Linking Strategy to Operations to Achieve Great Results

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Overview

- The Perfect Storm: The Need to be Strategy-Focused

- Background

- Strategy-Focused Hospitals

- The Strategy-Focused Hospital Creates Long Term Value

- The Scorecard/Organizational and the Management Challenge

- Strategy-Focused Hospitals Map their Strategy

- Strategy-Focused Hospitals Compete on Analytics

- The Strategy-Focused Hospital Links Long Term Strategy and Measures to Tactical Planning and Budgets

- Strengthening the Responsibilities of the Board

- Lessons Learned from a CEO's Perspective

- Becoming a Strategy-Focused Hospital in Five Steps

The Perfect Storm: The Need to be Strategy-Focused
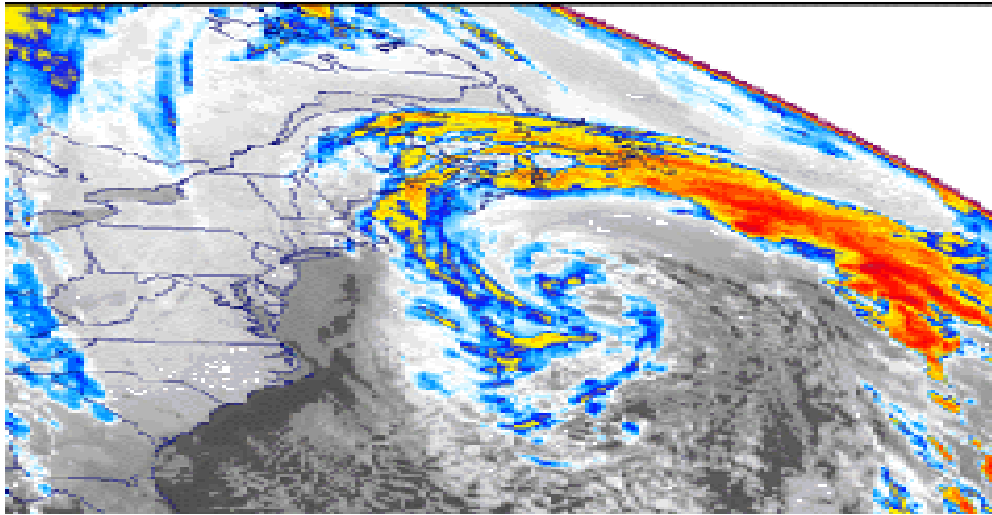
- Investment Income: the cushion is gone

- Capital Needs: growing aging plants, aging population, population growth, capital needs for IT and physician recruitment

- Reserves: depleted with decline in investments

- Operating Income: reduced due to higher debt costs, more uninsured, deferred procedures

- Accountable Care Organizations and Healthcare Reform

Background

- **iVantage Health Analytics is working with over 600 hospitals and healthcare organizations on strategy execution, GIS mapping, Clinical and Functional Benchmarking, Analytics and using a Scorecard framework**

- **A Scorecard is best considered a toolbox for helping hospitals improve performance**
  - Assists Board in seeing performance as more than financial
  - Assists Executive Team promote teamwork across departments
  - Assists Department Managers in communicating with and involving staff
  - Assists Staff in understanding how their daily responsibilities connect to the "big picture" and reframes their job
    - The story of Nancy in Food and Nutritional Services

- **Potential for A Scorecard to help hospitals lies in three areas:**
  - Disciplined execution of strategy
    - Tool: Strategy Map
  - Optimizing performance measurement
    - Tools: Measures, Monthly/Quarterly Reports
  - Building capacity and accountability
    - Tools: Developing strategy awareness, selecting department-specific indicators, action planning

Background

Execution of Strategy Has Become the Corporate Challenge of Our Times!

- **"Strategy has never been more important"**

  Business Week

- **"Less than 10% of strategies effectively formulated are effectively executed"**

  Fortune Magazine

- **"The problem is that our age's fascination with strategy and vision feeds the mistaken belief that developing the right strategy will enable a company to rocket past competitors. In reality, strategy is less than half the battle. .. In the majority of cases – we estimate 70% – the real problem isn't [bad strategy]…. It's bad execution."**

  Why CEO's Fail
  Ram Charan and Geoffrey Colvin
  Fortune (6/21/99)

Background

Execution of Strategy Has Become the Corporate Challenge of Our Times!

- **73% of companies that outperform their peers have a formal process for communicating strategy to employees.**

    2006 Balanced Scorecard Collaborative Survey

- **Strategy execution is the #1 concern of CEOs worldwide.**

   *The Conference Board, 2007 CEO Challenge*

- **Only 12% of companies successfully execute their strategy.**

    Balanced Scorecard Collaborative and Cognos joint study, 2006

Governance Institute/Modern Healthcare Governance Fellowship

High Performing Boards and Management Teams Ask Four Key Questions:

1. Where are we today? "Situation Analysis"
2. Where should we be tomorrow? "Goal Formulation"
3. How shall we get there together? "Resource Allocation"
4. Are we getting there? "Performance Monitoring"
5. Does our culture support our strategy? (2005)
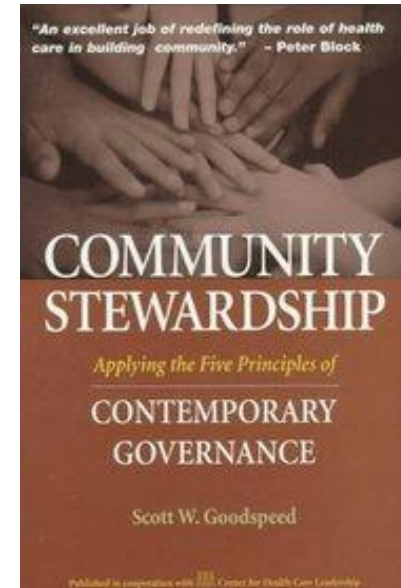
Applying the Five Principals of Contemporary Governance

Research based on 1841 responses from Board Chairs across the United States 1999 and 2005

WHAT IS A STRONG HOSPITAL in 2012?

Holistic Evaluation of Market, Operations and Finance

- **A Strong Hospital has the following characteristics:**

  – Dominant market share with growing demand
  – Diffuse competition

  – Outstanding quality and safety programs
  – Loyal, satisfied patients
  – Efficient and appropriately priced services

  – Strong balance sheet with surplus capital
  – High margin services

Market

Value-Based

Finance

HOSPITAL STRENGTH
INDEX

Objectives of the Strategy-Focused Hospital

- **Create a framework for the design and articulation of the hospital's vision and strategy**

- **Utilize a methodology to ensure alignment and execution of the hospital's strategy across the organization**

- **Create a valid and logical approach to look at and learn from the hospital's strategic measures in an integrated, causally linked manner**

- **Provide an objective framework to evaluate and prioritize strategic initiatives quickly and efficiently**

- **Create guidelines to assess performance on a regular, proactive and iterative basis rather than during one-time strategic plan development events**

- **Institutionalize a "language" to communicate and build a common foundation for the understanding and execution of the hospital's strategy and strategic plan at all levels**

Strategy-Focused Hospitals Institutionalize a Language

Strategy Execution Terminology

- **Perspectives**
  - A general area or category of performance used to divide the Strategy Map into four or more horizontal bands. The Strategy Map has generally has four perspectives: Customer; Clinical and Business Processes; Learning and Support; and Growth and Development.

- **Strategic Themes**
  - Strategic themes represent the broad categories of a hospital's strategic direction. Strategic themes may include: Quality and Service; Information System Solutions; Workforce Retention and Recruitment; Financial Health; Growth and Provider Relations; Service Excellence; Patient Safety and Clinical Excellence; Innovation; Operational Improvement; Best Place to Work; Organizational Culture; Physician Relations; Financial Strength and Growth; and Community Stewardship.

- **Objectives**
  - A specific, action-oriented goal that states a desired effect from an activity or project. Objectives are located within Strategies and provide a discrete area of performance to which a performance indicator can be linked. Most objectives involve an action statement structures as *verb-adjective-noun*.

