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Designing a Strategy to Effectively Communicate the Balanced Scorecard

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Bridgeport Hospital's success in designing, communicating, and utilizing the balanced scorecard led to the decision of Yale New Haven Health System to begin implementation of a common balanced scorecard across its health system.

As increasing numbers of organizations adopt the balanced scorecard (BSC) to align strategy with operations and measure progress toward meeting strategic goals, the importance of successful communication of the scorecard throughout the organization has become apparent. Successful implementation and effective use of the BSC occurs when organizational stakeholders recognize its role, use, and benefits. In the March/April 2003 issue of Cost Management, we detailed how Bridgeport Hospital, a member of Yale New Haven Health System (YNHHS), adopted the BSC and used the scorecard to align capital investment decisions with strategy.1 In this article, we will profile how the hospital designed a communication strategy to successfully communicate and indeed market the balanced scorecard to internal stakeholder groups. The goal is to ensure that all internal stakeholders understand the importance of the scorecard, accept its role in operationalizing strategy, and visualize how their day-to-day activities affect the hospital's goals and strategy.

Bridgeport Hospital in Bridgeport, Connecticut is a 425-bed, private community teaching hospital that is part of the Yale New Haven Health System. Prior to 1999, the hospital had been experiencing losses under fully capitated, managed-care reimbursement contracts. That year, under new leadership in the Planning and Marketing Department, all management groups, including clinical leadership, came together for the process of mapping the course to attain strategic goals that would put the hospital in a financially healthy position. The leadership of the hospital, the board of directors, and the medical staff worked in parallel with administrative staff to craft a scenario for a successful future. In order to reach the strategic goals, a plan was formulated based upon the four most important strategic dimensions. These became the perspectives on the BSC that drove the critical success factors, supported the hospital's objectives, and translated into measures on the scorecard. The perspectives are:

* Provider of Choice (Volume and Market Share Growth)

* Employer of Choice (Organizational Health)

* Patient Safety, Quality, and Operational Improvement (Quality and Process Improvement)

* Financial Health (Financial Performance)

Communicating the scorecard internally

As Dorothy Bellhouse, (then) Senior Vice President for Planning and Marketing at Bridgeport Hospital stated, the goal for marketing the scorecard at Bridgeport Hospital was very simple: senior management wanted a tool to gain organizational alignment around the strategy of the organization. They designed the scorecard quadrants to reflect the strategic perspectives that drive organizational performance and needed a vehicle to communicate and align the hospital to strategic goals.

A hospital operates differently from other industries with regard to communication of performance results. There are no trade secrets and little history of keeping best practices internal. As an industry, healthcare is accustomed to sharing information with constituents. Imagine not sharing a great scientific advancement or discovery with colleagues. The culture is rich in information and sharing of data, especially around best practices. The focus of the scorecard was on execution, and organizations are better able to execute with an informed organization. With the focus on execution of the scorecard, it was determined that information must be available and widely disseminated to internal stakeholders.

The hospital uses a myriad of approaches at all levels of the organization and at various intervals throughout the year to market the scorecard to the highest level audience of the board of directors down to the employee level. The scorecard is published quarterly in a focused board report, a management report, and a special employee communications vehicle, Caplet. The regular monthly newsletter Capsule also periodically features information on the scorecard. The fiscal year is launched with a leadership meeting and the scorecard is the focus, providing the agenda for the kickoff event. All new managers are oriented to the scorecard in their Management Core Curriculum training that is a requirement for management.

The scorecard perspectives are used to organize meetings and communication at the hospital. At all levels, employees speak in terms of the scorecard's four perspectives listed above. Monthly leadership meetings use the scorecard reporting quadrants to discuss results and determine priorities. The scorecard is analyzed weekly by the senior executives. CEO Robert Trefry organizes his weekly senior staff meeting agenda based upon the scorecard quadrants. Individual managers are encouraged to structure their departmental meetings with staff around the scorecard by using it as the frame for their management agenda.

All of top management, including directors,have been assigned key result objectives (KROs) that reflect the scorecard metrics. Top management is held accountable to these KROs on their yearly performance appraisal review and are rewarded based on achievement of the metrics from the scorecard. All of top management shared the following objectives for 2003:

* Financial Performance. Operating margin goal attainment.

