Evaluating the suitability of applying the Balanced Scorecard to public health care organisation. The case of Medical District of Helsinki and Uusimaa (HUS)

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FORMAL RESEARCH PROPOSAL

Applying Balanced Scorecard model to public health care organisations. The case of Medical District of Helsinki and Uusimaa (HUS).

The problems in managing the public sector health care organisations started rising in Finland during the end of the 20th century. Especially the management of specialised medical care was struggling under the pressure to change (Tuomiranta, 2002, 16). These management problems were augmented by the economic recession of the early 1990s and the introduction of the New Public Management model which highlighted the superiority of private sector management in comparison to that of the public sector. The new trend which basically meant the transition from the managerial model towards the public model (Hughes, 2003 p.15) started the chain of strategic renewals in 1990s and that trend is causing major changes even today. Highly bureaucratic health care organisations were slow in adapting new strategies and are finally catching up with the others.

The selection process of the dissertation topic was initiated and mainly influenced by the researcher's personal interests and the current relevance of the subject matter. In a small country such as Finland the ongoing changes in the public health care organisations are burning topics in the media and therefore raise multiple opinions both positive and negative. Due to the timely relevance of the topic the oversupply of information might become a problem and therefore a cut-off date has been decided. The information cut-off date of this dissertation study is the 31st December 2008 and thus no information published after that date will be taken into account.

This dissertation study will address the changes that have taken place in the field of public sector management in Finland as well as examine the suitability the Balanced Scorecard (BSC) as a strategic management tool for a public health care organisation. This study will be a fundamental research aiming to collect, analyse, and summarise existing literature around the chosen topic

including New Public Management (NPM), Strategic Management, and Balanced Scorecard. According to the information collected this dissertation will aim in providing an inclusive briefing about the benefits and possible problems arising from the use of the BSC model in a public health care organisation and on the basis of the analysis to draw in a conclusion in regards to the suitability of that particular approach.

To illustrate and further explain this research a case study will be included. The subject of the case study will be the Medical District of Helsinki and Uusimaa (HUS) that during the year 2007 started the implementation process of a new management and organisational strategy. These major changes at HUS were triggered by the selection of a new Chief Executive Officer in January 2007. The main reason for the strategic renewal was to update the currently old fashioned way of bureaucratic management and therefore to build an operation strategy that supports the management structure of the organisation in a best possible way and enables the organisation to deliver the best output against the resources provided. The strategic changes at HUS have been carried though by using the Balanced Scorecard model due to which this particular health care organisation was selected as the topic for the case study. As In addition to the clarification purposes this case study will also highlight the current relevance and importance of this research.

The theory of New Public Management first introduced by Christopher Hood in 1991 (Barzeley, 2001) and the Balanced Scorecard model developed by Robert S. Kaplan and David B. Norton in 1996 will function as the main frameworks of this study. Both of these theories will be assessed and examined according to the criticisms that have been presented. This study will also measure extend to which the theory of NPM has been adopted by the Finnish public health care system. The BSC model on the other hand will be examined according to the limitations presented by Kaplan and Norton themselves as well as according to other theories such as the theory of suitability, feasibility, and acceptability of a management strategy (Johnson and Scholes, 2002). This study will also clearly define the differences between public and private sector management and analyse

the affect that those differences might have in the functionality of a management strategy and the BSC model.

Being a public sector organisation the decisions made at HUS are influenced by politics. Therefore this dissertation will also include information about the Finnish political decision making and public management as well as the affects that external factors such as political alignments might have in the selection and adaptation of the new strategic management model. Strategic decisions have an effect to all stakeholders of an organisation. Being a public organisation the decisions made at HUS influence a great number of stakeholders and therefore opposition against the change is inevitable. Therefore this study will address the stakeholder opposition especially concentrating on opposition from employee groups such as doctors preferring the traditional way of management and highlight the problems that might arise in the introduction and implementation phase of a new management strategy.

This dissertation is a qualitative research which focuses on analysing theoretical, already published literature. As only publicly available secondary information will be used in this study no issues concerning the commercial confidentially or intellectual property rights will arise. It will also be assured that all information in this research will be referenced accordingly. The selection to use secondary data was made due to ethical aspects and in order to maintain as objective point of view as possible.

ABSTRACT

This dissertation study examines and analyses the suitability of the Balanced Scorecard (BSC) approach as the tool for strategic planning in a public health care organisation. The examination is done using case study method and the organisation chosen is the Medical District of Helsinki and Uusimaa (HUS) which during the previous years has been under the process of implementing a new organisational strategy.

This dissertation is a fundamental research which bases on secondary data. In the study information about the relevant fields of literature is collected and summarised. The fields included are: National Culture, New Public Management, Organisational Change, Strategic Leadership and BSC. This study has a special focus on the BSC and therefore that particular approach is also studied in the hospital environment. On the basis of the reviewed literature and the case study conducted this study implies that applying the BSC is suitable in the context of HUS.

Key words: Strategy, BSC, Balanced Scorecard, Health Care, HUS

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1. INTRODUCTION

This dissertation study examines and analyses the suitability the Balanced Scorecard (BSC) approach as a part of a part of strategic renewal process in a public health care organisation.

The aim of this fundamental research is to collect and summarise information about the relevant fields of study including National Culture, Organisational Change, New Public Management, Strategic Leadership and BSC. This research has a special focus on the BSC and therefore it will be examined in general as well as in hospital environment. The suitability of the BSC model to a public health care organisation will be evaluated in a case study section and the organisation chosen for that study is the Medical District of Helsinki and Uusimaa (HUS).

This dissertation is a secondary research which bases on theoretical, already published information. The decision to use secondary data allows the researcher to get a wider understanding about the subject field and helps to maintain an objective point of view. On the basis of the literature review, the case study and further discussion this study will provide an answer whether or not the BCS approach is suitable for the use of HUS.

1.1 Aims of the Research

The aim of this research study is two-fold. Firstly this study aims in critically analysing the relevant subject fields around the topic with a special focus on examining the literature about the Balanced Scorecard. The second aim then is to examine possible factors that enable or hinder the suitability of the BSC for the chosen case study organisation and according to the information collected determine whether the BSC is suitable for the use of HUS.

2. LITERATURE REVIEW

Pressure from the government, increased competition as well as increasing costs have driven administrators of the public sector organisations to search for more effective management tools. As a one possible solution to those problems the Balanced Scorecard (BSC) a strategic management tool previously only employed in private sector organisation was introduced for the public sector. Now that there is a wide selection of previous experiences and many successful BSC applications have been done in the public sector, BSC is finally gaining wider acceptance in the not-for-profit and also in the health care sector (Chan, 2006).

The purpose of this study is to examine the suitability of the BSC approach for Hospital District of Helsinki and Uusimaa (HUS). The following section will critically review the relevant literature and form the theoretical frame of this dissertation study. This review will work from a more general approach towards more specific and discusses the research fields of National Culture, New Public Management (NPM), Organisational Change, and Strategic Leadership moving on to Balanced Scorecard and finally covers literature about applying the BSC in a hospital environment.

2.1 National Culture

The concept of culture has been around for ages and according to Chiang (2005) owes much of its heritage to anthropologists who for long have been intrigued by the study of primitive civilisations. Czarniawska-Joerges (1993, in Suutari, 1996) acknowledges that describing culture is hard and we only become aware of our own culture when we have had an encounter with another one. Culture is also said to reflect individual's basic, consciously and unconsciously held assumptions, beliefs, norms and values (Schein, 1985, in Chiang, 2005).

