Form 3.1

Balanced Scorecards and Dashboards

**The Balanced Scorecard Approach**

The balanced scorecard approach was initially developed by Robert Kaplan and David Norton for use in the private sector to ensure corporations considered non-financial performance. See *The Balanced Scorecard: Measures that Drive Performance by Robert Kaplan and David Norton (1992, Harvard Business Review 1992)*. It has more recently been adapted for not-for-profit organizations. *See Reimagining the Balanced Scorecard for the ESG Era by Robert Kaplan and David McMillan (2021, Harvard Business Review 2021).*

The idea is essentially that financial performance is a lagging indicator of success, while others (such as staff satisfaction and new product innovations) are leading indicators. Senior management and the board need to watch these latter indicators, since they predict how well the organization will do in the future.

The four standard perspectives relevant to hospitals are:

1. Patient or consumer perspective;
2. Financial perspective;
3. Internal processes perspective; and
4. Innovation and learning, or community engagement perspective.

In the balanced scorecard approach, senior management develops a few objectives in each perspective area that are consistent with, and support, the organization's vision, mission or strategic direction. For each objective, measures are developed with performance indicators that can be used to evaluate progress and achievement.

As a balanced approach, the method appears to suit the health sector. In fact, many hospitals have adapted the balanced scorecard approach to their situation and report that it is serving them well.

**The Dashboard Approach**

Dashboards typically display a conclusion about whether or not there is an issue with performance. This simplifies interpretation for the board. For each indicator, there is a colour with an obvious meaning:

* Green means the performance is above standard or within the performance range;
* Yellow means warning, suggesting the performance is below standard or in the low range; and
* Red means below standard.

To make the dashboard approach work, the following steps are required:

* Performance areas and related indicators need to be selected;
* There must be some pre-defined rules about when each colour is used in terms of indicator level; e.g., for wait times 20% above target is red, 10% above is yellow, and equal or below is green; and
* Typically dashboards can include trend information — is it going down or up?

In order for the dashboard approach to be effective, board members require some education as to how to review the dashboard and its meaning. Many organizations are now fine-tuning their dashboard practices to better serve the board.

* Reporting different measures for different periods — developing certain indicators for monthly or quarterly reporting, and others for annual review by the board. This reduces the indicators reviewed at any one time.
* Simplifying dashboards while providing summary back-up — dashboards are getting simpler and easier to understand. These are often supplemented by back-up sheets that offer more specifics about the indicators and a brief commentary from management explaining variances. This allows some board members to examine certain quality indicators, while others may focus elsewhere.
* Creating more transparency and comparative benchmarks — dashboards have been easy to interpret since the green, yellow and red scheme is intuitive. However, it can be deceptive since it isn't obvious what method underlies the determination of colour. Some dashboards now show the standard for determining status for greater transparency.

Whether or not a balanced scorecard or dashboard method is used, the comparisons to benchmarks and comparable hospitals have been underdeveloped. This aspect of performance reporting is improving.

**Examples of Balanced Scorecard and Dashboards**

**Common Hospital Performance Measures**

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| **Common Performance Measures** | |
| **Patient Access and Outcomes** | **Financial Health** |
| * Patient satisfaction * Service volumes (e.g., emergency visits, day surgery units) * Re-admission rates * Average length of stay | * Total margin * Actual to expected cost per weighted case * Administration as a percentage of total expenses * Current ratio |
| **Organizational Health** | **Innovation and Development** |
| * Staff and physician satisfaction * Staff turnover * Safety record * Staff status (full time/part time nursing) | * Research funding * Increase in fundraising * New programs launched * Number of partnership or integration projects |

**Balanced Scorecard Approach**



**Other Examples**

There are a number of examples of these performance reporting tools in the following forms.

See *Form 3.2: Balanced Scorecard and Dashboard Approach*

See *Form 3.3: Quality Measures Dashboard*