



Introduction to Balanced Scorecard

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Disclosures

Relevant Financial Relationship(s):

Nothing to Disclose

Off Label Usage:

Nothing to Disclose



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Today's Discussion

- Balanced Scorecard
 - Overview
 - Understand basic concepts
 - Building and implementation
 - Examples
 - Balanced scorecard and Huddles

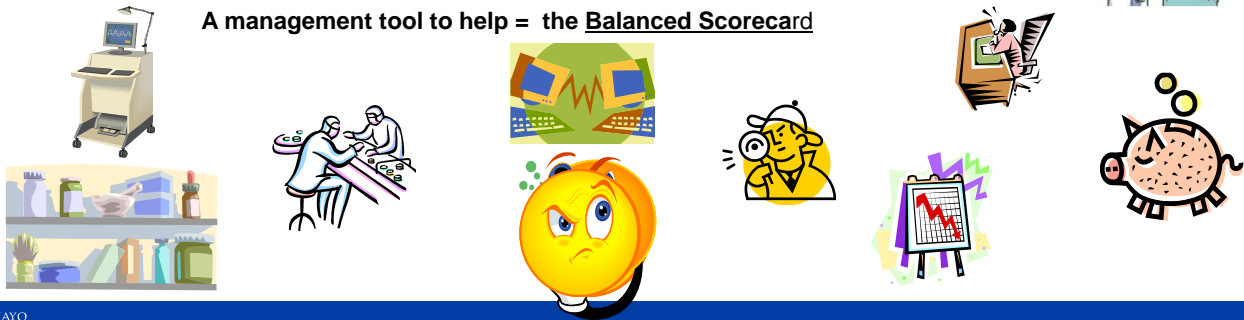


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Life of a Laboratory Manager

- 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**



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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
 - 1996 – Drs. Norton and Kaplan published a book;
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



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Balanced Scorecard - *what is it?*

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

| Objective | Target | Owner | Frequency For Review | January 2013 | February 2013 | March 2013 | YTD FY 2013 |
|--|--------|---------------|----------------------|--------------|---------------|------------|-------------|
| Biotechnology & Science | | | | | | | |
| Customer Service | | | | | | | |
| Improve overall customer satisfaction score from x% to y% | 95% | Paul Campbell | Monthly | 98% | 98% | 97% | 97.667% |
| Reduce resolution time of complaints from x days to y days | 3 | Paul Campbell | Monthly | 3 | 2 | 2 | 2.333 |
| People | | | | | | | |
| Increase # of recruits from employee referral to x% | 20% | Paul Campbell | Monthly | 20% | 19.5% | 20% | 19.833% |
| Increase compliance training participation from x% to y% | 95% | Paul Campbell | Monthly | 94% | 96% | 94% | 94.667% |
| Improve employee retention rate from x% to y% | 90% | Paul Campbell | Monthly | 85% | 88% | 92% | 88.333% |
| Reduce OSHA recordable accidents from x per month to y per month | 0 | Paul Campbell | Monthly | 0 | 0 | 3 | 3 |
| Operational Excellence | | | | | | | |
| Decrease procedural error rate from x% to y% | 3% | Paul Campbell | Monthly | 2% | 3% | 4% | 3% |
| Improve On Time delivery from x% to y% | 95% | Paul Campbell | Monthly | 90% | 96% | 94% | 93.333% |
| Improve quality index from x% to y% | 85% | Paul Campbell | Monthly | 82% | 86% | 90% | 82.667% |
| Maintain CAPA closure rate at x% | 100% | Paul Campbell | Monthly | 100% | 100% | 100% | 100% |
| Reduce compliance - complaint closure time from x to y | 2 | Paul Campbell | Monthly | 2 | 2 | 2 | 2 |
| Reduce production cycle time from x to y | 0 | Paul Campbell | Monthly | 0.5 | 0 | 0 | 0 |



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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



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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*

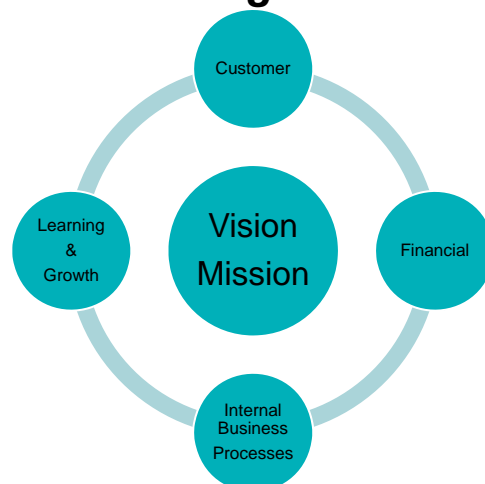
- Strategic Objectives
 - Clearly state the objective(s) the business is trying to achieveExample:
 - Increase net operating profit
 - Improve customer satisfaction