Hofstede's work in the 1980s has been widely recognised as the most comprehensive study on national cultures (Orr and Hauser, 2008; Lindell and Arvonen, 1997; Suutari, 1996). Hofstede's 'Culture's Consequences' published in the 1980 has been the dominant research paradigm of cross-cultural studies and an inspiration to many researchers (Orr and Hauser, 2008; Venezia, 2005). The theoretical framework of Hofstede (1984) bases on four cultural dimensions: Individualism-Collectivism, Power Distance, Uncertainty Avoidance, and Masculinity-Femininity. The framework was completed with a fifth dimension of long- versus short-term orientation a decade later (Hofstede, 1991, in Ailon, 2008). On the basis of his earlier study Hofstede (2001) argues that the most important differences between cultures can be captured by researching the extent to which different cultures differ with respect to the four dimensions. He also further demonstrates that through making cultural distinctions we can better understand the work related values and behaviour of different nations.

Despite of the wide acceptance Hofstede's Cultural dimension have also been criticised (Ailon, 2008; Orr and Hauser, 2008; Chiang, 2005). Orr and Hauser (2008) raise an important point in their replication study of Hofstede's work stating that Hofstede's cultural dimensions have not to a greater extend been empirically examined nor has his results been thoroughly questioned. Also the research of Ailon (2008) recognises the need for further examination of the cultural dimensions. In his study, Ailon (2008) uses mirroring strategy to test Hofstede's Culture's Consequences and reveals that reconsideration of concepts that have dominated the discussion about national cultures is necessary.

Orr and Hauser (2008, p. 15) state in their study that:" Hofstede's factors overlap significantly and do not share a common factor structure within or between cultures". Orr and Hauser's investigation also indicates that Hofstede's theoretical framework should be brought to the 21st century and examined according to changed cross-cultural attitudes and patterns of behaviour. This view point is accompanied by Ailon (2008) who recognises that Hofstede's study was created within the

discursive limits of the 1970s and thus should now be updated. Chiang (2005) on the other hand considers the factor of time from another angle when he states that Hofstede assumes that the cultural values are stable over time and therefore raises concern of weather his work is still valid. The research by Venezia (2005) can be seen to support and empower the previous argument of Chiang as it advocates that factors such as globalisation can through public administration to certain extend influence the national culture.

Other criticisms against Hofstede's work include for example methodological concerns such as generalisability of his findings which directly relates to the fact that the study was done solely on the workers of one large multinational company (IBM), subjectivity, cultural boundedness of the researcher, and the method of data collection (Chiang, 2005). To respond to the criticisms such as limited ability to generalise his findings Hofstede (1980) has stated that further research on the field is required.

2.2 New Public Management (NPM)

The term New Public Management (NPM) originated from New Zealand in the 1980s and was according to Robbins (2007) generated to describe the general movements in management structures of the public sector. Today the term is used to describe similar public reforms and renewals that are spreading all around the world (McLaughlin et al., 2006). The need for renewals according to Robbins (2007) was originated by the fact that the public organisations were to a greater extend subjected to modernisation caused by growing demand of the society. Other researchers such as Barry et al. (2006) have stated the reasons that pushed the NPM movement were mainly economic and factors such as growing expectations and political considerations. Hughes (2003) on the other hand views that the changes in the public sector have occurred due to a direct attack against the public sector, changes in economic theory, changes in private sector as well as changes in technological capacities.

NPM reforms were in many cases accompanied by a claim that the public sector had become too large and inefficient and was in need of improvements in the fields of quality, accountability, and efficiency (Olson et al., 1998, in Blomgren 2003). The solution for this inefficiency as seen by multiple researchers was to implement private sector managerial processes and behaviour to the public sector as an element of the NPM reform (Newman and Clarke, 1994, Metcalfe, 1993, and Hood, 1991, in Boyne 2002). The critics of NPM on the other hand mainly argue that the differences between the public and the private sector are so significant that one model can not suit both (Boyne, 2002). The research of Boyne (2002) nevertheless suggests that further quantitative research in necessary to determine the distinctions of the public and private sector.

The NPM reform is based on the idea that public sector management needs to be more entwined with the use of financial data which would improve accountability and enable more transparent accounts (Robbins, 2007). NPM theory has been widely discussed in the international media and it has faced many critical revisions and assessments (Gualmini, 2008). According Gualmini (2008) researchers Rohr (1998), Maesschalck (2004) and Wong and Welch (2004) have even seen NPM movement's emphasis on efficiency as a threat for civil servants' own ethics and accountability.

Jun (2009) criticises the ambitious goal of NPM which strongly relies of the structural, functional, regulatory and technical aspects of management to solve the complex issues of public administration. He also states in his study of two books concerned with New Public Management and Post-New Public Management that different countries should not blindly rely on the theoretical framework of NPM but to explore other possible courses of action by critically assessing already existing data and external influences. Robbins (2007) recognises in her interpretive study of obstacles to the implementation of the NPM that the introduction of NMP practices and theories may face resistance in some organisations. She refers to Maddock and Morgan (1998) when introducing the example of doctors feeling the performance management as a direct attack against the medical profession. Also Hughes (2003) points out the negative reactions of mainly academic

critics towards the NPM which is caused by their refusal to accept the fact that the old bureaucratic and hierarchical model of public administration is disappearing.

Despite all the criticism Gualmini (2008) highlights that NPM has become a trend that has affected the public sector decision making on a global scale. She also states in her study that positive applications of New Public Management reforms have been made in European countries as well as in the United States. When looking at these positive applications it must also be recognised that research has shown that the result of implementing same policy instrument can result in highly differencing outcomes depending on the organisation (Hicklin and Godwin, 2009).

2.3 Organisational Change

It has been widely accepted that in the business environment of today organisational changes have become extremely important mean of organisational survival (Soltani et al., 2007; By, 2005; Burnes, 2004; Carnall, 2003; Nadler and Tushman, 1995, in Neves and Caetano, 2006). To cope with change an organisation must posses the ability to adapt and strategically respond to the external environment in which it operates (Tan and Tiong, 2005). Despite the importance of change management has been widely accepted By (2005, p. 369) argues that "theories and approaches currently available to academics and practitioners are often contradictory, mostly lacking empirical evidence and supported by unchallenged hypotheses concerning the nature of contemporary organisational change management."

At the current moment there are multiple theories and approaches to managing organisational change (Dibella, 2007; Hughes, 2004, in By, 2005) and therefore also multiple types of change and factors that initiate the need for change can be identified (By, 2005). Some theoretical categories into which changes can be characterised according to their magnitude and scope are mentioned in the study in Dibella (2007). Those categories include incremental or transformative, first-order versus second order, transformational, transitional or transactional, and episodic versus continuous.

One major way to approach change is to link it with the factor causing that change. According to Nadler and Tushman (1995, in Dibella, 2007) the majority of changes are originated by internal or external factors of which the first type is named anticipatory and the second reactive. In addition to internal and external Paton and McCalman's (2008, p.11) introduce a concept of proactive change which according to the researchers can be caused by the organisations want to get ahead of the game. Despite there are multiple often complicated theories of change, Burnes (2004) well simplifies that as the need for change often is unpredictable and triggered by a situation of organisational crisis, the nature of change tends to be reactive, discontinuous, and ad hoc.

Soltani et al. (2007) recognise that taking up change initiatives has become popular amongst organisations aiming for excellence but they also argue that due to the multiple barriers to change the overall success in change initiatives has been low. The study of Porras and Robertson (1992, in Kollberg 2003) for example specifies four main factors that influence the success of organisational change. The four factors mentioned are the degree of participation, need for change, change capability and change agents. Price and Chahal (2006) on the other hand argue that the failure of a change process can be linked with poor communication and misjudging the amount of retraining required. To ease the implementation of change also guidelines have been created. Some guidelines and models of managing planned change are presented in the study of Price and Chahal (2006). The models include for example Lewin's (1952) historical three stages: Unfreeze; move; refreeze – model, Roberts and Brown's (1992) composite model, The Leavitt and Bahrami Diamond (1988) and the Weisbord's six boxes model (1978).

