Introduction to Balanced Scorecard

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Disclosures

Relevant Financial Relationship(s):
Nothing to Disclose

Off Label Usage:
Nothing to Disclose
Today’s Discussion

• Balanced Scorecard
  • Overview
  • Understand basic concepts
  • Building and implementation
  • Examples
  • Balanced scorecard and Huddles
Life of a Laboratory Manager

- Staffing issues/shortages
- Complex technology
- Growing supply expenses
- Competition for resources
- Regulatory constraints
- Challenging IT systems
- Decreased reimbursements
- Multiple stakeholders to satisfy

Planning + Communication + Implementation
A management tool to help = the Balanced Scorecard

Balanced Scorecard - overview

- Brief history
  - 1992 - Dr. David Norton (study leader) and Dr. Robert Kaplan (academic consultant from Harvard) published an article;
    The balanced Scorecard – Measures That Drive Performance
    The balanced Scorecard – Translating strategy into Action
- Their findings:
  - Financial statements are not enough to manage a business
  - Manager’s want a balanced view of both operational and financial measures
  - Lack of measures to ensure strategic plans were being deployed
**Balanced Scorecard - what is it?**

Structured approach to report on a set of **financial and non-financial** metrics on a regular basis.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Target</th>
<th>Measure</th>
<th>Frequency</th>
<th>January 2018</th>
<th>February 2018</th>
<th>March 2018</th>
<th>Total Q1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase annual customer satisfaction</td>
<td>85%</td>
<td>Fas/Comp</td>
<td>Monthly</td>
<td>70%</td>
<td>80%</td>
<td>90%</td>
<td>87.33%</td>
</tr>
<tr>
<td>Reduce four million of complaints from n-ths in three in a year</td>
<td></td>
<td>Fas/Comp</td>
<td>Monthly</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2.33</td>
</tr>
<tr>
<td>Profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase net income from operations</td>
<td>25%</td>
<td>Fas/Comp</td>
<td>Monthly</td>
<td>25%</td>
<td>30%</td>
<td>25%</td>
<td>28.33%</td>
</tr>
<tr>
<td>Increase sales volume by 4%</td>
<td>85%</td>
<td>Fas/Comp</td>
<td>Monthly</td>
<td>85%</td>
<td>80%</td>
<td>95%</td>
<td>88.33%</td>
</tr>
<tr>
<td>Increase revenue from existing customers</td>
<td>30%</td>
<td>Fas/Comp</td>
<td>Monthly</td>
<td>25%</td>
<td>30%</td>
<td>25%</td>
<td>28.33%</td>
</tr>
<tr>
<td>Reduce FSHA reoccurrence accidents from n-ths in a year</td>
<td></td>
<td>Fas/Comp</td>
<td>Monthly</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Operational Excellence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction score from n-ths in a year</td>
<td>85%</td>
<td>Fas/Comp</td>
<td>Monthly</td>
<td>70%</td>
<td>80%</td>
<td>90%</td>
<td>83.33%</td>
</tr>
<tr>
<td>Increase the above score from n-ths in a year</td>
<td>85%</td>
<td>Fas/Comp</td>
<td>Monthly</td>
<td>80%</td>
<td>90%</td>
<td>80%</td>
<td>84.33%</td>
</tr>
<tr>
<td>Increase sales volume by 4%</td>
<td>85%</td>
<td>Fas/Comp</td>
<td>Monthly</td>
<td>85%</td>
<td>80%</td>
<td>95%</td>
<td>88.33%</td>
</tr>
<tr>
<td>Increase net income from operations</td>
<td>25%</td>
<td>Fas/Comp</td>
<td>Monthly</td>
<td>25%</td>
<td>30%</td>
<td>25%</td>
<td>28.33%</td>
</tr>
<tr>
<td>Reduce reocurrence accidents from n-ths in a year</td>
<td></td>
<td>Fas/Comp</td>
<td>Monthly</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Reduce production costs from n-ths in a year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Balanced Scorecard - used for?**

- Used to align business activities to vision and strategy
- Provides a means to improve internal and external communications
- Monitor performance against strategic goals
- Strategic planning and management tool
Balanced Scorecard - *design*

- Define strategic objective and intended result.
- Identify a small number of financial and non-financial measures critical to the business.
- Set targets for the measures.
- Monitor measures on a regular basis to determine success or failure.
- Take corrective actions on measures not meeting target.