* Employer of Choice. Positive employee relations, employee satisfaction levels achieved.

* Provider of Choice. Volume and market share growth-adjusted equivalent discharges (factored inpatient and outpatient volume) achieved.

* Patient Safety, Quality, and Operational Improvement. Patient satisfaction and regulatory compliance achieved as measured by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

The progress on metrics is widely available with information and scorecard presentations on the internal shared computer drive for easy access. Managers access the information to use in staff meetings and to prepare their budget requests during the capital budget process. Management has integrated strategy and resource allocation by developing capital budgeting criteria based on scorecard goals. The criteria have been integrated into a matrix that is used to evaluate a project's ability to impact the strategic goals outlined in the card.2

Senior executives are closely linked to the key scorecard objectives and are drivers of the results in the various quadrants. For example, the CEO has assigned a member of his senior team as the driver responsible for making the results happen in specific assignment areas:

* Senior VP Human Resources is responsible for Organizational Health: Employer of Choice

* Chief Financial Officer is responsible for Financial Performance

* Chief Operating Officer is responsible for Patient Safety, Quality, and Operational Improvement

* Senior VP Planning and Marketing is responsible for Volume and Market Share Growth, Provider of Choice

These senior executives, as drivers of quadrant results, own the results and are ultimately responsible for attaining them. As an owner of the scorecard quadrant, these executives push when needed for attention and/or resources to the strategic dimension. Employees are also tied to the scorecard with the employee performance appraisal system. The Employer of Choice perspective was an important aspect of the performance measurement system at the hospital, but the linkage to compensation and appraisal was not made in the initial roll out. Historically, the performance appraisal system placed a high emphasis on customer service with competencies that accounted for 40 percent of the merit increase dependent upon excellent customer service. The design team created a new component called the Service Contract that delineated specific behaviors that were required of all staff in order to deliver excellent service to customers. Employees are held accountable to the Service Contract and are

evaluated against their behaviors annually. By making excellent customer service a contingency for performance rewards, the hospital has placed new emphasis on the linkage of this quadrant of the scorecard to evaluation and compensation of employees. The link to appraisal through the Service Contract has given clear behavioral expectations to each staff member.3

To popularize the performance management system, the hospital devised a clever marketing approach by pooling employees from various areas of the organization to discuss a visual analogy that would frame their implementation of the scorecard. This cross-sectional team discussed the idea of a trip-a journey that would mirror the strategic planning dates of the next five years. They spoke of a destination and how to get there. The first idea was a train trip, but the group felt that train tracks were too limiting and confining so they chose a bus analogy to market the plan. This analogy enabled many approaches to respond to the starts and stops of a five-year journey. It has served the hospital well when it needed to "detour, bypass a rock slide, avoid a snowstorm or tornado, or merely slow down" in response to market or financial conditions. All levels of the organization have broadly embraced the bus analogy. In Human Resources, they talk about recruiting the right people to board the bus and occupy the right seats in the bus. It also speaks to removing those not willing or able to make the trip and may need to exit the bus.

The approach was called Destination 2005 and was positioned as a roadmap to enable the hospital to create a vision for the future. The goal for success was carefully articulated.

In 2005, Bridgeport Hospital and Healthcare Services (BHHS), as an integral part of the Yale New Haven Health System will be:

The Provider of Choice: the system patients choose and the system to which physicians and payers refer

The Employer of Choice for healthcare personnel

The bus trip analogy was used to explain the journey to Destination 2005. In order to reach the strategic imperatives, a map was created with the four most important highways to chart the course. BHHS decided on four performance perspectives to map the course to achieve their strategic imperatives.

Employer of Choice. Employer of Choice was defined by exquisite customer service, teamwork, open communication, opportunities for growth and advancement, a healthy physical environment, an engaged and committed staff, community involvement, and being known as a learning organization. Landmarks (objectives) established to reach the destination are a leadership development program, employee satisfaction survey, and strategic manpower plan. Everyone on the bus trip to Destination 2005 has strengths, knowledge, and varying expertise needed to reach the destination.

