

# EXECUTION IS EVERYTHING



Engaging and Aligning Key Stakeholders  
to Achieve Peak Performance



INTEGRATED HEALTHCARE  
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# Execution is Everything: Engaging and Aligning Key Stakeholders to Achieve Peak Performance

## Competition, Consumerism and Capital: The Need for Peak Performance

These are not easy times for hospitals and those who lead them. The pressures for improved performance are greater than ever. Margins are getting squeezed in nearly every area as government and private payers strive to pay less for healthcare while the competitive employment market, the technology “arms race” and numerous other factors keep hospitals’ costs rising. The continued expansion of consumer driven health plans and the widespread availability of hospital performance information also combine to fuel unprecedented levels of competition. Meeting the needs of an aging population and the heightened expectation of today’s healthcare consumers are just two drivers of the exploding demand for capital investments. And globalization is making medical tourism a reality, adding a new element of competition to potentially profitable service lines.

If these pressures are not enough, governments are demanding increasing transparency, escalating the movement to “pay for performance” and public reporting of key quality and cost metrics. Tax-exempt hospitals face pressures to justify their tax-exempt status. Add to that an increasingly complex market as a grow-

ing number of providers innovate with new delivery channels, specialties and alliances. Business as usual is clearly not an option for hospitals. The oft-quoted statement of legendary management guru, author and consultant Peter Drucker certainly applies: “You don’t have to change—survival is optional.”

Succeeding and thriving in this difficult environment requires peak performance. In complex systems like hospitals, this means more than un-coordinated incremental improvements. Changes must be focused, prioritized, and aligned around a well-defined vision and strategy. It is not sufficient to just set generic high-level goals. A clear strategy with a game plan for accomplishing these goals by engaging and aligning key stakeholders is a prerequisite for peak performance. Even with a well-defined strategy, peak performance can be an illusive aspiration without a game plan for execution.

## Obstacles to Strategy Execution

A Fortune Magazine article several years ago estimated that 90% of well-defined business strategies are not successfully executed. Other research puts that number at 70%. Regardless of which number you believe, the odds are not good. Given the complexity of delivering healthcare services, the proportion of

strategies successfully executed among healthcare providers is not likely to be higher.

Identifying the obstacles to strategy execution (and then removing them) will help healthcare organizations beat those odds. While not an exhaustive list, several significant obstacles deserve mention.

**Lack of a clearly defined, compelling vision for the future** fails to unite and engage all employees in organizational change. **Vague priorities and goals**, instead of a well-defined strategy, make effective execution highly improbable. Everyone might agree on the goal of increasing market share, but if the difficult choices of *how* to increase market share are not made, then it is unlikely that the execution will go well. In our experience, **organizational silos** are repeatedly identified as barriers to the cross-organizational synergy required to achieve a higher level strategy. These strategies typically require intentional coordination of action across multiple functional areas— clinical and support services, IT, administration, HR, facilities, and marketing, for example. **Organizational “stratification”** poses additional challenges. While executives can’t be expected to understand the nuances of XML technologies, subtle differences between advanced diagnostic technolo-

gies, or the details of patient flow in clinical procedures, they are often the ones making choices that impact (or limit) changes in those areas. Employees in these areas often have insights to positive choices or changes, but rarely have the role, authority, budget or ability to orchestrate the multiple changes required to yield the best result.

Budget-centered management, while often based on good intentions, can be a major hindrance to executing a new strategy. When budgets are not systematically linked to strategy—and they rarely are—success with the myriad of interlinked changes is very difficult. Organizational inertia can trump the best of strategies if the new budget is based primarily on the prior year’s budget without considering the resources required to implement action. In organizations that emphasize budget almost to the exclusion of strategy, vast amounts of time can be wasted in backward-looking rationalization instead of forward-looking transformation. Compensation models can also become an obstacle if not thoughtfully aligned with strategy. It’s not realistic to expect people to follow a strategy if their reward and recognition system motivates them in a different direction.

## Execution requires choices and alignment.

Choices are at the heart of strategy definition  
and alignment is the key to execution.

### Requirements for Peak Performance: Alignment and Engagement

Achieving peak performance starts with well-defined priorities and goals re-

enforced with clear strategies to achieve those goals. Doing this well requires a higher level of employee engagement than is common in most hospitals. Indeed, it requires a performance-driven culture where the discretionary effort, creativity, and decisions of all the employees are harnessed, recognized and appropriately rewarded. This type of culture doesn’t just happen. It requires a variety of intentional steps and the deployment of tools and management techniques.