Balanced Scorecard - *design*

- Strategic Objectives
  - Clearly state the objective(s) the business is trying to achieve
  
  Example:
  - Increase net operating profit
  - Improve customer satisfaction
Balanced Scorecard - design

- Performance measures
  - Few and meaningful financial and non-financial measures
  - Critical to the business
  - Align with business objective
  - Must have associated business initiatives

Balanced Scorecard - design

The Four Perspectives
**Balanced Scorecard - design**

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Measuring</th>
<th>Potential Measures</th>
</tr>
</thead>
</table>
| Customer    | * How do we know we are meeting our customers' needs? | * Customer satisfaction  
* Customer retention  
* Quality reputation  
* Market share |
| Financial   | * Are we performing financially? | * Revenue  
* Net income  
* Expenses |
| Internal business processes | * What must we excel at internally?  
* How will we satisfy both our customers and our financial needs? | * Test turnaround time  
* Number of events and number of errors  
* Number of revised reports  
* Tests per FTE |
| Organization learning and growth | * How do we support our goals and improve as an organization?  
* People requirements  
* Organizational culture  
* IT infrastructure | * Employee retention  
* Turnover  
* Employee satisfaction  
* Education/training events  
* Continuous improvement projects  
* Research projects  
* Peer reviewed articles  
* IT improvements |

**The Four Perspectives**

Improved financial and customer RESULTS

Leads to

Improved internal processes

Leads to

Improvements in organizational capacity

**Balanced Scorecard - design**

The Four Perspectives

- Financial
- Customer
- Internal Processes
- Organizational capacity or Learning & Growth
Balanced Scorecard - design

• Set targets and threshold
  • Determine the desired level of performance
  • Target must be achievable
  • Determine upper and lower limits of performance around target to indicate success or failure

Balanced Scorecard - design

• Setting targets
  • Benchmarking
  • Historical trends
  • Process capability
  • Periodically review targets against actuals and make adjustment as necessary
Balanced Scorecard - *design*

- **Strategic Initiatives**
  - Are projects that need to be executed to achieve the strategic objectives
  - Can be short or long term

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Objectives</th>
<th>Measurement</th>
<th>Target</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>• Provide the best pathology services</td>
<td>• Case volumes</td>
<td>• Increasing</td>
<td>• Test status communication</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Client surveys</td>
<td>• High marks</td>
<td>• Report delivery pilot</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td>• Funded mission</td>
<td>• Revenue</td>
<td>• At plan</td>
<td>• Supply chain optimization</td>
</tr>
<tr>
<td></td>
<td>• Reduce operational costs</td>
<td>• Net income</td>
<td>• At plan</td>
<td>• Staffing to workload</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Supply expenses</td>
<td>• Below plan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clinical practice</td>
<td>• Improve operation efficiency</td>
<td>• Tests per FTE</td>
<td>• Improve</td>
<td>• Staffing to workload</td>
</tr>
<tr>
<td></td>
<td>• Fast turnaround time</td>
<td>• Case TAT</td>
<td>• Case specific targets</td>
<td>• Practice standardization</td>
</tr>
<tr>
<td></td>
<td>• Highest quality services</td>
<td>• Events &amp; errors</td>
<td>• Drive to 0</td>
<td>• MAPDOG</td>
</tr>
<tr>
<td></td>
<td>• Develop new tests</td>
<td>• New tests introduced</td>
<td>• Achieve plan</td>
<td></td>
</tr>
<tr>
<td>Organization</td>
<td>• Hire and retain best people</td>
<td>• Retention rate</td>
<td>• Improve</td>
<td>• Histology &amp; Cytology school, PA intern</td>
</tr>
<tr>
<td>learning and growth</td>
<td>• Expand knowledge in science</td>
<td>• Number of IRBs</td>
<td>• Increase</td>
<td>program</td>
</tr>
<tr>
<td></td>
<td>• Develop culture of continuous improvement</td>
<td>• Number of publications</td>
<td>• Increase</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Education events</td>
<td>• Achieve plan</td>
<td></td>
</tr>
</tbody>
</table>
Balanced Scorecard – implementation and beyond

- Data collection and reporting
  - Develop systematic methods for data collection
  - Leverage existing IT resources: LIS, financial systems, other
  - Timely publishing/reporting in your scorecard format

- Review process
  - Investigate areas not meeting targets
  - Prioritize improvement efforts

Balanced Scorecard – implementation and beyond

- Communication
  - Publish the scorecard for the organization
  - Educate staff on what the scorecard is telling them
  - Review with leadership
  - Demonstrates daily activities that support the strategic vision

- Scorecard evolution
  - Doesn’t have to be perfect first time
  - Link to annual planning cycle
  - Periodically review measures for relevance
Summary - Benefits

- Balanced scorecard provides a tool to deploy your organization’s strategy, links operational activity to long term vision
- Provides a set of measures to help manage the organization
- Sets direction for supporting work units and improvement efforts
- A communication tool, a common lens to view the operation

