

Now more than ever, the importance of good management in pathology is key to its development and improvement. Here, William Davidson looks at how the consideration of four important perspectives could be just what the doctor ordered.

# Balanced scorecard

## A tool for pathology management?

The balanced scorecard provides clear guidelines about what should be measured while managing a system so that a balance is obtained in the financial perspective. This ethos is eminently suited to a strictly commercial environment; however, it is considered that pathology services, which are part of a public organisation, dictate that other drivers of performance<sup>1</sup> should take pre-eminence over financial results. Thus, the focus of management is geared more towards stewardship than is the case in private-sector organisations.<sup>1</sup> This comparison is relevant when one considers that both types of organisation clearly could embrace the conceptual framework of the balanced scorecard (BSC), where the organisation uses performance figures from four perspectives – financial, customer, internal business processes and learning and growth.<sup>1</sup>

To consider whether or not the BSC should be used as a tool in pathology management, the components of the system need to be considered in relation to the systems in operation and comparisons made with existing pathology management processes. Clearly, the question will be best answered when these comparisons demonstrate that adopting the BSC is suitable, feasible and acceptable.<sup>2</sup>

Any strategic formulation also requires consideration of how different groups, with their relevant goals, impinge on the service. As well as the political environment, economic, social and technological factors are external influences that affect the management of pathology. Within these broad areas can be found the main external groups that have an impact on pathology and include:

- 1 hospital management
- 1 instrument manufacturers
- 1 technical support and maintenance

- 1 other hospital groups (nurses, porters, maintenance and support staff)
- 1 professional bodies
- 1 trades unions
- 1 company representatives
- 1 external quality control schemes
- 1 the client.

The term 'client' is used here in preference to 'customer', as every pathology service is considered to offer a service that works towards providing a result or report as the end-product of the process. It is this relationship between the pathology service and the client's needs and wants that should be managed effectively and efficiently within the constraints set by external influences, making effective and efficient use of available resources.

In general terms, taking the client as the main focus of operations, the strategic direction taken, arguably, could be considered to be market driven, if not market focused. As pathology services are increasingly restricted by budgetary constraints, strategic directions taken by management are informed by financial considerations. The dichotomy between a mainly financial focus and a mainly client-centred focus could be considered to be narrowing. Management styles in pathology have evolved over several decades to the point where, as characterised by Litherer,<sup>3</sup> it can be seen that the main system of organisation in pathology services has involved a 'mechanistic' approach to management.

### Changing conditions

Recently, many generic management changes have taken place, but little has been done to

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move away from this mechanistic approach to more of an 'organic' approach, which Mullins<sup>4</sup> points out is a system more suited to changing conditions. Using comparisons to Litherer's established characteristics, Table 1 highlights some organisational examples that demonstrate a mechanistic approach.

Many management techniques or systems claim to act as a catalyst, enabling organisations to react effectively to rapidly changing external influences. The main critiques of previous systems highlight the narrow functioning of the system that influences overall effectiveness. However, use of a BSC is claimed to provide a clear picture of how the organisation is performing in all areas.<sup>5</sup> With previous management expertise, it can be argued that the BSC is ideally suited to dealing with change. Nevertheless, examination of the BSC system requires consideration of whether pathology can benefit from adopting it as a management tool or if it is simply an exercise in semantics.

Although the ability to react efficiently and effectively to change is excellent, performance measurements of systems are also important. Figure 1 summarises some general requirements in pathology that must be managed. As mentioned earlier, the management approach to system requirements can be seen to be compatible or non-compatible with change. Throughout their development, pathology services have adopted different management techniques, as can be seen when one considers initiatives such as management by objectives and total quality management.<sup>6</sup> As organisational functional requirements evolve, so the effectiveness of a particular management tool changes.

More recently, project management (PM) has been used extensively in the health service sector and this system, according to Arveson,<sup>7</sup> is geared more to a technical mission rather than a business process. In many senses, the underlying culture in pathology management results in the adoption of PM rather than business process improvement. In the past, many have argued that pathology should draw closer to a more business-like process in the style of management and selection of management tools. As an example, consideration need only be given to the period when the internal market was a strong external influence on the direction pathology management should take.

