LEADING AN ORGANIZATION THROUGH A BALANCED SCORECARD TRANSFORMATION PROCESS

By Ted Ball, Bruce Harber, Ken Moore & Liz Verlaan-Cole

The most common reason why balanced scorecarding efforts fail – or at least produce sub-optimal results – is because the organization's leadership isn't aligned on, or committed to, the process. The common denominator in organizations that successfully achieve significant improvements in performance is the role that the CEO and their management team play in leading the balanced scorecard transformation process. This essay is intended to provoke the thinking of healthcare leaders about how they can overcome some of the obstacles and challenges that they will encounter if they decide to undertake their own BSC learning journey.

What we know is that the best results with balanced scorecarding are achieved when the process is the CEO's methodology for leading and managing their organization's strategy implementation process.

We know that it does not work as well when the BSC leadership is delegated to others as a methodology for performance measurement alone. These are all "lessons learned" from both the public and private sectors over the past decade.

In the healthcare system, CEOs and their senior and middle managers face a number of other significant obstacles and challenges. Organizational scientists describe hospitals and local health delivery systems as "the most complex of organizational designs ever devised by humans."

As an authors team, we reflected on what CEOs and Board Chairs have told us are their most serious vulnerabilities as leaders in what is, objectively, a highly turbulent and crisis-driven system. We will explore these, and provide our best thinking on how balanced scorecarding could potentially address these vulnerabilities.

In this essay, we explore six of the key challenges/vulnerabilities/ obstacles that we believe CEOs and Boards must address if they are to be effective change leaders.

These include:

- A turbulent, chaotic and often unsafe external environment;
- Poorly designed governance processes;

- A lack of alignment at the top;
- Dis-integration of middle managers;
- Fear and anxiety on the front-line; and,
- Increasingly unhappy doctors.

Here are our reflections on each of these challenges:

1. A Turbulent, Chaotic and Unsafe External Environment

The fact is, more than ever, healthcare has become a political "hot potato" for provincial governments, CEOs, and local governance boards.

What has changed over the years is public opinion. The public no longer believes that the answer to our health-care system performance issues is: "more money".

In Canada, health expenditures have now reached $121 billion – 10% of the country's GDP, up from 8.9% in 1996. Over the past five years, in the province of Ontario, healthcare spending has increased by 46%.

In *Figure #1,* are the results of the **MacLean's Annual Poll** which indicates that 80% of Canadians believe that we don't actually need any additional resources in the system. They expect that fundamental changes will have to be made to the way in which healthcare is provided if they are to have access to high-quality, cost-effective and seamless services.

Today, seventy percent of Canadians say they think that the root problem in the healthcare system is: "poor management".

But while professional healthcare managers may be under siege by public opinion, the reality is that they have to operate in a macro-system that has been unintentionally designed by policy-makers to fail – or, at least, to produce sub-optimal results.

Reflect on the incredible obstacles that CEOs, Boards, government policy-makers and system designers face, including:

- The absence of any coherent provincial strategy or vision;
- An existing set of perverse incentives that rewards political behavior, rather than managerial excellence;
- Citizens who are becoming increasingly alarmed at the emerging evidence on preventable deaths due to medical/system errors;

WHAT DO CANADIANS THINK ABOUT HEALTH SYSTEM REFORM?

Which of these views do you support?

The basic problem with the healthcare system now is that not enough money has been spent on providing a high-quality service, and if we spend the money required, the system will be fine again.

17%

Just increasing the funding, by itself, will not be enough, and we need to make fundamental changes to the way health care is provided in order to have a high quality system.

80%

Do you think the problems with health care exist because not enough money is being spent on the system, or that enough money is being spent but the system is poorly managed and significant amounts of the money are wasted?

Not enough being spent

25%

System poorly managed

70%

Which of these options regarding the healthcare system do you support?

The medicare system should be there to provide a basic level of care, and people should pay for, or have covered by health-care insurance they pay into, anything above this basic level.

36%

The medicare system should provide full coverage for almost all health-care needs, and people should not have to pay for anything out of their own pockets.

60%

MacLean's, Dec. 30, 2002 Strategic Counsel National Poll

Figure #1

- Increasing public concern about waiting lists/access issues/co-ordination of services/and quality-of-care issues;
- Existing provincial systems, structures, processes and economic incentives that encourage a silo-focus, rather than a system-focus;
- An ever-increasing tendency toward governmental micromanagement and bureaucratic control;
- Increasing evidence that our outdated *"governance processes"* are also contributing to the overall dysfunctionality of the system;
- Rapidly declining staff and physician satisfaction rates; and,
- Uncertainty about the emerging new "rules-of-the-road", and about "how the game is to be played" in the future system.

Reflect on the key challenges and obstacles that we've just listed here. To what extent does a CEO or a Board have control over these circumstances – any one of which could prevent them from succeeding?

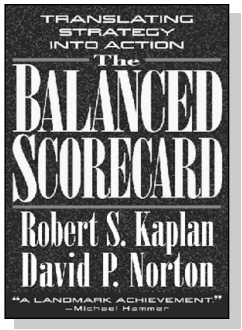
It is within this chaotic, politically-charged and blame-oriented environment that CEOs and their Boards must operate.

As the political debate about the meaning of *accountability* heats up, what healthcare leaders know is that in their sector, *accountability* is really about: "who is to blame?"

From the Minister of Health to the triage nurse, the entire system is driven by a culture and a set of ingrained behaviors of "blame" and "blame avoidance".

In systems and organizations that are blame-oriented, "blame avoidance", "politics" and "budget gaming" can consume up to 30% of the productive capacity of managers.

The truth is that these human dynamics in our healthcare system have created circumstances that are unfair and unsafe for everyone. In such environments, change and learning is very difficult to achieve. Retrenchment and cover-up would be the normal human response to these conditions.



But, is it possible for an organization to escape this pervasive healthcare culture?

The evidence says "yes": when an organization strives to become a *learning organization,* and undertakes a learning journey in which they tap into their collective intelligence to transform themselves.

Change management scholars tell us that a necessary condition for organizational and whole system transformation is having a *common language* and *common framework* for talking about, planning for, and implementing change.

"The key success factor for organizational and whole system transformation is having a *common language* and *common framework* for talking about, planning for, and implementing change."

In the healthcare sector, each of the stakeholders hold very different "mental models" of reality. Even basic *assumptions* on the meaning of the words that are used do not mean the same things to everyone.

Ask a room full of healthcare managers to take a few minutes to individually write down what they mean by words like *"accountability"* or *"alignment"* and then compare them.

