5 KEY PRINCIPLES OF Corporate Performance Management

Award-winning companies use them to improve their performance and manage and leverage knowledge for success.

BY BOB PALADINO, CPA

Author's note: Content has been adapted in part from my recently published book, *Five Key Principles of Corporate Performance Management,* by Wiley Publishing, January 2007. The first of three articles (June 2007 issue) focused on Principle 1, the second article (July 2007) focused on Principles 2 and 3, and this article focuses on Principles 4 and 5.

How do Balanced Scorecard Hall of Fame, Malcolm Baldrige, Sterling, *Fortune* 100, APQC, and *Forbes* award winners drive value? By successfully implementing and continuing to sustain five key principles of corporate performance management (CPM) that I've been discussing in this three-article series. You can see them below and in Figure 1:

Principle 1: Establish and Deploy a CPM Office and Officer
Principle 2: Refresh and Communicate Strategy
Principle 3: Cascade and Manage Strategy
Principle 4: Improve Performance
Principle 5: Manage and Leverage Knowledge

In this article we'll explore Principles 4 and 5 through the Bronson Methodist Hospital (Bronson) book case included in the first two articles.

If you'll remember, Bronson Methodist Hospital is an award-winning nonprofit medical center that provides inpatient and outpatient care from a 28-acre urban campus in downtown Kalamazoo, Mich. Established in 1900, it's a 343-bed, state-of-the-art, all-private-room facility designed as a peaceful, healing environment. The hospital is the flagship organization in the Bronson Healthcare Group. Bronson's 3,200 employees and 780 medical staff manage more than 77,000 emergency visits and 21,000 admitted patients each year while generating $751 million in gross patient revenues. Bronson's success depends on its ability to achieve the three Cs (below) as evidenced by key measures in its balanced scorecard.

Clinical Excellence (CE):
◆ Achieve national best-practice performance in clinical outcomes.
◆ Use evidence-based medicine to achieve excellent patient outcomes.
◆ Be recognized as a safe environment for patients.

Customer and Service Excellence (CASE):
◆ Distinguish Bronson as an employer of choice.

◆ Be recognized as a culture of service excellence.
◆ Foster a culture of excellence that values diversity while encouraging teamwork, learning, and innovation.

Corporate Effectiveness (CORE):
◆ Provide strong financial performance to allow for capital reinvestment, growth, and sustainability.
◆ Partner with physicians, the community, and others to achieve common objectives.
◆ Use the Baldrige criteria for performance excellence to improve processes and organizational performance.

PRINCIPLE 4: IMPROVE PERFORMANCE

This section will explore Bronson's approach to improving performance using continuous improvement and problem-solving methods focused on customer and core processes.

Improving Customer Focus:
Patients and Market Segments

Bronson has identified its key customer group as patients, but it also recognizes the important role that family members play in the delivery of healthcare services to patients. Therefore, family members are considered in conjunction with patients as the same key customer

Figure 1: Five Key Principles of CPM

Principle 2. Refresh and Communicate Strategy
Strategic Plans, Strategy Map, Budgets
Partner with Board, Executive Team, and CFO

Principle 5: Manage and Leverage Knowledge
Best Practices, Knowledge Management
Partner with IT

Principle 1: Establish and Deploy Corporate Performance Management (CPM) Office and Officer

Principle 3: Cascade and Manage Strategy
Balanced Scorecard, Organizational Alignment, Personal Rewards
Partner with Executive and Management Teams

Principle 4: Improve Performance
Customer Programs, Process Improvement (Six Sigma, Lean)
Partner with Marketing, Sales, and Quality

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group. The two primary patient segments are inpatients and outpatients. Patients are further segmented by geographic location (primary, secondary, tertiary market service areas), service lines, and age demographics. Patient requirements drive all leadership actions in alignment with the mission, values, and vision. When a new market segment is identified, the appropriate service line administrator is charged with developing a formal business plan, which ensures that all relevant data will be researched and analyzed.

Improving the Customer Experience: Listening and Learning Methods

Understanding customers and their requirements is essential to achieving success. Bronson utilizes both qualitative and quantitative listening and learning methods (see Table 1) for annual strategic planning as well as monthly reviews by the CASE strategic oversight team (SOT) and the executive team to determine customer requirements.