Evidence for the adoption of business process tools (other than financial), including marketing management, is scant at best and only transient when present. Indeed, initial misunderstanding of the adoption of many of these tools led to the development of two main schools of thought, with those who predicted that privatisation would increase productivity, and others who feared that quality would fall<sup>8</sup> and little consideration be given to recognising potential synergistic effects. Notwithstanding the arguments for and against adopting business-focused management tools, many developments have emerged from the era of attempted internal market management, with the most important management tools being those that identified the customer or client and measured their needs, wants and levels of satisfaction with the service. This is especially true when considering systems of redesign.<sup>9</sup>

It can therefore be argued that pathology management, in formulating its strategy to

## ‘Political, economic, social and technological factors are influences that affect the management of pathology’

include client needs/wants, should move away from the rigid linear approach that begins with an analysis of its service, followed by the planning and implementation of the service, and finally its control, to a more dynamic system that cycles continuously through analysis, planning, implementation and control.

The dynamic aspect is achieved by moving away from the project type of management, where control measurement is used ostensibly only to confirm the original analysis. The dynamic model, when adopted, ensures that the objectives set are seen to be fulfilled by many in the organisation and not, as Rubin<sup>9</sup> points out, just by the project management ‘experts’. However dated, this remains applicable today in many pathology departments in which effective management relies on timely and relevant information provided by effective measurement systems.

The BSC system claims to recognise some of the weaknesses of previous management processes and indeed the financial systems

and tools used are retained from traditional systems. Although some success has been claimed in other health service systems,<sup>10</sup> pathology may be another matter and deserves consideration.

### Traditional styles

One major point made about more traditional management systems is that data and relevant information can be “scattered in conflicting jurisdictions”,<sup>5</sup> with little or no integration to provide linkage and focus. The overall effect is that data are diluted to a ‘lower’ value. A well-designed BSC that considers the customer/client, human resource, finance, operations, change and the environment will, when measurements are updated regularly, result in increased strategic balance with a

vastly improved management information system.

The BSC will increase focus, reduce or eliminate information overload within a system and improve communication by involving the majority in the overall strategy. It is also claimed that the management team is forced to clarify the strategy in order for the implementation to be measured. In addition, tracking how improvements in one area can affect other areas is extremely beneficial. Organisations that have many interphases between initial input and final desired output experience problems in managing the interphases (Fig 1). There is strong reliance on a variety of performance measurements built in the management framework to ensure that high quality services are delivered.<sup>11</sup>

Pathology has used ‘gold standard’ management tools in the past. In many cases, this has resulted in filtering off the ‘best fit’ parts of the systems developed (eg management by objectives, total quality management), reflecting a reactive rather than proactive style of management. However, if it isn’t broken, why fix it? Regardless of which ethos is correct, should BSCs be used in pathology and could BSCs be used in pathology?

The BSC methodology is built on key concepts of proven management ideas and it follows the vision and strategy<sup>12</sup> of the organisation, feeding in to the four main areas: internal business processes, the customer, learning and growth, and the financial perspective. Internal business processes should define that process within the organisation that “must be excelled at to satisfy our customer/client.”<sup>12</sup> Objectives, measures, targets and initiatives are used to validate each process. Undoubtedly, these can be seen to define correctly formulated proactive operations to ensure shareholders and customers are satisfied in the ‘for profit’ sector, but these are no less important in pathology.

In the sense that any objectives are influenced by budgets, it could be argued that the basic design of the BSC performance system, as given by the BSC Institute,<sup>13</sup> is inept. However, it recognises this by highlighting a major difference for public sector organisations,<sup>14</sup> removing organisational vision from the central focus of the strategy and replacing it with an all-embracing mission. For pathology, this stems from the division or other hospital management structure, which dictates fundamentally how pathology can adopt BSC tools.