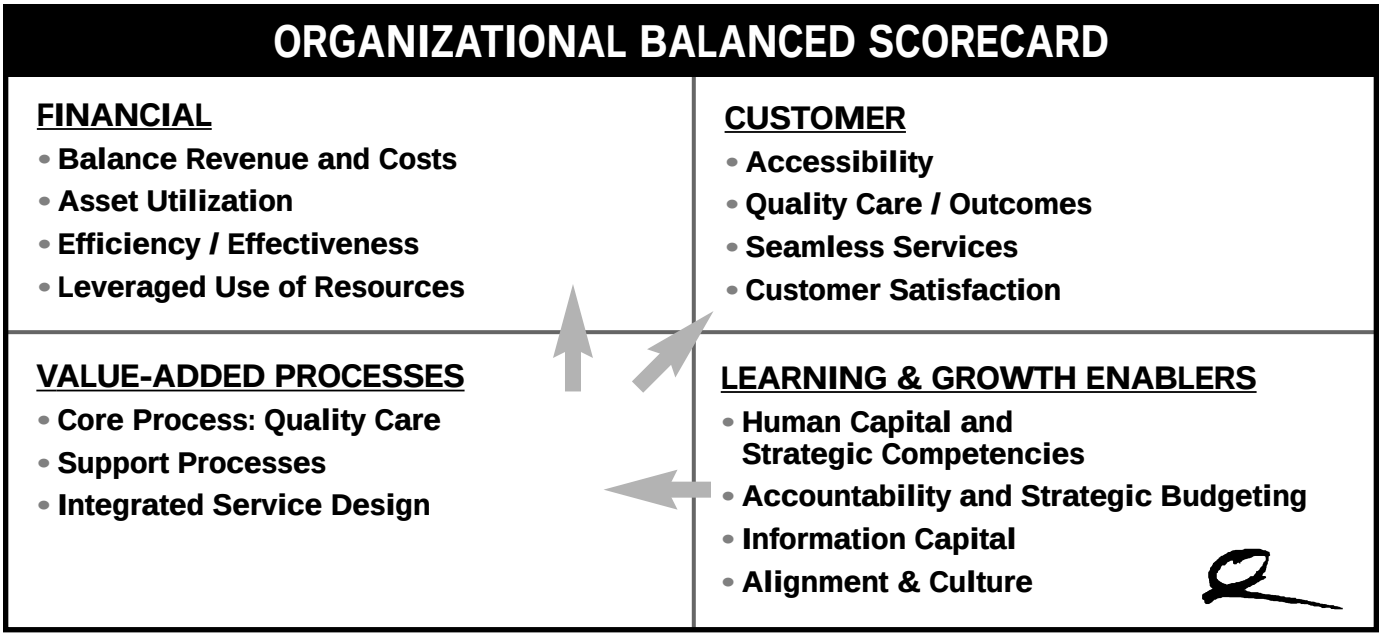
The exercise will demonstrate that very few hold a common meaning for the words they use. That's why people "talk past each other" – saying similar things that are not at all the same.

For example, public servants tend to support models in which they are in control of holding CEOs "accountable" through the delegated authority of the Minister – who would have an *Accountability Agreement* with every hospital CEO.

While this design is rooted in a desire to have control, it is actually a model that provides what Peter Senge calls "the illusion of control".

In these models, operating managers would be provided with *dual accountability:* to their Board, and to their real boss – the public servants who review their performance. Organizational science would call this: "worst practices".

Figure #2



In effect, Boards would have very little influence as the "representatives" of the owners: the people of their community and the citizens of the province.

How can such uncertainty, ambiguity and anxiety be avoided?

A best practice *Organizational Balanced Scorecard* provides provincial governments, governing Boards and CEOs with a common accountability framework for coordinated strategy development and implementation.

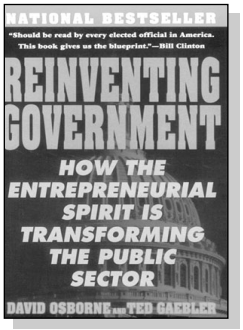
The framework provides us with the four balanced perspectives of: *Finance, Customer, Value-Added Processes, and Learning & Growth Enablers. (see Figure #2)*

By adapting a best practice version of balanced scorecarding and redefining accountability, healthcare organizations and public servants would have a common methodology for managing change, improving collaboration, and executing strategies that are in the public interest.

In this model, Governance Boards would have *Performance Agreements* with the government that set out high level outcomes that need to be achieved – in return for the public funding that they receive.

But the Board's purpose is to represent the best interests of the "owners"; and, to hold management accountable for achieving outcomes that will be different in every organization – because everyone's circumstances are different.

Which model will the healthcare system evolve? Centralized bureaucratic control, or, customer-driven and community-focused? The uncertainty about what direction we are going in produces a turbulent, chaotic and unsafe environment for everyone.



Provincial governments have a key role in how they design the macro systems, structures and processes. In ***Reinventing Government,*** Gaebler and Osborne say that governments should *empower* citizens by pushing control out of the bureaucracy, into the community.

These change management scholars advise governments to "measure the performance of their agencies, focusing not on *inputs*, but on *outcomes.* They should be driven by their goals – their *missions* – not by rules and regulations. They should *decentralize* authority, and embrace participatory management."

If provincial governments address the existing flaws in the design of their system processes and incentives, the system would stabilize and focus on the appropriate changes that are required to transform and improve the healthcare delivery system.

2. Poorly Designed Governance Processes

Boards of healthcare organizations are increasingly being exposed as one of the many factors that are

contributing to what the public increasingly believe is "poor management" of our healthcare system.

That does not mean that our governors are of poor quality. Indeed, we don't have bad or incompetent Boards, we have *governance processes* that do not reflect best practices.

It is the design of the governance system that needs fixing – not the governors or trustees. It is the existing lack of clarity that creates uncertainty and confusion, not the competence of those who are serving their communities through their governance role.

But, like it or not, Boards are now in the centre of all this confusion and uncertainty. For example, CEOs are increasingly vulnerable on how their own Board understands the message that they are supposed to: *"hold their CEO and Chief-of-Staff more accountable".*

What does that mean? How would they do that? How would they do that if their CEO was also accountable to the government?

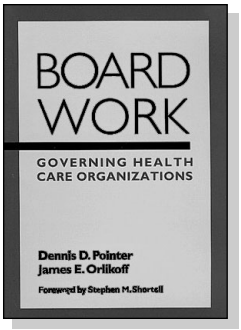
In a learning organization, one of the fundamental principles of accountability is: *"you cannot be accountable for anything over which you have no control."*

Boards need to play a central role in this debate. They represent the interests of the "owners" and "customers" (i.e. the citizens of the province and the community).

While governmental policy-makers tend to use rhetoric about the need to be more "patient-centered", and more "customer-focused", the truth is that most of the indicators that they focus on tend to be financial – the same mistake made when reengineering methodologies were unleashed on healthcare organizations a decade ago.

For the health system to be successful in transforming itself, governance at the provincial and local level must take a more balanced perspective.

The framework of the *Balanced Scorecard* offers governments, Boards, CEOs and managers a common language and methodology for managing and leading change in a constantly changing internal and external environment.



If there is to be improved accountability in the healthcare system, we need processes that will create the conditions and framework for a "fair business bargain".

