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### Implementing Balanced Scorecard In A Portuguese Healthcare Organisation

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#### The Balanced Scorecard

Belonging to an organisation is like being on a journey. We have to ask some essential questions: Where are we? Where do we want to go? When do we want to go? With which resources or means? How far have we travelled? Are we going in the right direction? In fact, the organisation does not exist, only its people do. This journey is commonly called Strategic Planning, and it embodies the definition of a strategic challenge (vision, mission and values), even at an unconscious level. Defining a strategic challenge involves the definition of what we want to be in the future (Vision), why we exist (Mission) and what are our fundamental beliefs about the organisation's behaviour to its stakeholders (Values).

How can we turn Vision, Mission and Values into our game plan or our strategic goals and establish measures for evaluating the achievement of those goals? With a Balanced Scorecard.

The balanced scorecard (BSC) is a strategic planning and management system, which is used extensively in private, public and third sectors worldwide. It aligns business processes to the vision and strategy of the organisation, improves internal and external communications and monitors organisation performance against strategic goals.

This tool was created by Robert Kaplan and David Norton. They felt that traditional management approaches, such as control systems, were very restrictive, because organisations measured their performance only by financial indicators, and focused on the short term, so these systems were not able to measure the organisation's ability to create future economic value.

Balanced Scorecard is a performance measurement framework that adds strategic non-financial performance measures to traditional financial metrics in order to give managers and executives a more 'balanced' perspective of organisational performance. It aims at a balance between short and long term goals, financial and non-financial goals, result and process indicators, historical and prospective indicators, and internal and external performance. BSC has evolved into a full strategic planning and management system. It provides a framework that not only offers performance measurements, but also helps planners identify what should be done and measured. It enables managers to truly execute their strategies.

As a management system that enables organisations to clarify their vision and strategy and translate them into action, the BSC provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. It helps to translate organisational vision and mission into four perspectives: the customer perspective, the financial perspective, the business process perspective and the learning and growth perspective.

BSC induces people involved in the strategic planning process to think about strategic goals in an integrated way:

1. If we succeed, how will we look to our shareholders? (Financial Perspective)
2. To achieve my vision, how must I look to my customers? (Customer Perspective)
3. To satisfy my customers, at which processes must I excel? (Business Process Perspective)

#### 4. To achieve my vision, how must my organisation learn and improve? (Learning and Growth Perspective)

The Financial Perspective: Kaplan and Norton do not disregard the traditional need for financial data. This will always be a priority for a manager.

The Customer Perspective: Organisations must know what they need to assure as strategic in the service offered, and how they want to be seen by their clients.

The Business Process Perspective: This refers to internal business processes. Organisations must identify the critical processes so that they can fulfil the financial and client objectives considered strategic.

The Learning and Growth Perspective: Which intangible support must the organisation have to assure that the whole strategy is aligned? How can the organisation create and improve value? Learning and growth constitute the essential foundation for success of an organisation. It includes employee training and corporate cultural attitudes related to individual and corporate self-improvement.

The next step is to draw up a strategy map. It is the visual representation of all critical success factors and of the cause-effect relationship between the strategic goals.

Measuring is essential to whether the set objectives are achieved. Without it, we can neither know if we are on the right path, nor find the origin of deviation of unwanted pathways. So we have to define adequate indicators.

Frequently we have to evaluate whether the strategy continues to be adequate, if the critical success factors should remain the same, if the indicators continue to be pertinent, and whether the monitoring process can be improved in order to be more efficient and effective.

Which indicators are not necessary? Which other indicators are strategic? Do the indicators measure what we want?

The process is simplified, which means that indicators need to be straightforward and fast to calculate, so that management time can be dedicated to result analysis.

#### **Implementation of BSC in ULSM**

Unidade Local de Saúde de Matosinhos (ULSM), located in the Northern region, is a local health unit, created in 1999. ULSM is a public institution of the Portuguese national healthcare system that integrates Pedro Hispano Hospital, Matosinhos Primary Health Care Centres and a continuous care unit. It was the first of its kind in Portugal, and has since inspired the creation of others.

In 2009 the ULSM's new Board made a fundamental structural reorganisation, creating departments with administrative autonomy that aggregate several services. The strategy was based on the promotion of decentralisation and accountability through contracting, so that ULSM could improve accessibility, quality, productivity and efficiency in healthcare services. This means that the Board establishes and negotiates strategic goals with each department on an annual basis.

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The Board chose to implement a new methodology, especially innovative in the public healthcare sector: The Balanced Scorecard (see Figure 1).

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To start this project, it was important to increase middle management skills, and a partnership with a Business School was established. This training outside the institution provided a strategic reflection on the role of each department in the development strategy of the institution as a whole.

The next step was to meet with each department to analyse their strategy and to align it with the strategy of the Board. The result of these meetings was the design of the strategy map (see Figures 2 and 3 - available as pdfs at bottom of page).

Figure 3 is available for download as a pdf below.

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Subsequent meetings were held to define the indicators for each strategic goal. It was important to ensure that the information was available when the indicator was being built (see Figure 4 - full figure as a pdf is available for download below).

With this work done it was possible to start the internal contracting. Once the strategic objectives were defined, aligned and the indicators chosen, the Board negotiated the annual goals (see photo) and a contract was signed establishing rights and duties, further integrating the strategy map and the indicators map.

On a monthly basis departments and the Board receive the monitoring reports that allow them to identify deviations, analyse the causes and define action plans so that the strategy can be executed. The BSC is monitored by using business intelligence software. This application allows top and middle management to know in real time how they are performing. It simplifies the process and makes it automatic, so that management time can be dedicated to result analysis.

As described, the ULSM's BSC implementation was a strategic objective in the learning and growth perspective of the BSC.

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