A strategic performance management system can play a powerful role in gaining strategy-aligned performance commitments from executives, middle managers and physicians. Boards can increase their expectations for executives to take responsibility for orchestrating and aligning the valuable resources—not just for getting (or not getting) the desired outcomes. Performance monitoring that goes beyond the traditional financial measures to deal with key strategic drivers has a powerful impact on behavior. And when performance appraisal systems and incentive pay are aligned with strategy execution, the odds of peak performance increase significantly.

Achieving these requirements for peak performance is not easy. There is no silver bullet, but that’s not an excuse to be cynical. There are proven tools and techniques that have been successfully applied in many situations. These tools

range from simple leadership techniques to appropriately applied technologies for strategic performance management to quality techniques adopted (and adapted) from various business sectors.

### Understanding the Balanced Scorecard Methodology

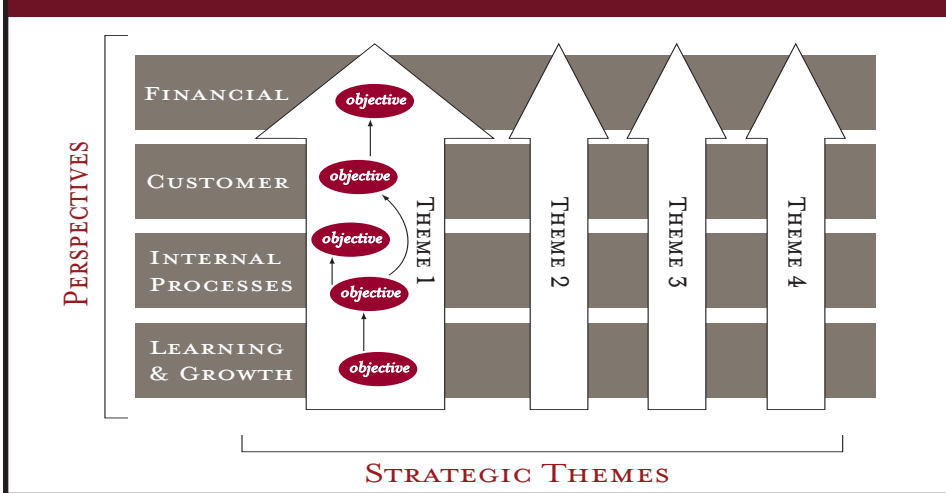
One of the most powerful—and poorly understood—approaches to strategy execution is the Balanced Scorecard (BSC) methodology. While the emphasis of this approach started out as “balanced measurement,” it has long since outgrown the name. Today, more than 15 years after Harvard accounting professor, Robert Kaplan, and consultant David Norton authored the original article on the BSC in the Harvard Business Review, the approach has evolved to include a rich set of practices around strategic alignment and strategy execution. The Balanced Scorecard Collaborative, Kaplan and Norton’s consulting group, provide the following definition:

*“The Balanced Scorecard is a framework that helps organizations put strategy at the center of the organization by translating strategy into operational objectives that drive both behavior and performance.”*

One common mistake is to confuse the original categories of measurements that Kaplan and Norton recommended with the broader methodology that developed. As Kaplan often states, “A successful Balanced Scorecard program starts with a recognition that it is not a metrics project... **It’s a Change Process.**”

At the heart of the change process is the concept of a strategy map. Strategy maps are made up of a series of strate

FIGURE 1 | ARCHITECTURE TO DEFINE STRATEGY



gic objectives (usually represented by ellipses) that cross various perspectives and are linked based on cause and effect hypotheses. A highly-effective process for creating strategy maps is to first define 3 or 4 critical themes for strategic change and then engage a cross-functional theme team to openly discuss the issues, choices, obstacles, and drivers that are key to the successful execution of that theme. The themes bring focus to the high-level priorities, and the perspectives provide structure to make sure that critical facets of execution are carefully considered. The diagram above shows the basic architecture for developing strategy maps.

Only when the difficult (but often very refreshing) work of strategy map development is done—and when the objectives are clearly defined—should the organization begin looking at measures and targets. Developing good Balanced Scorecards often involves creating and using of non-traditional measures. Most of the powerful “leading indicators” that successful practitioners of this approach use are not the usual things they had

historically measured.

But the power is not just in having the measures. The power comes from the consensus to strive for a specific set of strategic objectives that collectively result in transformational change. The measures are useful to monitor progress, but without the agreement on the objectives and the determination to make well-orchestrated changes, just putting the measures out on a dashboard is not likely to have a major impact.