The primary source of customer information is the formal patient satisfaction survey administered by the Gallup Organization. Bronson uses feedback from current patients, potential customers, customers of competitors, and the community. Other feedback mechanisms include focus groups, networking with the community, formal participation by leaders and staff in local business and community groups, and Bronson medical staff members who also admit patients to competing hospitals.

Improving Performance: Building Customer Loyalty

In its pursuit of excellence, Bronson has moved beyond monitoring patient satisfaction to measuring patient loyalty. Since loyalty is a predictor of future behavior, it's central to achieving the Bronson mission and vision. Bronson believes that loyalty is fostered by providing high-quality patient outcomes in a safe, consistent manner while delighting patients with superior customer service, state-of-the art facilities and technology, and innovative amenities. Building patient loyalty begins with staff being recruited and selected based on their commitment to providing superior customer service. Customer requirements and expectations are included formally in the Plan, Do, Check, Act (PDCA) improvement model (discussed later), which ensures that customer needs are considered.

Gathering Competitor Intelligence and Benchmarks

Satisfaction data relative to competitors in the local mar-

Table 1. Customer Listening and Learning Methods

LISTENING & LEARNING	CURRENT PATIENTS	POTENTIAL PATIENTS
Patient satisfaction survey	W	
Post-discharge telephone calls	D	
Point-of-service satisfaction surveys	D	
Focus groups	B, N	N
Leader rounds	D	
Patient relations rounding	D	
Patient complaint management process	D	
Community attitude survey	A	A
Event/program evaluations	M	M
Newsletter surveys	N	N
Direct marketing	N	N
Website/e-mail	D	D
Health fair	A	A
Open houses	N	N
Physician satisfaction survey	A	A
Community organization involvement	D	D
D–daily, **W**–weekly, **M**–monthly, **B**–bimonthly, **Q**–quarterly, **A**-annual, **N**–as needed		

ket is obtained in the Customer Research Program (CRP). Listening and learning methods related to competitive information include focus groups, consumer perception surveys, and benchmark data. Three consumer perception surveys are performed in their community by third-party administrators that focus on consumers' perceptions of Bronson's services as compared to those of competitors. Quarterly focus groups that Bronson conducts include questions for discussion regarding the performance of Bronson as compared to other hospitals and healthcare services in the community. Gallup provides comparative information and benchmarks from more than 380 hospitals across the nation on the weekly and quarterly reports. The strategic oversight team identifies opportunities for improvement as well as organizational strategic objectives, action plans, and targets during the strategic planning process.

Improving Customer Processes: Keeping Approaches Current

During PDCA improvement, information is gathered from customer feedback, market and industry trends, feedback loops of organizational processes, conferences, and literature reviews as well as best-practice benchmarking with Baldrige recipients. The CASE strategic oversight

team is responsible for ongoing review and evaluation to determine whether the approach or access method meets customer requirements and yields actionable information to assist in performance improvement.

The process used to determine customer satisfaction/dissatisfaction is led by the CASE SOT, beginning with the CRP data that includes analysis of the findings from the qualitative and quantitative listening and learning methods. The Gallup telephone survey of randomly selected patients measures patient satisfaction and loyalty for both inpatient and outpatient services. It measures four major attributes (loyalty, overall evaluation, people, and processes) for 11 service areas. Weekly patient satisfaction reports are available to all leaders via the *Inside* Bronson intranet each Friday. The reports contain Gallup database and best-practice comparisons as well as percentile rankings. The CASE SOT is responsible for the monthly systematic review of the CRP, identification and prioritization of improvement opportunities, and appointment of leaders, departments, process owners, or teams to use the PDCA model to improve healthcare service delivery. The CASE SOT ensures that scorecard performance indicators are in place to track results and evaluates the impact of the improvement.

Improving Key Healthcare Process Performance

Bronson determines its key healthcare services and service delivery processes by identifying services and processes that support the mission, values and vision, and strategic objectives that meet healthcare market segment and customer needs. During the spring planning retreat, the executive team finalizes the healthcare market segments and growth strategies, and then it determines the key healthcare services and service delivery processes. Key services and service delivery processes are defined as meeting one or more of the following criteria:

◆ Affects a large majority of our patients,
◆ Is identified as high-risk and/or problem prone,
◆ Improves patient care quality through evidence-based practice,
◆ Provides an opportunity for growth,
◆ Is essential to the community,
◆ Enhances the ability to attract and retain top talent, and
◆ Balances profitable vs. unprofitable services to maintain a positive bottom line.

