

RFHHA MANAGEMENT TIP OF THE DAY FOR HOSPITAL ADMINISTRATORS 1316

Learn the FM: What is Double-Loop Feedback in Balanced Scorecard part 3?

In traditional industrial activity, "quality control" and "zero defects" were important words.

To shield the customer from receiving poor quality products, aggressive efforts were focused on inspection and testing at the end of the production line. A problem with these approaches - as pointed out by Deming - is that the true causes of defects could never be identified, and there would always be inefficiencies because products with a defect are rejected.

Deming understood that variation is created at every step in a production process, and the causes of variation need to be identified and repaired. If this can be done, then there is a way to reduce the defects and improve product quality indefinitely. To establish such a process, Deming emphasized that all business processes should be part of a system, with feedback loops. The feedback data should be examined by managers to determine the causes of variation, and what are the processes with significant problems.

Then they can focus their attention on repairing that subset of processes.

The balanced scorecard method includes feedbacks around internal business process outputs. As in TQM. Additionally, the Balanced Scorecard provides a feedback for the outcomes of business strategies. **This creates a "double-loop feedback" process in the balanced scorecard.**

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