

The Role of Balanced Scorecards Within ITIL Service Delivery

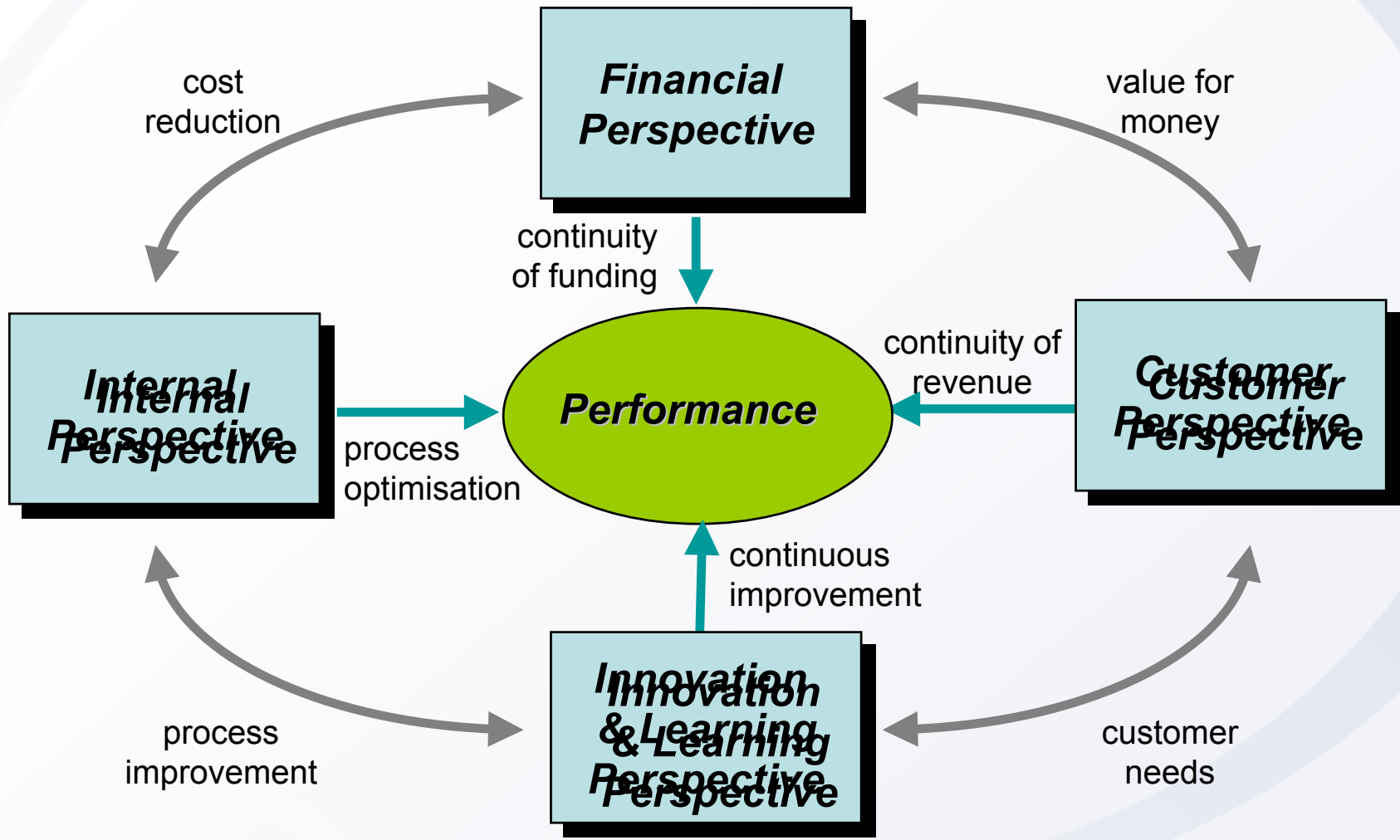
Tim Young,
Vice President,
Proxima Technology.

