Performance Management with IT Balanced Scorecard
- a brief introduction -

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Agenda

1. How to manage IT-Services?
2. IT Balanced Scorecard
3. Solution of IBM Business Consulting Services / SAS
4. Implementation Prerequisites
5. Implementation Approach
6. Why IBM Business Consulting Services / SAS?
1. How to manage IT-Services?

- Information Technology is changing, it becomes an integral element of the value chain for nearly every company.

- IT will not any longer be just hardware and software support, it shifts to service delivery for Business Solutions and intelligent software.

- Information Technology becomes a Business Partner.

- IT needs to be managed like a business.
2. IT Balanced Scorecard – Overview

Mission: “Provide highest customer satisfaction at most optimal cost”

Objectives:
- premier/preferred service provider
- industry - efficient service delivery

Measurement: Balanced Score Card

Financial Perspective: Are we delivering products and services cost effectively?

Customer Perspective: What are our customers’ perceptions of X’s products and services?

Learning & Growth: Are we building capability and improving processes?

Internal IT Dept. Process Perspective: How effective and efficient are the processes to deliver products and services?

What the IT Dept. is trying to be

What it needs to do to achieve the mission

A mechanism to communicate the objectives and monitor how successfully they are being achieved, recognizing four key perspectives of the IT Dept.’s business performance

The IT Balanced Scorecard links strategic business objectives with IT-performance measurement
2. IT Balanced Scorecard
– The Integrated Performance Management Framework

- **Financial**
  What we have to achieve to meet the expectations of our shareholders/investors?

- **Customer**
  Which customer needs we have to meet to achieve our financial goals?

- **Internal Processes**
  Which internal processes we have to execute with excellence to satisfy our customers?

- **Learning & Growth**
  What has the organization to learn and to implement in an innovative way to achieve our goals?

The integration of goal setting, performance measurement and management controls for each of the four perspectives constitutes a performance framework and supports cause-/effect-communication.
2. IT Balanced Scorecard
– Cascading objectives from board to staff

By cascading and breaking down the four perspectives (Customer, Finance, Learning & Growth, and Internal Processes) the Balanced Scorecard provides also a means for management by objectives and HR performance management.
2. IT Balanced Scorecard
– Cause and effect linkage and the link to KPI’s and targets

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Strategy Model</th>
<th>KPIs and Targets</th>
<th>Strategic Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td></td>
<td>- X% reduction of IT-Costs/Revenue</td>
<td>- Implementation of charge back model</td>
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<td></td>
<td></td>
<td>- ...</td>
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</tbody>
</table>

| Customer             | Customer Satisfaction | - X% improvement of customer satisfaction                                         | - Implementation of Trouble Ticket System                |
|                      |                      | - ...                                                                            | - Introduction of account managers                       |
|                      |                      |                                                                                 | - ...                                                   |

| Internal Processes   | Service Quality     | - X% reduction of time per problem solution                                      | - Implementation of Trouble Ticket System                |
|                      | Fast Problem Resolution | - X% of small CRs errorfree                                                    | - IT process improvement                                 |
|                      |                      |                                                                                 | - Test Tool                                              |

| Learning & Growth    | IT-Employee Satisfaction | - X% of Employees have knowledge in Web-Technologies                           | - Training programme                                     |
|                      | Competency of Employees | - ...                                                                           | - ...                                                   |

The strategic goals are interfering and can have numerous dependencies. To set the KPI targets right and to understand the influence of projects/initiatives onto the performance measures the identification of these dependencies is essential.
## 2. IT Balanced Scorecard – Example Score Card

