Healthcare outcomes scorecards are increasingly scrutinized by governments, communities, and individuals to make judgments about the quality of care that hospitals provide. A hospital’s ability to deliver superior outcomes in the form of quality indicators, patient safety, and cost-effectiveness, is critical to their present and future success. These external and internal scorecards play a growing role in driving patient referrals and determining future hospital reimbursements. Accomplishing these goals requires constant awareness and re-engineering of processes throughout all levels of the hospital to ensure that mission-critical quality objectives are achieved. Central to this awareness is the acceptance of two key axioms:

- “Process thinking” – if you don’t like the outcome, change the process(es)
- Juran’s Law (named after Joseph Juran – one of the gurus of Total Quality Management (TQM)): – whenever a problem occurs, 15% of the time it is the person’s fault; 85% of the time, it is the fault of the system and its processes.

Unfortunately, the benefits of process thinking and Juran’s Law are often not fully realized in the healthcare context. Healthcare evaluations have fallen short in their ability to provide a systematic and ongoing framework for identifying issues and linking corrective action directly with overarching hospital goals. Often, there is a disconnect between compliance at the operational level and the fulfillment of broader hospital objectives. This article looks at the growing adoption of ISO 9001 among hospitals. This international quality standard is gaining popularity with U.S. healthcare providers and is deserving of a deeper dive into its benefits to the hospital.

**A New Approach to Accreditation**

Multiple regulatory bodies and accreditation standards are currently required for healthcare organizations to operate. However, periodic inspections fall short of fostering the 24/7 quality improvement engines that must be in place to meet patient safety and quality of care goals. In fact, research in other sectors such as education and manufacturing, (Flynn, Schroeder, & Sakakibara, 1994; Melnyk, Sroufe, & Calantone, 2003), suggests that adoption of standards is only the beginning of a true quality focus. Quality improvement must become an integral part of a larger organizational plan for high performance and must be embedded in the key processes throughout the hospital.

Traditionally, the implementation of “quality standards” has been viewed in one of two ways. For many, quality standards are seen primarily as an operational activity. In these instances, programs such as TQM, Six Sigma, and Lean have helped organizations make strides toward more efficient and consistent operational outcomes. Alternatively, quality standards can be seen as a “checkbox” activity that occurs in the background – something required by others that hospitals are obligated to provide. Essentially, as long as the appropriate checked “quality standards” are in place, life can go on as it was before. Unfortunately, both approaches relegate quality standards to a relatively minor role in hospital operation. Is it possible, however, for quality standards to play a more significant role? Can it be demonstrated that healthcare quality standards impact multiple organizational levels, from grass-roots processes to overall desired performance outcomes at the strategic level?

This article examines one potential option for hospitals: healthcare standards based on ISO 9001, an international quality standard gaining popularity with healthcare providers in the U.S. Around 500 hospitals are now using ISO 9001-based quality management standards to assess the impact on quality of care. These standards focus on the notion of continuous quality improvement. Outcomes under ISO 9001 are all benchmarked, so there is little time and space remaining for blaming the process; instead the focus is on what needs to be improved and plotting a route to reach that goal. In other words, if a hospital wants a quality outcome, it must build quality into the various processes responsible for delivering the desired outcome and ISO 9001 provides a framework to make this mandate a reality.

How effective is this new approach to driving ongoing quality performance, as communicated by its measures and metrics? That was the question driving a recent research study conducted by three researchers representing some on the leading supply chain management programs in the United States. They conducted a survey of more than 400 hospitals now deploying ISO 9001-based quality management standards with the assistance of DNV GL Healthcare. The study included hospitals that were early adopters of the newest, CMS approved, healthcare standard offered through DNV-GL.

Continued on next page
The researchers focused on two simple but critical research questions:

1. Why would hospitals consider adopting the DNV GL Healthcare standard with ISO 9001 when there is a more widely accepted accreditation standard already present in the marketplace?
2. How has the move toward DNV GL Healthcare affected the multiple iterations and benchmarks of quality encountered within most American hospitals?

To address this last question, the researchers turned to the concept of the Balanced Scorecard (BSC) as a lens through which to evaluate adoption of the new standard. The Balanced Scorecard was first developed by Kaplan and Norton (1996, 2006) as a method of framing the multi-dimensional nature of performance and its relationship with overall organizational performance.

The Balanced Scorecard – A Primer

The popular Balanced Scorecard (BSC) Framework has been featured in many healthcare publications since 2000. Notably, Inamdar, Kaplan, & Reynolds (2002) published an article in *Journal of Healthcare Management* that featured new applications of the framework within nine healthcare organizations. The pillars of this framework incorporate four dimensions of organizational performance, including 1) Learning and Growth, 2) Internal Processes, 3) The Customer, and 4) Financial Outcomes.

The general premise of the BSC framework is that most mainstream performance metrics are lagged: that is, they only report what has happened in the past and leave the executive with very little information to correctly diagnose the operations and processes that lead to the performance outcomes.

The primary theory undergirding the BSC framework is that investments in people (Learning & Growth) result in efficient processes (Internal Processes). These efficient processes result in fewer defects, higher quality products and services, and create happy customers (The Customer). Ultimately, happy customers yield favorable organizational outcomes (Financial Outcomes).

That BSC elements and their connection to overall effectiveness are well defined in theory. However, managers often face tensions regarding which level of BSC to target when seeking to address lackluster performance outcomes. For example, stakeholders are typically drawn to more high-level metrics (e.g., overall performance). However, these measures are only lagged indicators, and of limited efficacy in addressing the root causes of poor performance. The beauty of the BSC is the emphasis on a step-wise framework for investment in the people and processes, as the true drivers of performance. These foundational drivers are then directly connected with customer needs and desires and overall hospital performance goals. Therein lies this study’s linkage with quality standards.

