



Strategic Consulting Associates

Aligning Business and Technology™

IT Balanced Scorecard

Lessons Learned:

Reasons for Failures in IT Balanced Scorecard

Implementations

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Overview

There are many reasons IT Balanced Scorecards can fail. Generally, the failures fall into two categories: 1) failure to pay attention to the basics of building a Scorecard, and 2) failure to pay attention to the human side of implementing a Scorecard.

This presentation addresses each category of failures and presents some common-sense solutions that should help any organization avoid these common pitfalls.

Paying Attention To The Basics

- Training
 - Often times not enough emphasis is placed on preparing managers and scorecard team members for the realities of a scorecard program. This lack of knowledge about the purpose and goals of the scorecard leads to frustration and lack of engagement with the process.
 - ☑ ***Rushing through a scorecard implementation never works, so don't try to cheat the process! The SCA scorecard process emphasizes training at the start of all IT BSC programs and focuses on issues such as 1) time to implement, 2) time to results and 3) management responsibilities for successful implementation.***
- Not Building Strategy Maps
 - Many organizations fail to understand the value of the strategy mapping process and as a result fail to derive the full benefit of the scorecard. Building strategy maps is 80% of the value of a Scorecard program. It is this step in the process that clearly depicts the story of an organization's strategy, reveals the true cause-and-effect benefits of the Scorecard and creates true alignment between business and IT.
 - ☑ ***As hard as the mapping process may be, again, do not cheat the process. The heavy lifting early in the game will reap great results later on.***

Paying Attention To The Basics

- Themes and Objective Are Not Actionable
 - Often, themes and their derived objectives are not characterized in ways that are actionable. This leaves implementation teams frustrated and results in reverting back to undesirable behaviors. The purpose of establishing themes is to bridge the gap between the existing state of operations and the desired state, and help organize scorecard work efforts.
 - ☑ ***Create clearly defined themes that team members can buy into and scorecard leaders can evangelize. When defining targets, make a clear distinction between stretch targets and targets that are unachievable. Stretch targets force teams to go beyond what they are used to achieving but remain believable by the team members involved.***
- Lack of Clearly Defined Performance Drivers
 - Remember that performance drivers are the predictive measures that attempt to look ahead and drive behavior rather than report on it. Because of this predictive nature, performance drivers are inherently difficult to define, yet necessary to the success of a scorecard effort. Cause-and-effect monitoring (feedback loops) is critical to success.
 - ☑ ***Training is the first line of defense in developing good performance drivers. The second line of defense is treating performance drivers as cause-and-effect relationships that require sound feedback loops to ensure they are constantly monitored and adjusted when necessary.***

Paying Attention To The Basics

- Too Many / Too Few Measures
 - More often than not, initial attempts at developing scorecards place too much emphasis on the measures part of the process. The result is the creation of just another performance measures program rather than the developing of a true strategy management program as represented by the Balanced Scorecard. However, too many measures creates an over-emphasis on the measuring activity and not enough on the outcomes. Too few measures results in lack of real progress and poor overall results.
 - ☑ ***A well executed measures workshop will focus on proper understanding and use of measures. Follow the guidelines of averaging 1 to 2 measures per objective.***
- Focusing Solely On Measures
 - This is very similar to having too many measures and causes a failure to realize the true value of a balanced scorecard program. The BSC program simply becomes a list of measures without the appropriate understanding of cause-and-effect relationships.
 - ☑ ***Place a proper emphasis on all aspects of the balanced scorecard process. Do not skip any of the key elements such as strategy mapping.***
- Imbalance in lag v. lead measures
 - There is often an over-emphasis on lag measures due to their easier identification. However, de-emphasizing lead measures misses the opportunity to drive behavior in a forward looking manner. What's needed is a proper balance of measuring where you've been as well as measuring where you want to go and whether you are getting there.
 - ☑ ***Lead measures are usually confined to the Internal and Learning and Growth perspectives. There are times when it is appropriate to use them in the Customer perspective as well. Know where to use them and follow the guidelines above for using them effectively.***

Paying Attention To The Human Side

- Management Support
 - In many cases IT Balanced Scorecard programs are pushed too far down the organization without proper support from senior management.
 - ☑ ***The daily management of a scorecard should not be with the CIO; rather it should be a direct report to the CIO with the CIO's full management weight and prestige behind the effort. Management participation is required in the training process for the IT BSC as well as participation in milestone checks throughout the implementation process.***
- Expectations
 - Often there is an expectation of too much, too soon from scorecards.
 - ☑ ***Scorecards are a strategic management system and as such a new way of managing. Proper training and introduction to scorecard concepts reinforce the organizational change necessary to successfully implement an IT BSC.***

Paying Attention To The Human Side

- Gaining Experience with The IT Balanced Scorecard
 - It takes time to learn how to use the BSC within the context of the culture and skills of an organization. While revolutionary in its results, the BSC is evolutionary in its learning curve.
 - ☑ ***Best practice recommendation is for an organization to take the time to learn how to use the IT BSC within the context of the culture and skills of the organization. Most IT organizations have never been subjected to performance management systems before. As such, the transition can often be painful.***
- Linking compensation too soon
 - Many organizations do not take the time to learn how to effectively use the scorecard before linking the program to individual performance and compensation.
 - ☑ ***After the organization has become used to the concept of measuring performance at the organizational level, then cascade the system to the individual.***

Paying Attention To The Human Side

- Not Including Business Management In Development of IT BSC
 - Often there is a failure to include senior management in the development of the IT BSC. This violates the very premise of developing IT plans in the language of the business and making IT seem relevant to the organization.
 - ☑ ***If you are doing this – STOP! There is no point in proceeding with your scorecard program until senior management buy-in has been obtained and their participation in the process secured.***
- Not Utilizing Real Change Leaders To Effect Change
 - Real Change Leaders are those that can be counted on to drive change required of a successful scorecard implementation. Often, organizations rely on the leadership as represented by the organization chart, versus the unofficial but true leaders.
 - ☑ ***The BSC represents significant change and thus requires the use of real change leaders – individuals recognized within the organization as those that get things done, are willing to take risks and recognized as leaders, regardless of the organization chart.***
- Non-effective Feedback Loops
 - In many cases, scorecard programs fail to implement appropriate feedback loops that report on progress in a way that continually senses and responds to what's working and what isn't.
 - ☑ ***Part of the framework development for the scorecard should include reporting and communication programs. These programs must work in a way that ensures participation through all levels of the organization and be accomplished on a regular basis. Scorecards are successful when made a part of every day life in the company and this happens only when effectively communicated.***