Key service delivery processes (admission, care, and discharge) create value and contribute to improved healthcare service outcomes for patients by delivering high-quality, efficient services that meet defined patient requirements and expectations. Bronson determines key healthcare process requirements by using input from the customer listening and learning methods, as well as physician partner and supplier inputs, in the Plan phase of the PDCA model through direct contact, surveys, focus groups, and participation on teams and committees. All requirements are aggregated and analyzed during the input step of the strategic management model (SMM) to ensure that key process requirements are met and used to continually drive organizational process performance and improvements.

Improving Key Healthcare Process Performance: PDCA in Action

Bronson focuses on the scorecard measures (medical mortality rate, patient falls, profit margin, etc.) that don't meet selected balanced scorecard targets and uses the Plan, Do, Check, Act model to create specific action plans to bring performance into compliance with pre-set benchmarks. The following example illustrates how Bronson uses the PDCA method to improve key processes.

1. The first step in the design of new processes is **Focus**. During the spring quarterly strategic planning retreat, the executive team analyzes the strategic input document (SID) and determines the key healthcare services and service delivery processes. Using a comprehensive business planning process, the team carefully considers market research, competitive data, customer input, testing, analysis, and planned implementation before a new process or service is introduced. The executive team fulfills the Focus step of the PDCA model by determining the need for a new service or delivery process and assigning oversight for design to the appropriate SOT. Physician partners play a key role in the development of new services and processes. For example, through active physician involvement in cardiac service line development, Bronson was the first hospital in the region to introduce pulmonary vein isolation for the treatment of a trial fibrillation.

2. The second step of the PDCA cycle is **Plan**. In this step, the team builds upon the current business plan and designs the action plans. Because Bronson strives to achieve exceptional healthcare outcomes for patients, it utilizes evidence-based research, benchmarking, and best-practice comparisons in this phase. Action plans are developed that are compliant with regulatory and accreditation bodies and with payor, patient, and operational requirements. Operational requirements include in-

process indicators to evaluate service delivery as well as outcome measures to measure effectiveness and sustainability. Evaluation of technology as a means to decrease costs, promote efficiency, reduce cycle time, and enhance accuracy in the delivery of service is considered in the Plan phase.

3. The third step of the PDCA cycle is **Do**. In this step, Bronson deploys and measures the plan against the identified and agreed-upon targets developed in the planning stage. Communication and knowledge sharing are important elements of deployment, so information regarding the plan and expected outcomes is shared with physicians, staff, and patients, and Bronson gains acceptance from the process participants. Pilots are conducted to test the plan prior to full deployment.

4. The fourth step of the PDCA cycle is **Check**. During this phase, Bronson learns and innovates by evaluating results of the pilot implementation and modifying the plans as needed to achieve sustained results. Bronson assesses whether the design requirements were met during the process implementation and puts corrective action plans into place if process variations from the original design are identified. It also determines and implements alternative solutions.

5. The fifth step of the PDCA cycle is **Act**. This is a critical phase for the organization in sustaining results over time. During this phase, lessons learned are reviewed and shared with the organization and other stakeholders. Based on the outcomes of the Plan, Do, and Check steps, implementation is initiated on a wider scale throughout the organization, and the PDCA cycle continues.

Best-Practice Highlights: Principle 4

Here are some of Bronson's best practices regarding Principle 4: Improve Performance:

◆ Identify and prioritize strategic and operational initiatives to improve the organization's performance along financial, customer/constituent, process, and people dimensions.

◆ Develop and exercise customer/patient processes to understand and recalibrate processes around changing customer needs. Gather customer and competitor intelligence through the use of regular customer surveys, focus groups, call centers, quality function deployment, and related methods and approaches.

◆ Design and maintain an ongoing process improvement and problem-solving program based on PDCA, root case, and failure modes and effects analysis (FMEA) methods and tools to identify and eliminate root causes of issues.