The balanced scorecard has now been in use in the healthcare marketplace for almost two decades. While much has been written about how this framework has been implemented in healthcare organizations, less is known about its direct relationship to the adoption of quality standards such as ISO 9001.

**Accreditation and the Balanced Scorecard – Developing New Insights**

Accreditation involves a multi-faceted approach to achieving improved quality. Often, the obvious linkages between improved quality and overall organizational performance become obfuscated by the many organizational layers that exist between service delivery and aggregated data in quarterly or annual reporting mechanisms. An examination of outcomes through the lens of classic Balanced Scorecard principles can shed new light on linkages between accreditation and overall organizational performance.
The Study

The research team developed and distributed a custom survey instrument to the entire population of DNV GL-accredited hospitals (414 at the time of the survey distribution). A total of 88 completed survey responses were received, a 21% response rate.

The results reveal the following outcomes.

The Learning and Growth of Front-line Staff

At the core of hospital operations are the nursing staff. These individuals are on the front lines of care interacting directly with patients. When viewed through the lens of the Balanced Scorecard, ISO 9001 practices become a means of achieving learning and growth for these front-line staff. This is evidenced by the fact that the nursing staff embraced the ISO 9001-based accreditation standard. Importantly, nursing staff also reported that the surveyors were a resource for the hospital.

 Featured Article by William Ritchie, PhD. Continued...
The Internal Processes

Implementation of quality standards by front line staff, as well as the primary care givers, may yield a “pass” on an audit in the short term. However, true long-term benefits of quality process implementation require that quality-driven processes become deep-rooted into the organization’s cultural DNA. This condition is difficult to observe in practice. However, it is at the heart of the second level of the balanced scorecard implementation -- internal processes.

Specifically, for front line quality practices to be more broadly diffused into organization processes, they must be aligned with overall hospital goals and not viewed merely as “checking a box” for quality auditors, or an inoculation to survive such a process. Our survey results supported the notion that quality standards that are genuinely based upon ISO 9001 principles and are synced with overall hospital goals are more appealing to hospital staff than standards for standard’s sake. For example, most managers reported that the ISO 9001 linkages were critical to adoption and that accreditation standards were in sync with hospital goals.

Continued on next page
The Customer

The Customer dimension of the Balanced Scorecard builds on a foundation of Learning and Growth and Internal Processes. Per Balanced Scorecard principles, when these dimensions are firmly established, the result will be pleased customers. The survey supported this notion, as hospitals reported that relationships with patients were improved as a result of the implementation of the ISO 9001-based healthcare standard.
The Performance

Hospitals in our survey reported that the ISO 9001-based healthcare management standard helped them achieve performance objectives. Given the favorable feedback for Learning and Growth, Internal Processes, and Customer, this outcome is not surprising. Per Balanced Scorecard principles, favorable performance is a natural outcome when the three foundational dimensions are achieved.

Conclusions

As previously noted, this study began by looking at two simple but critical questions:

1. Why would hospitals consider adopting the DNV GL Healthcare standard when there is a more widely accepted accreditation standard already present?
2. How has the move towards DNV GL Healthcare affected the multiple dimensions of quality encountered within most American hospitals?

Regarding the first question, the answer is that the new standard provides more than a method of certification – it provides a template and road map to help the hospital improve quality by focusing attention on the real keys to such improvements – processes and practices. However, for this approach to be successful, the hospitals must embrace process thinking: if you don’t like the outcomes, you must change the process(es). The hospitals that reported favorable outcomes in this study have embraced process thinking.
Regarding the second question, process-based standards not only enable hospitals to improve quality systematically and more predictably, but they also provide the hospitals with data. This data, in turn, can be used as inputs into frameworks such as the Balanced Scorecard to provide a more comprehensive, focused, and nuanced view into the various dimensions associated with hospital performance and quality. Such views are important because, as any hospital administrator will tell you, quality and performance in the hospital is anything but unidimensional.

Finally, in today’s environment hospitals are now faced with new tools and standards. These standards, such as those offered by DNV GL Healthcare, can help hospital improve quality and performance by providing them with access to a process view of quality. Such a perspective has been extensively tested and validated globally in virtually all industries.

The success of such initiatives is bolstered when hospitals move beyond an operational, cost-benefit view of accreditation. This cost-benefit view must be expanded to include a more holistic, strategic view of the organization. As such, implementation of ISO 9001 principles within the healthcare context should be viewed as a multi-dimensional, multi-level tool. ISO 9001-based healthcare management standard implementation potentially offers benefits for front-line employee learning and growth, multi-unit internal processes, customers, and ultimately overall performance. These components can serve as critical information clusters in performance dashboards. Then, these clusters can be mapped through BSC dimensions to achieve hospital goals. Viewing ISO 9001-based healthcare management standard through the lens of the Balanced Scorecard is a more nuanced approach to quality implementation. As such, this perspective emphasizes the importance of developing a more holistic view of quality standard adoption and implementation, one that is necessary for success in the near term and the long-term.

William Ritchie is a professor of management at James Madison University.

---

**Social Determinants of Health: Turning Potential Into Actual Value**

*co-sponsored by LexisNexis Health Care*

**WEBINAR: Wednesday, April 18, 2018**

2-3 PM Eastern

- Why previous generations of SDOH failed and what is needed to deliver success with the next generation
- Myths and truths associated with SDOH data and how the right data correlates to health outcomes
- Ways social determinants can enhance predictions as well as impact care coordination
- Importance of identifying combinations of socioeconomic factors in assessing member risk

**Faculty:**
Erin Benson, Director, Marketing Planning, LexisNexis Health Care
Rich Morino, Director, Strategic Solutions, LexisNexis Health Care

**FREE REGISTER NOW >**