If CEOs are to be accountable for achieving the results that their Board wants for their community, then they need to be backed up by managerial systems, structures and processes that are designed to ensure that they are successful. They also need to be backed up by provincial policies and incentives that will enable them to succeed.

"The best results are achieved when Boards and the CEOs behave as though they have a 50/50 responsibility to achieve the outcomes that they set out in their *Organizational BSC."*

That's what a best practice BSC process provides to CEOs, their Boards and government officials: a methodology for successfully managing strategic change. Governing Boards can play a key role in shifting the system if they are prepared to model change themselves.

In his introduction to ***Board Work: Governing Healthcare Organizations,*** Stephen Shortell points out that "incremental improvement in Board structure, composition, skills or processes will not do the job. What is needed is a total rethinking of the governance concept and the implications that this holds for healthcare governance work."

In the healthcare sector, combining the *Pointer/Orlikoff Model* with balanced scorecarding and best practice *Accountability Agreement* technology would allow such a "total rethink" to happen.

However, some very practical advice: if an organization is to have a fair chance of succeeding, Boards must give their CEOs the time and space to develop their proposed *Organizational Balanced Scorecard* with their senior and middle managers – before locking into what the Carver and *Pointer/Orlikoff Models* call the Board's "ends policies".

Best practices suggest that Boards need to engage in strategy dialogues in which the CEO and their senior managers present several iterations of the organization's evolving Balanced Scorecard – and share their emerging strategy with the Board.

Organizations where the Board has developed their own *Governance Balanced Scorecard* – as a tool to measure the Board's own performance – will achieve significantly more empathy and alignment between the Board and senior management as they engage in their *monitoring dialogues.*

Given that poor alignment between the Board and management often results in organizational dysfunctionality, it is very much in the interests of the Board and the CEO to commit to creating both an *Organizational BSC*, and a *Balanced Governance Scorecard (See Figure#3)*.

STEWARDSHIP

"Willingness to be accountable for the well-being of the larger organization by operating in service, rather than in control of those around us."

– Peter Block

However, Boards and CEOs need to be prepared to invest the time and effort required to design what may be a very different relationship with each other. They need to determine just how they will change their relationship and governing practices.

Accelerated and sustainable change is possible in organizations where the Board and CEO are engaged in a *partnership* to achieve the outcomes ("ends") set by the Board.

ADAPTIVE LEADERSHIP

"Artfully guide people through a balance of disorientation and new learning. Leaders need to hold the group in an optimal state of tension and disequilibrium that stimulates a quest for learning, without jarring people so much that they simply aren't able to learn."

– Ron Heifetz

A *partnership* is a relationship of equality. However, in this model it is clearly understood that the Board is the "managing partner". In effect, it can be thought of as a relationship in which the Board holds 51%, and the CEO holds 49%.

While it is clear who the boss is in this model, and it is understood that the Board has a duty to hold the CEO "accountable for outcomes", the best results are achieved when Boards and their CEOs behave as though they have a 50/50 responsibility to achieve the outcomes that they set out in their *Organizational BSC.*

Where Boards have also embraced concepts like Peter Block's *stewardship* and Ron Heifetz's *adaptive leadership* as core principles for governance, the focus of the Board is on how they can contribute to ensuring that their CEO is successful.

After all, when the CEO is successful... everybody is a winner!

In this model, Boards learn how to manage the paradox of their role to coach, guide, mentor and support their CEO – while holding him/her fully accountable for the outcomes/results that are tracked in a best practice monitoring and accountability process.

In ***Carverguide: The CEO's Role Under Policy Governance,*** John and Miriam Carver point out that "an effective board relationship with the CEO is one that recognizes that job products of the Board and executive are separate."

They say: "effectiveness calls for two strong, totally different responsibilities. Either party trying to do the other's job is interfering with effective operation. It is not the Board's job to save the CEO from the responsibilities of their job, nor is it the CEO's job to save the Board from their responsibilities of governance."

While *Organizational Balanced Scorecards* and *Balanced Governance Scorecards* provide managers and Boards with frameworks and methodologies for achieving greater clarity on their distinctive roles, the real key to success is a commodity that is often in short supply in the healthcare system: trust.

In ***Trustworthy Government,*** David Carnevale describes trust as "an expression of faith and confidence that a person or an institution will be fair, reliable, ethical, competent, and non threatening".

All too often, however, work organizations destroy their employees' trust. This is certainly the case in our healthcare system today.

If the Board does not trust the CEO, none of this can work. The flip side of this same issue is: whether or not the CEO can actually trust their Board.

As Carver says, "CEOs have long been accustomed to Boards checking performance against unstated and unclear criteria. They are used to Boards that sometimes undermine the CEO's authority by intruding into sub-CEO levels of the organization and even by directly countering the CEO's instructions. CEOs are also accustomed to Boards failing to protect them and their staff from renegade, intrusive individual Board members."

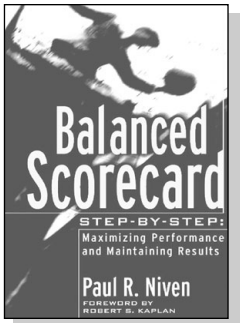
All too often, healthcare Boards have behaved politically. Sometimes they are influenced by the power agendas and the political campaigns of the organization's more powerful internal stakeholders.

Boards may even "take the doctor's side" in cases where there is management/physician conflict. In such organizations, politics – not strategy, not evidence – provides the guiding light for decision-making.

In a best practice BSC process, the Board, the CEO, the senior management team and the physician leadership all need to be aligned on a *shared vision* for where the organization will be within 2 – 5 years.

They need to agree on what outcomes/results will be achieved in the *customer* and *financial* quadrants – when their *shared vision* has been accomplished.

With this in place, the CEO and their *Strategy Development/Implementation Team* need the time to think through the *Value-Added Processes* and the *Learning & Growth Enablers* that will be required to achieve the results that are listed in the top two quadrants of the BSC.



For many senior healthcare executives, such a shift requires a fundamental redesign of their role as a member of an integrated *Strategy Development* and *Strategy Implementation Team* – that is continuously learning how to provide the right balance of leadership and management for their direct reports.

In this model, senior executives are required to "let go" of the micro-management of their silos, and to provide coherent high level strategic direction for the whole organization, and to provide the supports that people will need to be successful at implementing these directions.

Their mission is to mobilize the whole organization behind strategies that reflect the collective intelligence of the people who work there. This shift can be difficult to achieve for those with an ingrained silo mindset –reinforced by all of the existing institutional incentives and governmental processes that are continuing to encourage and reward a more fragmented approach.

