- **Innovation**
  - Increase Partnerships and Affiliations
  - Develop Strategic Knowledge Databases
- **Advocacy**
  - Publish Inspiring Stories to Increase Awareness
  - Attend and Contribute to Professional Conferences

**Organizational Leadership Perspective**
- **Support Leading Research**
- **Engage Our Professionals with Cutting-Edge Training and Opportunities to Heal**

**Customer Perspective**
- "We received the best care at DCH"
- "We felt included in the treatment and care"

**Financial Perspective**
- **Achieve Financial Stability**
- **Diversify Sources of Revenue**
- **Attract More Grant Money**
# Duke Children's Hospital's Scorecard

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<th>Perspective</th>
<th>Objectives</th>
<th>Measures</th>
<th>Targets</th>
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</table>
| **Customer**           | • “We received the best care at DCH”  
                          • “We felt included in the treatment and care”                                        | • % of parents who can identify their DCH physician                                                          | • 85%                |
| **Financial**          | • Achieve Financial Stability  
                          • Diversify Sources of Revenue  
                          • Attract More Grant Money                                                   | • $ net margin  
                          • $ from donations  
                          • $ from new grants                                                          | • $ xxx,xxx  
                          • $x,xxx,xxx  
                          • $ $xxx,xxx |
| **Internal**           | • Reduce Waste  
                          • Maintain a Broad Scope of Services  
                          • Create and Utilize Successful Clinical Pathways  
                          • Increase Partnerships and Affiliations  
                          • Develop Strategic Knowledge Databases  
                          • Publish Inspiring Stories to Increase Awareness  
                          • Attend and Contribute to Professional Conferences | • $ cost per case  
                          • # average days per stay  
                          • # hours from discharge order to actual discharge  
                          • # of media mentions or scholarly publications                                | • 18% reduction  
                          • X days per category  
                          • 2 hours  
                          • 40 per month                                                                 |
| **Organizational**     | • Engage Our Professionals with Cutting-Edge Training and Opportunities to Heal  
                          • Support Leading Research                                                   | • # score on staff satisfaction survey  
                          • $ spent on research                                                          | • 4.5  
                          • $ xxx,xxx                                                                 |

*Note: Case Study Modified for Instruction*
Perspectives outline the major goals of the organization

Mission
What is our plan to achieve our mission and vision?

Customer Perspective
"To achieve our mission, how must we look to our customers?"

Financial Perspective
"If we succeed, how will we look to our donors or taxpayers?"

Internal Perspective
"To satisfy our customers and financial supporters, which business processes must we excel at?"

Learning and Growth Perspective
"To achieve our mission, how must our organization learn and improve?"

A Strategy Map is a useful communications tool

- Strategy Maps can be used to communicate your strategy to various audiences
  - Donors or potential donors
  - Government Officials
  - Boards of directors
  - Customers / constituents
  - Employees
Some leaders carry it with them wherever they go, so they always have the chance to communicate strategy.
Measuring Your Progress

Map
- Where are we going?
  - Mission Statement
  - Change Agenda
  - Strategy Map

Measure
- Are we there yet?
  - Measures
  - Targets

Manage
- How do we react?
  - Initiatives
  - Review & Revise
How should you think about measures?

Measures form an integrated system

- You need **altitude, speed, and direction** to fly a plane to its destination.

- These measures represent cause and effect relationships that can be monitored and manipulated to guide the plane.
Why have measures in the BSC?

Proper measure development creates the “cockpit” that will steer your organization towards accomplishing its mission.

**Understanding**
Answer the question, “how are we doing in executing on a strategic objective?”

**Drive Behavior**
Measures, when communicated and linked appropriately can change the way people behave.

Measures provide information on progress toward objectives.

What gets measured gets done!
What makes a good measure?