Strategy-Focused Hospitals Institutionalize a Language

Strategy Execution Terminology

- **Indicators**
  - Specific performance measures that involve numbers/calculations. For example, Operating Profit Margin, which is expressed as a percentage (2.0%). All indicators on the Scorecard are linked to objectives.
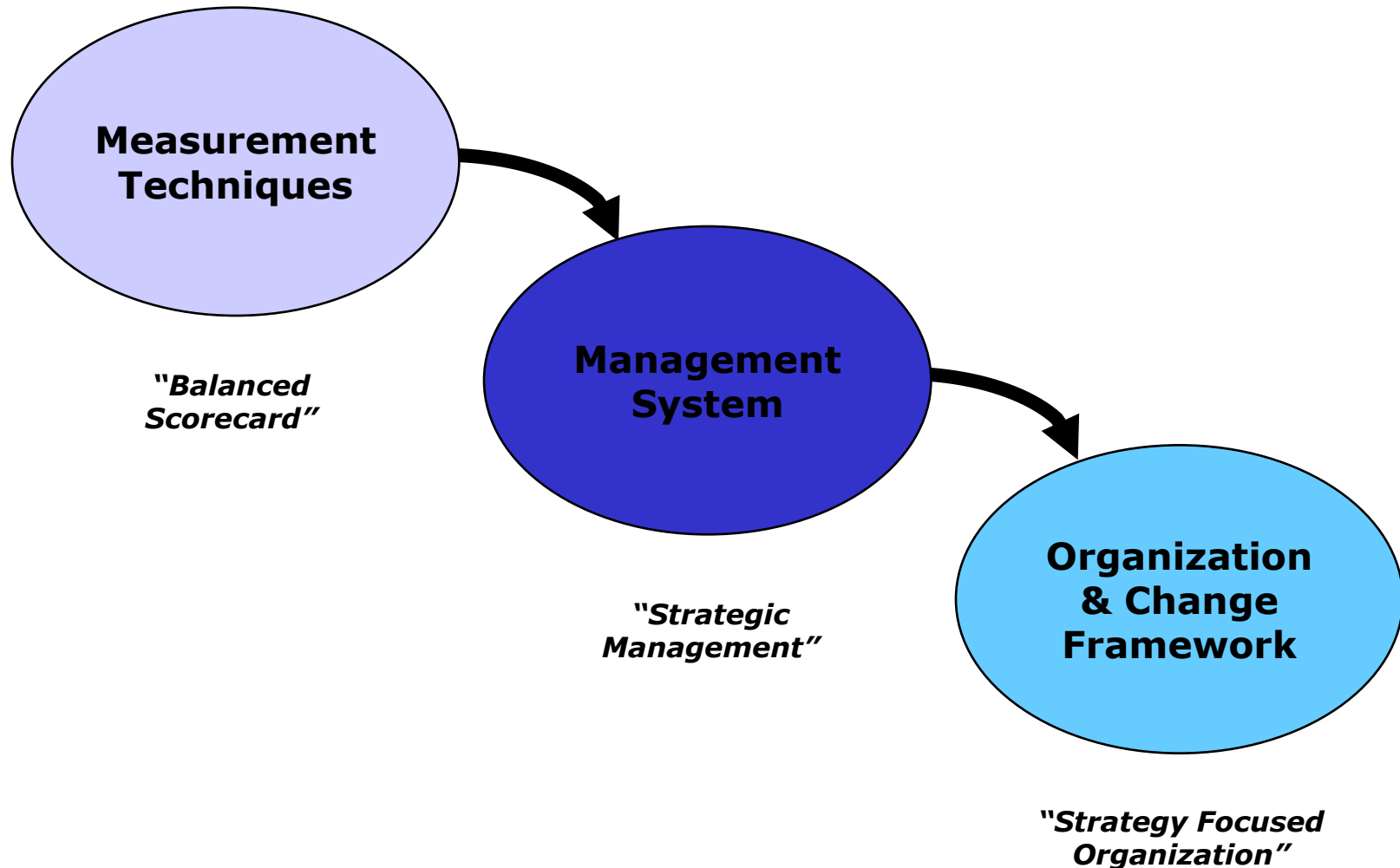
- **Targets**
  - A specific number (or range of numbers) developed and agreed to internally that describe the desired level of performance. For example, the target for the indicator Operating Profit Margin may be 3.0%.

- **Benchmarks**
  - *External, publicly available* numbers, often used to develop or inform targets. Benchmarks are commonly available for financial indicators (e.g. Bond rating), clinical indicators (CMS Core Measure scores) or HCAHPS satisfaction scores. Benchmarks and targets are similar, but targets are internal and are used to manage performance while benchmarks are external and are used to validate or compare performance.
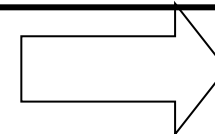
Evolution of Strategy-Focused Hospitals

Measurement Techniques

"Balanced Scorecard"

Management System

"Strategic Management"

Organization & Change Framework

"Strategy Focused Organization"

Board Strategic Planning Framework

MISSION	• What business are we in? • What do we intend to accomplish?	• Who do we serve? • What is our purpose? • How are we unique?
DISCIPLINED ANALYSIS	• Key Environmental trends • Opportunities and threats	• Strengths and weaknesses • Competitor analysis
VISION	• What will we look like in 3-5 years? • What will our unique position in the market be?	• How will we be different? • What will we be proud of?
STRATEGIC OBJECTIVES	• What strategic objectives do we have to accomplish in order to achieve the "vision"?	
KEY PERFORMANCE INDICATORS	• What are the measurable indicators of long-range success?	
STRATEGY MAP/ BALANCED SCORECARD	• Clarify and test the current strategy • Identify and evaluate the strategic options	• Track initiatives • Define strategic directions

EFFECTIVE LEADERSHIP →

The Principles of a Strategy Focused Hospital

TRANSLATE STRATEGY

- Mission / Vision
- Strategy Maps
- Balanced Scorecard
- Targets
- Initiatives

ORGANIZATION ALIGNMENT

- Hospital
- Departments
- Providers
- External Partners

Strategy

THE SCORECARD

Focused Organization

EVERYONE'S JOB

- Strategic Awareness
- Goal Alignment
- Linked Incentives

EXECUTIVE LEADERSHIP

- CEO Sponsorship
- Executive Team Engaged
- "New Way of Managing"
- Accountable for Strategy
- A Performance Culture

CONTINUAL PROCESS

- Linked to Budgeting
- Linked to Ops. Mgmt.
- Management Meetings
- Feedback System
- Learning Process

Characteristics of Strategy-Focused Hospitals

- Strategy-focused hospitals challenge their assumptions.

- Strategy-focused hospitals know how to get from A to B.

- <u>EVERYONE</u> sees the same preferred future and <u>learns</u> how to contribute to strategy.

Characteristics of Strategy-Focused Hospitals: A Riddle and Just a Warm-up

- **A husband and wife were born in Boston, Massachusetts.**

- **Their son was born in Boston but the son is not a citizen of the United States.**

- **How can this be?**

Strategy-Focused Hospitals Challenge Their Assumptions

Strategy-Focused Hospitals Know How to Get From A to B
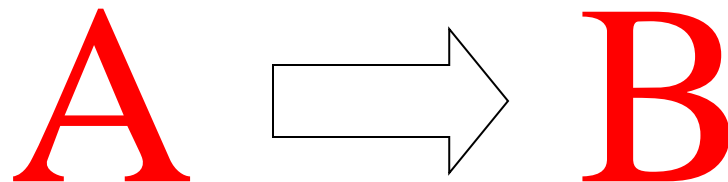
Everyone Sees the Same Preferred Future in Strategy-Focused Hospitals