Another important concept in the BSC approach is that of strategic initiatives. These are carefully-selected projects that surface during the strategy map building process as critical “levers of change” that are unlikely to happen in the normal course of people doing their jobs. Once identified and vetted, these strategic initiatives require leadership support, funding, and extraordinary visibility to make sure they are accomplished.

### Engaging Stakeholders for Performance Improvement

Many of the keys to successful strategic alignment and execution require signifi-

cantly improved levels of stakeholder engagement. Hospitals have many stakeholders that are essential to strategy execution: physician, nurses, front-line employees, Board members, IT managers, and community leaders. Trying to skip the engagement and just deploy a BSC misses the most critical part of the process—the conversations, insights, innovations, and buy-in that are a result of effective stakeholder engagement. Given the high importance of stakeholder engagement, it’s worth making an extra effort to do it well.

Our work in a number of healthcare and business settings has revealed the need for fresh tools for stakeholder engagement. Successful leadership teams need not just high IQ, but high “EQ” – a high engagement quotient. To achieve that, strategy executives need to view themselves more as group process leaders than the creators of strategic plans. This often requires improved skills and tools to increase effectiveness—especially with teams of stakeholders than may not have traditionally been involved with key strategic dialogues.

Jim Rice, Executive Vice President of Integrated Healthcare Strategies ([www.IHStrategies.com](http://www.IHStrategies.com)), has assembled a toolkit (opposite page) to help organizations with some powerful engagement techniques. Using these tools can improve engagement as a powerful means to enhanced stakeholder enthusiasm and performance.

### Aikido Action Planning

While it is beyond the scope of this paper to go into extensive detail on these tools, one example is “Aikido Action Planning.” Taking its name from the

Japanese martial art, Aikido Action Planning uses a quick definition of obstacles to implementing a project or strategy and then transforms them into a practical action plan. This simple process allows people to unload their minds of the negative things that could block an important change, and it then engages their freed-up creativity to collectively brainstorm how to overcome those obstacles. The process can quickly engage a group, invite a useful form of “skeptical reality” and create team ownership of the resulting action plan.

There are many other tools and techniques that organizations can adopt as part of deliberately enhancing employee engagement in the journey toward improved strategy execution.

### Cascading a Strategy Map and Balanced Scorecard

When an up-to-date concept of the Balanced Scorecard framework is combined with these powerful employee engagement tools, the stage is set for achieving peak performance. Effective employee

engagement is particularly important as the top-level Strategy Map and BSC cascade down through the organization to define accountabilities for all levels of units and managers. This is where the process of alignment and the benefits of employee engagement are most powerful. Bill Barberg, President of Insightformation, states:

*“For most healthcare organizations, cascading a strategy map and Balanced Scorecard is not a technical project of crunching numbers to see everyone’s score on a standardized set of measures. Instead, it is a creative, forward-looking process to harness the creativity, detailed front-line knowledge and collective wisdom to succeed with transformational strategic change.”*

The cascading process should help organizations overcome the previously-mentioned obstacles of organizational silos and stratification. As the clearly-developed strategy map (including the more detailed descriptions of the objectives and the “gap” between the current situation and the desired one) gets commu-

nicated throughout the organization, a variety of stakeholder engagement tools can be used to gain the input, buy-in, and innovation for accomplishing the agreed-upon objectives. Out of that process, different parts of the organization (often by department, but not necessarily) come up with their own objectives—the things *they* have to change or accomplish to contribute to the higher-level strategic objectives.

If the top level strategy map is robust, it will have minimized the ambiguity. (For example, “grow market share,” without some clarity on the choices of how to do that, falls far short of what the top level strategy map needs to communicate.) With that improved clarity of direction and focus, employees can better leverage their often localized or specialized knowledge in order to best contribute to the execution plan for the strategy. This process is often best done by strategic theme, with the original theme teams providing guidance and feedback on the input that comes from the engaged stakeholders. The BSC framework of linked objectives across multiple perspectives provides a common language and structure for these highly-valuable cascading discussions.

As the cascading process continues, different groups end up with their own strategic scorecards, complete with measures, targets and the initiatives that are most critical for them to successfully execute their aligned sub-set of the overall organizational strategy. The measures provide a chance to monitor performance—and to celebrate positive performance on objectives that are clearly tied into the larger strategy.



