# Duke childrens hospital case study examples

Business, Strategy

# Introduction:

What process did Duke Children's Hospital follow in creating a balanced scorecard? Why did the hospital decide to use the balanced scorecard to evaluate its stakeholder relationships and its business processes? What was the reaction of the staff?

Duke Children’s Hospital turned around its 138-bed academic hospital from a losing proposition to an organization that gained profitability from its operations. It did so through the use of the Balanced Scorecard. The balanced scorecard approach is an effective management tool that is used by organizations to improve their performance, expand their services, and gain profitability. Management teams from hospital institutions deal with a considerably wide rnage of needs and demands from its stakeholders, thus requiring that these organizations balance their goals to sufficiently provide for each of their shareholder’s requirements. Coupled with that is the increase in competition and consolidation of healthcare institutions plus the pressures coming from regulatory requirements, changing healthcare policies and increasingly rigid health standards, and the associated costs in complying with these requirements. The balance score card is one of the best approaches to address these conflicting goals and ensure quality health care delivery and long-term viability.

In the case of Duke Children’s Hospital, their approach was to improve their situations by applying Strategy-Focused Organization principles. This linked the hospital with their overall strategy. This was required because there was a rift between the financial performance of the health care institutions and the quality of service it delivers in that both have a counter-intuitive effect on each other.

The balanced scored card was implemented to gain traction on just what the physicians should do with the overall objectives of the hospital. To do so, they implemented the following steps:

1. Key Performance Indicators were determined to link the health-care side of the business with the financial aspect of the enterprise. This also included staff satisfaction and understanding of the regulatory requirements of the hospital and the health care professional.
2. Analysis of performance was done which resulted in a decrease in the number of hospital staff. Analysis of performance was conducted from the physicians view, from the patients view and from the hospital's view.
3. The mission and vision were then renewed and promoted throughout the organization. Physicians had to buy in to the plan and this si what management strove to do.

The result was a drastic and sweeping organizational change in the hospital which was initially resisted by the physicians and other hospital staff. However, management was able to do enough to link the strategy with the vision.

## Analysis:

In the balanced scorecard Duke University Children's Hospital developed, on what internal business process did the hospital focus? What measures were used? What changes were made in that business process?

What changed essentially for Duke was how the physicians' were managing their patients. While it is the physicians that determine the charges to patients due to the requirements of health care, it is the hospital who receives the bottom-line effect. Originally, the cost per patient was increasing while the associated net margins were decreasing. This is because there was a gap between the kind of quality that healthcare professionals were providing with the costs that the hospital was bearing.

The balanced scorecard approach integrated the patients view to the physicians and the hospital view of performance and resulted in the following:

The balanced scorecard increased operating margin and decreased cost per patient. From the customer's perspective, the hospital was providing better services through higher satisfaction, timeliness of discharge and provision of information regarding medical plans. Internally, the balanced score card improved the length of stay and readmission rate metrics, all of which are important to the hospital's credibility and financial bottomline.

## Conclusion:

Describe how the changes in its business processes affected both employees and customers (patients); this involves considering multiple perspectives, both those of participants and those of stakeholders.

The balanced scorecard is an important tool in improving the organization, especially health care institutions. It bridges the gap between the organization, the employees and its clients. In Duke's case, the balanced score card turned the hospital around from a losing enterprise to a profitable and client friendly business. In fact, all of the Duke University Hospitals now employ a balanced scorecard approach to improving its functions. Clients and employees are both bought into the strategy, linking what was once opposing ideas into a cohesive and collective vision shared by all.

## Evaluation:

Did Duke Children's Hospital do a good job in designing and using its balanced scorecard? Agree or disagree with the issue, then defend your position. Use your readings to help you decide whether the implementation was done well or poorly.

The balance scorecard approach for Duke Children's Hospital is a success. Hospital employees are made aware of the quality of the organization they are working for, knowing that their actions are aligned with the general strategy of the organization. This meant that the job design was spot on for Duke.

The balanced scorecard provided the employees with the strategy that they internalize, because of the clarity of its message. And this has catapulted Duke into a profitable enterprise, then and for many years to come.

## References

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