Everyone Sees the Same Preferred Future in Strategy-Focused Hospitals
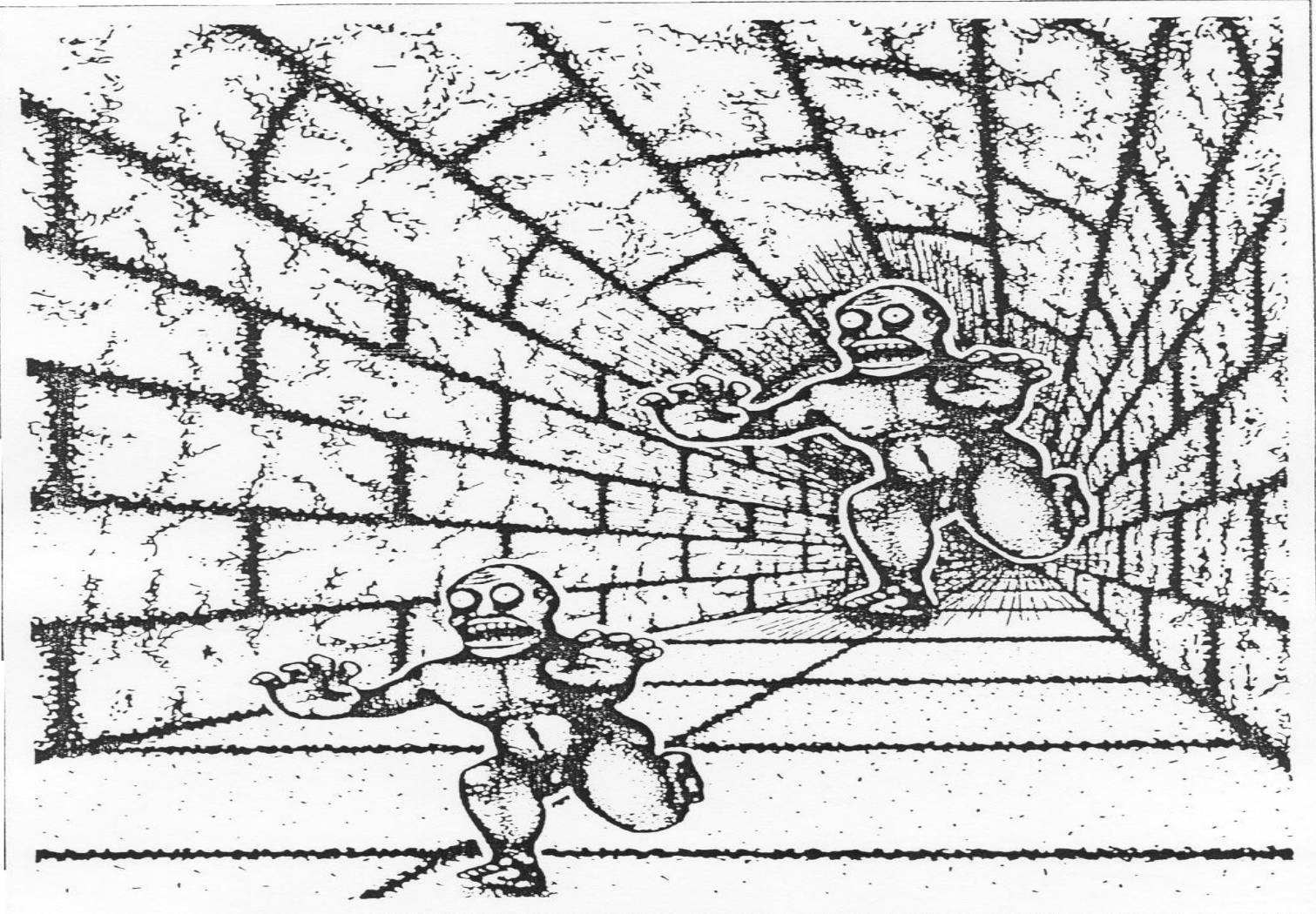
Everyone Sees the Same Preferred Future in Strategy-Focused Hospitals
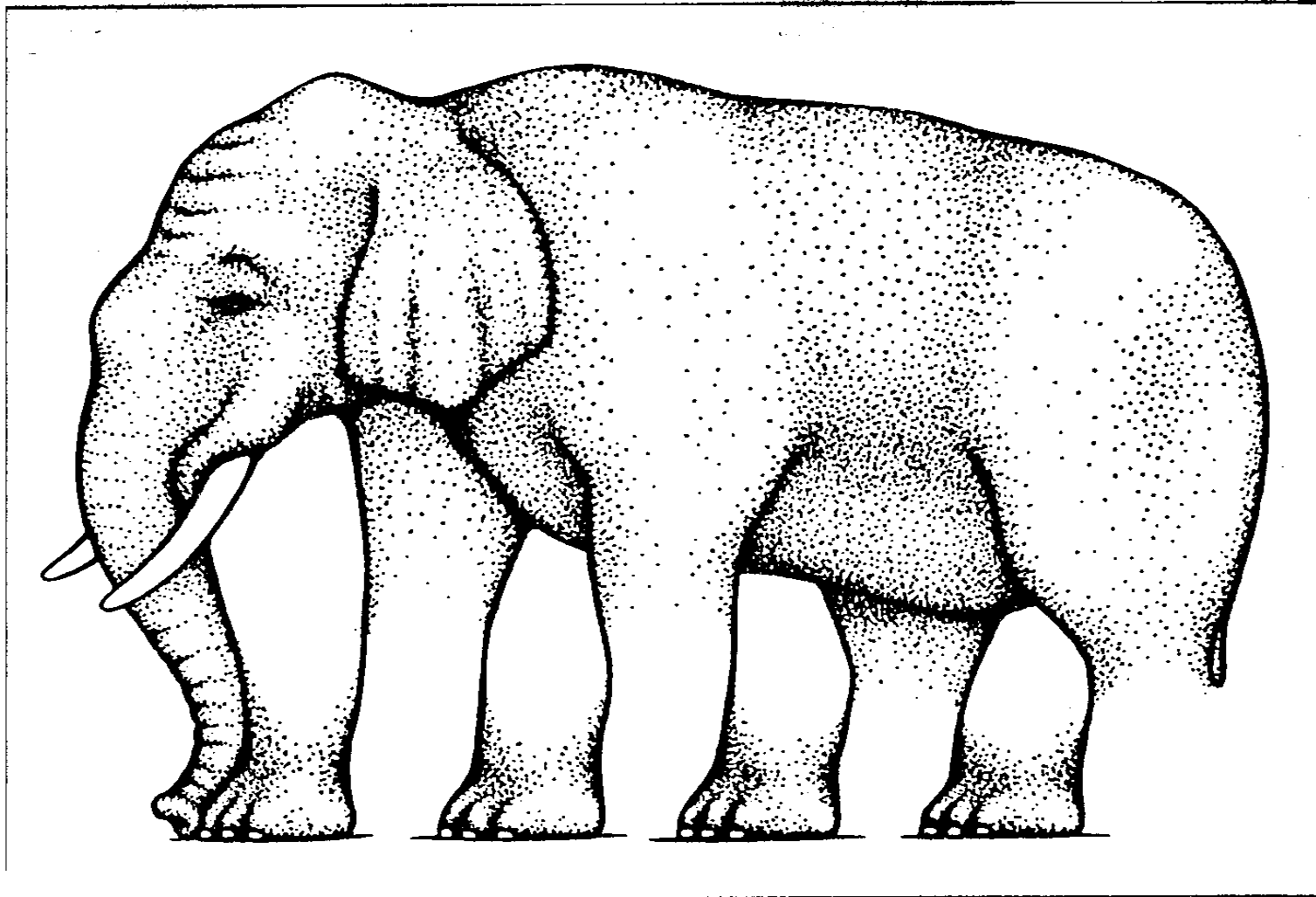
Vision Options

- Vision Options
  - Our Clear Bet Future

  - Our Range of Predictability Future

  - Our Breakthrough Future

- Exercise I: Our Clear Bet Future. What our future looks like is some version of the past. When thinking about our future what would the clear bet look like?

- Exercise II: Our Breakthrough Future. If you want to create a breakthrough, what would our future look like?

- Which of the two futures would you choose? Exercise I or II?

- What would you need to do to achieve the preferred future?

Exercise I: Our "Clear Bet" Future

- Assume you get in a time machine, what will ABC Hospital look like in 5 years? What would the "clear bet" future look like?

  – Don't write down what you hope for or what you would like your organization to be in 5 years but where you would bet it would be in 5 years.

- List your predictions and don't interpret your answers.

- Read the predictions and think of them as a mosaic. What picture starts to emerge? What do you see?

- Now ask where did the predictions come from?

  – From immediate experiences and the past.

  – Today's problems solved.

  – Today's problems continued.

  – Today's problems extended into the future.

- So our predictions are based on our past and what our future looks like is some version of the past.

Exercise II: Our Breakthrough Future

- For this exercise if you put the past in the past you get possibility. Look at one future that is discontinuous from the past. What would a breakthrough future look like?   This is not a pipe dream.

  – Don't react to the past, just let it be.

- When you design something you need design criteria. Consider the following criteria when designing the breakthrough future:

  – Inspiring

  – Exciting

  – Challenging

  – Moving

  – Touching

  – Makes a difference

  – Calls to you

  – Unpredictable yet doable

- Assume you get in a time machine, what would ABC Hospital look like in 5 years if you were to cause a breakthrough?

The Strategy-Focused Hospital Creates Long Term Value

The Strategy-Focused Hospital Spends Time on Factors that Create Long-Term Value

- **Traditional financial reports look backward**
  - Reflect only the past: spending incurred and revenues earned
  - Do not measure creation or destruction of future economic value

- **Strategy-Focused Hospitals identify the factors that create long-term economic value in an organization, for example:**

  - Service and Quality: satisfy, retain and acquire customers in targeted segments

  - Clinical/Business Processes: deliver the value proposition to targeted patients and providers

  - People/Infrastructure/Technology

.