Despite of all theories and proposed guidelines to manage and introduce change the study by Balogun and Hope Hailey (2004, in By, 2005) and Beer and Nohria (2000) shows that around 70 per cent of all initiated change programmes fail. Due to this high percentage By (2005) suggest that no valid framework for change management exists and highlights the need for such a framework. Also Hofstede (1984) according to his study on cultural dimensions argues that universal and worldwide management science as a whole does not exist or is unsuccessful.

The difficulty in managing change as presented by Carter (2008) is associated with the fact that successful change requires more than just change management. According to Carter (2008), changing requires the organisation to address the strategy, skills, and structures meaning that attention must be paid to what is about to be changed, what abilities are needed after the change, and to the tools that can be used to support the new state of the organisation. Lloyd and Maguire (2002) on the other hand state that organisational change includes in many cases changing of targets if those targets are unclear or otherwise hard to understand they might cause the failure of the change. Despite the above statement of Carter differs from that of Lloyd and Maguire, Carter (2008) also recognises in his study that success of change is tight to the level of resistance which again is more likely to occur if the reason for change is uncertain, connections between the action and outcome is uncertain or the result of change influences negatively the individual. As per Johnson and Scholes (2002, p. 534) there is an agreed assumption that in every change there is a tendency towards inertia and resistance.

Ludeman and Erlandson (2003, in Tan and Tiong, 2005) observe that resistance in most cases relies within an individual where as Tan and Tiong (2005) recognise in their research that it can also occur at organisational level. Dibella (2007) examines in his study how the nature of change is perceived by persons participating in the change. He acknowledges that where as participant perceptions can function as factors to initiate resistance and prevent the implementation of change they can also function as promoters. According to Dibella (2007) managing participant perceptions is a fundamental element of change management. Also the role change agents and Organisation Development (OD) consultants have been recognised to be significant in directing, organising and facilitating change (Dibella, 2007; Gauld, 2007; Burnes, 2004, p. 597; Beer and Nohria, 2000) despite of their relevance to the particular field of literature the change agent will not be in greater detail discussed in the context of this particular research.

Despite change management has been recognised important by multiple authors (Dibella, 2007; Soltani et al., 2007; Izzard, 2006; By, 2005) it has also aroused negative opinions. Lloyd and Maguire (2002) for example argue against the success and necessity of change when stating that the problem with organisational changes is that nothing really changes as the people remain the same and just face new problems created by different circumstances. Dibella (2007) also states that as the perceptions about change vary rapidly over time additional research could help to clarify and validate some of the more negative perceptions and therefore is necessary. Despite the density of research in the area of change management By (2005, p. 370) states that "… it is difficult to identify any consensus regarding a framework for organisational change management".

2.4 Strategic Leadership

Strategic leadership can be characterised as the ability to understand and react to the changes happening in the business environment (Johnson and Scholes, 2002, p. 65). The idea of strategic leadership is to function as communication tool that provides the top management information about the entire organisation and an overview how each business unit works towards executing the current strategy (Simonen, 2004). According to Ireland and Hitt (2005) the global economy has created a new competitive environment that can be characterised with revolutionary and rapid changes. The discontinuous results of these frequent changes have subsequently required organisations to improve their strategic leadership by faster decision making. Ireland and Hitt (2005, p. 63) also state in their study that: "Without effective strategic leadership, the probability that a firm can achieve superior or even satisfactory level of performance when confronting the challenges of the global economy will be greatly reduced".

When talking about strategic leadership is important to determine the differences between of leadership and strategic leadership. Over the time leadership has been characterised in many ways. Historically leadership was seen as a quality of great men where as today that view has moved toward the individual's ability to learn and to be taught (Takala and Kemppainen, 2007). Suutari

(1996) determines leadership as the behaviour of an individual in a managerial position towards members of an organised group when directing that group towards a mutual goal. In his study Suutari links this particular theory to the early Ohio State studies (Hemphill and Coons, 1957, in Suutari, 1996) in which two major aspects of leadership: consideration and initiation were identified. Despite there are many definitions for leadership the more recent ones such as Hambrick and Pettigrew's (2001, in Vera and Crossan, 2004) according to which leadership refers to leaders at all levels of the organisation and focuses on relationships between those leaders and their followers tend to be somewhat similar as the earlier ones.

Where leadership focuses on the relationships between the leader and the followers strategic leadership on the other hand refers to a study of top level management and focuses on executive work as a relational, strategic and symbolic activity (Vera and Crossan, 2004). Ireland and Hitt (2005, p. 63) for example define strategic leadership as the "ability to anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a viable future for the organization." Rowe (2001, p. 81) on the other hand includes the concept of voluntary decisions and the time scale of present as well as future when he characterises strategic leadership as "the ability to influence others to voluntarily make day-to-day decisions that enhance the long-term viability of the organization, while maintaining its short-term financial stability."

The way in which organisation perceives strategic leadership is influenced by what kind of approach to strategy is hold by the management (Simonen, 2004). According to Whittington (1993, in Burnes, 2004, p. 221) there are four generic approaches to strategy and they can be categorised to Classical, Evolutionary, Processual and Systematic approaches. Despite management and leadership have in many cases been distinguished, some leadership theories have also proven useful to upper level management (Vera and Crossan, 2004). One of such a theory is Bass's (1985, in Vera and Crossan, 2004) framework of transactional and transformational leadership as also representatives of top management can be characterised as transformational leaders leading with vision or charisma.

Over the years there has been a heavy debate about the importance and relevance of leadership and strategy. Despite of those separate debates direct critical assessments or evaluations of strategic leadership were extremely scarcely available and therefore the critical review of this topic is left short. Instead of direct criticism some generally proposed limitations of strategic leadership were found. For example according to Kaplan and Norton (1996) majority of problems arise when strategy is not clearly communicated and if the aims and targets are considered as vague by the workers of the organisation. Also Freedman and Tregoe (2003) agree that unclear strategic aims can prevent the organisation from achieving its goals. Rowe (2001) on the other hand classifies the government as a main factor to constrain the success of strategic leadership. He states that as governments compete for resources such as normal organisations they are forced to use financial controls and restrain the use of strategic controls. According to Rowe (2001) the decreased ability to use strategic controls leads to managers to turn towards managerial controls.

Strategic leadership was developed by Hambrick and Mason in 1984 from the original upper echelons theory (Vera and Crossan, 2004). As a research field strategic leadership has had its share or suspicion and doubt and according to Boal and Hoojiberg (2001) it has since the 1980s gone through both rejuvenation and metamorphosis. Today the theories of strategic leadership have been generally recognised as important (Ireland and Hitt, 2005; Boal and Hoojiberg, 2001; Hagen et al., 1998) and according to Vera and Crossan (2004) strategic leadership has been reformed into study which examines the instrumental ways in which the dominant coalition impacts the organisational outcomes and combines that with symbolism and social construction of top executives.

2.5 Balanced Scorecard (BSC)

The Balanced Scorecard (BSC) approach was first introduced by Robert S. Kaplan and David P. Norton in the Harvard Business review in 1992 (Kaplan and Norton, 1996). BSC is performance

measurement tool for goal-oriented management which aims in combining short term management with long-term objectives and vision (Olve et al., 1998). The main purpose of the balanced scorecard is to transform mission and strategy into clear objectives and measures (Kaplan and Norton, 1996). The measures can traditionally be divided into four perspectives: Financial, Customer, Internal-business-project, and Learning and growth perspective (Kaplan and Norton, 1996) (see appendix 10.1).

