

Article

Balanced Scorecards (Part 3)

Setting-up and Maintaining BSCs



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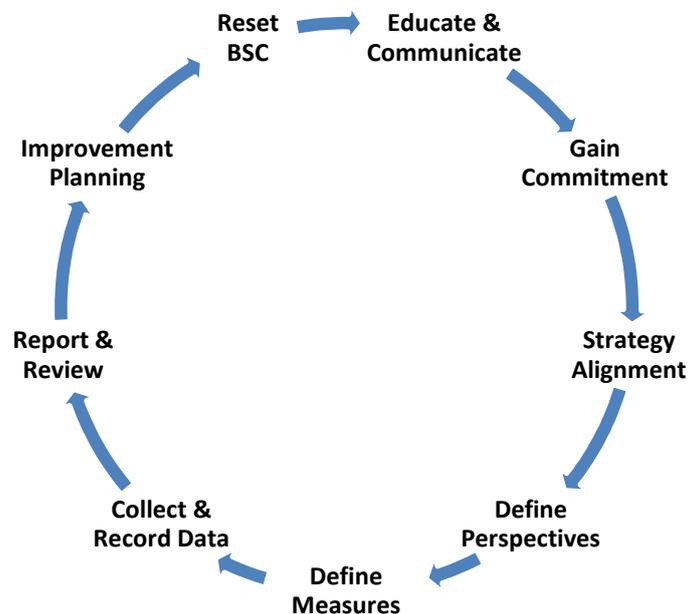
Introduction

In [Part 1](#) and [Part 2](#) of Balanced Scorecards (BSC) we looked at their adaptability for Business alignment and the associated benefits in order to provide you with some clarity as to why it is worth investing time in them...but how do you get started? In this third article on BSCs we will look at the requirements to introduce them, overcoming possible barriers, maintaining the momentum and keeping them 'real'.

As we have seen there are many variants of a BSC but most, if not all, require a straight forward approach to become established, enabling the IT department and the Business as a whole to quickly start to reap the rewards. Once established it then becomes a task of measurement, reporting, taking action on the outcome and re-examining the scorecard for ongoing relevance and strategic alignment.

The 9 Steps to Delivering an Effective Score

What I've chosen to do in this article is to set out 9 simplified steps that, if followed carefully, will deliver an effective scorecard.



The 9 steps are sequential (starting with Educate & Communicate) and form an iterative process whereby the scorecard is reviewed, recognised as relevant and continually adds value to the enterprise. In contrast, diving in and defining BSC perspectives and measures without due attention to strategic alignment will not only have very limited value, but could discredit the entire exercise.

1. Educate & Communicate

Most often forgotten until it's too late, this step is vital to the success of the endeavour...

- Ensure IT staff are fully aware of the BSC concept, the details of its content and their role in ensuring both the success of the initiative and specific performance measures.
- Translate strategy into operating terms for clearer understanding but promote a clear message that delivering the strategy is 'everyone's job'.
- Ensure the programme has visible senior stakeholder support.

2. Gain Commitment

- The BSC is a technique that can only be successful if the Business and IT work together.
- Budgets needs to be established and resources allocated.
- Management stakeholder mechanisms such as Board and Steering Groups are important to provide direction and full backing.
- Good project management is a critical success factor for effective construction and implementation of a scorecard. Roles, responsibilities and accountabilities need to be defined and allocated for setting up the scorecard and ongoing deliverables.

3. Strategy Alignment

Understand the business vision and develop an IT strategy that is in sufficient alignment to the vision, to help achieve it.

- Discuss with both IT and senior management the opportunities for IT to support IT/Business alignment and overall Business success.
- Establish priorities and focus on critical issues.
- Take into account any other ongoing improvement initiatives.
- The implementation of a scorecard needs to be supported by good practices such as Relationship Management and Service Level Management, some of which should already be in place in the Business.
- Use inputs from other sources such as the analysis of customer satisfaction data.