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

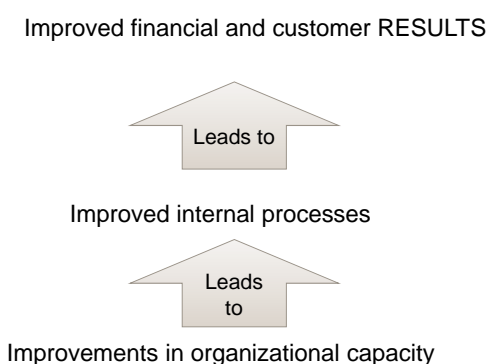
Balanced Scorecard - *design*

| Perspective | Measuring | Potential Measures | |
|----------------------------------|---|---|---|
| Customer | <ul style="list-style-type: none"> How do we know we are meeting our customers' needs? | <ul style="list-style-type: none"> Customer satisfaction Customer retention Quality reputation Market share | <ul style="list-style-type: none"> Test volume Complaints Number of tests offered |
| Financial | <ul style="list-style-type: none"> Are we performing financially? | <ul style="list-style-type: none"> Revenue Net income Expenses | <ul style="list-style-type: none"> Profit as % of sales Revenue from new tests Reimbursement rate |
| Internal business processes | <ul style="list-style-type: none"> What must we excel at internally? How will we satisfy both our customers and our financial needs? | <ul style="list-style-type: none"> Test turnaround time Number of events and number of errors Number of revised reports Tests per FTE | <ul style="list-style-type: none"> Space utilization New tests introduced Waste reduction Regulatory audit results |
| Organization learning and growth | <ul style="list-style-type: none"> How do we support our goals and improve as an organization? People requirements Organizational culture IT infrastructure | <ul style="list-style-type: none"> Employee retention Turnover Employee satisfaction Education/training events | <ul style="list-style-type: none"> Continuous improvement projects Research projects Peer reviewed articles IT improvements |

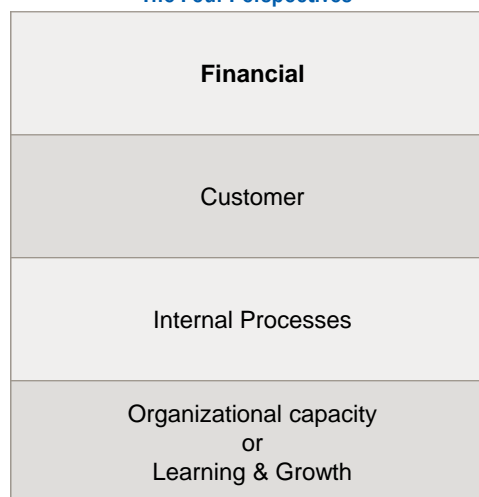
The Four Perspectives



Balanced Scorecard - *design*



The Four Perspectives



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 needs to be executed to achieve the strategic objectives
 - Can be short or long term



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Balanced Scorecard - *design*

| Perspective | Objectives | Measurement | Target | Initiative |
|----------------------------------|---|--|--|--|
| Customer | <ul style="list-style-type: none"> • Provide the best pathology services | <ul style="list-style-type: none"> • Case volumes • Client surveys | <ul style="list-style-type: none"> • Increasing • High marks | <ul style="list-style-type: none"> • Test status communication • Report delivery pilot |
| Financial | <ul style="list-style-type: none"> • Funded mission • Reduce operational costs | <ul style="list-style-type: none"> • Revenue • Net income • Supply expenses | <ul style="list-style-type: none"> • At plan • At plan • Below plan | <ul style="list-style-type: none"> • Supply chain optimization • Staffing to workload |
| Clinical practice | <ul style="list-style-type: none"> • Improve operation efficiency • Fast turnaround time • Highest quality services • Develop new tests | <ul style="list-style-type: none"> • Tests per FTE • Case TAT • Events & errors • New tests introduced | <ul style="list-style-type: none"> • Improve • Case specific targets • Drive to 0 • Achieve plan | <ul style="list-style-type: none"> • Staffing to workload • Practice standardization • MAPDOG |
| Organization learning and growth | <ul style="list-style-type: none"> • Hire and retain best people • Expand knowledge in science • Develop culture of continuous improvement | <ul style="list-style-type: none"> • Retention rate • Number of IRBs • Number of publications • Education events | <ul style="list-style-type: none"> • Improve • Increase • Increase • Achieve plan | <ul style="list-style-type: none"> • Histology & Cytology school, PA intern program • Lean program |



