

The duke university children's hospital

Business



The Duke University Children's Hospital faced declining profits and rising costs as the general cost of everything increased and the hospital failed to update its systems accordingly. The financial aspect of the business was facing significant problems as the hospital remained focused at clinical performance only and soon failed to stay profitable with both cash flows and revenues going down. Realizing the need of the hour was business process re-engineering and re-alignment of business goals with clinical practices, the hospital management came up with a professional tool long used to achieve similar ends in organizations facing multiple business issues.

The balanced scorecard technique is used to achieve such a purpose. It presents the management with a manifold solution to multi-perspective problems. This tool links up organizational goals with measurable performance metrics that directly affect revenue and costs and individual performance- hence management can pinpoint problem areas and tackle them effectively. The most relevant example of such a cause is when staff could be reduced in order to hold on to rising costs but this could go up to reduce quality of service (in this case healthcare) delivered and therefore might not be so desirable when it comes to adopting customer satisfaction oriented approaches toward businesses.

Therefore, management needs to devise a strategy that lets organizations save costs but not necessarily by reducing/ downsizing staff rather by adopting better processes that save redundancy and employ smarter tactics that genuinely revs up performance and brings desirable results. It harnesses employee performance and commitment to organizational mission so that everyone contributes toward a learning and expanding organization.

The process of developing a balanced scorecard (note the emphasis on the term 'balance' since the scorecard aims to achieve balance among several inter connected and inter dependent organizational practices) requires management to focus on three basic tenets of performance:

- KPI establishment and linkage: the management needs to clearly define key performance drivers that have a powerful impact on the business and have the potential to impact the outcome
- staff and customer satisfaction (both internal and external): customer satisfaction should take a wholesome dimension here since the hospital has many types of customers whose satisfaction it needs to consider- the staff- both clinical and administration, the patients themselves and the payers of the healthcare (usually these are different than patients) and so it needs to realize if any one set of this customer groups is dissatisfied with the performance, it's going to seriously affect financial performance and general success of the business.
- Regulatory consideration: healthcare is a highly regulated industry so performance measures need to be in compliance with these rules and regulations. Therefore a hospital should strive to meet its financial compliance and requirements while trying to increase its revenues but should never deviate from its moral duty to help people heal fast and effectively.

The three basic steps every organization needs to follow to come up with an effective scorecard implementation methodology are

1) Key linkages between KPIs and goal achievement: there are many dozens of performance metrics to choose from while determining the key KPIs to set performance standards against but in this case management needs to very specific so to consider only those that really impact the business in meaningful ways.

2) Continuous performance analysis: this could also help hospitals save costs and even generate timely revenue and much needed cash flow. One example is given of the 391 bed hospital in the Duke Health System of the Durham Regional Hospital demonstrated how the hospital steadied cash flows by revising the receipt collection and patient notification system. The hospital came up with an exhaustive and exclusive patient notification and dues collection format that was based on fax based interaction between the hospital and the customers and kept everyone informed about patients health and payment status. The hospital was able to generate better cash flow and perform more effectively.

3) Strategic knowledge management: continuous acquisition of superior knowledge and investing in better technology is key to growing success. Hospitals are infamous for ignoring technology and all business process re-engineering related to technology while this is one area that could truly rev up a hospital's performance along with perhaps up gradation of staff skills and better training programs.

The organization can define these parameters depending on the industry norm and structure it's performing in. The main task is to choose the right KPIs- ones that really link the core of organizational performance drivers with measurable set of business practices. The four basic aspects that all

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organizations need to somehow intertwine in their problem solving approaches are: customer satisfaction; financial performance; learning and growth; and internal business processes.