Operational Improvement. Operational Improvement was defined by optimizing cycle and turnaround times, eliminating unnecessary work, streamlining processes, and maximizing technology to enhance efficiency. Landmarks are reduced patient wait time and physicians on-line to hospital clinical information systems. Quality improvement was defined by patient satisfaction, optimizing patient outcomes, developing leading edge clinical programs, and receiving external recognition of quality. Landmarks are consumer preference, improvement in patient satisfaction, minimally invasive surgery, and external recognition of quality.

Provider of Choice. Volume and market share growth (becoming the Provider of Choice) translates to being the market leader of health care services, increased ambulatory presence, and promotion of health and wellness. These will be measured by landmarks such as expanded clinical services, coordinated clinical care centers, and increased ambulatory volume.

Financial Performance. Finally, Financial Performance means maximizing revenue, managing costs, and leveraging YNHHS efficiencies, all of which leading to positive financial outcomes. Landmarks include increased coordination with YNHHS to achieve economies of scale, program development funds, and revenue enhancement strategies.

Lessons learned

The awareness of the scorecard at the employee level was less than desired-even after three years of implementation. The goal was to make the scorecard perspectives and metrics part of the common language at the employee level, so Bridgeport Hospital needed to simplify the metrics in order to make them meaningful at the lowest staff levels. Employee focus groups were held to determine what was important to employees in understanding the scorecard. The hospital learned that employees want to know how they impact the metrics and want to focus on those that they can affect with their daily activities. The hospital responded by simplifying and focusing on five indicators that everyone can relate to in order to keep the BSC front and center for all employees:

* Employer of Choice perspective: turnover rates

* Quality perspective: patient satisfaction and time to admit a patient from the emergency room

* Provider of Choice perspective: average length of patient stay

* Financial perspective: operating margin

Another lesson has to do with consistency and simplification. Over the past three years, the hospital has consistently worked to reduce the number of metrics and simplify the scorecard. It started with five perspectives and now has four. The number of metrics in each perspective is continually reduced to those critical for business success. However, one thing has remained constant and is a key to a successful implementation: the focus on the perspectives has not changed over the years. This simple act has enabled employees at all levels to incorporate the language of the scorecard processes in all aspects of managing the hospital's business. The language of the scorecard has become the hospital's management language. Medical staff, managers, employees, educators, and consultants speak in terms of the scorecard perspectives. Teams use it in their presentations to propose new services, expand existing services, or acquire capital resources.

A final lesson is again based on simplification in reporting. Various approaches have been used to graphically display results, such as the traffic light (red, yellow, green) reporting system and other easyto-read-and-use formats. According to Dolly Bellhouse, "we wanted one page of metrics, not a volume. We work with something you can put on a wall, not on a shelf." Most recently, reporting has evolved to include an Excel spreadsheet with a common database available to everyone on the intranet that provides data on specific indicators. The format allows users to drill down to get more detailed information on specific indicators as needed, giving all timely access with the desired level of detail.

Conclusion

Internal communication and marketing of the balanced scorecard is critical to a successful implementation. A well-devised communication plan and marketing strategy can not only shape the message, but can also encourage the adoption of the scorecard by all stakeholders. The BSC approach enables managers to develop and communicate strategy to their employees. This helps align employees to the goals of the organization and links daily activities to desired organizational results. At Bridgeport Hospital, BSC has provided a common language for all levels within the organization, has aligned various disciplines and stakeholders around a common document to guide meetings and conduct organizational performance reviews, and has been the basis for resource allocation decisions. The hospital's success in designing, communicating, and utilizing their scorecard led to the decision by the parent Yale New Haven Health System to begin implementation of a common balanced scorecard across its health system.

Footnote

NOTES

1 B. Lyons, A. Gumbus, and D. Bellhouse, "Aligning Capital Investment Decisions With The Balanced Scorecard, " Journal of Cost Management (March/April 2003).

2 Ibid.

3 A. Gumbus, B. Lyons, and D. Bellhouse, "Journey to Destination 2005: How Bridgeport Hospital Uses a Balanced Scorecard to Map its Course," Strategic Finance (July/August 2002).

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