BALANCED GOVERNANCE SCORECARD*

FINANCIAL
- Balance Revenue and Costs
- Asset Utilization
- Efficiency / Effectiveness
- Leveraged Use of Resources

CUSTOMER
- Accessibility
- Quality Care / Outcomes
- Seamless Services
- Customer Satisfaction

VALUE-ADDED PROCESSES
- Performance oversight, monitoring and Accountability Process
- Strategic Budgeting Process
- Quality Assurance Process
- Compliance and Communication
- Succession Planning

LEARNING & GROWTH ENABLERS
- Capacity-building for governance
- Develop Coaching Skills
- Invest in the learning & growth of staff and board
- Performance information system and IT support

Figure #3

** See Essay "Best Practice Balanced Scorecards For Governance, Organizations and CEOs", **Managing Change,** Fall, 2003.*

3. Lack of Alignment at the Top

The *Balanced Scorecard Collaborative* says that the most common reason for BSC failure is a "lack of commitment/alignment at the top" – that is, among the executive leadership of the organization.

In the healthcare sector, this also requires the leadership to shift from reactive "crisis management", to proactive strategy development and strategy implementation.

How can a CEO create such a fundamental shift in the thinking and behavior of their top management?

Professional leadership coaches and change management scholars would emphatically say that it must start with a commitment by the CEO to model change and learning themselves.

The strategic decision to become a *learning organization* means that CEOs need to learn how they can lead and manage such an organization. They need to learn more about how they can be *developmental coaches* and *facilitators*. They need to determine how they will personally model learning, growth and change.

"The most common reason for BSC failure is lack of commitment/ alignment at the top – among the executive leadership of the organization."

That means "learning-how-to-learn." It means understanding adult learning methodologies/learning styles, and developing their own capacity to be developmental facilitators and coaches to their senior team members and to their middle managers.

While external coaches and facilitators can "add value" to such a process, **it is essential that the BSC process be led by the CEO.**

Others can help, but unless the CEO leads it, the gains will only be incremental, the pace will be very slow, and the changes are not likely to be sustainable.

By investing at least two days per month in strategy dialogues, a traditional *senior management team* can be transformed into a *high performance strategy team* that has the capacity to lead and manage the organization's transformation journey.

The challenge for senior managers is how they will change their relationships with their direct reports.

Organizations that produce superior results with Balanced Scorecards are often those where the middle managers have transformed themselves from *command and control* in organizational silos, to a new emphasis on *developmental facilitation* for integrated, cross-functional high performance teams. This new skill for *developmental facilitation* is different from *basic facilitation (see Figure #4)*.

However, experience tells us that middle managers will not transform until and unless their bosses have authentically transformed – and are themselves modeling the thinking and behavior that middle managers are expected to exhibit for front-line workers.

This is a major challenge for CEOs: how to develop the capacity of their senior and middle managers to be highly strategic and capable of leading and managing others through a transformative learning experience.

From the CEO's perspective, since their own success is dependent upon the success of each of their direct reports, they clearly have a major stake in seeing that each of their senior managers will be successful at achieving the outcomes for which they are accountable.

After all, when the CEO's direct reports are successful at achieving their outcomes, the CEO is successful. And, when the CEO is successful at achieving a balance of outcomes – everybody wins.

In the *Accountability Agreement* process outlined in ***"Redefining Accountability in the Healthcare Sector"* (Managing Change, Spring, 2003)** each executive selects outcomes, themes and measures in the BSC that they helped develop – and then list what they will be accountable for achieving.

In their *Accountability Agreement,* they also list the *supports that they require* to be successful; and, what they believe should be the *consequences* of success and failure on themselves.

The key to this best practice design is achieving the right balance of empowerment and accountability.

For such an approach to work, people really must be deeply committed to a personal journey of learning and growth. Success is also highly dependent on the CEO's creation of a "safe environment" within which the strategy team members can learn from each other, from the middle managers, from the multiple perspectives of front-line workers – as well as from the organization's "best mistakes" of the past.

By investing at least two days per month in strategy conversations and strategic capacity-building, the senior team will undergo the "normal stages" of team development: *forming, storming, norming* and *performing*.

When the senior team is fully aligned, they will be able to reach the *performing stage* – where strategy is actually implemented.

"The BSC must be the CEO's process. Others can help, but unless the CEO leads it, the gains will only be incremental, the pace will be very slow, and the changes are unlikely to be sustainable."

4. Dis-Integration of Middle Managers

Successful BSC organizations are often those where the CEO deeply understands the key role that middle managers need to play in strategy execution.

They ensure that middle managers are empowered by first investing considerable time and energy developing an aligned senior team that has the capacity to lead and manage middle managers as everyone learns how to successfully execute the strategies that they helped develop.

A key leveraged action for successful balanced scorecarding requires the integration of middle managers into cross-functional teams. Their role needs to shift from day-to-day operations within a silo, to being developmental facilitators and coaches of cross-functional high performance teams.

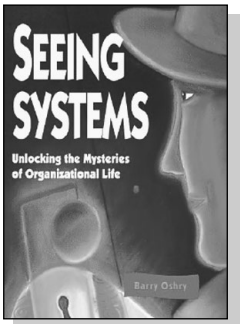
Barry Oshry, author of ***Seeing Systems: Unlocking the Mysteries of Organizational Life*** explores the organizational dynamics and conditions of three "spaces" in organizations: the top space, the middle space and the bottom space.

The condition of the *middle space* is diffusion according to Oshry. He calls them the "torn middles" – because they are constantly being pulled in numerous directions by the many needs of their subordinates in the bottom space, and by the demands of their bosses in the top space.

BASIC AND DEVELOPMENTAL FACILITATION

Characteristic	Basic Facilitation	Developmental Facilitation
Group Objective	Solve a substantive problem	Solve a substantive problem while learning to improve its process
Facilitator Role	• Help group temporarily improve its process • Take primary responsibility for managing the group's process	• Help group permanently improve its process • Share responsibility for managing the group's process
Outcome for Group	Dependence on facilitator for solving future problems	Reduced dependence on facilitator for solving future problems

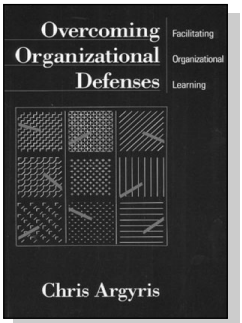
Figure #4



Middle managers, trapped in their silos, often feel isolated from one another. Hospital culture survey results also tell us that they feel alienated, lonely and fearful of being blamed.

To survive in such toxic work environments, middle managers and senior managers often engage in what Chris Argyris calls "defensive routines".

In ***Overcoming Organizational Defenses,*** Argyris explores defensive behaviors and organizational patterns. He explains that these routines are designed to "cover up" or by-pass inefficiencies and ineffectiveness in our organizations.



Argyris identifies defensive routines as "errors of design" which he says are at the heart of organizational effectiveness. He says that if organizations and their people are to thrive, defensive routines must be surfaced and reduced.

It is essential that CEOs play a key role in creating a "safe environment" in which people are truly open to learning, and open to continuous improvement.

