

Fundamentals of Performance Management in Healthcare Organizations

Daniella Kucsma

¹University Of Miskolc, Faculty of Economics, Hungary

Abstract

In the life of any company, it is important to do a job well done and to measure that work. I think this is always a central issue in the life of an organization or company, as it puts employees highlighted and given the task in light of it, which can be done effectively and helps the organization to take a worthy position in the market. I consider it important to show in the basics of my research that the background of performance management is a complex system that lists a multitude of factors, and these factors show due attention. This article discusses the life cycle model of performance management and the use of already applied systems. I show that it is important to use this area not only in the private sector but also in the public sector. The main area of my research is healthcare organizations, so I put this area in focus, which is always important for a society, and nowadays it plays a key role.

Keywords: performance management, social innovation, strategy, evaluation, public sector

1. Introduction

If we claim that healthcare institutions are in the centre of public interest, this statement is valid not only these days but in all times. If we look only at the state budget lines, we realize that one of the most significant expenditures for all countries is on health care. In connection with this, the expectation is a good standard of care service, to which performance management and strategy are also closely related. It can be stated that the performance of the management area is well measurable for health care institutions, various indicators can be used for this, but an organizational evaluation is much more than a set of financial indicators, as it includes the role of knowledge-based tools, employee skills and hospital social perception. It is easy to see that these are already much more difficult areas to quantify, but they also need to be examined when assessing organizational performance.

In my current research, I set out to investigate a framework that also addresses the above-mentioned soft factors. The expectations and requirements for the framework are presented as well. I examined the strategies of the organizations and highlighted the goals that appear there, and then I attached a system of indicators to these goals, which helps to introduce a framework model and to quantify the examined factors. A necessary concomitant of the framework application is the change of organizational

culture. The possibilities of this cultural change and the directions of attitude formation will be discussed at the end of the article.

2. The importance of strategy in an institution

The key role of performance evaluation and management was first recognized among large companies, and significant success, effectiveness, and efficiency were achieved through the operation of related processes and the implementation of appropriate systems. This phenomenon is also spectacularly reflected in the growing number of domestic and international literature and publications dealing with this topic. The research of Gergely (2011) and Révész (2015), is outstanding on this topic, they examined the performance management system and tools of the public service sector.

It is worth mentioning at this point that performance management is closely related to the formulation and development of strategy, so in my research, there is a place to combine these two management areas. Furthermore, in connection with this we face the following question: Can an organization-level performance evaluation system be adapted to the formulated strategic goals in a health care institution?

The following tasks can be linked to this:

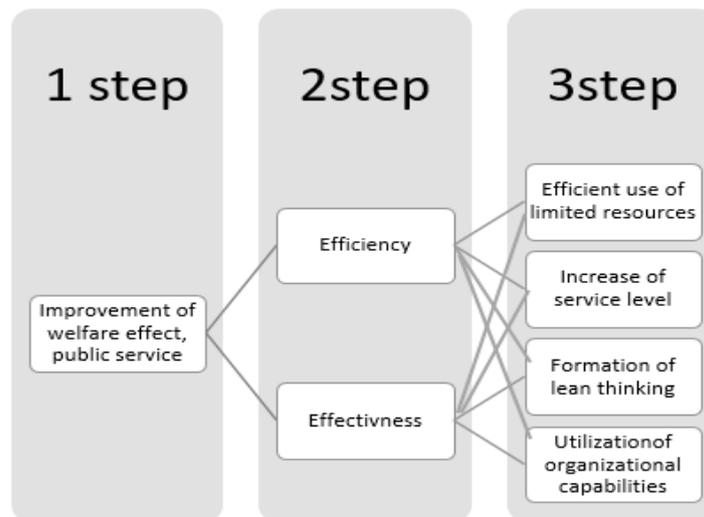
- Examining and comparing strategic statements
- Gather performance targets set out in the strategy statement
- Comparison of strategy and performance goals, relationship analysis

In my previous study, I presented an outlined goal hierarchy and re-present in this study in Figure 1. because achieving these goals will help build an efficient and well-functioning organization. (Kucsma 2020). The main goal is the **Welfare Effect**, as it is good quality service to society that needs to be provided. I think the most important is the health-preserving quality services and health restoration services. (Kocziszky; Veresné 2016). At a secondary level, **effectiveness** and **efficiency** are given a place. Although these concepts are very general, according to Gajduscek's 2011 formulation, effectiveness is a measure to what extent an organization has achieved its goals, and efficiency shows the number of resources put into goals, that is, how much effort it entails to achieve those goals. (Gajduscek 2011)

The third level includes both, the soft and hard factors, which later can be associated with the development of an indicator system, so these factors are also important in the target hierarchy.