Balanced Scorecard – testing lab example

<table>
<thead>
<tr>
<th>Measure</th>
<th>Measure Description</th>
<th>Pct</th>
<th>Target</th>
<th>Week</th>
<th>Jan</th>
<th>Feb</th>
<th>May</th>
<th>Jul</th>
<th>Oct</th>
<th>Sum</th>
<th>Avge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Number of sales / Number of purchases</td>
<td>4%</td>
<td>10%</td>
<td>8%</td>
<td>6%</td>
<td>9%</td>
<td>10%</td>
<td>12%</td>
<td>11%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Quality Management</td>
<td>Number of complaints / Number of patients seen</td>
<td>3%</td>
<td>5%</td>
<td>4%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
<td>8%</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Customer Service</td>
<td>Number of complaints / Number of patients seen</td>
<td>2%</td>
<td>3%</td>
<td>2%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Employee Satisfaction</td>
<td>Number of complaints / Number of patients seen</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>Number of complaints / Number of patients seen</td>
<td>0%</td>
<td>1%</td>
<td>0%</td>
<td>2%</td>
<td>1%</td>
<td>0%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Note: All numbers are percentages.
Huddles – What are they?

• Daily employee meeting to address priority items
• Huddle board is visual tool for daily huddles
• Employees are involved daily in planning and improving the work that affects them

What is Lean?

• Basic Lean – Improvement Methodology
  • Tools – value stream mapping, waste reduction, improving workflow, 5S
  • Project based – silver projects, VCC
• Advanced Lean – Culture and Management System
  • Daily management and improvement
  • Engaging and developing staff
  • Focus entire organization on organization goals
  • Operational excellence – drive to highest value lab processes
Huddles: Daily connection to Lean Management System

- Daily Lean Management
  - Communication/Collaboration – Daily Planning / Team Building
    - planning for the day, work unit status/adjustments, hand-offs, safety concerns, recognition
  - Daily Improvement/Problem Solving – Continuous Improvement
    - status on improvement activities/PDSAs, capturing new ideas, root cause analysis/corrective actions
  - Visual Management – Process Performance is Clear
    - work unit board with daily status/plans, performance/metrics, improvement activity, key communication points
- Operational Performance & Strategic Alignment
  - Work unit level performance – Quality Plan / Scorecard
    - Key Performance Indicators (KPIs) and targets
    - Initiatives to support plan
  - DLMP/Division/Lab strategic objectives / operating plan

Huddles and Balanced Scorecard

- Daily employee meeting to address priority items
- Huddle board is visual tool for daily huddles
- Employees are involved daily in planning and improving the work that affects them

*Huddle board connects employees to organization’s balanced scorecard*
Huddle Board
Employees are involved in planning and improving the work that affects them.

Quality & Safety:
Plan the Day

PDSA:
Improve

People & Partners:
Live the Values

Daily Lean Management - Huddle Board

Organization Operating Plan

Quality Plan or Balanced Scorecard: KPIs, Goals
## Huddles: Before and After

<table>
<thead>
<tr>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Numerous meetings</td>
<td>Fewer meetings, recovered capacity –</td>
</tr>
<tr>
<td></td>
<td>communication happening in real time</td>
</tr>
<tr>
<td>Email communication ineffective, meeting</td>
<td>Daily, face-to-face communication of</td>
</tr>
<tr>
<td>atmosphere less conducive for idea sharing</td>
<td>important news, 3 good things has positive</td>
</tr>
<tr>
<td>and team-building</td>
<td>affect on morale</td>
</tr>
<tr>
<td>Rework</td>
<td>Time to plan the day resulted in less</td>
</tr>
<tr>
<td></td>
<td>rework</td>
</tr>
<tr>
<td>Low employee engagement (EE) 50%</td>
<td>Increase in EE to 100% (Autopsy)</td>
</tr>
<tr>
<td>Supervisor solves problems</td>
<td>Front-line staff own and solve problems</td>
</tr>
</tbody>
</table>
In Summary:

- The Balanced Scorecard is a tool that can provide clarity to various goals pursued by a work unit and provide specific targets to be tracked for clear and efficient operation.

- The presentation has covered:
  - An Overview of the Balanced Scorecard
  - An Understanding of basic concepts
  - Details of building and implementing a Balanced Scorecard
  - Introduction to huddles, and how they are a daily connection between organization goals in the balanced scorecard

QUESTIONS

Online chat:
Submit through CenturyLink’s chat box

Phone line:
- Press *7 to unmute line
- Press *6 to remute line
Next Upcoming Webinar

Improving Staff Engagement Without Spending Money and Using Very Little Time

Presented by: Shannon Bennett
Date: September 12, 2018