The CEO needs to bring together their senior team with middle managers to engage in strategy development, organizational alignment and strategy implementation dialogues on an on-going basis. In organizations that achieve accelerated change, the Strategy Team often spends at least one day per month with middle managers on strategy dialogues *(see Figure #5)* in addition to their own 2-days per month as a strategy team.

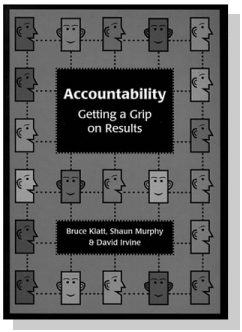
Best practices suggest that these dialogues should be designed as "learning-by-doing" workshops on a "just-in-time" basis at which the CEO and the strategy team members tap into the collective intelligence of the middle managers as they determine the organization's evolving strategy and select the indicators that will measure their progress.

Without significant investments of time, energy and resources in the learning and growth of managers, balanced scorecarding can become a frustrating, intrusive and even threatening process.

Figure #5

To succeed, the *Organizational BSC* and the *Accountability Agreement* process must become the middle managers' "best friend" – not their "worst nightmare".

In transformed organizations, middle managers are the system integrators who provide others with information, support and resources needed to achieve the outcomes in their BSC.



In a wholistic learning approach to BSC development, organizations invest 1% to 5% of their payroll budget on developing the "soft skills" that are required to be successful.

We have suggested 6 key *Human Capital Outcomes (see Figure #6)* that we believe senior managers need to achieve within themselves – before they attempt to develop these same learning outcomes within the middle managers who report to them.

5. Fear and Anxiety on the Front-Line

Perhaps the CEO's greatest vulnerability today is the growing alienation of front-line healthcare providers.

HUMAN CAPITAL OUTCOMES – LEARNING AND GROWTH QUADRANT

HUMAN CAPITAL OUTCOMES	TOOLS AND PROCESSES
1. STRATEGIC COMPETENCIES Everyone in management shares a common language/ framework for identifying leverage and achieving the outcomes in their BSC.	• Systems Leverage Model • Surfacing & Testing Assumptions • Reality/Vision Gap • Dialogue/Discussion/Reflection • Framing and Reframing
2. LEADERSHIP/MANAGEMENT BALANCE A critical mass of managers can leverage human capital by providing the right balance of management/leadership for teams and individuals.	• Koestenbaum's Leadership Diamond • Stewardship • Servant-Leadership • Personal Vision/Personal Mastery • Developmental Facilitation • Coaching • Project Management Tools
3. STRATEGIC ALIGNMENT Managers know how to align strategy, structure, culture and skills and have the capacity to facilitate the alignment of people, processes and structures within their unit, and across the organization.	• Strategic Alignment Model • Leverage & Alignment • Framing and Reframing • Systems Thinking • Team Learning • Organizational Design Methodologies
4. CULTURE SHIFT Managers can lead processes which internalize the shared vision, create rituals that enable people to practice and live by the organization;'s values, and align thinking and behaviour to strategy.	• Accelerated Culture Shift Methodology • Surfacing Undiscussables/Conflict Resolution • Learning How To Learn • Rules-of-the-Road/Team Learning • Personal Change Strategy • Personalysis
5. STRATEGIC INTEGRATION Managers can lead and manage processes which facilitate teamwork within the unit and integration across the systems, structures and processes across the component parts of the system.	• High Performance Team Methodologies and Thinking Tools • Team Learning Skills/Processes • Systems Thinking • System Dynamics • Designing For Outcomes
6. ACCOUNTABILITY Every manager has an *Accountability Agreement* which sets out specific outcomes/measures/targets which they are accountable for achieving in the *Organizational Balanced Scorecard* – as well as the supports required to achieve these; the positive and negative consequences, and, their *Personal Learning Contract* that will enable them to be successful.	• Accountability Agreement Tool/Process • Setting Indicators/Targets • Stretch Goals • Managing Up/Time Management • Feedback • Personal Learning Style • Personalysis • Becoming a Leveraged Person

Figure #6

While the CEO must survive in an increasingly threatening external environment, internally, direct service providers are less and less prepared to experience "yet another management fad" that past experience tells them will fail.

In the post-SARS era, healthcare providers face a wide range of deeply complex emotions. If they are to succeed, CEOs and their management teams must understand that their organization is profoundly human.

They need to understand their organizations not as a series of fragmented organizational component parts that make up the whole, but as a network of human relationships. In the healthcare system today, many of these relationships require healing to take place.

In many organizations, people need the opportunity to acknowledge past hurts and perceived injustices in order to provide the opportunity for forgiveness. It is only through forgiveness that people are able to "let go" and move on.

Paradoxically, while the healthcare sector attracts people whose common DNA includes the need to care, the truth is that the sector does not provide itself with much caring. There is very little "caring for the caregivers". That's why healthcare organizations in Canada rank last out of 15 categories on quality-of-work-life indicators.

"People need the opportunity to acknowledge past hurts and perceived injustices in order to provide the opportunity for forgiveness. It is through forgiveness that people are able to let go and move on."

Organizational scientist, Barry Oshry, describes the condition of the front-line worker as *"vulnerable"*.

From the healthcare provider's perspective, various forces in the organization and in government provide constant threats to their security and quality-of-life. Oshry says that the "blind reflex" to this condition is to coalesce or combine together.

Oshry says that people in the bottom space often feel "oppressed, ignored, unrecognized and mistreated". They experience negative conditions, and they hold management and governance primarily accountable for many of the problems that they experience.

They experience "blaming down" by management and governance, and participate in "blaming up".

People in the so-called "bottom space" draw together to form a more powerful "we". However, all too often people in the bottom space do not hold themselves personally accountable for how their own behavior and attitudes may be contributing to the deterioration of their quality-of-work life.

In a transformed organization, front-line service providers take responsibility for their condition and the condition of the organization. They pull together as a positive force for change and improvement.

They are empowered to control and coordinate their own work; and, they participate in the development and implementation of the organization's strategy through the *BSC cascading process.*

Fear and anxiety among direct service providers in healthcare is palpable in many organizations today, causing them to respond with becoming entrenched in what organizational behavioral scientists call "defensive routines".

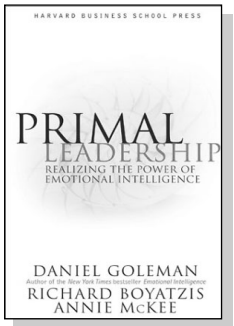
These routines are basically avoidance strategies. They are ways of by-passing errors, ignoring difficult issues and problems, and saving face (for yourself or a colleague).

While defensive routines help us to feel more secure and "in control" in the short run, they ultimately erode our sense of well-being and the health of the organization. By masking the dynamics of the situation, defensive routines keep undiscussables underground, and legitimize error and unacceptable behavior.

From his study of organizational defensive patterns, Argyris warns that the longer the situation continues, the greater the sense of malaise, hopelessness, and cynicism.

The malaise leads to distancing and blaming behaviors, mediocre performance, and, finally, blow-ups at the individual and organizational levels which destroy the capacity for learning, efficiency and effectiveness.