4. Define Perspectives

- The previous article (Balanced Scorecards [Part 2](#) – Variations on a Theme) provided examples of possible perspectives. The exact construction will depend on the IT/Business discussions that have taken place in step 3 and strategy mapping.
- Each perspective should contain a mission statement e.g. increase customer satisfaction or reduce the reliance on legacy systems.
- Define corresponding metrics and measures that will be employed in assessing the status at agreed timings. These assessments need to be repeated periodically and aligned with pre-established goals and benchmarks.
- Remember to consider external influences such as new technology, market trends, and competitor activity.
- There may be more than one theme within each perspective. Themes can embrace several strategic objectives.

5. Define Measures

and targets....

- Don't try to measure the world! Limit the scorecard to 10 to 20 metrics written in non-technical language.
- Essential components of the IT scorecard are the cause-and-effect relationships between measures. These cause-and-effect relationships have to be defined throughout the whole scorecard.
- A good scorecard should consist of both outcome and driver type measurements.
- Measures and their definitions need to be agreed upon by consensus and clearly communicated within the organisation before moving forward.
- When setting targets consider incremental improvement of existing performance levels where gaps are known.
- Competitive benchmarking is also useful in establishing overall organisational measures.
- Define how the measurement is derived and reported.
- Define the sources for the measurement.

6. Collect & Record Data

- Define the measurement technique as well as the data collection process. Outline the initiatives that must be completed to allow tracking of the metrics.
- Define the collection and update frequency, e.g. Monthly, Quarterly or Annually. This could be based on a number of factors, for example reporting cycles, or cost of collection.
- Assign ownership and responsibility for each measurement and agree the location of recording. For example will it lie with the Team, Department or Manager?
- The data should be analysed to determine its accuracy and also that comparisons or benchmarks are valid.

7. Report & Review

- Review status reports and trend analyses of performance measures.
- Hold periodic meetings between management and staff to fully communicate subjects such as current initiatives, the status of problem areas, actions taken to date and any revisions to policies and procedures.
- The review meetings should focus on decisions rather than debate over metrics.
- Consider linking scorecard performance to manager, team or IT organisation rewards and compensation.

8. Improvement Planning

Initiate improvement planning...

- The Improvement Plan is intended to identify the improvement deliverables, owners, milestone managers and milestones for achievement.
- Typically, the plan structure will consist of 3 sections:
 1. BSC component areas identified mutually by the Business and IT as high priority.
 2. Other component improvements including outstanding items from previous reviews, plus relevant improvements identified by other initiatives, e.g. Customer Satisfaction Surveys.
 3. Additional business-specific tasks.
- Ownership of specific deliverables should be allocated and commitments sought, e.g.
 - A target date which will generate a positive effect on the scores.
 - Delivery within existing budget.
 - Confirmation of the key deliverables and milestones with dates.
 - Monthly reporting of progress.

9. Reset BSC

- Constructing a BSC is not a one off project. It requires time and effort to mature over time. It may start life as a defensive mechanism by IT to evidence the worth of services provided and contain predominantly operational measures. However, as we've discussed it needs to link with Business requirements and expectations which by their nature are dynamic and continually changing.
- The construction and/or the importance of elements within the scorecard will change as Business and IT priorities change.
- It should always remain clear why a measure is measured, i.e. what the *value* is of measuring it. When the value can no longer be demonstrated, it should be challenged and changed or replaced by another one.
- The opportunity should be taken to review the content, scores and scoring algorithms for the scorecard. Time must be allowed to document the proposals. Any changes need to be agreed and approved by senior managers prior to implementation.
- The scorecard should ideally be reviewed every 6 months or, as a minimum, on an annual basis.
- Maintain awareness and involvement at all appropriate levels.

Summary

During this series of articles we have examined the BSC as a model of measurement that not only adds value in ongoing performance measurement but is a key instrument for aligning Business and IT. We have sought to dispel the notion that it is purely a theoretical concept and shown that it has direct relevance in the ever challenging world of constant change and the need to respond swiftly.

BSCs are not difficult to implement but do require planning and commitment from both Business and IT management if they are to take advantage of the full scope of potential rewards.

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