Right after its introduction in the 1990s the BSC became extremely popular and was adopted by many private sector organisations (Radnor and Lovell, 2003). The approach also started an ongoing discussion about the importance and benefits of performance measurement (Bourne et al., 2005). When applied and operated correctly the Balanced Scorecard has according to many researches been proved to improve the operational performance of organisations (DeBusk and Crabtree, 2006; Barlas et al., 2003; Kaplan and Norton, 2001a). Even though the Balanced Scorecard has been called one of the most important management ideas in the last seventy-five years by the Harvard Business Review (Meyer, 2003) it has been widely criticised and limitations to the approach have been presented by the developers of the model as well as other researchers.

When examining previous studies about the BSC it can first be noticed that there seems to be some ambiguity in how it should be defined. For example, Ho and Mckay (2002) describe the BSC as a strategic measurement system and a strategic management tool, where as Lawton (2002, in Kollberg, 2003) suggests the BSC is more a management decision tool. Bible et al. (2006, in Kocakülâh and Austill, 2007, p. 76) on the other hand argue that “the BSC has evolved from a performance measurement reporting tool to a complete strategic management system and could be used in external reporting and budgeting for a company”. Another major trend in the discussion about the BSC is that the approach was created almost two decades ago and would therefore require re-balancing (Sushil, 2008; Lusk et al., 2006).

DeBusk and Crabtree (2006) question the fundamental purpose of the BSC in their study which focuses of the question: “Does the Balanced Scorecard Improve Performance?” The research findings of DeBusk and Crabtree (2006) suggest that 88 percent of the companies regularly using the BSC (23 per cent of the organisations surveyed) have noticed improvement in the organisational performance and 66 per cent of them have also reported increased profits. In general the research findings of DeBusk and Crabtree (2006) imply that application of the BSC can be extremely successful in most cases. When comparing this research finding with a statement of KPMG management consultant Paul McCunn (in DeBusk and Crabtree, 2006), who estimates that 70 percent of the application processes of the Balanced Scorecard fail, a great inconsistency can be noted. This lack of consistency raises a concern of favourable response bias which was recognised by the researchers.

In their research DeBusk and Crabtree (2006) also acknowledge the difficulty in translating the BSC strategy into action as it is often hard for employees to understand what they need to do in order to improve the performance of the organisation. To clarify the individual improvement goals of the employees the researchers present linking performance measures of the BSC to compensation. Despite there are difficulties in linking the BSC to compensation the research findings of DeBusk and Crabtree (2006) provide evidence of positive correlation between using the BSC model in employee compensation and improved operating performance.

In comparison to the previously presented research strong criticisms against the usage of the BSC as a tool for employee compensation have been presented (Meyer, 2003; Nørreklit, 2000). Meyer (2003) for example highlights that the differences between performance measures can make them extremely hard if not impossible to be put in line according to which one is the most important, and thus linking of BSC to compensation and rewards becomes particularly problematic. Meyer (2003) is also sceptical about basing a strategy upon performance measures as a concern of imperfect performance measures creating unintended consequences exists.

Other criticisms against the BSC are presented by Wicks and St. Clair's (2007) who advocate that the approach focuses too much on the past performance and can thus be considered to provide false information. Gumbus (2005, in Wicks and St. Clair, 2007) even refers to the BSC as management fad that will during the times of economic downturn be replaced by bottom-lime financial measures. Meyer (2003) strongly criticises the assumed correlation between the most commonly used performance measures of the BSC. He argues that factors such as profitability, market share, customer satisfaction and operating efficiency can sometimes even be negatively correlated. Nørreklit (2000) on the other hand points out that the causal relations of the four perspectives of the BSC have not been sufficiently examined and discussed. Also Kennerley and Neely (2002, in Kollberg, 2003) argue that only little consideration has been given to the way in which the performance measures of the BSC develop and evolve after they have been implemented.

2.5.1 Balanced Scorecard in Hospital Environment

The BSC approach was primarily developed for the use of private sector organisations but has increasingly been adopted also by non-profit and public organisations (Wisniewski and Olafsson, 2004, in Haworth, 2008; Chan, 2006). Even though there is wide literature supporting the use of the BSC approach in hospital environments and it has been found to improve the organisational performance in various cases (Haworth, 2008; Bloomquist and Yeager, 2008; Kocakülâh and Austill, 2007; Inamdar and Kaplan, 2002; Aidemark, 2001; Kaplan and Norton, 2001b; Voelker et al., 2001) also limitations and factors that decrease the suitability of the BSC in a hospital environment have been presented (Wicks and St. Clair, 2007; Aidemark, 2001; Voelker et al., 2001).

Hospitals are widely considered as complex and uncertain business environments (Tuomiranta, 2002; Doolin, 2001) and there are many factors that influence their overall success. Wicks and St. Clair (2007) point out five critical factors including: nursing shortage, lack of adequate technology, communication between patients and medical staff, internal communications systems and

management rapidly rising costs. Kocakülâh and Austill (2007) add to the list by introducing constraints created by increased payer power, emergent health care consumerism, and confining regulations. Due to fact that success of a public sector health care organisation is tied to multiple different aspects which to a great extent are non-financial Nevakivi (2006) and Aidemark (2001) argue that BSC model is suitable for managing health care. Also Inamdar and Kaplan (2002) advocate the suitability of the BSC as the strategy implementation and performance management tool for the hospital environment and their research study of nine innovative hospitals showed that benefits such as performance improvement, better financial results, and increased customer satisfaction can be achieved.

In addition to the previous MacStravic (1999, in Chan, 2006) argues for the suitability of the BSC when stating that a scorecard, which includes correct performance perspectives and measures cause-and-effect relationship that reflect the organisation's strategy, can provide at least six benefits to a health care organisation. The benefits mentioned are: added customer insights, refocused internal operations, energised internal stakeholders, strengthened customer acquisition efforts and customer relations as well as increased customer loyalty and returns of value. According to the study of Ho and McKay (2002) the BSC may be most necessary when implemented during an organisational change. Their study showed evidence that applying BSC during a change help to ensure sufficient feed back and monitoring as well as remind of the importance of long-term objectives during the time when managers can become fixated solely on short-term goals. Despite there seems to be plenty of benefits a public health care organisation wanting to employ the BSC nevertheless needs to aware of possible issues that can affect the success of the model (Chan, 2006).

Wicks and St. Clair (2007, p. 309) take a critical stance in their research where they raise three pressing points that decrease the suitability of the BSC for health care organisations. They state that the BSC “1) underemphasises the employee perspective, (2) is founded on a control-based management philosophy, and (3) emphasises making trade-offs”. Voelker et al. (2001) on the other

hand recognise the many different stakeholder groups that need to be considered as a unique challenge of the health care environment. Due to the multiple stakeholders it has been found that in a health care organisation a successful implementation of the BSC requires that exquisite attention is paid to communication and the commitment and support of all stakeholders is ensured (HPRA, 2000, in Voelker et al., 2001).

According to Kaplan and Norton (1996, p.21) "If you can't measure it, you can't manage it". In hospital environment finding the perfect performance measures and being able to measure them correctly have been recognised as extremely difficult and sometimes even impossible (Haworth, 2008; Simonen, 2004; Meyer 2003; Aidemark, 2001) and therefore problems in defining the correct measures might hinder the suitability of the BSC to health care organisations. Voelker et al. (2001) add to this by stating that narrow, irrelevant, or misleading performance measures can damage organisation's strategic mission and lead to situation where short-sighted management practices are taken and resources are utilised inefficiently. Ho and McKay (2002) also point out the relevance of selecting the correct number of performance measures which prevents the scorecard from becoming cumbersome and overly time consuming project. Generally people can simultaneously handle seven elements of information (plus or minus two) (Miller, 1956, in Mintzberg and Lampel, 1999) and therefore Chan (2006) accurately states that administrators may find it extremely hard to evaluate a BSC with an extensive number of indicators.