Surfacing undiscussables and exploring them without blame or defensiveness requires a great deal of courage, skill and trust.



In ***Primal Leadership: Realizing the Power of Emotional Intelligence,*** Daniel Goleman, et al, explain the groundbreaking research on the limbic brain, and how the primal task of leaders is to nurture and provide emotional intelligence.

Figure #7 provides a summary of the emotional competencies required by leaders whose challenge is to mobilize others in the transformation process.

These are divided into the personal competencies of *self-awareness* and *self-management* and relationship competencies that include empathy, inspiration, collaboration and conflict management.

Strangely, despite being part of a healthcare enterprise whose mission is to provide care, many managers really don't want to deal with all this "messy human stuff".

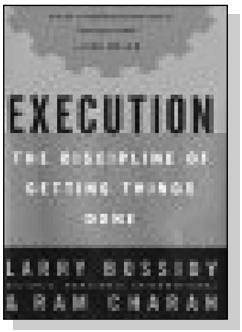
However, in fact, when organizations deal with the messy human stuff, they will be successful at achieving their outcomes.

For leaders dealing with the messy human stuff, this starts with knowing themselves: *self-awareness.*

Simply put, says Goleman, "self-awareness means having a deep understanding of one's emotions, as well as one's strengths and limitations, and one's values and motives."

While there are a variety of tools that managers can use to enhance emotional intelligence, we think the best one is ***Personalysis*** – a tool that enables individuals to better understand how they can maximize their strengths and minimize their vulnerabilities.

When individuals and entire teams can see themselves in the same framework as their *Organizational BSC,* they often generate some very powerful insights on how they can increase their personal, interpersonal and group effectiveness.



In ***Execution: The Discipline of Getting Things Done,*** Larry Bossidy & Ram Charan say that leaders need to be self-aware in order to be good at strategy execution.

EMOTIONAL INTELLIGENCE

PERSONAL COMPETENCIES	RELATIONSHIP COMPETENCIES
SELF-AWARENESS • *Emotional self-awareness:* Reading one's own emotions and recognizing their impact; using "gut sense" to guide decisions • *Accurate self-assessment:* Knowing one's strengths and limits • *Self-confidence:* A sound sense of one's self-worth and capabilities	**RELATIONSHIP-AWARENESS** • *Empathy:* Sensing others' emotions, understanding their perspective, and taking active interest in their concerns • *Organizational awareness:* Reading the currents, decision networks, and politics at the organizational level • *Service:* Recognizing and meeting follower, client, or customer needs
SELF-MANAGEMENT • *Emotional self-control:* Keeping disruptive emotions and impulses under control • *Transparency:* Displaying honesty and integrity; trustworthiness • *Adaptability:* Flexibility in adapting to changing situations or overcoming obstacles • *Achievement:* The drive to improve performance to meet inner standards of excellence • *Initiative:* Readiness to act and seize opportunities • *Optimism:* Seeing the upside in events	**RELATIONSHIP-MANAGEMENT** • *Inspirational leadership:* Guiding and motivating with a compelling vision • *Influence:* Wielding a range of tactics for persuasion • *Developing others:* Bolstering others' abilities through feedback and guidance • *Change catalyst:* Initiating, managing, and leading a new direction • *Conflict management:* Resolving disagreements • *Teamwork and collaboration:* Cooperation and team building

Primal Leadership: Realizing the Power of Emotional Intelligence, Daniel Goleman

Figure #7

They point out that "when you know yourself, you are comfortable with your strengths and not crippled by your shortcomings. You know your behavioral blind sides and emotional blockages, and you have a modus operandi for dealing with them – you draw on the people around you."

These authors say that "self-awareness gives you the capacity to learn from your mistakes as well as your successes. It enables you to keep growing."

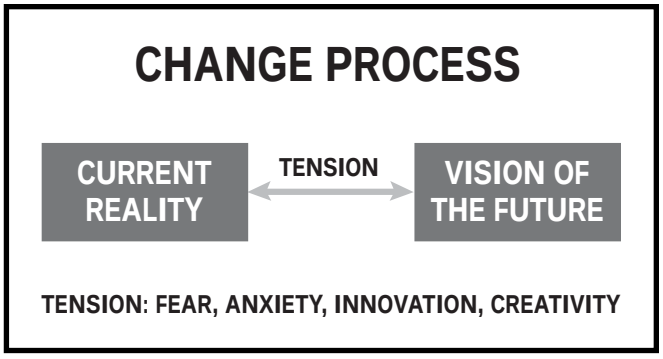
While the modelling of these personal and social attributes by the CEO and the senior team is essential, real change will not occur until and unless a critical mass of senior and middle managers undergo a personal journey of change.

Such journeys are not always easy. We experience tension between our current circumstances – our *Shared Reality* – and how we really want to be in the future – our *Shared Vision* of the future.

An organization can support their people through the process of change by adopting a culture that honors truthfulness, openness, learning and trust, and a structure in which people are truly empowered and expectations and accountabilities are clear.

In turn, individuals in the organization must take personal responsibility for their own communications and behavior. To succeed, each of us must commit to our own personal journey of change, learning and growth.

As a critical mass of people within an organization begin to undergo personal change and growth, they will experience what change management scholars call *creative tension (see Figure #8)*.



If an organization is to be successful, they need to learn how to focus that tension on *creativity* and *innovation*, not *fear* and *anxiety*.

In ***The Path of Least Resistance,*** Robert Fritz explores how creative tension can be experienced as either a "positive" source of creative energy, or a "negative" source of emotional tension.

Fritz suggests that if creative tension is rooted in fear and anxiety, transformation will not take place. Instead, we allow our goals to erode, and engage in defensive, blaming, political action that protects our self-interest and inhibits learning.

Best practice balanced scorecarding is about making organizations healthy places – where people have fulfilling relationships and are able to continually learn and grow.