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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

| Measures | Measure Description | Freq | Target | Units | Jan | Feb | Mar | Apr |
|--|--|------|--------|-------|---------------|---------------|---------------|-----|
| Internal Practice | | | | | | | | |
| Revised Report rate | Percentage of Revised Reports divided by Total Reports * 100 | M | >1 | % | 0.92% | 0.93% | 0.93% | |
| TAT | Turn Around Time | M | TBD | # | TBD | TBD | TBD | |
| MAL Testing Volume | Test volume from MAL clients | M | NA | # | 13,470 | 13,828 | 14,482 | |
| Mayo Testing Volume | Test volume from Mayo patients | M | NA | # | 2,741 | 2,689 | 2,839 | |
| Offsite samples | Samples analyzed but not charged to client (study samples) | M | NA | # | 81 | 225 | 47 | |
| Total Testing Volume | Total laboratory test volume | M | NA | # | 16,292 | 16,742 | 17,348 | 0 |
| Purchasing and Inventory Management | | | | | | | | |
| PAR Ex Utilization | Inventory in the Par Ex system | M | >80 | % | 72% | 86% | 86% | |
| Inventory waste | Total amount of discarded items (expired, damaged, quality problems) | M | 0 | # | 46 | 0 | 12 | |
| Inventory Turnover Rate (TURN) | Comparison of the amount of inventory that is kept on hand compared with the amount that is used. Higher inventory turnover numbers mean that less inventory is kept on hand or that usage has | M | >13 | # | 3.1 | 3.3 | 3.3 | |
| PAR Ex Reconciliation and Compliance | Utilization of Par Ex appropriately | M | >85 | % | 96% | 96% | 94% | |
| Supply Expense | Value of supplies on hand | M | NA | \$ | \$ 120,826.00 | \$ 118,205.00 | \$ 120,533.00 | |
| Personnel Information | | | | | | | | |
| Employee Turnover Rate | Work Unit Turnover Rate = # of employees who left by (Transfer, Termination or Retirement) / Number of Current Allied Health Staff * 100 | Q | <5 | % | 0% | 0% | 0% | |
| Overtime hours | Total laboratory overtime hours | M | <2 | hr | 0.07 | 0.98 | 0.63 | |
| Total Allied Health FTE | Total Allied Health Full Time Employees | Q | NA | # | 17.91 | 18.45 | 18.45 | |
| Competencies | Completion of annual competencies (CF is sum of previous months/target)*100 | Q | 39 | # | 0 | 0 | 11 | |
| CEUs | Percentage of achieved continuing education credits out of the total required per year | Q | TBD | % | TBD | TBD | TBD | |
| Development Activities | | | | | | | | |
| NYS Packets | Number of New York State packets to be submitted | Q | 0 | # | | | 0 | |
| Test Development | Number of tests in development | Q | >2 | # | | | 0 | |
| Quality Management | | | | | | | | |
| Annual Review Metrics | Percentage of documents past due | M | 0 | % | 2% | 1% | 2% | 1% |
| Employee Safety | Number of exposures/accidents obtained from employee incident report | M | 0 | # | 1 | 1 | 1 | |
| Assessments-Internal | Percentage of internal assessments passed (successful challenges/ total # challenges in 3 months) | M | 100 | % | | | 100% | |
| Assessments-External | Percentage of external assessments passed (successful challenges/ total # challenges in 3 months) | M | 100 | % | | | 100% | |
| Assessments-Comparison | Percentage of inter-lab assessments passed (OCL Labs) (passed/total # cross checks) | M | >81 | # | 60% | 50% | 96% | |
| Labeling Errors | Number of labeling errors seen prior and after receipt in laboratory | M | 0 | # | 0 | 0 | 0 | |
| Lost Samples | Number of samples lost (found later or never found) | M | 0 | # | 0 | 0 | 0 | |

At or better than target Area of Concern Not meeting target



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



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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



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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



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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***



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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



The collage includes several key elements:

- Quality and Safety:** A red box with the text "Quality and Safety" and "Plan the day: Staffing, training, competency, PT & PIV activities, etc. Issues-Instrument, QC, etc. PROCESS CHANGES". Below it are two small bar charts showing data points like 75, 87, 73, 85, and 74.
- People and Partners:** A purple box with the text "Huddle Mission: All employees will be involved in planning & improving the processes that affect them." and "People and Partners: Live the PDSA 7ES (listen and support employees and partners) ...". Below it is a blue box "3 Good Things" and a yellow box "Let's Celebrate! Birthdays and Anniversaries".
- PDSA:** A green box with the text "PDSA Plan-Do-Study-Act". Below it are several small PDSA forms and a table with columns "Steps to achieve" and "Difficult to achieve".
- Recognition:** A central area with "EMPLOYEE RECOGNITION" text, a "Red Day - Green Day" box, and a "Recognition Innovation 7ES" box.
- A3 for DMAIC Projects:** A box at the bottom left with the text "A3 for DMAIC Projects Define-Measure-Analyze-Improve-Control".
- Other Tools:** A "Done! PDSA To-dos" box and a "Checklist" table.



Huddles: Before and After

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



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



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QUESTIONS

Online chat:

Submit through CenturyLink's chat box

Phone line:

-Press *7 to unmute line

-Press *6 to remute line



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Next Upcoming Webinar

Improving Staff Engagement Without Spending Money
and Using Very Little Time

Presented by: Shannon Bennett
Date: September 12, 2018