### Financial perspectives

Here, consideration needs to be made of the relationship, potential or otherwise, between organisational clients and stakeholders and the internal business processes. The relationship between organisational financial objectives and the client are mainly zero-based at present (ie there is no pricing structure). The relationship with stakeholders is one of operating a budget within a larger

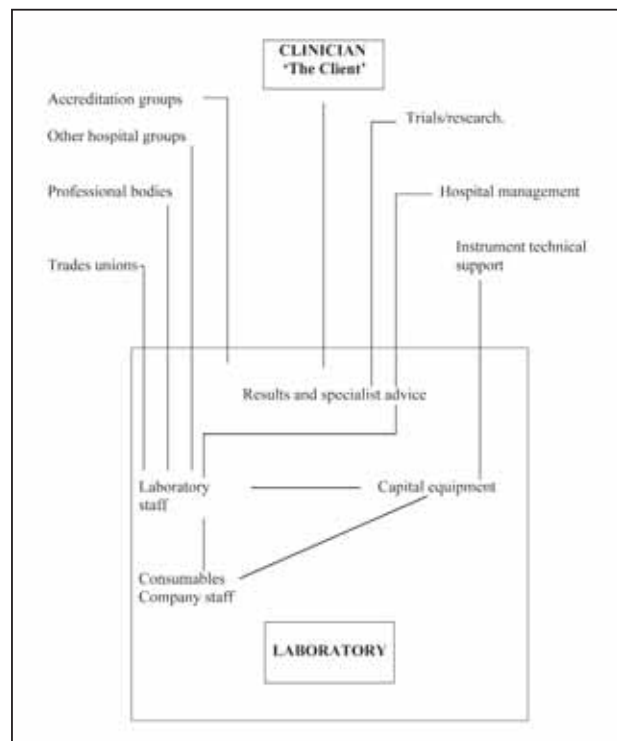


Fig 1. Some systems within and affecting pathology that must be managed.

organisational budget. Pathology budget setting must facilitate continuous comparison of actual results with budgeted results,<sup>15</sup> for it to be effective and efficient. The main consequence of this is that pathology budgeting is geared appropriately to pathology activity.

Effective budgeting is a system whereby those who manage and deliver the service come together to set the budget using 'top down' objective setting with 'bottom up' budget preparation, sanctioned by 'top down' approval. Many assumptions underpin this system, the main being about the management level at which the 'top down' strategy is set. The BSC philosophy implies effective organisational budget setting and control.

Within this large area of budgetary control lies client-instigated activity, which is in the internal business process part of the BSC loop. Currently, this is a major problem that has arisen largely from the use of non-inflation-proof systems for costing and eventual pricing. However, the actual financial performance of pathology need not be a problem, especially where software exists for direct adoption.<sup>16</sup>

### Internal business processes

The BSC system considers internal business processes<sup>12</sup> and emphasises the need to satisfy 'shareholders' and 'customers' and decides at which processes the organisation should excel. More and more, pathology is adopting the first approach, either innovatively or as a reaction to external influence such as the new Clinical Pathology Accreditation standards.<sup>17</sup> The second area exemplifies a process that has always occurred in pathology, but its business-oriented nomenclature is new product development and customer satisfaction.

These two areas could be moved closer together in pathology by a closer examination of what the clients want and then by gearing these around service provision. There would need to be a sustained change in pathology processes for this to be effective, and a solely

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financial initiative would need to be restricted to short-term activities.<sup>18</sup>

The processes in which pathology excels encompass both generic and specific service attributes. The generic, to a large extent, includes satisfying the client's wants and re-examining their needs. Specific attributes are seen to be what the service offers, rather than how the service delivers. Instantly recognisable are new products and herein lies the core of pathology provision.

The way new products are introduced and the question of relating client's needs more to this is enshrined in new product development paradigms. In other words, is the new product developed from the service resident's expertise or the client's expertise?

### Learning and growth perspectives

Learning and growth perspectives highlight that which underpins pathology growth. The means of achieving this is in-built and, throughout its development, pathology has used different named groups of human resource while at the same time emphasising the requirement for learning. Recent developments have highlighted the contribution that training and development make to achieve 'vision',<sup>12</sup> and are crystallised in, for example, the way that quality managers and training managers react appropriately to both internal service requirements and external initiatives.

### Customer perspective

Adopting the tools of more business-oriented processes encompasses measuring client satisfaction. This permits a real positioning of the service above the basic request initiation to a result reading exercise. Value is the key and is time-based in the sense that today's value can become tomorrow's norm. Thus, the need for continuous monitoring is obvious.

Kaplan and Norton suggest<sup>19</sup> that any organisation should be viewed from the four perspectives referred to previously. Data should be collected and analysed relative to each of the perspectives. This moves away from the static and linear approach to strategic planning and in theory should provide continuous and timely information to allow for effective and efficient decision-making.