All the three outlined levels are important in the life of a public service organization, so in each case there is a relevance to plan the hierarchy, and to link the organization strategy to this, and later management methods and indicators also need to be linked.

Figure 1: Possible target hierarchy for public service companies



Source: Own edition based on Kocziszky and Veresné, 2016

At this point, it is also worth examining what kind of indicator system we can associate with this after formulating the goals, what model is recommended to be used, and what are the requirements and expectations related to the applied performance management system.

3. Relationship between framework and strategy

A framework should provide an objective opportunity for hospital managers to measure hospital performance. This task is very complex, as there are factors that also appear in the target hierarchy that are very difficult or impossible to measure at all but are worth quantifying in some form. To achieve this, the framework should break down the hospital's mission and strategy into concrete indicators in a variety of ways, and by evaluating the indicators, it should allow hospital leaders to provide feedback on the operation of each organizational unit. The advantage of this lies in the fact that the strategic targets and indicators help to ensure that goals have quantifiable results.

What should the framework provide?

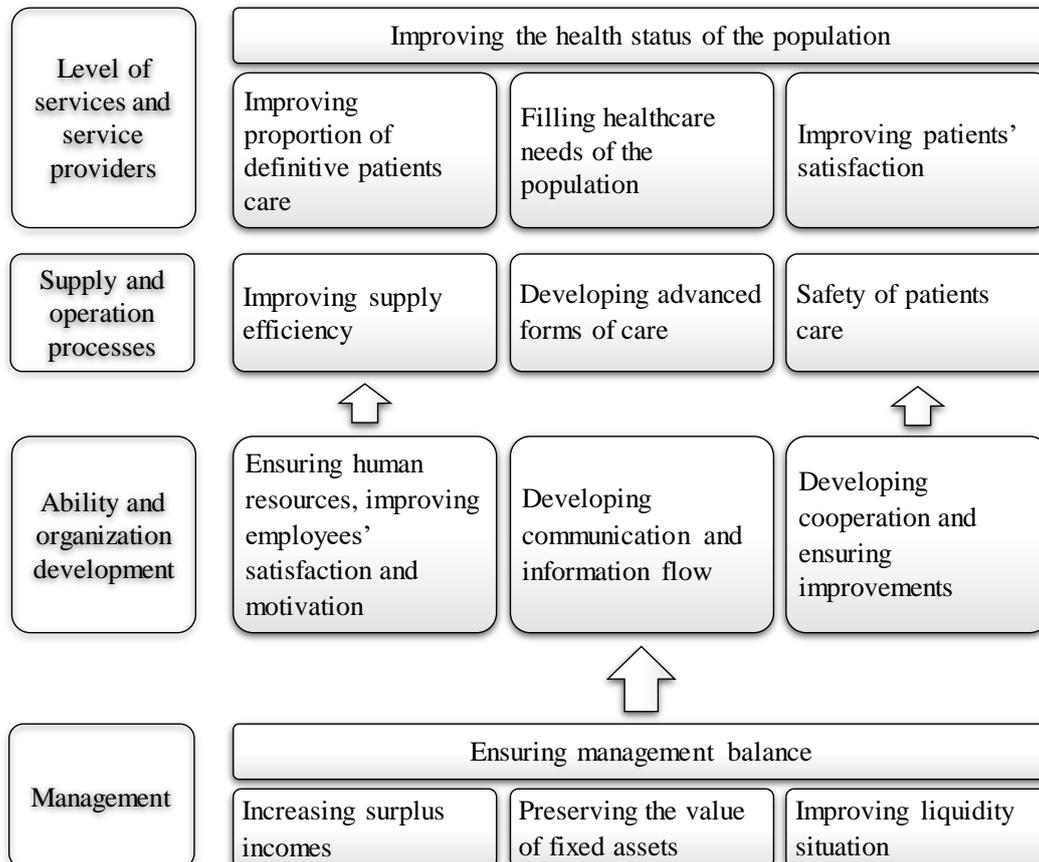
The needs of taxpayers and patients towards the organization must be included and taken into account. At this point, the question of efficiency and effectiveness, which has already been mentioned, appears, ie what resources and what results are achieved. All taxpayers want to know how the tax they pay is utilized, so the concept of transparency is also associated with the two key definitions at the second level of the hierarchy already mentioned. Sustainable development can appear as a broader social requirement, an integral part of which is the environmentally conscious operation, which protects the natural environment as much as possible.

Patients have a basic expectation of a hospital to receive the high-quality, up-to-date care available there. Ensuring equal opportunities, enforcing and protecting patients' rights is not only a professional but also a legal obligation under CLIV Act 1997 on Health. following the provisions of the Act. Patients should, as far as possible, spend as little time in the hospital as possible and be provided with basic comfort needs during their stay.