When examining the suitability of the BSC model to health care Radnor and Lovell (2003) emphasize the importance of examining the past experiences. But as Chan (2006) recognises each hospital operated in its unique environment, and thus greater generalisation of former research findings can not be made. So despite Inamdar and Kaplan (2002) have on the basis of their research created guidelines for applying the BSC into a hospital environment (see appendix 10.2) each case of BSC application should be considered as separate and thus individually assessed. It can be noticed from this literature review that varying views, including positive and critical, about the

suitability of BSC in health care environment have been presented. The inconsistency of opinions could possibly indicate that there is a need for further research to be conducted.

2.6 Summary

This review of relevant literature has utilised the work of many researchers when covering highly relevant areas of strategic management. The review has pointed a need for further research which will increase understanding the suitability of applying the BSC to public sector health care organisations and recognised that each application of BSC is different depending on the organisation. According to the review the hospital environment possesses multiple special characteristics such as power structure and critical success factors which are hard to measure, which might hinder the suitability of the BSC approach. Therefore also the factors that enable or hinder the success of the BSC application may need further examination.

3. RESEARCH METHODS

This chapter presents the research methods used in this study. It will also describe how the data was gathered and analysed. The intention of this chapter is to provide the reader a full understanding how this research was conducted and which kind of decisions were made in order to reach conclusions presented in the following sections. This chapter also provides a specification of the case study method.

3.1 Justification of the Topic

Strategy and strategic management are widely ongoing areas of discussion in the global media. This study is a fundamental research aiming to collect, analyse, and summarise existing literature about National culture, Organisational Change, New Public Management, Strategic leadership and the Balanced Scorecard (BSC). This study has a special focus on the BSC and therefore also a case study about the applications of BSC into public sector health care organisations will be included. According to the information collected this dissertation will aim in increasing the knowledge of the researcher about the stated subject fields and providing a profound answer to the research question.

The selection process of the dissertation topic was initiated and mainly influenced by the researcher's personal interests and the current relevance of the subject matter. In a small country such as Finland the ongoing changes in the management practices of public health care organisations are burning topics and therefore have raised a wide discussion in the local media. Also the fact that major strategic renewals were started in HUS during 2007 support the timely relevance of this particular study.

There is an apparent gap in the literature in applying the BSC in public sector hospitals in Finland. This study will concentrate on one specific hospital and analyse the suitability of the BSC in according to the restriction placed by the internal and external environmental of that hospital.

Despite this study will be done in strictly outlined setting it will provide additional information in the field of BSC applications in Finland.

3.2 Documentary Evidence

The documentary evidence is presented in the literature review section of this study. The information used in this study bases purely on secondary data sources including peer reviewed research articles and books. In the data collection process also electronic sources including EBSCO Business Source premier were utilised.

3.3 Research Strategy

This dissertation study has been done from a realistic point of view and is a deductive research in which a ready structured hypothesis will be tested in empirical context. This research bases on secondary data collected from external sources. The decision to use only secondary data based on its advantages such as time-saving, availability of high quality data sources and ethicality. Also the focus solely being on secondary data allows the researcher to cover a wider selection of information and therefore the base from which conclusions can be drawn becomes wider.

In this research project the data analysis moves from more general theories and studies towards more specific topic and therefore differs from inductive research in which specific observations are applied to a broader context. In this study the suitability of the BSC model to the Hospital District of Helsinki and Uusimaa is approached by examining already published qualitative data including researches and empirical studies. The data gathered covers the subject fields of National Culture, NPM, Organisational Change, Strategic Management and then moving of to BSC which will be analysed in a more general context as well as in the hospital environment. The suitability of the BSC framework will then be examined against the unique organisational environment of HUS. The suitability analysis will be supported by a case study which is to be discussed in the following

section. As the nature of a deductive approach implies the researcher has been independent from what is being researched throughout the process.

3.3.1 Case Study Method

The history of conducting a case study goes back to the beginning of the 20th century and the earliest used of this research method have been traced back to Europe (Tellis, 1997). A case study method has been used in this research to provide a better insight into to the subject matter as well as to provide a mean to organise and thus better understand the information available. The aim of this case study is to evaluate the factors that affect the suitability of the BSC approach for the Hospital District of Helsinki and Uusimaa (HUS).

The reason why the case study method was selected to be the research design of this dissertation over other possible designs is the fact that in case study a wider variety of information sources can be utilised. Also the suitability of the case study method in this research about the suitability of BSC to a public health care organisation was recognised as the study concentrates on examining contemporary event where relevant behaviours cannot be manipulated (Yin, 2003). Despite it is possible to conduct multiple case studies this particular research supports the selection of single-case design as the research represents a critical case in testing a well-formulated theory (Yin, 2003). The theory framework as outlined by the literature review focuses on the Balanced Scorecard and by conducting the case study I will try in the best possible way to challenge and test the conditions of that framework as well as determine weather that framework suits the environmental circumstances of HUS.

Yin (2003) identifies three main types of research that can be used when completing a case study: exploratory, explanatory, and descriptive. The case study conducted in this research falls in to the category of explanatory research as it takes place in a field of study that has existed for a while and thus comparison of previous studies can be made. The starting point of the case study was an

existing descriptive theory and therefore it could also possibly be characterised as a descriptive case study. Despite the case study in this research utilises the single-case design all three types of research: explanatory, exploratory and descriptive, can also be used multiple-case studies.

When conducting a case study multiple sources of documentary evidence can be utilised. Six sources of documentary evidence identified by Yin (2003) are documentation, archival records, interviews, direct observation, participant-observation, and physical artefacts. The case study about HUS will concentrate on data gathered through documentation and archival records. I am aware that more in-sight information could have been accessed by conducting interviews or through personal observations but due to geographical constrains these forms of information gathering were not possible. This matter will in greater detail be discussed in the section: *Limitations of the study.*

The case study in this particular research followed a clear structured pattern that started with data gathering. The information used in this research relies purely on secondary already published data and does not include a primary research. Data sources used in this research were the internet which includes utilising an electronic database (EBSCO Business Source Premier), books and previously conducted empirical researches. After the data collection process was completed the data was organised according to its relevance and so that it would in a best possible way highlight the focus of the study. During this process I also tried to examine the reliability of the data and only use the most objective information. After determining the relevant information the structure of this study which centralises around the critical literature review was formed. The literature review was then to be complemented with a case study which illustrates the relevance of this particular study and around which the research findings could be build.

3.4 Summary

The intention of this chapter was to provide the reader a better understanding of how this research was conducted and which kind of decisions were made in order to reach conclusions. In order to do so this chapter has presented the justification of the topic, briefly explained the documentary evidence, and provided a more detailed description of the case study method which functioned as the research strategy of this dissertation.

4. CASE STUDY: Medical District of Helsinki and Uusimaa (HUS)

This chapter introduces the case study of HUS which was completed as a part of this research. The following chapter presents justification for selection of the case study organisation, provides background information, and evaluates factors in the operational environment of HUS that enable or hinder the suitability of the Balanced Scorecard in the organisation. This case study takes into account the factors included when using the BSC as a performance measurement tool as well as in a more strategic context.

4.1 Selection of the organisation for the case study

The medical District of Helsinki and Uusimaa (HUS) was selected as the subject for the case study in this particular research due to the organisation's current strategic renewal that has included the implementation process of the Balanced Scorecard.

Other reasons for the selection of this particular organisation were its effect on the Finnish economy as a whole being the largest medical district in the country and the fact that the researcher has previously worked for HUS and thus has a personal interest in the organisation.

