

## Article

# Balanced Scorecards (Part 2)

## Variations on a Theme



Submitted by:  
Neil Walker  
Principal Consultant

Office: +44 (0) 333 202 1018  
Email: [neil.walker@foxit.com](mailto:neil.walker@foxit.com)

“A rigid model with no relevance to me”....”An academic exercise” ....OR a valuable means for IT and Business alignment?

In my previous [article](#) I described the benefits of Balanced Scorecards (BSC) in aligning Business and IT objectives and, despite the advantages, how the BSC remains underutilised. I suggested that this is due in part to BSCs being considered as academic exercises or the model is seen as too rigid and unrelated to real world scenarios.

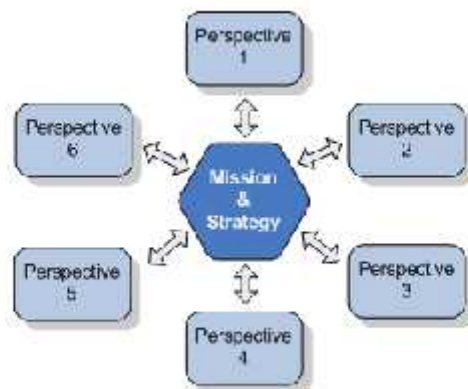
In this second article on BSCs we will explore how the concept can be customised and applied to different situations making it more meaningful for the Business and IT stakeholders involved.

### What do we mean by Balanced?

Firstly I'd like to define balance. Depending on what dictionary you refer to it can mean equal, tallied or my favourite “*a harmonious arrangement of parts*”. This is important because straight away we can see that we are not bound by traditional scorecard models that are presented as mirror images. In other words “balance” does not mean symmetrical. Certainly the traditional view of a BSC has shown 4 boxes however, in aligning IT to changing (and potentially more complex) business models we can be free to think of BSCs in as many perspective areas as necessary whilst still being ‘Balanced’.

Modern BSCs address this with Strategy Maps. A Strategy Map places the 4 perspectives in relation to each other to show that the objectives support each other. Strategy Maps therefore outline what an organisation wants to accomplish.

Unquestionably we need to retain the link with Business and IT strategies, but the BSC structure in supporting strategic themes can (and some would say must) vary.



This example illustrates a 6 perspective model which may or may not include the recognised original quadrants of Financial, Process, Customer and Learning & Growth.

If we added a seventh perspective clearly the model would not be symmetrical but what is important is the focus remains on what is truly important to the organisation.

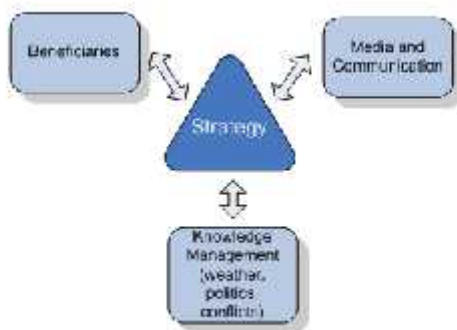
### So what are the Perspectives?

Dependent on the type of organisation, the focus will differ. Listed below is a selection of possibilities:

- Community and Citizenship
- Safety
- Security
- Audit and Regulatory Compliance
- Risk
- Innovation
- Communication
- Social Media
- Improved Quality/Operational Excellence
- External Environment e.g. competitor activity, industry trends
- Project Performance
- Business/IT Alignment
- Value Delivery
- Ethical Behaviour
- Management/Controls
- Stakeholder Relationships
- Procurement

It could be argued that many of the above could reside within a four quadrant BSC; that in fact they represent an element of decomposition of the original model. The point here is flexibility and the amount of focus desired in the form of monitoring, reporting and management intervention to support the strategic theme. Commercial, Public, Non-profit, Military and Political organisations will all have different viewpoints on the perspectives that are important to them.

Here are two simple examples of types of organisation with perspective inclusions. Both can be considered as additional to more generic perspectives.



Example 1: A Charity



Example 2: An Investment Bank

The words in the BSC and associated Strategy Maps need to be recognised and in a language that is used in the organisation.