And now comes the question of how performance management helps and how can contribute to it. The used frameworks should provide an answer to which processes should be focused and in which areas an institution should deliver outstanding performance. The framework must consider development opportunities. Here we can mention the training organized by the hospital for its employees, as well as the organization of various conferences, during which the representatives of the medical profession can share their expertise and experience. We can add here the possibility of clinical research in hospitals, the need for continuous IT developments with the advancement of digitalisation, and the aspects of increasing employee motivation.

However, a well-designed performance management system is not an easy process to build. It is preceded by several steps, which will help to create the most efficient and well-functioning system. The primary steps include outlining a strategy target map, that is presented in Figure 2.

Figure 2: Strategies map

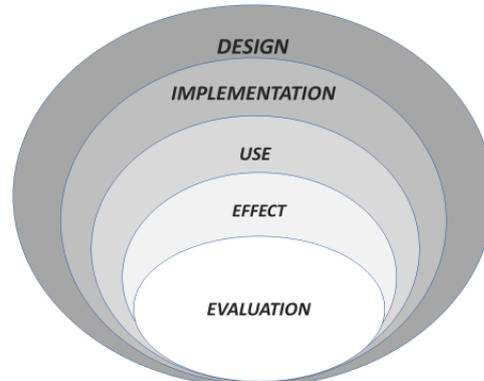


Source: Own edition based on Kucsma 2019

Targets are presented along 4 dimensions, their relationship presents secondary targets, that promotes the fulfilment of the target hierarchy formulated in Figure 1.

Once these factors have been identified, I consider it of paramount importance to emphasize organizational-level performance appraisal, as I would like to assess the hospital as a whole and not focus on individual performance, so the related literature is relevant to my research. There are many different interpretations and approaches to performance management. In their 2007 paper, Van Helden et al. present a model that uses a life-cycle approach, highlighting elements that are significant in organizational-level performance evaluation (Révész 2015). The stages of the model are shown in Figure 3, and then each stage is explained.

Figure 3: Performance management system life cycle



Source: Own edition based on Van Helden et.al 2007

- Design: This section takes you through the first steps, helping you to define the basic elements and targets of the system
- Implementation: shows how to implement the system developed in the primary phase.
- Usage: how the designed system works in practice and every day, how it fits into the specifics of the sector.
- Effects: The impact of the implemented performance evaluation on the organization.
- Evaluation: At the end of an audit phase or possibly at a new beginning, a full life cycle analysis shows the pros and cons.

Each section can be associated with a research question, which is presented in Table 1 below.

Table 1: Performance lifecycle questions

Research questions related to performance evaluation lifecycles	
Sections	Questions
Design	What factors influence the design?
Implementation	What change management issues and tasks can be associated with this section?
Usage	What are the goals of an implemented system, how do they function during use?
Effects	What impact does it have on organizational performance?
Evaluation	What are the advantages and disadvantages of the introduced system? Which elements may be added to the previously applied system to be effective?

Source: Own edition based (van Helden 2007, Révész 2015)

Based on the questions in the presented table, I examine the applied performance management system of the selected state-funded hospitals. The questions presented above show a process that provides a framework for research, but the most valuable for me is

the Effect and Evaluation phase, as the factor of effectiveness and efficiency can be justified by this.

To make my current research valuable and novel, I created a relationship matrix in which the steps of the performance management lifecycle and the Balance Scorecard (BSC) were included. There is a need to present BSC shortly for a few thoughts and to highlight why this methodology is chosen for development and which elements I would add.

If the targets and indicators are properly selected the BSC system provides clarity and at the same time measurable strategic directions of the organization. At the same time, it utilizes the correlations supported by motivational theories that target influence the behaviour of the organization (Horváth-Partners 2007 p. 16). Strategic goals are made up of two important elements of vision and core strategic targets, making them a key and critical element in the organization. To meet and monitor these objectives, financial and non-financial indicators are assigned, and the planned and actual values of the indicators are contrasted. The name of the model developed by the Kaplan Norton pair also reveals a lot, as it presupposes a balanced scorecard system that undertakes to demonstrate the effectiveness of an organization.