◆ Leverage benchmarking and comparative methods to identify and regularly improve core and support processes.

◆ Create a virtual community of practitioners to coordinate and optimize improvement efforts throughout the enterprise.

PRINCIPLE 5: MANAGE AND LEVERAGE KNOWLEDGE

Bronson makes needed data and information available and accessible to staff, suppliers, partners, and patients through its state-of-the-art information management system (IMS). Because validation of data availability and accessibility are key elements of the processes that support the IMS, Bronson maintains a computer network of data available digitally for all stakeholders. Access to the network is obtained through locally attached workstations, wireless-enabled devices, and the Internet. Wireless-enabled laptops and other devices are available for patients, family members, or physicians to borrow so they can remain productive and connected while on Bronson's campus. Interactive kiosks that are integrated with the public Bronson website assist patients and visitors with facility maps, service directories, and other information useful to them while they are in Bronson's facilities. E-mail is provided to all staff and is accessible from hospital PCs (including general-purpose "surf stations" for staff who don't use PCs as part of their day-to-day jobs) or via the Bronson wireless network and the Internet. Nondigital information is made available through paper-based media (and increasingly by converting nondigital information into digital format via PDF files, document scanning, and other approaches). The HealthSciences library, found in a central and highly visible location of the hospital, provides easy access to both nondigital and digital health information.

Organizational Knowledge Management

As Bronson pursues excellence as a healthcare provider, organizational knowledge is a critical asset, and Bronson uses a two-step approach to manage it. First, the *Inside Bronson* intranet is set up to be a repository for all knowledge sharing, best practices, improvement tools, education, and communication with employees and physician partners throughout the organization. Second, the staff performance management system (SPMS) and the annual education plan with a wide range of skill- and knowledge-sharing mechanisms provide a systematic approach to manage organizational knowledge. This approach supports deployment to all areas of the organi-

zation as well as alignment and accomplishment of strategic objectives.

Knowledge is transferred from patients, physicians, and suppliers through the effective communication methods of Bronson's leadership communication process. For example, Web-enabled technologies (public kiosks, Web portals to access electronic medical records information, e-mail, etc.) provide a 24/7 process to transfer knowledge among Bronson and its patients and physician partners. Weekly value engineering meetings with key suppliers provide a forum for ongoing needs assessment and performance feedback. In-room patient/family education is used to transfer important self-care knowledge to help patients as they prepare for discharge. Follow-up contact with the patient after discharge provides a feedback loop to reinforce the prior knowledge transfer and to solicit feedback on Bronson's performance during the patient's care.

In addition, active participation in a wide variety of comparative databases gives Bronson early insight into emerging best practices. The executive team or the appropriate SOT identifies and evaluates the best practices. If an SOT determines that Bronson should pursue a particular best practice, the team communicates with appropriate stakeholders to generate organizational buy-in and charges the appropriate group(s) to implement the necessary process changes using the PDCA model. The leadership communication process, with scheduled sessions (e.g., leadership development retreats, "lunch and learns," monthly management update meetings, skills fairs, and continuing medical education), provides forums to share best-practice information across large segments of Bronson stakeholders. Also, the *Inside* Bronson intranet provides resources (online articles, printable forms, chat rooms, etc.) for ongoing communication throughout the adoption of best practices.

Effective Skill Sharing and Communication

Communication and skill sharing are critical to organizational success. Bronson has developed a systematic process to facilitate and ensure effective communication, skill sharing, and knowledge transfer that incorporates formal and informal mechanisms (see Table 2). The pre-hire and selection process, new-hire orientation, and nursing core orientation are formal mechanisms to set the tone for promoting communication, skill sharing, and knowledge transfer with the newest members of the Bronson team. Systematic use of the leadership communication process by all leaders makes planning, targeting, delivering, and evaluating communication part of the

culture. Leaders are accountable to cascade information from all leadership communication forums (monthly management meeting, leadership development retreats, etc.) to the department level.