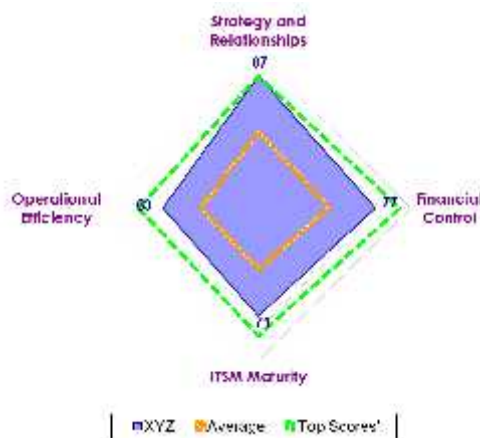
### Perspective Construction

Careful thought is needed in what makes up the measured elements of each perspective. When considering the customer element within a commercial company, the acquisition of new and the retention of existing customers are both worthy areas for measurement. However in an internal organisation, customer satisfaction and relationship building may feature more highly. Clearly there are crossovers that apply to both e.g. customer services. Perspectives and measurement groupings will need to be meaningful in support of the strategy, but ideally be restricted in order to keep the measurement overhead to a manageable level. Typically this will be no more than 6–8 measures per perspective.

### Tactical BSCs

The BSC concept has always been adapted for lower level use. This is particularly true with the cascade of Regional and Department BSCs supporting objectives that in turn underpin higher level BSCs.

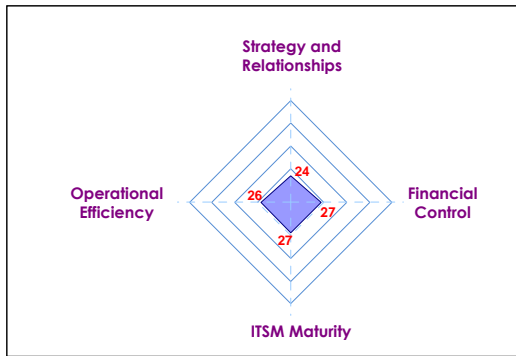
Other uses extend the BSC as a tool for assessment and recommendation reporting. The following are tactical developments of the concept used within an ITSM environment.



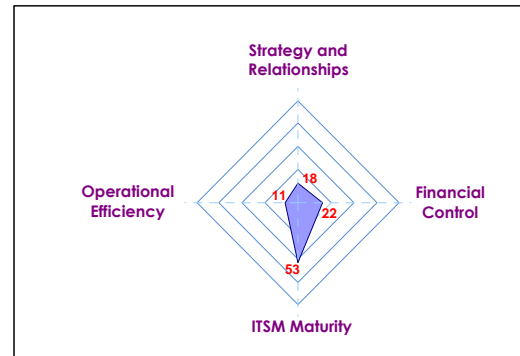
Firstly, this BSC variant is focused on identifying a high-level view of the overall IT operation and its interactions and relationships with the Business it supports and the technology it uses. It can be used as a baseline assessment and repeated during an improvement project lifecycle to track progress. In this example, organisation XYZ is shown to be better than the average but underscoring ‘the best’ in 3 perspectives.

Referring back at our ‘balanced’ interpretation the model can be used to illustrate development areas.

'Balanced' scores across all four sections would indicate that the service provider has taken an holistic view of service management and attempts to deliver 'value' consistently in all areas. Therefore the smaller the variance between highest and lowest section scores the better.



'A' Balanced Organisation



'B' Unbalanced Organisation

Both of the above examples would result in an equal combined raw score of 104. However, organisation 'A' is balanced whereas organisation 'B' only achieves the same score due to strong ITSM Maturity but clearly has weaknesses in Operational Efficiency.

Secondly, here is an example of a professional service consultancy (not Fox IT ®) using the concept for an introspective view of itself.

<p><b>Products/Services</b></p> <ul style="list-style-type: none"> <li>Portfolio of Current Services</li> <li>New Services</li> <li>Bid Process</li> <li>Project Methodology</li> <li>Collateral &amp; Intellectual Property</li> <li>Consultant Toolkit</li> </ul>	<p><b>Stakeholder Relationship</b></p> <ul style="list-style-type: none"> <li>Sales (UK)</li> <li>Sales (Regional)</li> <li>Business Development Managers</li> <li>Marketing</li> <li>Company Senior Management</li> </ul>
<p><b>Management/Controls</b></p> <ul style="list-style-type: none"> <li>Vision, Objectives, Values</li> <li>Programme Office</li> <li>Financial Reporting</li> <li>Time Recording</li> <li>Resource Utilisation</li> <li>Consultant Reporting (Internal, Customer)</li> </ul>	<p><b>Learning/Development</b></p> <ul style="list-style-type: none"> <li>Structure &amp; Roles</li> <li>Appraisal &amp; Reward</li> <li>Personal Development Plans</li> <li>Skills Matrix</li> <li>Consultant Induction</li> <li>Team Development</li> <li>Communication</li> <li>Resource &amp; Recruitment Policy</li> </ul>

## Measures

Most of what I've said up until this point has been associated with 'Balanced' and less about 'Scorecard'. To address this I'd like to consider some of the variables within the measures that make up the Scorecard.