## Celebration: The Power to Move Hearts and Minds

High performance requires full engagement in order to secure the alignment needed for success in complex hospitals and health systems. Earning the full engagement of people is not a one time thing; we need their engagement, their time, their talent and sometimes even their treasure, frequently in multiple projects and locations over time if we are to thrive in this era of increased accountability and transparency. We increase the probability for engagement when we thank folks and celebrate their involvement.

Strategy-aligned management is accelerated, and hard-wired into the culture when we find ways to measure, monitor, and motivate people and teams to ever higher levels of performance and pride. We will not move minds unless we first move hearts. When we move hearts and minds, hands and feet will follow.

Ask frontline folks how they would like to build recognition and rewards into their performance oriented work. Then *walk the talk* of this recognition and reward by publicly and frequently celebrating their progress to BSC targets. Incentive compensation is increasingly being used within tax-exempt organizations to nurture associates along the journey to greatness. Pay matters, but so also does praise, plaques, pizza, and parking benefits. Never underestimate the value to physicians, managers and frontline workers of a handshake, pat on the back or word of thanks in front of their colleagues. We are unlikely to have a strong bottom-line unless we connect with and celebrate the work of the front-line.

## The Role of Technology: Supporting Strategic Conversations

When the BSC is seen as a measurement tool, then the role of technology is often seen primarily as the mechanism for integrating data, crunching numbers and displaying results in visually appealing ways. When the BSC is seen as a framework for harnessing and aligning the energy, creativity and insights of an engaged organizational team, then technology plays a different role. The value of the technology doesn't come from a flashy three-dimensional gauges or animated bar charts. Nor is the value primarily about analyzing large volume of clinical or financial data. (That is a valuable capability to have, but not at the heart of the process of improving alignment to improve strategy execution and achieve peak organizational performance.) Instead, the role of the technology is to support the collaboration and communication that is central to the process we've describe in this paper. To best accomplish that, the software should be well-aligned with the state-of-the-art practices of the BSC approach, and should include templates to help stimulate, structure and capture the valuable conversations that occur at each step of the journey. Those conversations help ensure clarity of intent and help enhance ownership that is needed for execution.

Concepts like strategic themes, cause and effect linkages, and strategic initiatives should be central in the software's design, not awkwardly bolted on. Measurement still plays a valuable role in the BSC approach, but the measures should be in context of the strategic communication. Measurement functionality

should support different types of index measures as well as the ability to drill-down to either new or existing reports and spreadsheets. Software that supports the methodology helps streamline and sustain the on-going use of a BSC system.

At each step in the journey, such as when strategies are refined, objectives developed and possible measure proposed, the software should capture that progress and present it back to the relevant people. This not only energizes the team as they see progress, it also minimizes the amount of information they need to track in far less convenient ways—whether paper or digital. The most effective use of technology enables the alignment process, which is critical for execution, by providing a centralized place for communicating, collaborating, and actively managing strategy execution.

## Conclusion

The need for achieving peak performance is greater than ever due to various forces converging to create a difficult and challenging situation in our health-care systems. Traditional ways of management with operational focus and budget-centered discussions do not help tackle the powerful changes occurring in these systems. A focused approach for defining strategies to succeed and executing these strategies effectively is the key to thriving in the current dynamic environment. Applying the well-proven frameworks, techniques, and processes discussed in this paper will enable you to turn strategic plans into tangible results by engaging and aligning key stakeholders for effectively executing your organization's strategies. ♦ ♦ ♦

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## ABOUT INTEGRATED HEALTHCARE STRATEGIES

Integrated Healthcare Strategies (IH Strategies) is the nation's healthcare industry's compensation specialist. A leader in assisting clients in attracting, retaining, and motivating key executives and physicians — we design, implement, and provide administrative support for total compensation and benefit programs tailored precisely to your organization's need. Our clients include more than 1,200 major healthcare providers, 1,800 hospitals, and 500 physician groups in all 50 states.

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## ABOUT INSIGHTFORMATION

Insightformation enables its clients to realize their vision by providing software and consulting for transforming strategic plans into tangible results. Insightformation's Balanced Scorecard automation software, InsightVision, is a highly effective, easy to use, easy to implement, and economical solution. InsightVision has built-in tools and templates to streamline and automate the design, deployment, and cascading of Strategy Maps and Scorecards. Our approach for implementing Balanced Scorecard is much more than creating a dashboard. We partner with our clients to understand their needs and deliver a technology solution for implementing Balanced Scorecard in an efficient and effective manner.

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