4.2 Background of the case study

To organise the structure and provision of specialised medical care Finland has been divided into 20 medical districts (Paasivirta, 2009). The Medical District of Helsinki and Uusimaa (HUS) was founded in 2000 by the municipalities of Helsinki and Uusimaa and currently it is the largest Medical district comprising of 31 municipalities (Ojala, 2008). HUS is the 4th biggest employer in the public sector in Finland and the organisation cares for the medical needs of more than 1.5 million Finnish people (HUS, no-date).

During the year 2007 HUS started the implementation process of a new management and organisational strategy. This major change at HUS was triggered by the selection of a new Chief Executive Officer (CEO) in January 2007. The main goal of the strategic renewal was to update the currently old fashioned way of bureaucratic management and therefore to build an operation strategy that supports the management structure of the organisation in a best possible way and enables the organisation to deliver the best output against the resources provided. (HUS, no-date)

The need for change has been widely recognised at HUS that was consistently struggling with decreasing tax funding from the member municipalities and government support (Ängeslevä, 2007). After the patient treatment guarantee became into force in 2005 all hospitals in Finland have been obliged to treat patients within the maximum waiting period of six months. The health care guarantee had a direct impact on the health care expenses raising them with more than 370 million Euros in 2005 (Pekurinen et al., 2008). In addition to the treatment guarantee also the aging population started to increase the need for medical services and health care spending. The difficulties in the Finnish health care sector were also recognised in by the Services Minister Ms. Risikko (2008, in Soininen, 2008) who acknowledged that need for new strategic leadership and operation model exists as the current model is not facing up to the challenges raised by the changing business environment. She also underlined that health care management can still be characterised with bureaucracy and highly hierarchical structures which need to be changed so that provision and quality of health care services can be improved.

4.3 BSC at HUS: Factors that hinder or enable suitability

The strategy renewal process at HUS was started according to the decision by the board of directors in April 2007 and received acceptance of the council in December 2007 (HUS, no-date). The need for strategic change at HUS was clearly identified (HUS, no-date; Soininen, 2008; Ängeslevä, 2007) and the main goals of the renewal were to clarify setting of targets in the organisation and the management system, and to build a ground for the organisation which enables achieving goals of

the customers and shareholders (HUS, no-date). With the decision to apply and commit the entire organisation to BSC the board of directors also tied the approach into the culture of health care management at HUS. Before application the BSC model would be slightly modified and fitted so that it better suits the organisational model of HUS and allows the organisation to strive towards its strategic objectives (see appendix 10.3).

The new strategy was to be implemented according to a well-though schedule that stretched over the years 2007-2009. The first step taken was to analyse the current position of HUS's as well as map down future challenges and abilities needed to face those challenges. The second phase was to design the structure of the change and determine its strategic goals and guidelines. The still ongoing third phase consists of strategy implementation and monitoring and following-through the process. (Ojala, 2008)

Strategy forms an essential part of the HUS group steering system and the annual financial and operational plans will implement the policies of that strategy (HUS, 2009). As the group policies affect all business units inside the organisation it is important that those policies are comprehensive and that aims and targets of each employee group have been covered (Simonen, 2004). In a multilevel organisation such as HUS scorecards need to build for the organisational level as well as for each individual business unit (Kaplan and Norton, 1996). HUS comprises of 24 hospitals and inside each there are many separate business units and clinics and therefore many scorecards needed to be build. The BSC was applied in the organisation using five different designs (Nevakivi, 2004). The HUS group scorecard was formed by the following sequences (my translation): Strategic goals, performance measure and aims of the measure, reporting, and responsibility (HUS Valtuusto, 2007a).

When introducing multiple scorecards which are tied to one group scorecard maintaining consistency and similar language between the scorecards is a critical factor (Nevakivi, 2004). According to Kollberg (2003) the alignment of all scorecards to the group level strategy is

important in order to ensure that decisions made at the unit level actually lead to improvements at the organisational level. The point made by Nevakivi and Kollberg are extremely relevant in the case of HUS and much attention towards inter-linking the scorecard must be paid. In a large organisation also selecting the correct performance measures for the organisation level scorecard is extremely difficult and therefore forms a factor that might hinder the benefits gained from the BSC

The strategy process at HUS involved a large amount of personnel who cooperated under the supervision of the CEO. The working group included group administration personnel, hospital district directors, municipal enterprise representatives, experts from different parts of the organisation, and employee union representatives (HUS, no-date). According to Kaplan and Norton (2002, in Nevakivi, 2004) including too many person in the designing process of the BSC can problematic as a large group prevents intensive collaboration. They also suggest that a larger project group could be divided into smaller units each with their own focus, which might be a suitable alternative for HUS.

In the beginning phase of the new strategy implementation BSC training courses for employees and management were organised at HUS (HUS Valtuusto, 2007b). The training utilised the original terminology of the BSC so that language around the new strategy would be consistent and familiar to everyone involved. The purpose of the training, in addition to previously mentioned, was to assure the commitment of all employee levels and familiarise everyone that would be a participant in the change process with the BSC. Despite of the training HUS have been forced to deal with employee resistance mainly caused by the restructuring of the medical leadership positions (Tehy, 2008; Pälve, 2008; Petäkoski-Hult, 2007). In general the medical profession especially doctors have a great impact to the organisation they work in (Tuomiranta, 2002) and therefore the reluctance of doctors towards change (Pälve, 2008) can be considered to constrain of the implementation of BSC at HUS. During the early phases of strategic renewal HUS has also struggled with the employee union and has been under the threat of labour dispute over wage settlements (HUS, no-date).

Ensuring the commitment of top level management as defined by Kaplan and Norton (1996) is one of the most essential phases of BSC implementation. This has been stated to be the case in both health care and main stream organisations (Inamdar and Kaplan, 2002). At HUS ensuring the commitment of top level management is complicated by the fact that the organisation is being run by a new CEO. In addition to top management commitment it has been recognised at HUS (no date) that the big strategic change requires commitment and support of all stakeholders and employees. The previously mentioned factors, employee resistance and labour dispute, may therefore cause problem to tiding employees to the strategy project.

4.4 Content Analysis

When examining the factors enabling and hindering the suitability of balanced Scorecard for HUS themes that seem to dominate the discussion can be identified. First of these themes is two-fold and it includes the change in the structure of strategic management which brought along the BSC and problems such as employee resistance arising from that change. This change that will revolutionise the traditional power structure in the Finnish hospital culture can be considered as big and as per the agreed assumption is bound to face some level of resistance (Johnson and Scholes, 2002, p. 534).

The second theme in accordance to the case study was the design of the BSC and more specifically the selection of the correct performance measures for the organisational level scorecard. The complexity of the hierarchical and multileveled organisation structure of HUS makes it extremely hard to determine correct performance measures which considers and acknowledges all employee groups in the organisation.

Commitment of the top level management and employees to the implementation process of the BSC forms the third dominant theme. The case study introduces the possible difficulties that arise from including too many persons in the designing process of the BSC and highlights the important role of employee and stakeholder commitment in the successful BSC implementation. The section also raises the concern of the level of commitment of the new CEO of HUS who only stepped into power in the beginning of 2007.

4.5 Summary

This chapter has introduced the case study of HUS. It has provided necessary justification for the selection as well as background information in regards the case study organisation. The core of this chapter was formed by the evaluation of factors in the operational environment of HUS that enable or hinder the suitability of the Balanced Scorecard in the organisation after which the content which identified the topics dominating the previous analysis.

5. DISCUSSION

The three dominating themes presented in the previous chapter now need to be examined in the light of the relevant literature. In this section I will go through each of the theme linking it to the literature review.