### Qualitative vs Quantitative

A good BSC will include both. Quantitative measures should include a mix of leading and lagging indicators. The type of measure included will depend very much on the construction of the BSC and the ease of extracting results. Typical measures include SLA performance and customer complaints being handled within target timescale. All measurements will need to be agreed and recorded in advance of use but none more so than qualitative measures which by their nature are subjective. The perception of either achievement or being adverse to a target is likely to change with expectations, so it is important to establish a baseline.

### Internal and External

Organisational frameworks often lead to measurement design by region, department or team, with managers looking internally on their areas of responsibility without taking an organisation-wide collective view. Regardless of BSC variant, the Scorecard measures must underpin measurement at a higher level (if it exists) and the overall strategy.

The inclusions of tangible external measures enable the Business to make effective and timely changes to the company parameters. Examples of this include response to competitor activity and trends in customer behaviour, technology, financial markets, etc.

Implementing a dashboard of the BSC at all levels of management will enable "real time" monitoring activities and performance to be quickly viewed.

### Weighting

While all measures within each BSC perspective are necessary to monitor performance, not all will necessarily have the same level of contribution to the organisation objectives. For example, within the Customer perspective it may be deemed more important to retain customers and achieve high levels of satisfaction than to obtain new customers. This could be due to the higher relative cost of acquiring new customers to that of servicing existing ones, or because the organisation has a mission to be known as having a high level of customer loyalty.

By allocating a weighting factor against measures within the Scorecard, priorities can be understood and the contribution of each made more relevant to the overall score. As Business priorities change it is sometimes possible to change (or tune) the weightings without changing the overall framework and content of the BSC. It goes without saying that the weighting factor needs to be mutually agreed across all parties.

The final word on measures is a reminder that rather than starting with measures and targets, the approach first needs to concentrate on strategy, context and objectives.

## Incentives

Associating an incentive and rewards structure with BSCs can be very emotive, particularly when first being introduced against a backdrop of isolated individual rewards schemes such as Performance Related Pay. However, there are advantages of collective rewards from Scorecard target achievement. A collective sense of ownership is fostered within an organisation that aids collaborative working for everybody's benefit.

A workable solution to ensure individual effort is not totally unrecognised, would be to have a rewards structure with a percentage contribution from both personal and BSC targets achievement; for example 60%/40%. I have personally worked in an organisation that awarded an annual bonus (or not as the case may be) on BSC 6 monthly reviews. Everyone understood the rationale at work and there was wholesale acceptance of the outcomes.

## Summary

BSCs are neither hard nor difficult to introduce into an organisation and to its customers and they can be up and running quickly. It requires high-level commitment, planning and preparation meetings; directors, managers and service people available for training; Scorecard design experience and customers who are willing to participate.

What I hope this article has shown is that they are also very flexible and adaptable across all types of organisation and at various levels of operation.

*My next article 'Balanced Scorecards – Setting up and Maintaining, will look at the requirements to introduce BSCs, overcoming possible barriers, maintaining the momentum and keeping them 'real'.*

Neil Walker

Principal Consultant at Fox IT

## About Fox IT

Fox IT has been a leading Information Technology Service Management (ITSM) and governance business for over 30 years. We provide a range of practical and effective consultancy solutions designed to create agile, proactive, responsive IT organisations providing excellent IT services in alignment with our clients' goals to support and drive continuous business innovation. We achieve this by empowering your people with best practice training, developing and implementing the right operational processes and using properly configured and integrated tools to enable IT Services transformation.

To discuss how we can assist you in transforming your IT services please call us now on +44 (0) 333 202 1018.

Please also come and join in the latest ITSM conversations on our social media pages:

Facebook: [www.facebook.com/FoxIT.ITSM](http://www.facebook.com/FoxIT.ITSM)

Twitter: @FoxIT\_ITSM

LinkedIn Company Page: [www.linkedin.com/company/fox-it](http://www.linkedin.com/company/fox-it)

LinkedIn Group: [www.linkedin.com/groups/Fox-IT-ITSM-Today](http://www.linkedin.com/groups/Fox-IT-ITSM-Today)

Fox IT ® is a registered trademark of Fox IT SM Limited