Customers

Processes

People
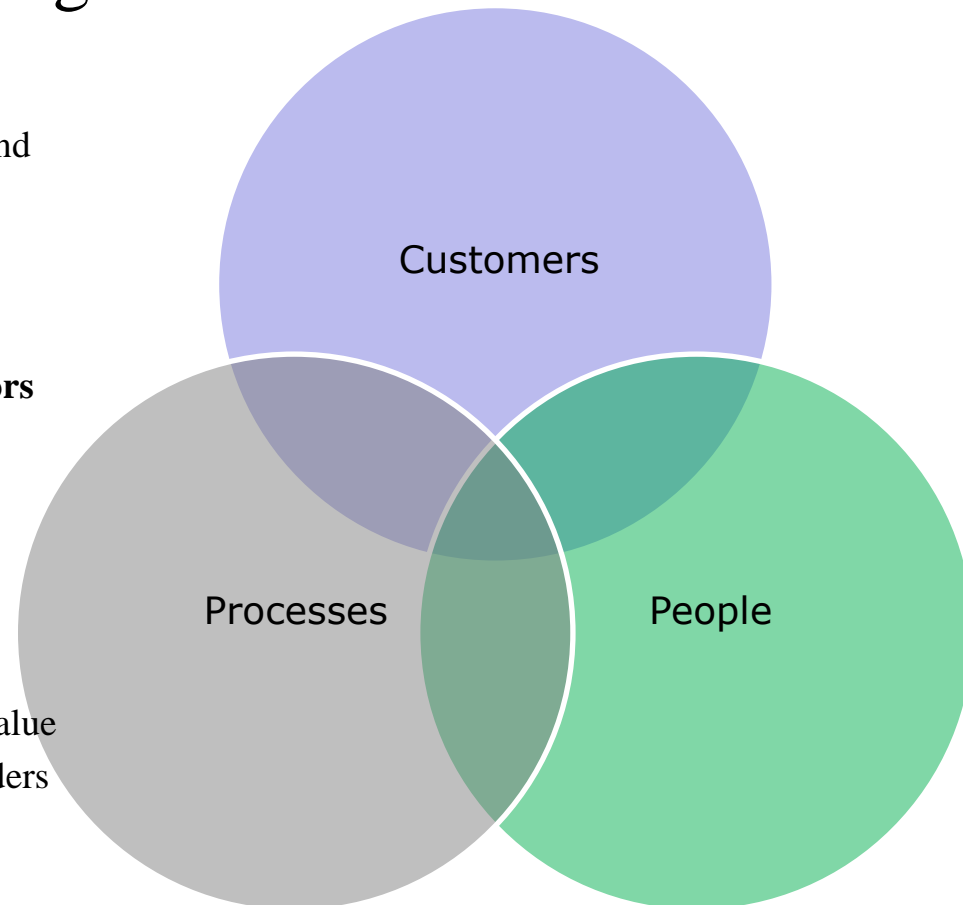
The Strategy-Focused Hospital Creates Long Term Value

Organizations Often Have A Gap Between Strategy and Action

Strategy Is a Step In a Continuum

MISSION
Why we exist

VALUES
What's important to us

VISION
What we want to be

STRATEGY
Our game plan

STRATEGIC OUTCOMES

Community
CONFIDENCE

Delighted
CUSTOMERS

Efficient and Effective
PROCESSES

Motivated & Prepared
WORKFORCE

The Balanced Scorecard Collaborative
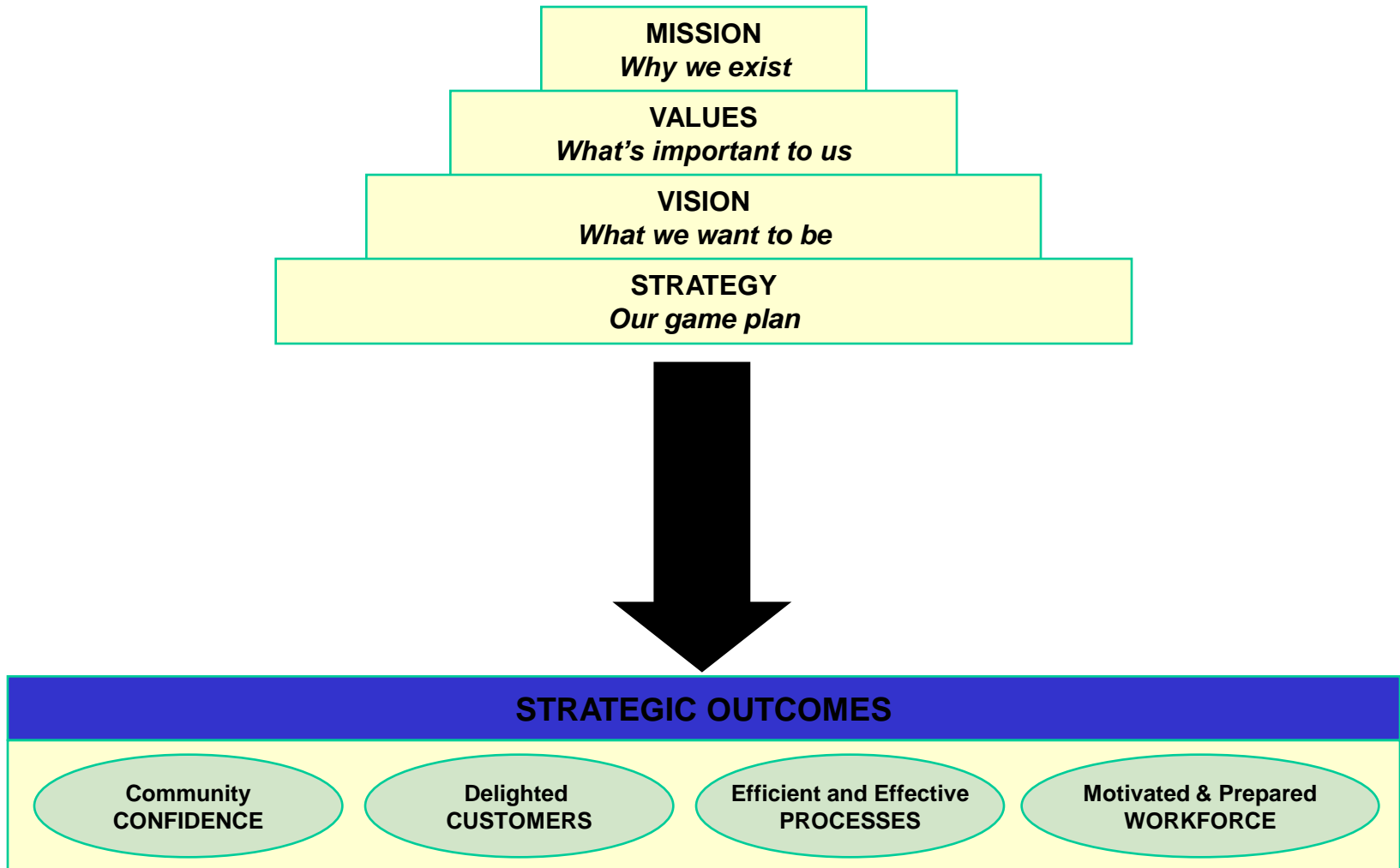
The Strategy-Focused Hospital Creates Long Term Value

The Scorecard Is A Bridge To Close That Gap

Strategy Is a Step In a Continuum

MISSION
Why we exist

VALUES
What's important to us

VISION
What we want to be

STRATEGY
Our game plan

The Balanced Scorecard
Implementation & Focus

STRATEGIC INITIATIVES
What we need to do

PERSONAL OBJECTIVES
What I need to do

STRATEGIC OUTCOMES

| Satisfied **COMMUNITY** | Delighted **CUSTOMERS** | Efficient and Effective **PROCESSES** | Motivated & Prepared **WORKFORCE** |

The Balanced Scorecard Collaborative

What is a Scorecard ?

*The Scorecard creates
a **framework** that helps organizations
translate strategy into **operational
objectives** that drive both behavior
and **performance**.*

The Scorecard is a way to collect data and information that helps organizations move from strategies to action that improves performance.