**Specific** - Clearly, and precisely state what will be measured

**Measureable** - Every measure should be numeric and can be graphed

**Actionable** - Results can be easily interpreted and you know what actions to take to affect the measure

**Repeatable** - Consistently gather information over time

**Timely** - You can measure it at an appropriate frequency
### Measures must be tied to your objectives

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<th>Measure Logic</th>
<th>Candidate Measures</th>
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<td>• How will we know if we've succeeded?</td>
<td>• % patient/family satisfaction</td>
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<td>• % readmission rate</td>
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<td>• How will we know if we are responding sufficiently?</td>
<td>• # services available</td>
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<td>• How does the industry measure effectiveness?</td>
<td>• Accreditation &amp; Quality ratings</td>
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<td>• What must we do well to achieve the objective?</td>
<td>• $ cost per case</td>
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<td>• Utilize best practices</td>
<td>• Productivity ratings</td>
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<td>• Reduce waste &amp; errors</td>
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<td>• % staff satisfaction</td>
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<td>• # research papers published</td>
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<td>• What must we do well to achieve the objective?</td>
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<td>• Attract top talent with opportunities to heal</td>
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<td>• Keep morale high</td>
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- **Patient/Family say “We received the best care at DCH”**
- **Maintain a Broad Scope of Quality Services**
- **Create and Utilize Successful Clinical Pathways**
- **Engage Our Professionals with Cutting-Edge Opportunities to Heal**
Context adds meaning to measures

97.2%

Not that Helpful

Interesting visual, I can see that the range is between 90-100%

We have been improving each year

We are not as good as others or as good as our target
How you use a measure also provides context

Our measure dropped!!
Why?

1. The drop is coming from a particular population (7th and 8th Grade)
2. We changed our teaching style to meet new standards

We need new teacher training for middle school math teachers
# Measures must be defined in detail

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<tr>
<td>Measure</td>
<td>% infection rates</td>
<td>$ cost per case</td>
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<tr>
<td>Rationale</td>
<td>Hospital acquired infections are a major risk to patients and we need to put every effort behind preventing them. This measure tracks infections that result from IV placement.</td>
<td>Every patient is unique, yet we must realize that each disease is not. By working with our researchers and professionals to follow effective plans for each disease, we can standard processes and reduce wasted effort and cost while not compromising the quality of care.</td>
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<td>Frequency</td>
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<td>Source</td>
<td>Medical records</td>
<td>Oracle financial reports</td>
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<td>Graph</td>
<td><img src="image1.png" alt="CA-BSI, Infections per 1000" /></td>
<td><img src="image2.png" alt="Cost Per Case" /></td>
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</table>
| Action    | • Increased emphasis on hand washing and site-preparation | • Specialize in certain diseases to utilize economies of scale  
• Delegate simpler tasks to less expensive personnel where possible |
Key takeaways on measures

- Measures help monitor progress toward objectives and communicate desired behavior
- Performance results must be provided in context so they can inform the strategy
- Once selected, measures must be defined in detail to ensure consistent reporting
Put your money where your mouth is

Map
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<td>• Engage Our Professionals with Cutting-Edge Training and Opportunities to Heal</td>
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<td>• Support Leading Research</td>
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Doing more with less

- Aligning your projects to your strategy allows you to focus on what’s critical for success.

- Inventory everything that’s going on in your organization. Chances are, there’s a lot of non-strategic programs underway.

- Be disciplined in your evaluation of your programs. Rank them based on fit, budget, and impact.
Words of wisdom

However beautiful the strategy, you should occasionally look at the results

Source: Winston Churchill
Continued Success

Duke Children’s Hospital’s Innovative Contributions to Medicine

- A breakthrough enzyme treatment for Pompe disease, a debilitating and fatal genetic disorder
- A new drug that is successful in treating newborns whose lungs are unable to oxygenate their blood
- Found an enzyme that protects the body from reactive chemicals called free radicals is crucial in preventing the inflammation that causes chronic lung disease in premature infants
- Developed a web-based educational program to facilitate the use of Broselow Pediatric Resuscitation Tape, a tool used in pediatric emergency care settings to standardize the administration of important drugs to emergently ill or injured children
- And many more…

http://www.dukechildrens.org/research/research_milestones
Executing on the Balanced Scorecard requires a focused effort

1. Leadership
2. Balanced Scorecard
3. Organizational Alignment
4. Individual Contribution
5. Reporting and Management
Questions?
The Balanced Scorecard (BSC) is a proven management system used by over 50% of the Fortune 500. Developed in 1992 by Drs. Kaplan and Norton, the BSC is recognized as one of the “top management ideas of the 20th century”.

Ascendant is a professional services firm focused on helping associations, foundations and non-profit organizations drive breakthrough results with the Balanced Scorecard.

Founded by professionals with 30+ years of direct work experience with Kaplan and Norton, Ascendant is uniquely qualified to help non-profit organizations execute strategy.

www.ascendantsmg.com