<table>
<thead>
<tr>
<th>Strategic IT Goal</th>
<th>Scorecard</th>
<th>Customer</th>
<th>Strategic IT Goal</th>
<th>Scorecard</th>
<th>Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Customer satisfac-</td>
<td>• Relation of in-time development orders to executed orders</td>
<td>• Reduction/</td>
<td>• Total costs IT / Turnover</td>
<td>• Total costs IT / Turnover</td>
<td></td>
</tr>
<tr>
<td>tion regarding developed applications</td>
<td>• Usage degree of applications</td>
<td>control of IT costs</td>
<td>• Difference between actual and target costs</td>
<td>• Difference between actual and target costs</td>
<td></td>
</tr>
<tr>
<td>• Customer satisfac-</td>
<td>• Time between problem notification and problem solution</td>
<td>• Economically IT-Services</td>
<td>• Costs per mainframe hour</td>
<td>• Costs per mainframe hour</td>
<td></td>
</tr>
<tr>
<td>tion regarding service level</td>
<td>• Usage degree of Helpdesk</td>
<td></td>
<td>• Relation of maintenance costs to overheads</td>
<td>• Relation of maintenance costs to overheads</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategic IT Goal</th>
<th>Scorecard</th>
<th>Learning &amp; Growth</th>
<th>Strategic IT Goal</th>
<th>Scorecard</th>
<th>Internal Processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Employee satisfac-</td>
<td>• Absence rate</td>
<td>• Reduction of time per problem solution</td>
<td>• Time between problem notification and begin of resolution</td>
<td>• Time between problem notification and begin of resolution</td>
<td></td>
</tr>
<tr>
<td>tion / motivation</td>
<td>• Fluctuation</td>
<td>• Meet timetables of application development</td>
<td>• Relation of timely executed developments to total amount of developments</td>
<td>• Relation of timely executed developments to total amount of developments</td>
<td></td>
</tr>
<tr>
<td>• Competency of employees</td>
<td>• Days per year spent on further education</td>
<td>• Amount of propositions for improvement per year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Amount of propositions for improvement per year</td>
<td></td>
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</table>

*Strategic IT Goal Scorecard*

- To address the needs of IT Performance Management and to give management a suitable solution at hand, SAS developed its new suite of tools.

- Integrating Data Collection, Cost Accounting and Service Level Reporting into a strategic view, SAS IT Management Solutions provide a comprehensive solution for IT Performance Management.

- Addressing today’s needs of IT departments from strategy to delivery, SAS IT Management Solutions are a strategic instrument that effectively supports the business of IT service provision.

- (re)define objectives
- set performance targets
- monitor performance
- take corrective action
- proceed with performance management cycle

(set strategic goals and define KPIs
define measures and thresholds
elaborate strategic perspectives
identify goal relations
monitor performance
drill down to detailed views
proceed with performance management cycle
take corrective action
(re)define objectives
set performance targets
monitor performance
}
4. Implementation Prerequisites
– IT and service management maturity

- The IT Balanced Scorecard requires a certain level of maturity in the area of management of IT and service management in particular.

- Where this maturity is not in place it should be realized before implementing the IT Balanced Scorecard itself.

- As a preparation IT maturity can be thoroughly assessed with IBM’s IT PI methodology.
5. Implementation Approach
– Overview

- **Project Start-up**
  - Performance Management Project Abstract
  - Enterprise Overview / Infrastructure Assessment
  - KPI/BSC Workshop
  - Source System Analysis
  - Technical Infrastructure

- **Analysis**
  - Performance Database
  - Data Transformation / Design Data Mapping
  - Information Portal

- **Design**
  - BSC Design Reporting System
  - Performance Management System Construction
  - System and Integration Testing
  - Information Portal

- **Construction**
  - System Implementation and Project Close
  - Change Integration / Prototyping / Acceptance Testing
  - Transition Support and Migration / Project Management and Quality Assurance

Checkpoints / Milestones after each phase:
- M1: Analysis
- M2: Design
- M3: Construction
- M4: Implementation

Post-Implementation Review
5. Implementation Approach
– Step by step with phased approach

- For the implementation of an IT-Scorecard it is often advisable to implement first some high level measures before getting to the more detailed. In doing so …
  - quick wins can be achieved
  - the enterprise can get used to work with the IT-Scorecard methodology early on
  - the project does not get paralysed through analysis work
  - people can start with an easy to understand IT-Scorecard
  - people get experience with high level controls which makes it easier to decide which of them need more detail and which not