Adapted from Kaplan and Norton's
The Strategy Focused Organization

The Management Challenge for Strategy-Focused Hospitals

Research Has Identified
Four Barriers to Strategic Execution

The Vision Barrier

Only 5% of the work force understands the strategy

The People Barrier

Only 25% of managers have incentives linked to strategy

9 of 10 companies fail to execute strategy

The Management Barrier

85% of executive teams spend less than one hour per month discussing strategy

60% of organizations don't link budgets to strategy

The Resource Barrier
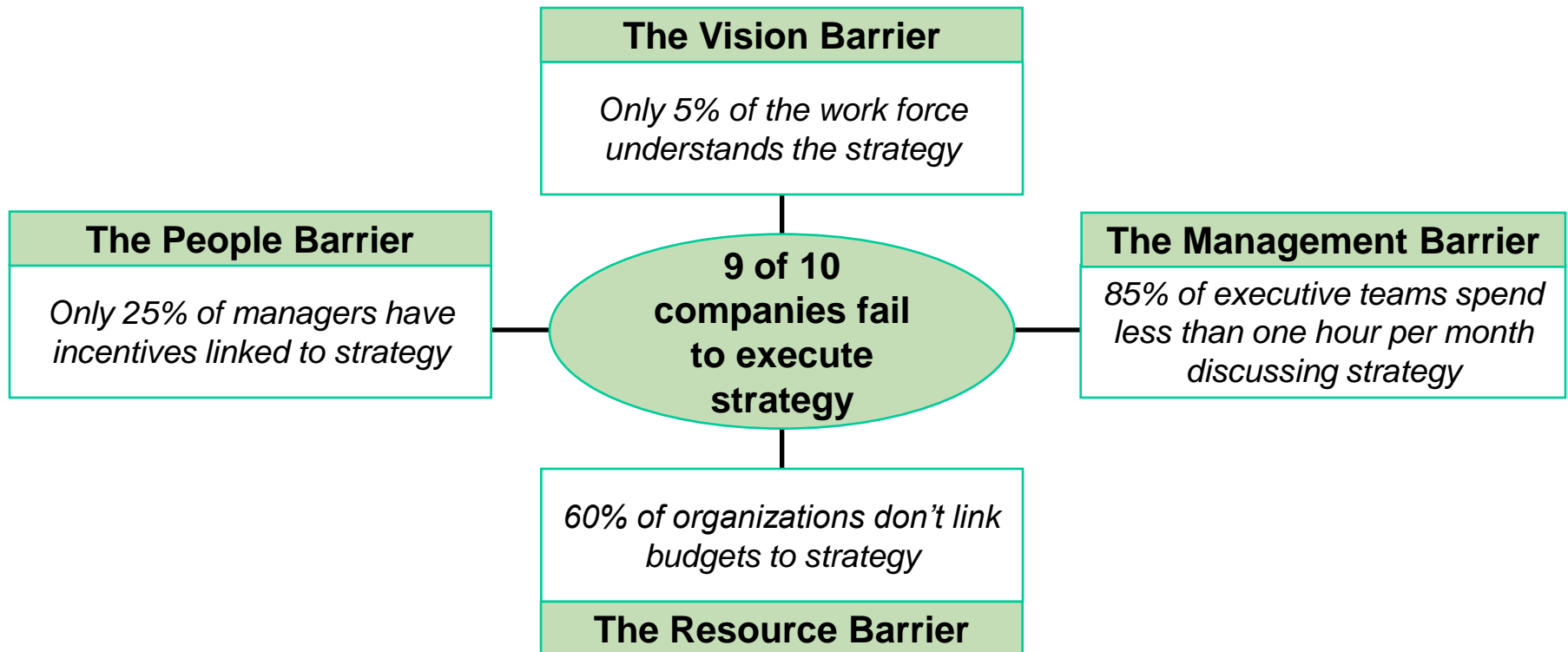
You Can't Manage Strategy With a System Designed for Tactics

Kaplan and Norton's The Strategy Focused Organization

Examples of Client Barriers

- *"Our leadership team doesn't make decisions, they just react to what's going on in the environment."*

- *"People have to change the way they work if we are to succeed with our strategy - they don't even know where we are headed as an organization"*

- *"The strategy exists on a book shelf in our CEO's office. I have read it, but nobody who really does the work knows what it means or how we can impact it, so we just keep doing our job – same as always"*

- *"Each year we spend four months preparing the plan and somehow it always ends up the same as last year"*

- *"Our strategic targets have doubled in the past three years but our expense budget has stayed flat"*

- *"Initiatives are prioritized according to the loudest Physician and/or Board member voice."*

- *"We never talk about planning for the future - skills, infrastructure, etc."*

- *"As department directors and supervisors we are not involved in strategy formulation"*

Strategy Focused-Hospitals Map Their Strategy

The Strategy Map Provides a Four Perspective Framework to Translate Strategy Into Operational Terms

The Mission Vision and Values

Financial Perspective

What financial resources are required to fulfill our mission?
- Profitability
- Growth
- Operational Efficiency

Customer Perspective

What do customers want, need, or expect?
- Confidence
- Service
- Quality

Internal Perspective

To satisfy our customers, at which clinical/business processes must we excel?
- Patient Safety
- Operational Improvement
- MD Needs

Learning and Growth

What type of culture, skills, and technology are required?
- New Skills
- Strategic Awareness
- Technology

Measurement is the language that gives clarity to vague concepts

Measurement is used to communicate, not simply to control

Strategy-Focused Hospitals Map Their Strategy

- Strategy maps force the consideration of how different strategies are connected
  - If we are going to implement strategies successfully, it is important to know "if we do A, then we expect it to result in B" (for example)
  - These *cause and effect relationships* help strategy "come alive" because it creates a visual picture of how the organization will be successful

- Develop a strategy map by organizing goals into four perspectives, as summarized below
  - Financial Health: What resources are required to meet the mission? How are revenue generating strategies balanced with expense management?
  - Growth and Provider Relations: What must we do to grow market share and create an effective partnership with our providers?
  - Customer Service and Quality: How do we meet customer needs and exceed expectations? What do we want the community to say about us? Who are our customers?
  - People/Infrastructure/Technology: What resources skills, training, and support do staff have in order to work effectively?

Example of a Strategy Map–Southwest Airlines

Strategy Map: Diagram of the cause-and-effect relationships between strategic objectives

Strategic Theme: Operating Efficiency			

Financial
- Profitability
- Lower Costs
- Increase Revenue

Customer
- Flight is on time
- Lowest prices

Internal
- Fast ground turnaround

Learning
- Ground crew alignment
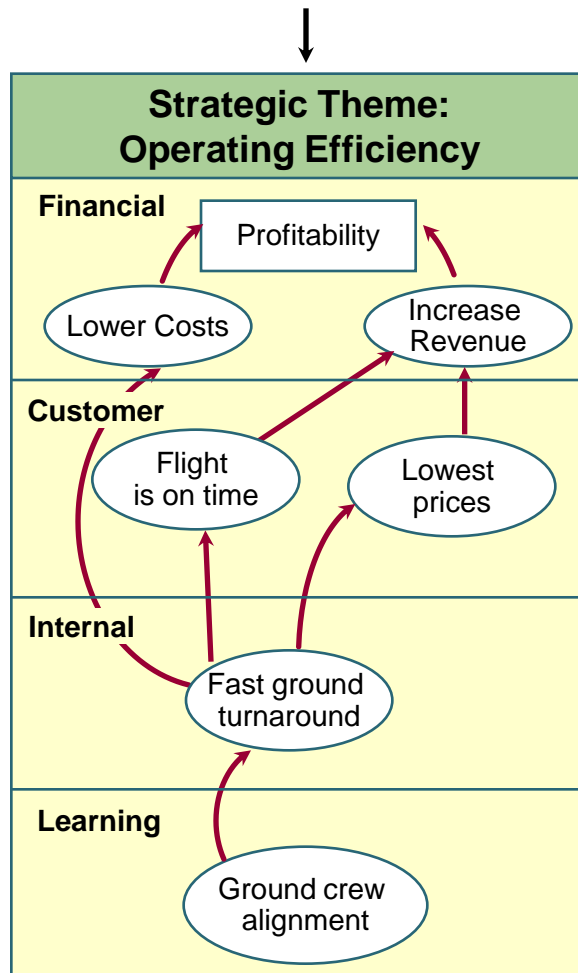
Statement of what strategy must achieve and what's critical to its success
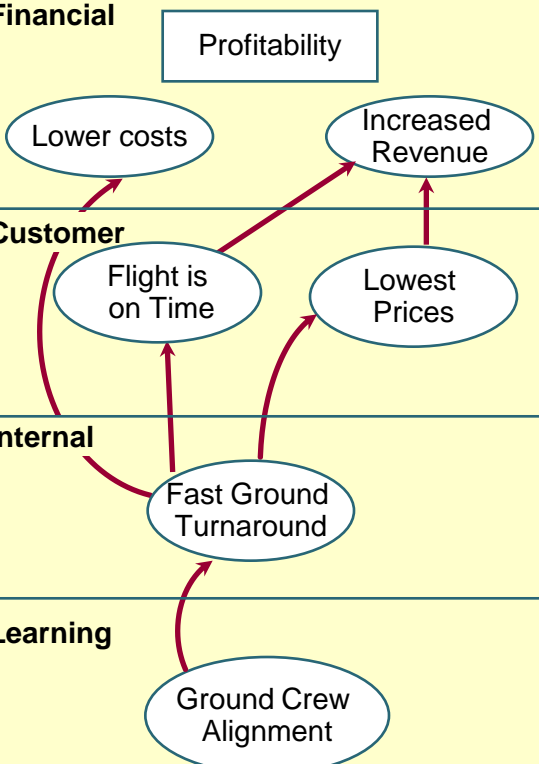
How success in achieving the strategy will be measured and tracked