First of the dominant themes as illustrated by the case study was the change in the structure of strategic management as a part of which BSC was introduced. At HUS there was a clearly defined need for change which as recognised by Porras and Robertson (1992, in Kollberg, 2003) is a critical factor affecting the overall success of the change. The imposed strategic reconstruction will change traditional power structure in the Finnish hospital culture where doctors have always been led by doctors (Tuomiranta, 2002). In accordance to the change criticisms against the non-medical leadership of HUS have been presented (Pälve, 2008; Tehy, 2008). The study of Doolin (2001) nevertheless illustrates the negative aspect of doctors as leaders. He sees that in the hospital environment where the operation of clinical units functions according to professional and collegial relations also the decision making becomes team-based and consensus-oriented. Where as team working can be beneficial, Doolin (2001) highlights the possibility of management intervention in this particular case.

The section also presented and problems such as employee resistance arising from that change. In the case of HUS the change can be said to be driven by external as well as internal factors (Nadler and Tushman, 1995, in Dibella 2007) and characterised as more transformative than incremental (Dibella, 2007). Looking at the extent of the change at HUS it is almost inevitable that some level of resistance will be faced. When considering the general assumption presented by Johnson and Scholes (2002, p. 534) according to which there is a tendency towards inertia and resistance of change, it can be said the situation at HUS is definitely not exception but a norm in terms of employee resistance. To avoid the problems including employee resistance managers at HUS must continuously keep managing the perceptions of all participants in the change as it can critically

influence the success of change (Dibella, 2007). With consistent monitoring and attention overcoming potential resistance should not be impossible.

The second theme identified was selecting the correct performance measures for the organisation level scorecard. As previously stated hospitals are extremely complicated business environments (Tuomiranta, 2002; Doolin, 2001) and as therefore 'one size fits all' approach to performance measurement is not likely to meet the stakeholder requirements of a public sector organisation (Wisniewski and Stewart, 2004, in Haworth 2008). As per Haworth (2008) it is essential that the performance measures of a hospital environment scorecard considers the views of all stakeholders and thus much consideration needs to be paid developing them.

The difficulty in selecting the right performance measures and the differences between those measures is defined by Meyer (2003) as particularly problematic if wanting to link the BSC to compensation and rewards. Not being able to link BSC to compensation might according to the research findings of DeBusk and Crabtree (2006) have a negative effect on the level of improvement in operating performance. Despite the level of possible advantages gained would be slightly lower, in the case of HUS it might be better to first focus on the core function of the BSC as a performance management tool and according to success exploit its other potential form of use.

The third theme was the commitment of top level management and employees to the change and to the BSC. As mentioned in the case study the new strategy has been designed by a large numbered team of executives and professionals working under supervision of the CEO. Despite there might be problems in including many persons in the designing process (Kaplan and Norton, 2002, in Nevakivi, 2004), in the case of HUS the cooperation between managers from multiple levels and experts from different fields might also lead to more comprehensive strategy which addresses all the employee groups in the organisation. When designing the organisational level scorecard large project group could help to find the most accurate and balanced performance measures as well as help to commit more managerial staff with the BSC implementation process (Nevakivi, 2004). At

HUS also actions to improve employee commitment have been taken in the form of BSC training and by trying to clearly communicate the purpose and aims of the new strategy to all levels of the organisation. According to Price and Chahal (2006) failure in most change processes can be linked to poor communication and underestimation the amount of training necessary. In the light of this statement the actions taken by HUS are working towards increasing the possibility of successful change.

Aidemark (2001) states in his study that the BSC focuses on the golden triangle of quality of work in hospital environment as it addresses the patients, employees and processes without forgetting the financial aspect. Despite there are factors that might hinder the suitability of applying the BSC to HUS there is no clear evidence why Aidemark's statement could not apply to HUS. With careful implementation and monitoring the factors threatening the suitability of the BSC should be avoided and overcome. It this case it is also worth wile referring to Ho and McKay (2002) according to whom the BSC may be most necessary when implemented during an organisational change as it can help to ensure sufficient feed back and monitoring as well as remind of the importance of long-term objectives. The previous statement matches the situation of HUS and illustrates how the BSC can function as a tool to support the entire strategy renewal process. On the basis of the literature review, case study and analysis conducted in this particular research I would suggest that application of the Balanced Scorecard, as a part of a strategic renewal, to HUS is suitable and even recommendable.

6. CONCLUSION

This chapter will present the conclusions of this research draw in the reviewed literature, case study as well as discussion about the topic. The aims of this research were to critically observe the relevant subject fields around the topic with a special focus on examining the literature about the Balanced Scorecard (BSC), and to examine possible factors that enable or hinder the suitability of the BSC for the chosen case study organisation and according to the information collected determine whether the BSC is suitable for the use of HUS.

The pressure from the government, increased competition and increasing costs have driven administrators of the public sector organisations to search for more effective management tools. As a one possible solution to those problems the BSC a strategic management tool previously only employed in private sector organisation was introduced for the public sector. Now that there is a wide selection of previous experiences and many successful BSC applications have been done in the public sector, BSC is finally gaining wider acceptance in the not-for-profit and health care sector.

The critical review of the relevant literature formed the theoretical framework of this study. The areas researched included National Culture, Organisational Change, New Public Management, Strategic Leadership and BSC. The main focus of this study being on the BSC the approach was therefore also examined in the hospital environment. When covering the relevant fields of study the literature review utilised the work of many researchers. The review pointed out that each application of BSC is different depending on the organisation to which it is being applied to and therefore recognised that there is a need for further research which will increase understanding about applying the BSC to public sector health care organisations especially in Finland.

In this study the topic was approached from a realistic point of view and utilised secondary data collected from external sources. The research design of this study was a case study method and the subject to of the case study was the Medical District of Helsinki and Uusimaa. According to the literature review the hospital environment possesses multiple special characteristics such as power structure, multiple non-financial critical success factors and hard to measure performance measures, which might hinder the suitability of the BSC approach. The purpose of the case study was therefore to evaluate the factors in the operational environment of HUS that enable or hinder the suitability of the Balanced Scorecard in the organisation.

The case study indentified three themes that dominated the discussion about factors that enable or hinder the suitability of BSC for HUS. The dominant themes were the change in the structure of strategic management which brought along the BSC and problems such as employee resistance, design of the BSC especially the selection of the correct performance measures, and commitment of the top level management and employees. When these dominant themes were combined with the theories and ideas presented in the literature it became apparent that there were no specific reason why BSC could not be applied to HUS. Despite many areas to which exceptional attention should be paid were identified the possible benefits gained from the successful application of BSC to HUS seem according to this research be worth the trouble. So on the basis of this particular research consisting of review of the relevant literature and a case study, I would suggest that the BSC is a suitable model to be applied to HUS.

7. FURTHER RESEARCH

As the previous study has shown only limited amount of research has done on the field of applying the BSC into hospitals in Finland. Due to this scarcity of information more research might be necessary and especially in the field of how the BSC implementation influences the efficiency of operations and the level of service. Also it might be relevant to construct a study of how many scorecards is a suitable about for a multilevel organisation and to find out more about managing and monitoring the sub-scorecards that tied to the corporation scorecard. I also think that the argument by Kennerley and Neely (2002, in Kollberg, 2003), that only little consideration has been given to the way in which the performance measures of the BSC develop and evolve after they have been implemented, reveals a possible field for further research.

8. LIMITATIONS OF THE STUDY

When conducting a research it is important to recognise factors that might limit the validity and reliability of the study. The data for this particular research was collected from secondary data sources and it concentrated on analysing only already published information. As there are benefits to using secondary data sources there are also weaknesses that can function as limitation of the study. Firstly the research papers and empirical studies used in this dissertation have been created for other specific purposes and therefore applying them into the context of this research might be problematic. Another weakness of using solely secondary data is that the utilised researches for example can not be followed up with additional questions even though they might seem relevant. In addition to previous I also want to point out that if primary research would have been conducted I would have been able to get a better in-sight into the subject matter and gain access to wider sources of information.