Four aspects of the method:

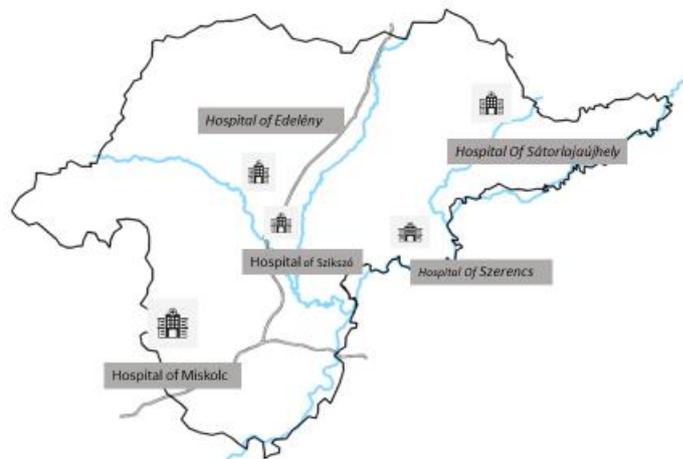
- financial point of view,
- customer point of view,
- operational processes point of view,
- learning and development perspective

A fundamental question is what the owners expect from the organization, so what needs to be done for the company to be considered successful by the owners. Or the other question is what kind of performance customers expect from the organization, here success needs to be examined from the perspective of the customers. (Szivos 2007). In my previous studies, I examined several framework models and examined their application possibilities, however, I consider this model to be the best fit for specific elements of the public service sector, as the 4 perspectives are also suitable for health institutions.

How does the above-mentioned life cycle fit into strategy development and performance management?

Strategy-making and Balance Scorecard system are linked, so I consider it important to examine this comprehensively, that I present in the relationship matrix No. 2. My research is done in the institutions of Borsod-Abaúj Zemplén county in Hungary. I chose the examined organizations because they are in one of the most disadvantaged counties of Hungary, and in terms of their size they are large institutions. Figure 4 shows the 5 examined hospitals and the size of the icon shows the size of the institution. Miskolc is the central hospital in the county town, the other large cities have smaller hospitals and clinics.

Figure 4: Hospitals of Borsod- Abauj- Zemplén county



Source: Own edition

In Table 2, the relationship matrix is included for the institutions presented above and based on the elements of BSC. The data is filled based on the strategy documents available on the institutions' websites.

Table 2: Relationship matrix of strategy and performance in a health organization

Viewpoints Sections	Supply and operational processes	Management	Service users/quality of service	Ability and organizational development
Design	Development of new procedures, protocol development.	Mapping the current situation	Assessment of the structure institution and health condition of the area to be treated	Exploration of motivation and human resources.
Implementation	Development of modern forms of care, novel benefits	Preparation and review of the annual plan	Improving communication and information system	Development of work coordination within the institution
Use	Implementation of the planned operation	Implementation of the planned operation	Implementation of the planned operation	Implementation of the planned operation

Effects	Patient satisfaction with patient care related to the provided health care service	Debt level analysis. Debt reduction. Effective management.	Adequate quality and some specialist care.	Systematic internal training system. Adequate professional background for specialist care
Evaluation	The developmental study, patient feedback.	Annual review, possible interim re-planning	Reduction of waiting time. Rationalization of reservations.	Effective professional qualifications, application of new technology

Source: Own edition based on strategic documents, van Helden 2007, Kapan & Northon 2002

The main purpose of this relationship matrix was to identify the areas in the hospitals that need to be improved and to show us in which cycle to intervene and develop specific action plans. It contributes to the creation of a performance management system that shows a real picture of the given institutions and reveals which processes need to be developed and controlled. It is a difficult task to compile a complete picture using a single matrix, so in the future, it will need to be supplemented with two methodologies. Primarily, the patient-side study needs to be supported by a questionnaire survey. Secondly, another side needs to be examined, which requires the preparation of management interviews, as my research goal is such a performance management system that can be part of the management philosophy in the long term.

4. Summary

Developing an organizational performance management system for a hospital is a simple process. Although health care is a topic that everyone in society feels it own, as they participate in health care, there are several factors to consider that do not seem important at first. The BSC model is a very well-applied, however, as mentioned in the expectations, social requirements are always a priority. Related to this, social innovation also plays a role.

In the case of a public service organization, three areas can be highlighted, which can have an impact within social innovation activity (social compliance, the efficiency of operating conditions, learning and development). This definition fits well with one of the basic definitions of social innovation, according to that social innovation is a factor of improving life quality. (Pol, E.; Ville, S. 2009) Thus, the BSC model needs to be supplemented with such a pillar. The life of a healthcare organisation and, finally, the organizational culture is not comparable to an average organization.

Organizational culture is nothing more than a system of commonly understood presuppositions, values, beliefs, and perceptions, accepted by the members of the organization. The values that are part of the organizational culture are accepted and validated by the members of the organization, followed and passed on to new

members as role models for problem-solving and as a desirable way of thinking and behaving (Pulay 2014).

Figure 5 below shows that the relationship between the above-mentioned definitions has a crucial role in the operation of a public service company.

Figure 5: Relationship between definitions



Source: Own Edition

Achieving these results is a good foundation to state that healthcare organization also needs to have performance management, as this is not only the patient's expectation but also part of a leading philosophy. I also consider it worthwhile to do more in-depth research and build a new framework model.

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