Mechanisms for Communication

Leader communication tools in the three Cs format are provided through knowledge-sharing documents, handouts, and PowerPoint presentations to ensure that consistent communication messages are deployed. At the department level, various forms of communication occur depending on the nature of the information and the needs of the staff. Department-specific communication mechanisms include meetings, bulletin boards, communication books, e-mail, instant messaging, department-specific newsletters, and daily huddles. The leadership development initiative, a key element of the workforce development plan, is one mechanism for growth, communication, and sharing. Other mechanisms include the safety champions and externships/internships. Communication and skill sharing occur on a daily basis through teams, work groups, councils, and committees, such as the Diversity Council, Divisional-Level Nursing Council, and department-specific councils.

For example, a key element of every new hospital policy is the necessary training and competency check for employees so they have the knowledge and skills to administer the new process. Improvements and lessons learned are communicated and implemented throughout Bronson using the three Cs format and leadership communication process. "Lessons learned" presentations at leadership development, monthly management, nursing division, and department-level meetings; the employee *Healthlines* newsletter; the *Inside* Bronson intranet; skills fairs; and an annual quality fair are mechanisms for organizational learning.

Reinforcing Use of Knowledge and Skills

Leaders, preceptors (mentors), and educational instructors are formally charged with reinforcing the use of knowledge and skills on the job. They do this through direct observation, immediate reinforcement of specific skills, annual competency assessment, and performance appraisal. A key role of the preceptor is to mentor and reinforce the skills of new employees daily. Educational instructors complete the competency audits and assessments. Leader rounds (aka, management by walking around) are effective mechanisms to see staff in action and provide verbal reinforcement. Handwritten thank-

Table 2: Mechanism for Communication

MECHANISMS FOR COMMUNICATION, SKILL SHARING, AND KNOWLEDGE TRANSFER	TYPE
Pre-hire and selection process	C, SK, ↔
New-hire orientation	C, SK, ↔
Nursing core orientation	C, SK, ↔
Leadership Communication Process (LCP)	C
Leadership communication forums	C
Knowledge-sharing documents	C, SK
Department meetings	C, SK, ↔
Bulletin boards	C
Communication books	C
E-mail for all employees	C, ↔
Instant messaging	C, ↔
Inside Bronson intranet	C, SK, ↔
Department-specific newsletters	C
Shared directories	C
Daily huddles	C, SK, ↔
Healthlines newsletter	C
CEO/CNE open office hours	C, ↔
LEADERship	C, SK, ↔
Competency assessments	C, SK, ↔
Workshops and educational courses	C, SK, ↔
Employee forums and focus groups	C, ↔
Employee neighborhood meetings	C, ↔
Computer-based learning modules (CBL)	C, SK
Leader rounds	C, SK, ↔
Self-study modules	C, SK
Skills fairs and learning labs	C, SK, ↔
Safety champions	C, SK, ↔
Preceptors	C, SK, ↔
Externships/internships	C, SK, ↔
Management mentor program	C, SK, ↔
Shared governance (DLNC)	C, SK, ↔
Teams, work groups, councils, and committees	C, SK, ↔
Staff Performance Management System	C, SK, ↔
C–communication, **SK**–skill sharing and knowledge transfer, ↔–two-way	

you notes are also sent to acknowledge accomplishments.

The process for transferring knowledge from departing employees depends on the level of the position. People in executive-level positions are expected to give at least 90 days' notice before leaving. This allows time to recruit a replacement as well as to prepare a formal written transition plan. For salaried professional positions, four weeks' notice is sufficient to allow time for knowledge transfer and transitioning of duties. Two weeks' notice is standard for staff-level positions. Bronson also promotes cross-training and team education as part of the culture. This fosters ongoing knowledge sharing to ensure that vital information and skills aren't lost when any employee leaves the organization.

Best-Practice Highlights: Principle 5

Here are some highlights of how Bronson employs best practices regarding Principle 5: Manage and Leverage Knowledge:

◆ Establish and leverage best-practice identification, gathering, and sharing processes and technology solutions.

◆ Partner with the IT function to launch and maintain knowledge management systems.

◆ Link best-practice or knowledge management processes with Principle 4: Improve Performance processes to capture solutions and innovations.

◆ Share best practices with strategic planning processes to better understand core competencies and possible strategic advantages.

In summary, research into award-winning companies reveals that they observe the five key principles of CPM that we have examined in this three-article series. You and your company can do the same. ■

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Bob will share book royalties with the United Flight 93 *Tower of Voices Memorial*.