The level of performance or rate of improvement needed

Key action programs required to achieve objectives

Objectives	Measurement	Target	Initiative
• Fast ground turnaround	• On Ground Time • On-Time Departure	• 30 Minutes • 90%	• Cycle time optimization

Example of a Strategy Map–Southwest Airlines

Strategic Theme: Operating Efficiency	Objectives	Measurement	Target	Initiative
Financial Profitability Lower costs Increased Revenue	• Profitability • More Customers • Fewer planes	• Market Value • Seat Revenue • Plane Lease Cost	• 30% CAGR • 20% CAGR • 5% CAGR	
Customer Flight is on Time Lowest Prices	• Flight is on - time • Lowest prices	• FAA On Time Arrival Rating • Customer Ranking (Market Survey)	• #1 • #1	• Quality management • Customer loyalty program
Internal Fast Ground Turnaround	• Fast ground turnaround	• On Ground Time • On-Time Departure	• 30 Minutes • 90%	• Cycle time optimization program

Learning
 	
Ground Crew Alignment
	• Ground crew alignment	• % Ground crew stockholders
		
		• % Ground crew trained
			• yr. 1 70%
			  yr. 3 90%
			  yr. 5 100%
				• ESOP
				
				• Ground crew training

Strategy Maps and their Structure

- Example of Rural Hospital Goals are summarized as follows:

Goal #1:

> Improve the Health and Well Being of our Community

Goal #4:

> Improve the Quality and Safety of Patient Care

Goal #2:

> Improve Employee Work-Life Experience

Goal #5:

> Implement Integrated Information System

Goal #3:

> Improve its Financial Strength

Goal#6

> Increase the Supply of Primary Care Physicians

- **The goal statements are clear and reflect the hospitals progressive nature, e.g., including community health improvement as a goal**
- **Execution of goals can be improved by linking them in a "strategy map"**

Strategy Maps and their Structure

- Example of Strategy Map Structure
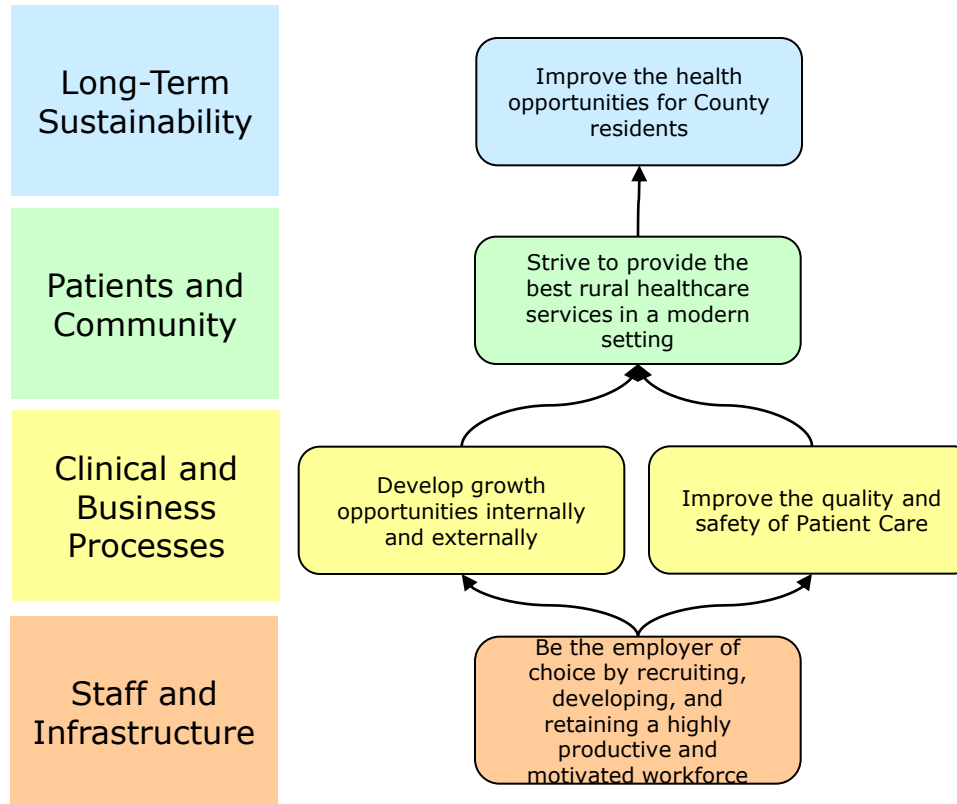
Strategy narrative:

"Through long term sustainability (including financial), we will seek to improve the health opportunities for county residents"

"In order to achieve long term sustainability, we will meet patient and community needs by providing the best rural health care services in a modern setting."

"In order to provide the best services, we will develop business growth opportunities and provide the highest quality clinical and operation services."

"In order to support our processes for growing services and providing high quality care, we will be the employer of choice for a highly productive and motivated workforce."

Strategy-Focused Hospitals Compete on Analytics

Utilization Trends

Discharges	FY 03	FY 04	FY 05	FY 06	FY 07	Trend	Desired	Actual
Acute	910	933	941	880	909		▲	▼
ICU	259	221	236	198	146		▲	▼
Swing/SNF	168	190	250	231	257		▲	▲
Acute/ICU/SNF	1,337	1,344	1,427	1,309	1,312		▲	▼
Obstetric	263	257	245	248	251		▲	▼
Patient Days								
Acute	3,650	3,524	3,485	3,370	3,478		▲	▼
ICU	392	343	347	348	357		▲	▼
Acute/ICU	4,042	3,867	3,832	3,718	3,835		▲	▼
Swing /SNF	1,313	1,082	1,472	1,316	1,561		▲	▲
Observation	838	857	691	612	579		▲	▼
Obstetric	587	623	546	553	571		▲	▼
Length of Stay								
Acute	4.0	3.8	3.7	3.8	3.8		▼	▼
ICU	1.5	1.6	1.5	1.8	2.4		▼	▲
Swing/SNF	7.8	5.7	5.9	5.7	6.1		▼	▼
Acute/ICU/SNF	3.0	2.9	2.7	2.8	2.9		▼	▼
Obstetrics	2.2	2.4	2.2	2.2	2.3		▼	▼

Discharges by Physician Specialty

2007 Inpatient Discharges by Physician Specialty and Cumulative Percentage
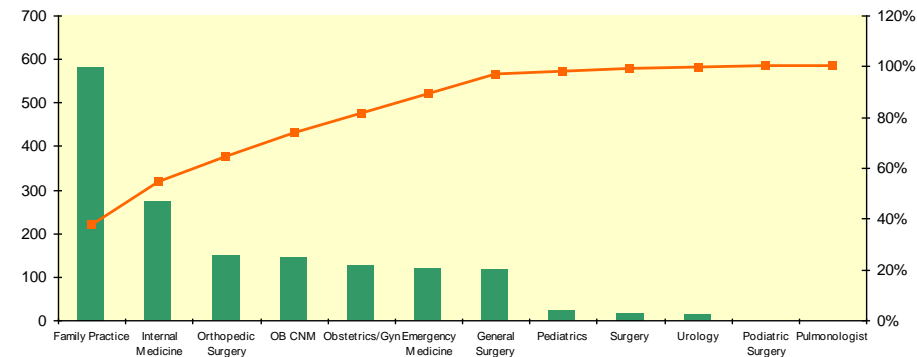
Market Share Estimates (Outpatient)

Estimated Ancillary Service Market Share Percentage
Sources: Solucient and Hospital OP Volumes

Total OP Market Estimate

3,535	13,445	2,783	1,313	45,467	13,198

OP Surg/Endo 66% · OP X-Ray 126% · OP CT 132% · OP MRI 91% · OP PT 21% · ER Visits 115%
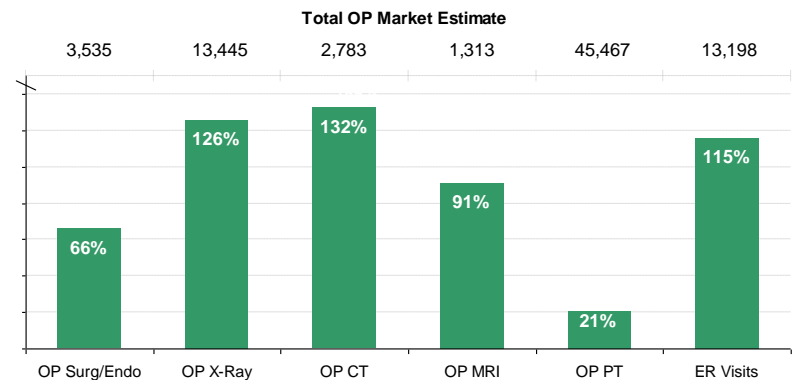
Strategy-Focused Hospitals Compete on Analytics