Currently, pathology services are at different stages of adopting the management criteria expressed in the BSC. To use the analogy of bricks and mortar, the bricks are present but the mortar has yet to be used to build a structure that represents the full adoption of the feedback processes between and within the perspectives.

The financial perspective is the final requirement for 'balance'.<sup>19</sup> To continue the analogy, measurement-based management of the data generated is considered essential in order to make the mortar last. The financial perspective (eg cost measurement leading decision-making) in any service organisation, and especially pathology, would focus on what is already measured, which is usually to the detriment of other valuable drivers towards organisational goals. The BSC could be viewed as a means of de-emphasising this perspective.

With any new system, initially costs usually outweigh benefits;<sup>20</sup> however, in moving from a relatively static to a more dynamic system of strategic management, the costs involved would eventually become marginalised. In addition, labour resources<sup>20</sup> would increase, but this could be managed by technology-based replacement, using appropriate IT solutions<sup>16</sup> and human resources that would become redundant through the use of new technology.

**Table 1.** Management approaches and organisational systems reflecting predominantly mechanistic styles in pathology. Comparison of examples with Litherer's characteristics.

Litherer's characteristics	Pathology examples
<b>Specialisation:</b> high, with many sharp differentiations	Existence of many subspecialisms, both technical and scientific
<b>Standardisation:</b> high, with many sharp differentiations	Specific methods and protocols required for many internal and external reasons
<b>Conflict resolution:</b> well defined	Clear lines of accountability accentuated in conflict; potentially de-emphasising interactions
<b>Pattern of authority:</b> hierarchical	Hierarchical because of the need to manage established specialisms, as well as attitudes to 'professionalism'
<b>Locus of superior competence:</b> leaders	Perceived to be at the top of each pathology organisation
<b>Interaction:</b> defined through structure	Vertical, especially for problem-solving
<b>Communication content:</b> highly specific	Direction and order for procedures and protocols
<b>Prestige:</b> follows promotion	Obtained by organisational position

Overall, resource management would become much more accountable in terms of the organisation's new central strategy.

### Readiness to change

With some qualification, the BSC system could be adopted by pathology. Current performance measurement tools could be used more efficiently if the BSC model was in place. In particular, the concept of dual feedback in BSC would permit a readiness to change. However, it is considered essential that the tool be adopted in its entirety, in order to achieve all available benefits. The BSC system should include all staff and be run by staff rather than management.

Replacing vision/strategy in the core with strategy only, and incorporating an all-embracing mission should not reduce the effectiveness of the tool. The BSC system, adapted and used effectively, would produce a strategy-based management system using communication tools suited to the whole organisation. There would be more understanding in the organisation about the alignment of operations with the overall mission of a particular environment, where feedback is a critical element needed to improve the system.<sup>21</sup>

Overall, the service would be seen as more proactive and aware of the client's perspective, and would add value to the quality already in the service. Furthermore, it could be argued that the use of a BSC could reduce duplicity and increase efficiency, especially now as the role of the quality manager is geared increasingly to the overall system of service provision. n

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## TRUST FUNDING 2005

**The Clinical Pathology Accreditation (UK) Ltd (CPA) Trust, a registered charity, was set up in 2004 to support the development of improvements in the quality of medical laboratory services. Until now, this support has funded EQA pilot schemes.**

However, the Trustees have considered other possible avenues for promoting quality in medical laboratories and, with this in mind, have decided to extend the funding to other projects or supporting bursaries to individuals working in the medical laboratory environment. These would be described, in broad terms, as likely to lead to improvements in the quality of laboratory services.

Such projects could be research projects or audits and may be being undertaken by biomedical scientists, clinical scientists or medical graduates, as part of their preparation for higher qualifications. The Trustees have agreed to support a small number of applications (up to a maximum of £5000 per application) in the coming year on a trial basis.

Applications are now invited for:

- the ninth round of pilot funding for EQA schemes, with bids welcomed from established providers or newcomers to the field
- the new CPA bursaries.

Application forms for both types of funding are available from the office at CPA (UK) Ltd, 45 Rutland Park, Botanical Gardens, Sheffield S10 2PB (tel 0114 251 5800, fax 0114 251 5801, email [office@cpa-uk.co.uk](mailto:office@cpa-uk.co.uk)) Applications should be returned by Friday 28 October.