- Such a step by step approach could look as shown in the example on the right:
5. Implementation Approach
   – Critical success factors for IT-Scorecard introduction

- The IT-Scorecard should reflect the way the business sees IT (commodity vs. strategic service).
- The implemented IT-Scorecard should be able to:
  - demonstrate the value added by the IT
  - establish a balanced set of measures to determine the effectiveness of IT
  - communicate and motivate IT performance in key areas
  - establish a framework for IT management reporting
- The IT objectives should be linked to operational plans.
- Measures of value must be negotiated with the business through a continuous process.
- Some IT performance criteria and objectives should also be linked to the HR performance measurement system.
- Not only hard facts count: the acceptance of IT and its Scorecard is also a matter of trust and the perception of the other business functions, so IT should also invest in marketing its contribution to business value.
6. Why IBM Business Consulting Services / SAS?

- IT becomes more and more a strategic success factor for every company.

- The management of IT needs solutions, which are tailored for business alignment, controlling, and management of IT services.

- SAS IT Management Solutions provide a comprehensive Layer Model for meeting these needs:
  - Operational - Data access to all systems data
  - Financial - Charge Back View
  - Strategic - IT Balanced Scorecard

- We offer a proven methodology and technology based on IBM Business Consulting Services and SAS’ best practice experience for making this solution work.

IBM BCS and SAS can help you to leverage the full value of utilising IT Balanced Scorecard within your company
Contact

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Thank you.
Backup

<table>
<thead>
<tr>
<th>Layer</th>
<th>Description</th>
<th>Benefits</th>
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<tbody>
<tr>
<td>Service Level Management (SLM)</td>
<td>• In-Scope</td>
<td>• Alignment of IT to business.</td>
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<tr>
<td></td>
<td>Alignment with business objectives, Service Catalogue definition</td>
<td>• Clear communication between business and IT and focused IT infrastructure development.</td>
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<td></td>
<td>and maintenance, managing customer relationship, managing SLAs for</td>
<td>• Clearly IT service offerings and capabilities.</td>
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<tr>
<td></td>
<td>internal and third parties IT services, based on ITIL.</td>
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</tr>
<tr>
<td></td>
<td>• Out of Scope</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Providing day-to-day customer service, change issues, technical monitoring.</td>
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<tr>
<td>Service Accounting / Cost Calculation</td>
<td>• Control of the IT suppliers business operations</td>
<td>• Prices and cost models are connected to forecast capacity needs and spending.</td>
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<tr>
<td></td>
<td>• SLA profile configurator based on central services catalogue</td>
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<tr>
<td></td>
<td>• Services/products profile configurator</td>
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<td></td>
<td>• Billing based on service consumption/definition</td>
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<td></td>
<td>• Customer profile configurator</td>
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<tr>
<td>Data Collection &amp; Service Level Reporting</td>
<td>• <strong>Operational Data:</strong> collection engines input any form of operational</td>
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<tr>
<td></td>
<td>data (many as standard).</td>
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<td></td>
<td>• <strong>IT Administration:</strong> performance database includes structural options,</td>
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<td>data model registration, generic collector definitions and the charge-back</td>
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<td></td>
<td>data model registration.</td>
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<td>• <strong>Metadata:</strong> components of the data dictionary and description of stored</td>
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<td></td>
<td>data.</td>
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<td></td>
<td>• <strong>Reporting:</strong> standard reporting facilities support the management and</td>
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<td></td>
<td>monitoring of SLAs.</td>
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<td></td>
<td>• <strong>Transposition:</strong> Tables of performance DB environment are input to</td>
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<td></td>
<td>service level info mart (SLIM).</td>
<td></td>
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<tr>
<td></td>
<td>• <strong>Service Level Information Mart:</strong> defines the SLM data models and</td>
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<td></td>
<td>compiles the SLA logic (incl. transformation of the logic into physical</td>
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<td>programs that populate the tables).</td>
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2. IT Balanced Scorecard
– Need for and Benefits of IT Balanced Scorecard