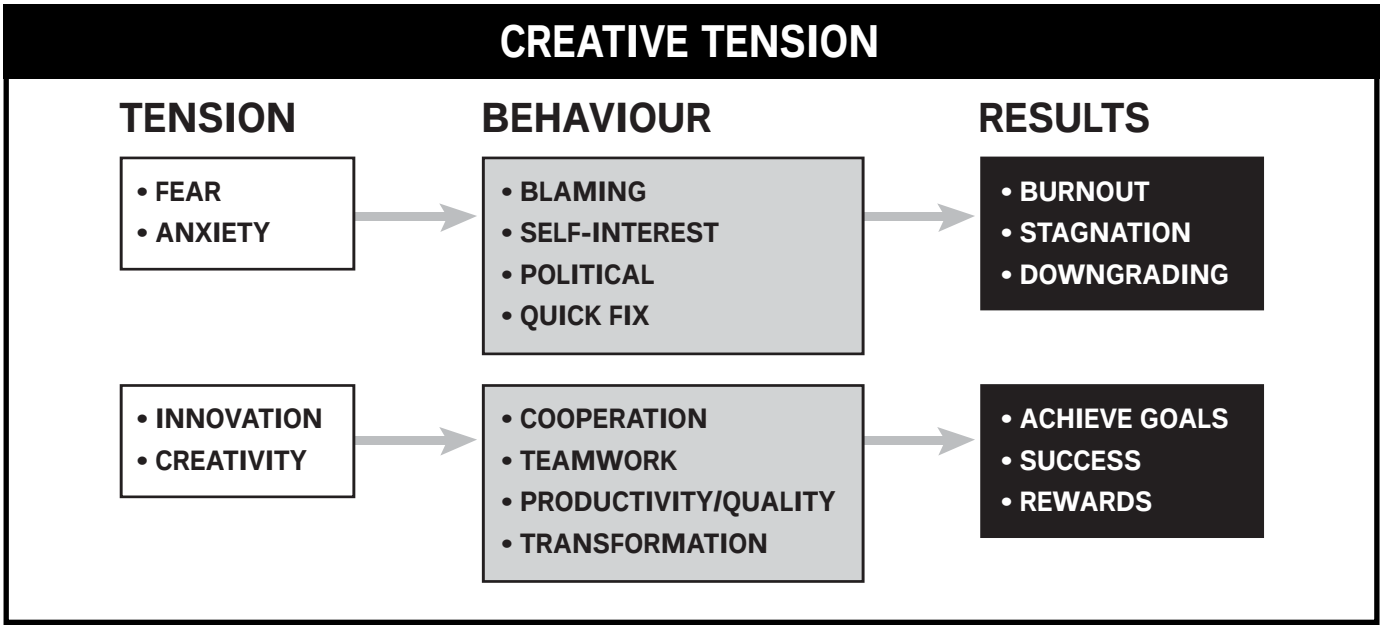
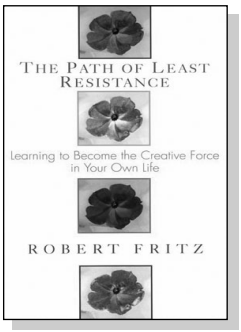


Figure #8



Imagine what it would be like if healthcare organizations were to actually become a "model for a healthy workplace"!

Such a vision would require a fundamental restructuring of the healthcare system and workplace. So, what would a healthy workplace "look like", "feel like" from the perspective of those working at the frontline, and, how does an organization transform itself to achieve its vision as "a great place to work"?

An important point we want to make here is that healthcare workers are not the customers of the organization. Healthcare organizations do not exist to make their staff happy. They exist to serve the *customers* and the *owners*.

However, when you reflect on the Balanced Scorecard framework, it is the *Learning & Growth Enablers* – including high staff and physician satisfaction rates – that will actually enable an organization to engage in activities that will enable them to achieve their customer outcomes.

The reality is that we need healthcare providers who have high levels of job satisfaction and increased skills if these organizations are going to be true to their mission.

"Imagine what it would be like if healthcare organizations were to actually become a model for a healthy workplace!"

From the work and research of Fred and Merrelyn Emery (and other practitioners in the field of comprehensive organizational redesign), they have identified *six criteria for effective workplaces. (see MindMap, page 20)*

The first three criteria refer to the content of any job. The optimal amount of these needs are experienced differently from person to person. They are:

1. ***Adequate Elbow Room.*** The sense that people are their own bosses and that, except in certain circumstances, they do not have a boss breathing down their necks. We must also be cautious that people have enough structure that they know what to do.

2. ***Opportunity to Learn*** on the job and keep on learning. Learning is possible only when people can set goals that are reasonable challenges for them, with feedback of results in time for them to correct their behavior.

3. ***An Optimal Level of Variety.*** People can vary the work to avoid boredom and fatigue and gain the best advantages from settling into a satisfying rhythm of work.

The second three criteria refer to the social climate of the workplace; people can never have too much of these three conditions:

4. ***Mutual Support and Respect.*** Conditions where they can and do get help and respect from their co-workers. Avoiding conditions where it is in no one's interest to help one another; where people are pitted against each other so that "one person's gain is another's loss;" where the group denies the individual's capabilities or inabilities.

5. ***A Sense That One's Work Contributes to Social Welfare.*** This includes both the quality and worth to society of the product/service, as well as the participant's knowledge and understanding of the end use of the product or service.

6. ***A Desirable Future.*** A career path which will continue to allow for personal growth and increases in knowledge and skills.

From our collective experience, from the research on organizational transformation, and from the "lessons learned" in balanced scorecarding, we know that every organization is different – and therefore requires that the solutions be designed to address each organization's unique circumstances.

There is no "one-size fits all" solution.

Nevertheless, we suggest that Board and managerial leaders reflect on these six criteria, and ask yourself: how can your organization provide more of these conditions for your employees?

6. Increasingly Unhappy Doctors

CEOs and their Boards are also increasingly vulnerable because of the ever-increasing frustration and anger levels of physicians.

While many of the provincial systems, structures and processes have been designed in ways that have produced the unintended result: conflict between CEOs/Managers/Boards and physicians, people experience these conflicts very personally.

Physician lobbying campaigns have sometimes resulted in Boards taking "sides" in such conflicts – sometimes in alignment with the physicians against the CEO.

Experience tells us that where political behaviors are rewarded, there will be an on-going outbreak of politics and internal power struggles between the competing vested interest groups within the organization.

Such organizations are politically-driven, rather than strategy-driven. They are staff-focused, rather than customer-focused.

In those cases where Boards aligned with the CEOs against physicians, the conflicts don't end. Even where physicians win their wars, there is no resulting outbreak of happy, aligned doctors.

The win/lose nature of these political dynamics normally produce on-going power struggles. To succeed, self-interests and political power struggles must be replaced with a *customer-driven mindset.*

What best practice balanced scorecarding offers is a methodology in which a physician leadership group (Chief-of-Staff/Medical Chiefs/Medical Advisory Committees) fully participates in strategy development and strategy implementation on an on-going basis.

"While there are no magic bullets that will provide a cure for unhappy doctors, engaging physician leadership in strategy development and implementation can ultimately result in significantly improved relationships."

So, while there is little that individual hospitals can do to improve the relationships between physicians and the provincial government (the macro environment), there is something they can do to provide productive and meaningful physician engagement in their hospital's strategy.

While there are no "magic bullets" that will provide a cure for unhappy doctors, engaging the physician leadership's collective brainpower in strategy development and strategy implementation can ultimately result in significantly improved relationships – and better strategies.

Balanced Leadership

This essay's purpose has been to provoke the thinking of Boards, CEOs and managers about how they

could overcome some of the formidable obstacles and leadership challenges that they will encounter on their BSC learning journey.

In this essay, we have explored six key vulnerabilities that we believe CEOs and Boards must address if they are to be successful. To summarize, here is the authors team's best thinking on the action steps required to address each of these issues.