- If you don't know where you are going, you could end up somewhere else!
- “What gets measured gets done” - Tom Peters
- Druckers basic assertions about performance:
 - few factors are as important to the performance of organisations as measurement
 - measurement is the weakest area in management today
- “People who fail to plan, have planned to fail”. *Hewell*
- There are 3 types of companies: those who make things happen; those who watch things happen; those who wonder what happened.
- “Planning ahead is clearly a good idea. It wasn't raining when Noah built the ark”

Balanced Scorecard

- Business performance management tool
 - Developed in the early 1990's by Kaplan and Norton
- An approach based on a balance between:
 - Financial and non-financial KPIs
 - Internal v external perspectives
 - Results v causes
- Presents value beyond traditional cost measurement approaches
- Cascades from the top to bottom of an organization
- Is not rocket science!

The Balanced Scorecard



Example

Centauri - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Address C:\Documents and Settings\tim.young\My Documents\Website\Dashboards\TMPgasrv54oqn.htm

NewLine Site Map PhotoPh Search Help

BUSINESS UNITS TECHNOLOGIES OUTSOURCED SIX SIGMA HOME HELP

Balanced Scorecard

Business Process	Value	Status	Sigma	IT Service
FINANCIAL				
Cost/Income Ratio	7.3	Success	4.01	
Income, Profit & Expenses Vs Plan	4.1	Success	2.78	
Return on Capital				
Material Risk Exposures	3.3	Success	3.58	
Earnings per Share	8.8	Success	3.19	

Business Process	Value	Status	Sigma	IT Service
INTERNAL				
Staff Turnover Rates	7.3	Success	4.01	
Average Unit Transaction Cost	4.1	Success	2.78	
System Availability				
Material Risk Exposures	3.3	Success	3.58	
Non Conformance Ratios	8.8	Success	3.19	

Business Process	Value	Status	Sigma	IT Service
CUSTOMER				
Intermediation Level	7.3	Success	4.01	
Customer Win Rate	4.1	Success	2.78	
Renewal Rate				
Market Share	3.3	Success	3.58	
Satisfaction Index	8.8	Success	3.19	

Business Process	Value	Status	Sigma	IT Service
INNOVATION & LEARNING				
% Revenue / Profit from new products	7.3	Success	4.01	
Average Revenue / Employee	4.1	Success	2.78	
Staff Attitude Index				
Rate of Improvement Index	3.3	Success	3.58	