Needs

- More efficient IT department
- Provide management focus on the achievement of its corporate vision
- Move from a management focus dominated by short-term financials to a longer term, more balanced focus
- Executive-endorsed scorecard concept
- Part of a group wide initiative
- Support transformation of an IT division
- Transform the management focus of IT into a genuine business partnership with the business units supported

Benefits

- Clarifies business/IT strategy
- Organisation develops a shared understanding & commitment to the scorecard programme
- Measures reflect the clarified business/IT strategy
- Measures are comprehensive and well rounded, not just "the easily measured"
- Act of distilling measures for the scorecard drives to a set of agreed priorities and tradeoffs as the organization seeks to identify only those measures that truly contribute to the strategy/vision attainment
- As a management tool, the scorecard measurement data collected provides focused management information for the organization
- Accountability for measurement and performance is spread across functions
Detailed Performance Metrics

**Quantitative**

- **Cost**
  - Technology
  - People
  - Other
  - Development
  - Productivity
  - Production Operations
  - Application Services
  - Computing Services
  - Network Services
  - Help Desk Services

- **Productivity**
  - Total Product Service Output
  - Cost Per Unit of Output
  - Total Units Output Per Staff
  - Indirect to Direct Staff Support Cost
  - Resource Availability Time/Total Time
  - Mean Time To Device Failure by Type
  - Rework or Scrap Hours/Total Hours
  - Number of Customer Calls/Complaints
  - Total Cycle Time to Problem Resolution
  - Mean Time To Problem Resolution
  - Actual Availability/Designd Availability
  - Number of Customer Calls/Complaints
  - Amount of Change Orders to Initial Specifications
  - Recurrence Rate of Same Problems
  - Number of Orders Filled Within Designed Times
  - Number of Errors

- **Quality**
  - Total Cycle Time to Problem Resolution
  - Mean Time To Problem Resolution
  - Actual Availability/Designd Availability
  - Number of Customer Calls/Complaints
  - Amount of Change Orders to Initial Specifications
  - Recurrence Rate of Same Problems
  - Number of Orders Filled Within Designed Times
  - Number of Errors

- **Timeliness**
  - Total Cycle Time to Problem Resolution
  - Mean Time To Problem Resolution
  - Actual Availability/Designd Availability
  - Number of Customer Calls/Complaints
  - Amount of Change Orders to Initial Specifications
  - Recurrence Rate of Same Problems
  - Number of Orders Filled Within Designed Times
  - Number of Errors

- **Complexity**
  - # Moves/Adds/Changes
  - # of Network Nodes
  - # of Network Devices
  - # of Storage Devices
  - # of Email ID's

- **Capacity**
  - Installed MIPS/Utilized MIPS
  - Installed Disk Storage/Utilized Storage
  - Installed Server Storage/Utilized Storage
  - Installed Workstations by Type
  - Rate of Consumption/Growth over Time
  - Desktop Technology Turnover
  - Preventive Maintenance & Repair Staffing Levels
  - Moves/Adds/Changes Per Support Staff

- **Satisfaction**
  - Ease of Use of Applications
  - Technology In Place for New Hires
  - Training Availability/Satisfaction
  - Performance Against Expectations
  - Accessibility to Key Computing Resources
  - Satisfaction with Problem Resolution
  - Technology Leveraged Getting the Job Done

- **Logistics**
  - Lead time to Moves/Adds/Changes
  - Number of Physical Sites Supported
  - Number of Geographies Supported
  - Number of Applications Supported
  - Number of Technologies Supported
  - Number of Hours Support Provided/Covered

- **Rate of Change**
  - Number & Frequency of Moves/Adds/Changes
    - By Device Type
    - By Location/Type
  - Number & Frequency of Adds/Changes
    - By Application
    - By Location/Site
    - By Application Type
Dependencies of objectives

- **Financial**
  - ROI

- **Customer**
  - Customer Loyalty
  - On-Time Delivery

- **Process**
  - Process Quality
  - Process Cycle Time

- **Learning/Growth**
  - Employee Skills