To address the realities of an **unsafe external environment,** CEOs and their governance Boards need to engage provincial policy-makers to ensure that the future architecture for *Performance Agreements* are balanced – and that the structures and processes for ensuring accountability reflect best practices, rather than the usual "illusion of control" practiced by provincial governments through increased bureaucratic micromanagement.

To address the realities of **poorly designed governance processes,** CEOs need to engage their Boards in strategy dialogues that are rooted in the Board's vision. Organizations that decide to vigorously employ best practice balanced scorecarding, should do so at the Board level, as well as the organizational level.

To address the realities of the **lack of alignment at the top,** CEOs need to lead a fundamental transformation of their senior management committee into a high performance *Strategy Development/Strategy Implementation Team.* To achieve this, the CEO should invest at least two days per month in strategy dialogues with their senior team in which the BSC development process is the opportunity for building the strategic thinking capacity of top management.

To address the realities of the **dis-integration of middle managers,** CEOs need to lead and manage a top-down and bottom-up process that facilitates the transformation of middle managers from silo managers to system integrators – who provide others with information, support and the resources needed to achieve the outcomes in the *Organizational BSC* .

To address the vulnerabilities faced by Boards and their CEOs due to **fear and anxiety on the front-line,** CEOs need to mobilize their senior and middle managers to engage in a BSC learning journey in which a critical mass of leaders become deeply committed to learning how to lead and manage a learning organization.

And, finally, to address the vulnerabilities that are created by **unhappy doctors** engaged in politics, the *Organization BSC* process can provide a constructive and highly leveraged process that ensures that hospital strategy is informed and improved through physician brain-power.

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Liz's R&D background includes developmental coaching, strategic alignment, organization design processes and leadership development in the health, education and corporate sectors.

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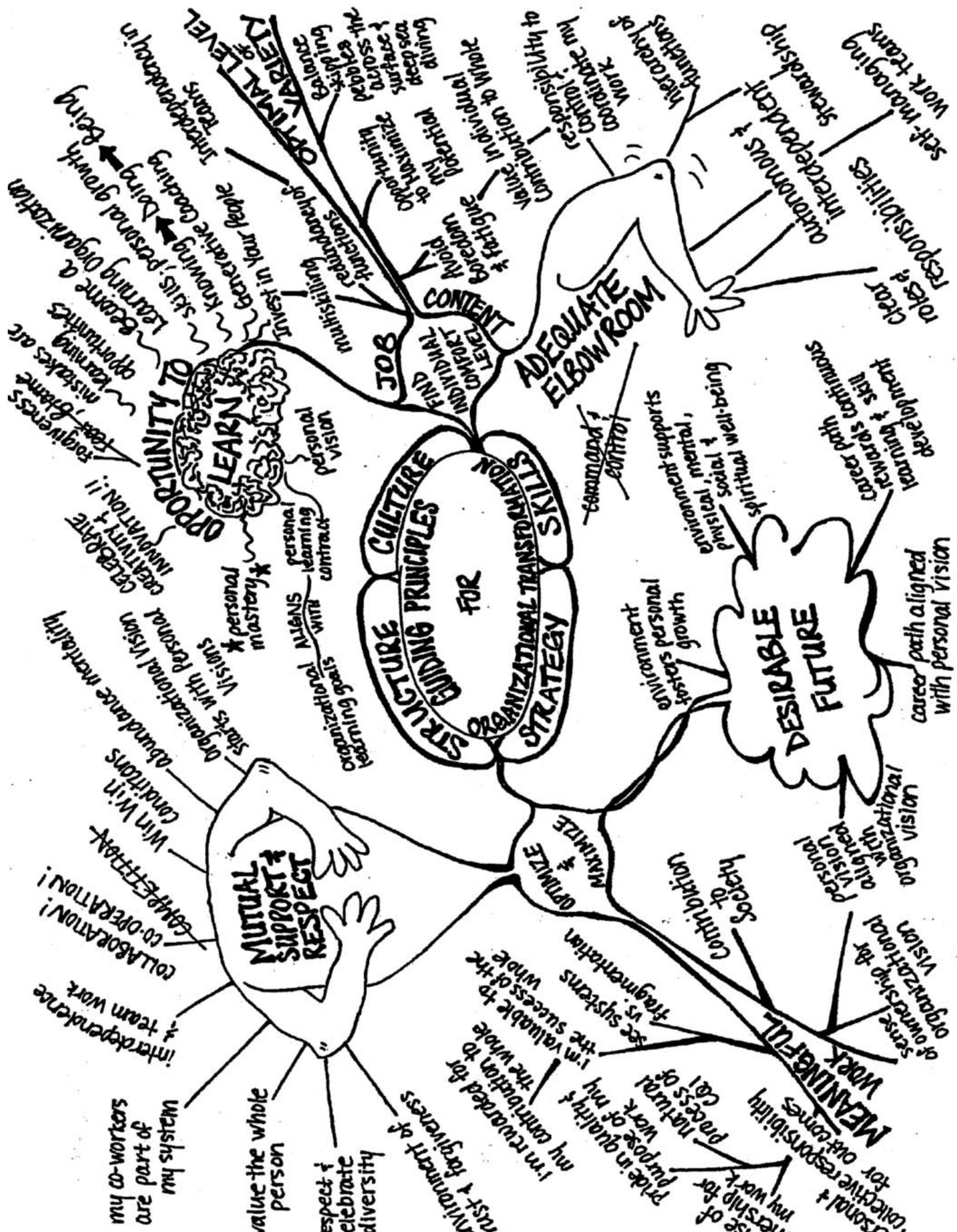
GUIDING PRINCIPLES FOR ORGANIZATIONAL TRANSFORMATION
CULTURE
STRUCTURE
STRATEGY
SKILLS
OPPORTUNITY TO LEARN
JOB CONTENT
ADEQUATE ELBOW ROOM
DESIRABLE FUTURE
MEANINGFUL WORK
MUTUAL SUPPORT & RESPECT
OPTIMIZE & MAXIMIZE
OPTIMAL LEVEL OF VARIETY
FIND INDIVIDUAL COMFORT LEVEL
Become a Learning Organization
celebrate creativity & innovation!!
personal vision
personal learning contract
* personal mastery
organizational learning goals ALIGNS WITH
starts with personal visions
organizational vision with personal vision
abundance mentality
Win Win conditions
COMPETITION!
CO-OPERATION!
COLLABORATION!
interdependence & team work
my co-workers are part of my system
value the whole person
respect & celebrate diversity
environment of trust & forgiveness
clear roles & responsibilities
autonomous & interdependent
self-managing work teams
stewardship
Value individual contribution to whole
Avoid boredom & fatigue
multiskilling
Invest in your people
command & control
environment supports physical, mental, social & spiritual well-being
environment fosters personal growth
career path aligned with personal vision
contribution to society
personal & collective responsibility for outcomes
sense of ownership for my work
see systems vs. fragmentation