Financial Trends

	2002	2003	2004	2005	2006	2007	Trend	Desired	Actual
Operating Revenue (000s)	$ 28,565	$ 34,428	$ 39,338	$ 44,590	$ 48,739	$ 54,155		▲	▲
Operating Margin	3.35%	0.53%	1.91%	7.33%	3.39%	1.67%		▲	▲
Total Margin	4.65%	1.15%	3.12%	9.18%	4.64%	3.98%		▲	▲
Operating EBIDA Margin	9.46%	5.61%	6.40%	11.22%	7.22%	6.66%		▲	▼
Debt to Capitalization	8.79%	8.90%	8.56%	6.25%	41.04%	37.92%		▼	▲
Debt Service Coverage	13.00	4.95	5.32	13.42	1.96	2.95		▲	▼
Days Cash on Hand	108	102	115	139	289	157		▲	▲

Strategy-Focused Hospitals Compete on Analytics

Utilization vs. 25/50/75/100% of Market

Surgery & Endoscopy - OP Use v. 25/50/75/100% of Market
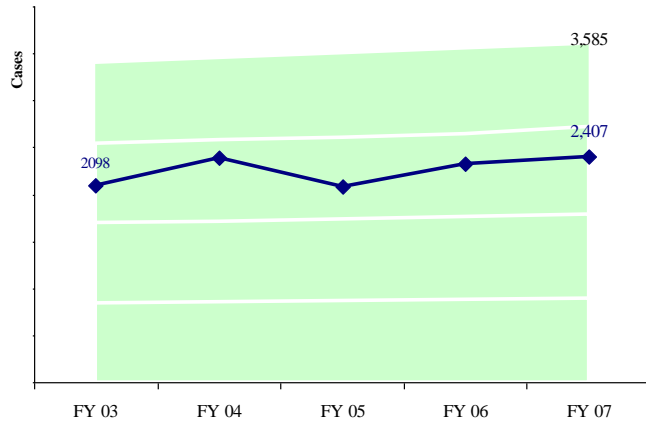
CT Scan - Utilization v. 25/50/75/100% of Market
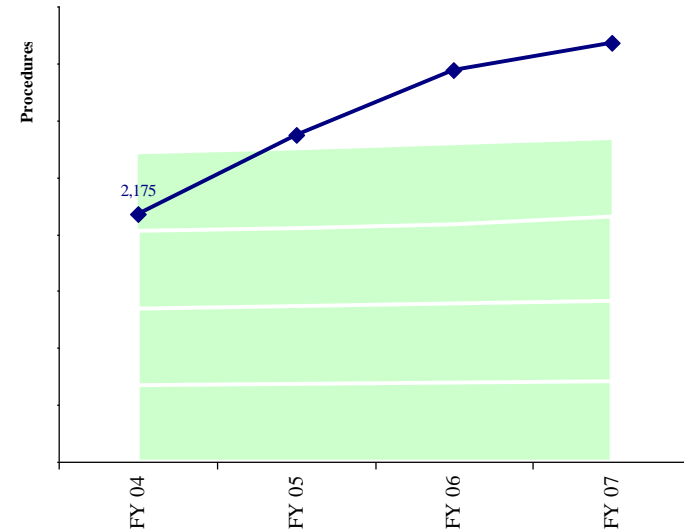
MRI - Utilization v. 25/50/75/100% of Market
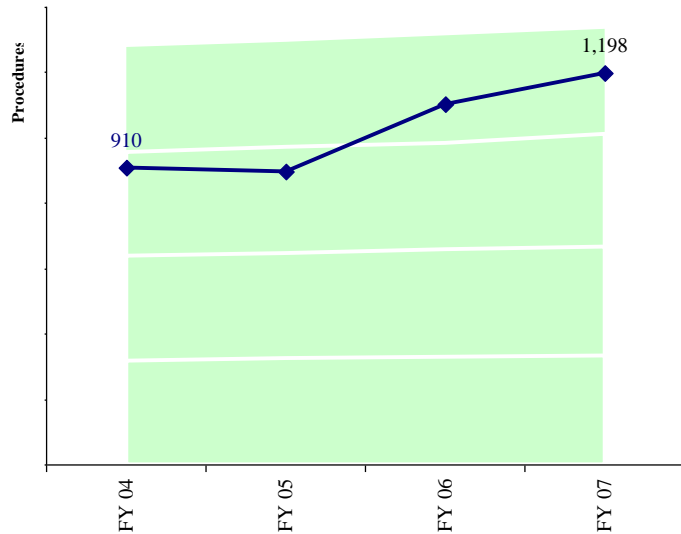
Strategy-Focused Hospitals Compete on Analytics

Discharges by Product Line

Product Line	Value
NEWBORNS	191
OBSTETRICS	187
CARDIOLOGY	136
PULMONARY	127
GASTROENTEROLOGY	124
ORTHOPEDICS	86
GENERAL SURGERY	80
NEUROLOGY	34
GENERAL MEDICINE	32
ENDOCRINE	26
PSYCHIATRY	13
NEPHROLOGY	9
ONCOLOGY	8
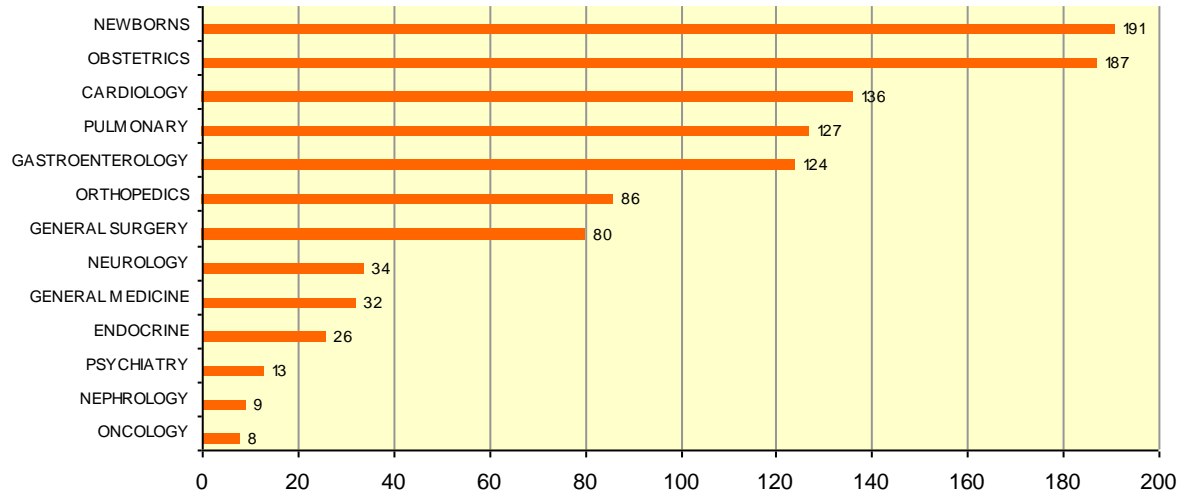
Inpatient Market Share (Medical v. Surgical)

- Surgical
- Medical
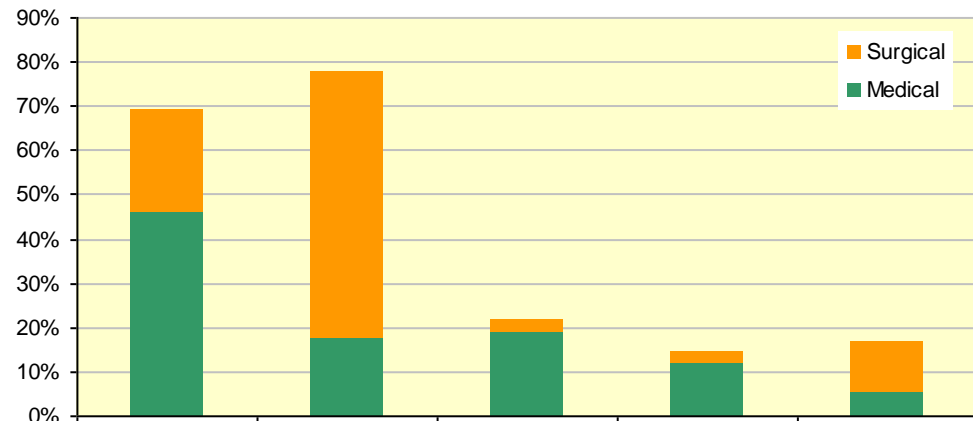
Strategy-Focused Hospitals Compete on Analytics