Also the limited amount of time in relation to the available information must be addresses. The continuously increasing supply of information in such a broad field such as strategic management has forced the researcher according to her own judgement select the most relevant information and therefore a risk that some important information might have been excluded from the research exists. In some fields of research I also noticed that direct critical evaluations were not sufficiently available and therefore the examination of those areas has to be made in a manner different from the general approach.

The research strategy of this dissertation was a case study method. The subject of the case study was a Finnish public sector organisation and thus majority of the information in regards to that organisation had been published in Finnish. The fact that this research study is done in English forced the researcher in some occasion translated information from one language to another creating the possibility of false interpretation.

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10. APPENDICES

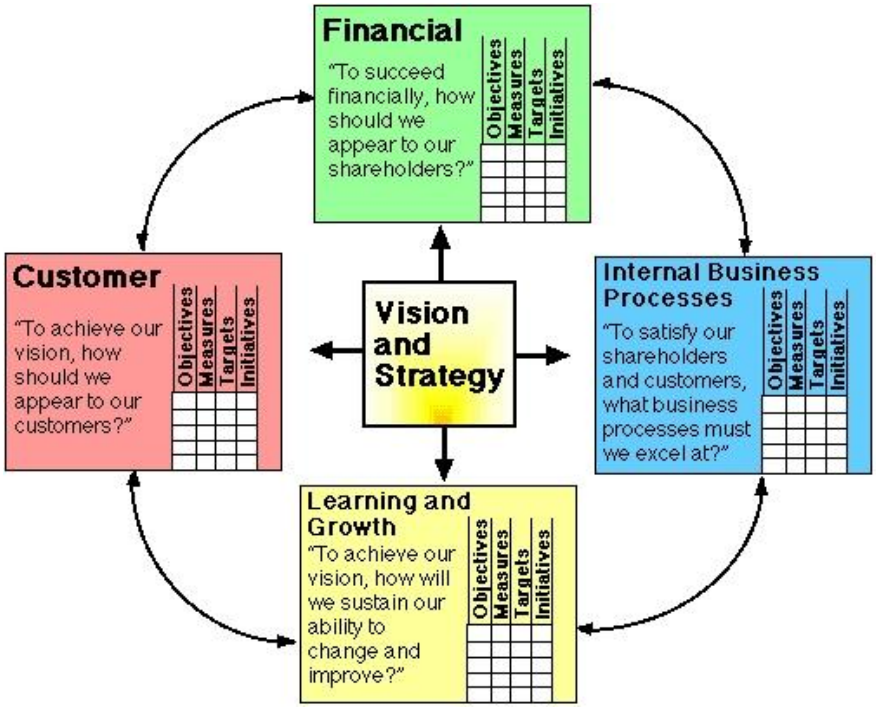
10.1 Balanced Scorecard

The Balanced Scorecard (BSC) is an approach first introduced by Robert S. Kaplan and David P. Norton in the Harvard Business review in 1992 (Kaplan and Norton, 1996). BSC is performance measurement tool for goal-oriented management which aims in combining short term management with long-term objectives and vision (Olve et al., 1998).

The main purpose of the balanced scorecard is to transform mission and strategy into objectives and measures (Kaplan and Norton 1996). According to Kaplan and Norton (1996) the performance measures of an organisation can traditionally be divided into four different perspectives: Financial perspective, Customer perspective, Internal-business-project perspective and Learning and growth perspective. Balanced scorecard also includes three time windows through which the organization performance can be examined: the past, the present, and the future (Olve et al., 1998). By examining all these three time-dimensions it can be noticed how some functions done today might not affect the organisation before next year and thus there is a need for organisations to move away from solely focusing on financial performance indicators.

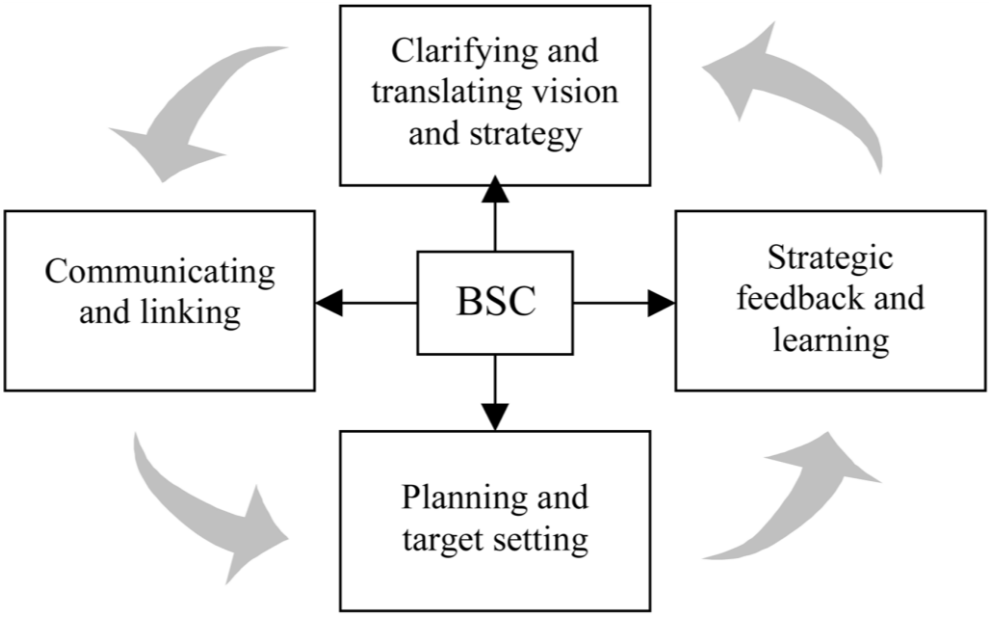
According to Kaplan and Norton (1996) the balanced scorecard provides an organization a way to clearly communicate the perceived objective and measures through which that objective and future development will be achieved. They also state that BSC should be used as a communication, informing, and learning system, not a controlling system. Right after its introduction the BSC approach was mainly applied to private sector organisations that had clearly defined objectives and countable outcomes and where the success and development of the organisation was easy to measure. In the late 1990s the BSC approach migrated into the non-profit and government sectors that traditionally were considered as more complex (Kaplan and Norton, 2001b).

10.1.1 The Balanced Scorecard provides a Framework to Translate Stretegy into Operational Terms



Source: Kaplan and Norton (1996), p. 9

10.1.2 BSC as the strategic framework for action



Source: Kaplan and Norton (1996), p. 11

10.2 Guidelines for Applying the BSC

Inamdar and Kaplan's (2002, pp. 193-194) guidelines for applying the BSC in a hospital environment:

GUIDELINE ONE: Evaluate the organization's ability and readiness to apply the BSC

The organization characteristics and the resources required for an organisation to support the scorecard development and implementation include:

- Hands-on executive leadership with deep content expertise
- Focus on consumerism
- Resources: time, skill set, and information systems

GUIDELINE TWO: Manage the BSC development and implementation processes

GUIDELINE THREE: Manage the learning before, during, and in later stages of the implementation process

GUIDELINE FOUR: Expect and support role changes among different constituents

GUIDELINE FIVE: Take a systems approach

10.3 Strategic objectives at HUS

The strategic objectives of HUS as presented by the organisation (HUS, 2008):

- 1. Patient-oriented, effective and timely organised specialised medical care
- 2. High-level research and teaching in cooperation with the University of Helsinki and other universities and vocational institutes
- 3. Leadership that supports and values the multi professional community of experts
- 4. The sector's most attractive workplace, abundant with opportunity
- 5. Continuous improvement in structures and modes of operation
- 6. Municipal cooperation founded on trust and predictable, well balanced finances