Outpatient

Clinical Service Category	2005 Procedures	2010 Procedures	2010 Technology Trend Procedures	% Growth 2005-2010 Procedures	% Growth 2005-2010 Technology Trend Procedures
VASCULAR	286	334	488	17%	71%
RAD THER	4,543	5,296	5,312	17%	17%
PODIATRY	1,894	2,197	2,271	16%	20%
NEPHROLOGY	2,216	2,568	2,567	16%	16%
SPECT	859	992	1,169	16%	36%
PET	63	73	199	15%	214%
OPHTHAL	13,742	15,835	23,078	15%	68%
CDTHORACIC	10	12	6	15%	-45%
CARDIOLOGY	15,522	17,804	22,315	15%	44%
MISC	11,107	12,717	18,261	15%	64%
GASTRO	2,550	2,917	3,746	14%	47%
UROLOGY	1,932	2,202	3,564	14%	85%
DERMATOLOGY	8,077	9,182	14,738	14%	83%
PLAST SURG	223	251	333	13%	49%
NEUROSURGERY	187	211	290	13%	55%
CT SCAN	3,881	4,363	6,382	12%	64%
GEN SURG	1,845	2,071	2,702	12%	47%
HEMONC	13,481	15,130	25,908	12%	92%
MRI	1,839	2,064	2,960	12%	61%
PHYS THER	76,232	85,500	128,115	12%	68%
LABS	178,430	200,084	244,388	12%	37%
CHIRO	15,995	17,877	45,230	12%	183%
DIAG RAD	31,250	34,950	40,159	12%	29%
NEUROLOGY	3,583	4,006	9,595	12%	168%
ORTHO	4,131	4,619	6,097	12%	48%
MEDICINE	189,310	208,034	281,789	10%	49%
PULMONARY	4,213	4,630	6,073	10%	44%
ALLERGY	8,029	8,808	12,591	10%	57%
OTOLARYNG	3,569	3,834	4,634	7%	30%
PSYCH	10,504	11,266	13,280	7%	26%
OB/GYN	3,788	4,027	4,746	6%	25%
EM	19,621	20,654	24,032	5%	23%
ORAL SURG	31	32	32	5%	5%
Total	**632,944**	**704,537**	**957,049**	**11%**	**51%**

Source: Solucient

The Strategy-Focused Hospital Links Long and Short Term Planning

Links Long Term Strategy and Measures to More Tactical Planning and Budgeting

Longer Term (3-5 year) View   **Shorter Term (Annual) View**

Vision	Mission	Themes	Objectives		Measures		Targets	Initiatives	Milestones	Accountable	Resource Alloc.
			Financial	• High Margin Services	• New Net Revenue		• '11 $xxx • '12 $xxx+				
			Customer								
			Internal								
			Team								

Desired Future State — *Purpose* — *Themes:* • Attain Significant Growth • Operational Efficiency

← **Strategic**   **Tactical** →

The Purpose

Of Objectives, Measures, Targets and Initiatives

Example

Objective	Measure	Target	Initiative
Grow through High Margin Services	New Net Revenue	$1.0 Million	Primary Care

What strategy must achieve and what is critical to its success

How success in achieving the strategy will be measured and tracked

The level of performance or rate of improvement needed based on a gap identified

$M

Target

gap

Current

The Purpose

Of Objectives, Measures, Targets and Initiatives

Example

Objective	Measure	Target	Initiative
Exceed Patient Expectations	Patient Satisfaction Index Score	95th Percentile	Performance Behavior Standards and Peer to Peer Learning

What strategy must achieve and what is critical to its success

How success in achieving the strategy will be measured and tracked

The level of performance or rate of improvement needed based on a gap identified

$M — Target — gap — Current

Linking Strategy to Operations at the Department Level

Cascading means linking strategy to operations at the individual department level

Linking Strategy to Operations at the Department Level

Hospital Scorecard
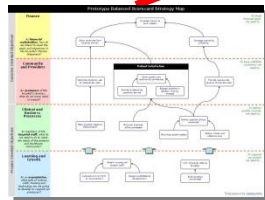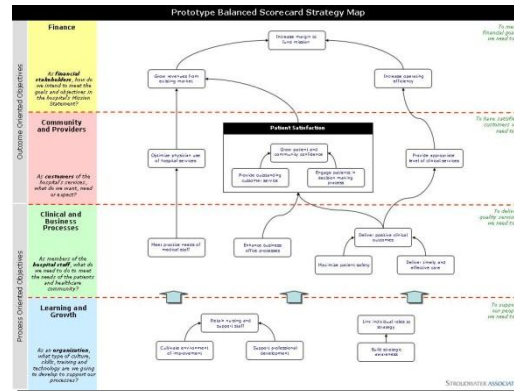
Department A
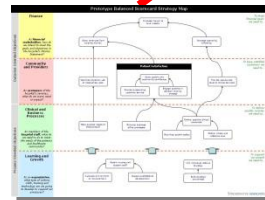
Department B
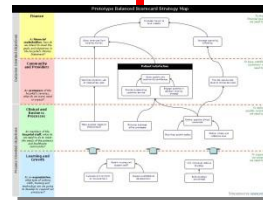
Department C
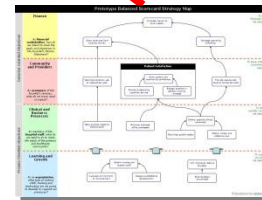
Department D
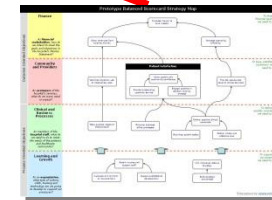
Department E

Linking Strategy to Operations at the Department Level

What Are the Benefits?

- **Better Alignment**: Departments monitor what is important to the hospital's strategy.

- **Simplification**: Only strategic and operationally important indicators are part of the standard reporting process.

- **Broader Measurement System**: Departments no longer monitor only clinical indicators. Instead, department-specific financial, operational, clinical and satisfaction indicators are monitored.

- **Less duplication**: Once the management team agrees on indicators, the department dashboard/scorecard can be used in multiple meetings.

- **Benchmarking**: Benchmarking can become department specific using comparative data.

The Key to The Strategy-Focused Hospital

Enable Management and the Board to Focus Meeting Time on Strategic Issues

PRESENT
(Event-Driven Learning)

FUTURE
(Continuous Learning)

Review Strategic
Issues
(30%)

Discuss
Implications
(30%)

Review Past
Performance
(40%)

- *Provide input to strategic issues currently being worked*

- *Dialog about performance*
  - *explain anomalies*
  - *suggest solutions*
  - *identify issues*

- *Identify strategic issues for next discussion at next group meeting*

- *Review performance data (available on-line)*

Review
Strategic
Issues
(60%)

Discuss
Implications
(30%)

Review Performance
(10%)

**THE QUARTERLY
REVIEW MEETING**

BETWEEN THE MEETINGS

**THE QUARTERLY
STRATEGIC REVIEW
MEETING**

The Balanced Scorecard Collaborative

Strategy Execution and The Strategy-Focused Hospital

A Framework for the Strategic Plan

- Provides the link between Strategy and Budget

- Ensures that the execution of strategy is driven by the strategy, not the budget

- Ensures that execution of strategy is an ongoing process, not a one time event

- Enables ongoing initiative management/ resource allocation to objectively reflect the strategy

An organization's strategy is only as good as the ability to execute on that strategy

A Strategy-Focused Hospital Strengthens the Responsibilities of the Board

- The Five major responsibilities of the Board of Trustees are strengthened by adopting a Strategy-Focus:

  1. Adopt a Strategic Direction;

  2. Provide Financial Oversight;

  3. Ensure Compliance;

  4. Pledge Community Stewardship; and

  5. Recruit and Advise the CEO.

- It clarifies the strategic information required by the Board for it to discharge its duties successfully.

- This framework creates an environment where the Board spends more time on strategy and little time on less important operational minutia.

Lessons Learned from a CEO's Perspective

1. This is not about fad surfing, it is about a strategic framework that drives individual and organizational performance.

2. The CEO and the Executive Team must own a focus on strategy and understand that this is a forever agenda.

3. It will not be easy at the beginning. It will be easier to fall back into the old ways of doing things.

4. Successful implementation means that you change everything you do.

5. It is fun to work in a strategy focused organization.

   • The story of Nancy in housekeeping and food and nutritional services.

6. You must walk the talk because everyone will be watching.

   • The story of the employee performance standards.

7. Setting the right measures and targets is absolutely critical.

   • The story of the primary care initiative or can we really hit this target?

8. It absolutely should result in financial improvement or else you not executing the right initiatives.

9. You will lose less sleep!

Benefits of Becoming Strategy-Focused

- Improves management effectiveness by having a shared and actionable view of the strategy

- Optimizes and ensures strategic outcomes for a given set of resources

- Enables employees to work in a coordinated, collaborative fashion towards organizational goals

- Speeds time to value through faster more informed decision-making on time and resource allocation

- Accelerates the approach and its accuracy to the strategic destination

Becoming a Strategy-Focused Hospital: Five Steps

The Strategy Focused Hospital