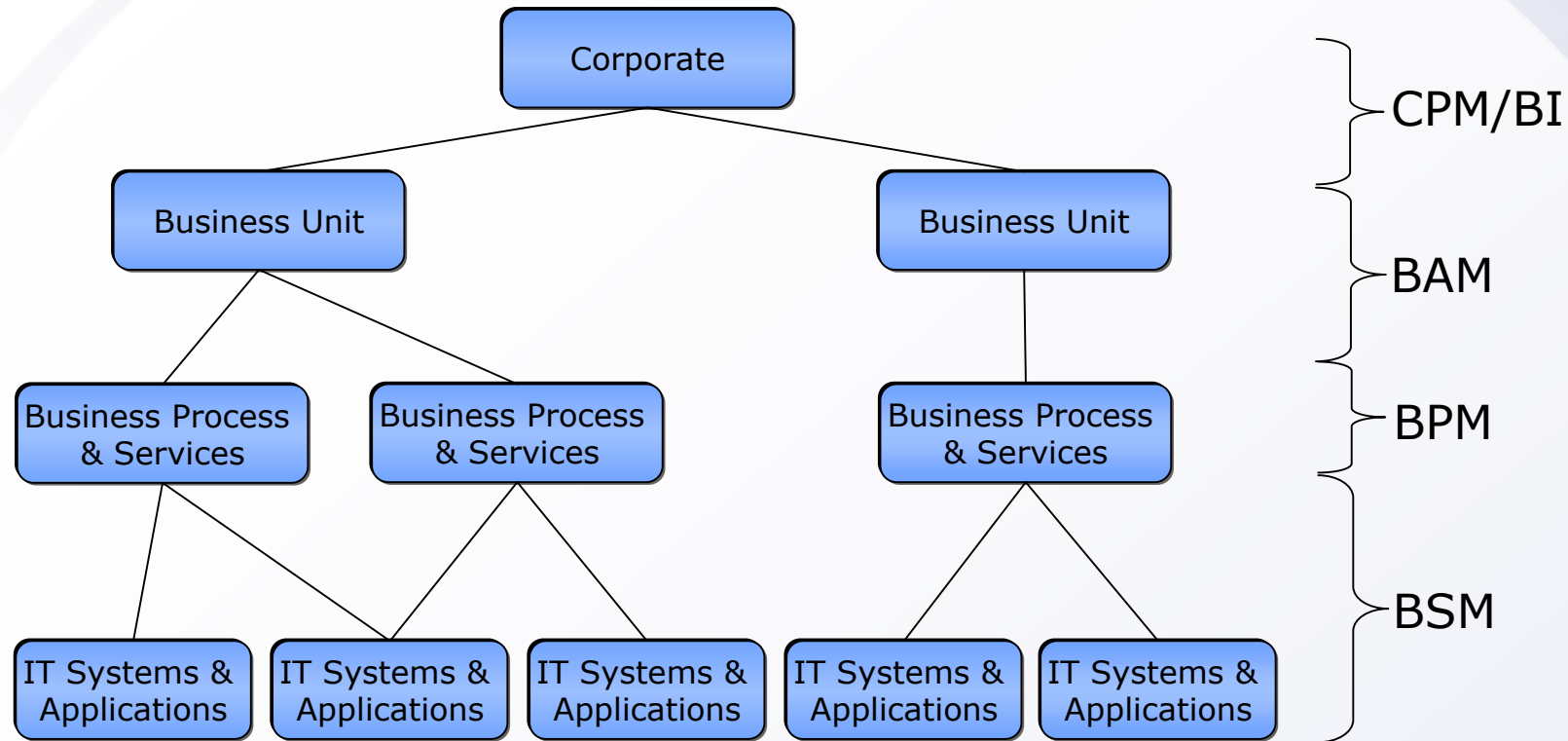
On Centauri

Status -
 Availability (last 24 hours) -

Data Refresh
 Success
 Failure
 >=90%
 <90%

Internet

Market Participants



▪ **BSM**

–Manages IT for the purpose of improving business service

▪ **BPM**

–Manages (executes) distinct business processes

▪ **BAM**

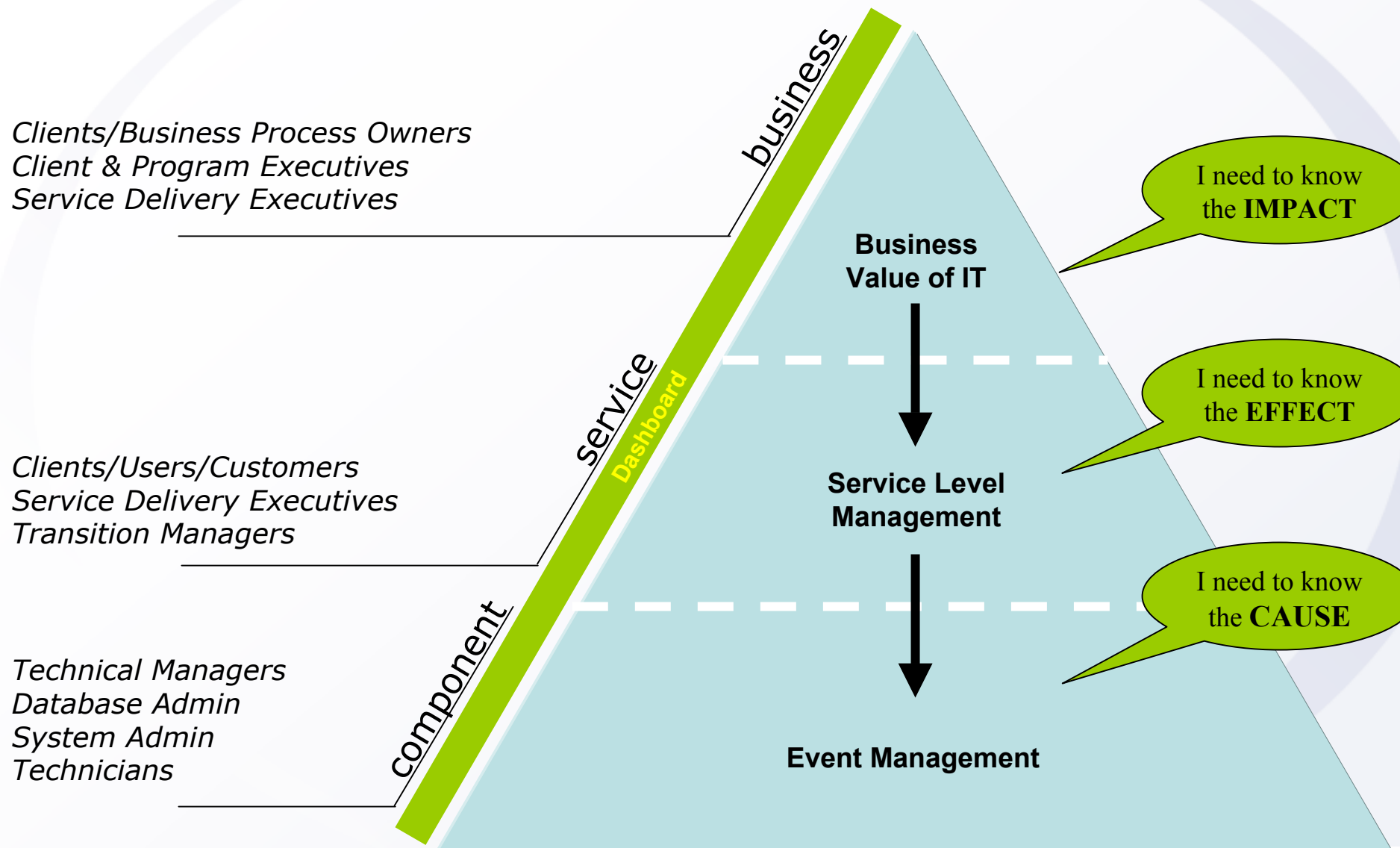
–Provides business metrics from underlying business processes / services

▪ **CPM**

–Manages and monitors business performance across an enterprise

- Logical progression of NSM
 - Aligns IT with the Business
 - Presents the business value of IT
 - Continuously optimizes IT service
- Where systems management meets business management
- (Is currently prone to much marketing hype!)

Reporting Hierarchy Within IT



- Aligns IT with the business
- Reports the business value of IT
- Increasingly significant:
 - Business dependency on IT
 - Cross-functional - integrated across functional boundaries
 - Links to customers and suppliers - integration of supply, production and delivery
 - Customer segmentation - customised products to diverse customer segments
 - Global scale - domestic borders are no longer a barrier to competition
 - Innovation - anticipating customers future needs in a world of shrinking product life-cycles
 - Knowledge workers - supporting analysis and problem solving

Scorecard vs Console

	Enterprise Console	SLM Scorecard	Corporate Balanced Scorecard
Target Audience	Technical	Technical IT Management Owners of IT dependant business processes Operational business management	Knowledge workers Tactical and strategic management
Breakdown	System components -- eg servers, networks	Business process and enabling IT services	Planning and control cycle on enterprise level
Focus	System events and performance data	Service levels of critical to quality (CTQ) business processes	Business events
Transformation Degree	None	Moderate	High (many calculations, aggregations)
Time Scale	Real-time	Near real time (with historical reports)	Daily or less-frequent business cycles
Data Collection	Systems management tools	Systems management tools IT systems management infrastructure Transactional systems Project management systems	ERP applications Back office systems
Return on Investment Justification	IT staff productivity	IT process efficiency	Business effectiveness
Typical Subjects	Database utilization Network efficiency Server performance	IT service compliance IT resource utilization IT process efficiency Quality of application service	Sales forecasting Financial consolidation Process optimization Campaign response analysis Overall management reporting
Typical Metrics, Methodologies and Business Rules	Absolute values IT Infrastructure statistics	Exception-based triggers: - IT service breaches Cost of poor quality metrics	Repetitive or analytic information: - Balanced scorecard metrics - Activity-based costing - CRM metrics - Financial statements

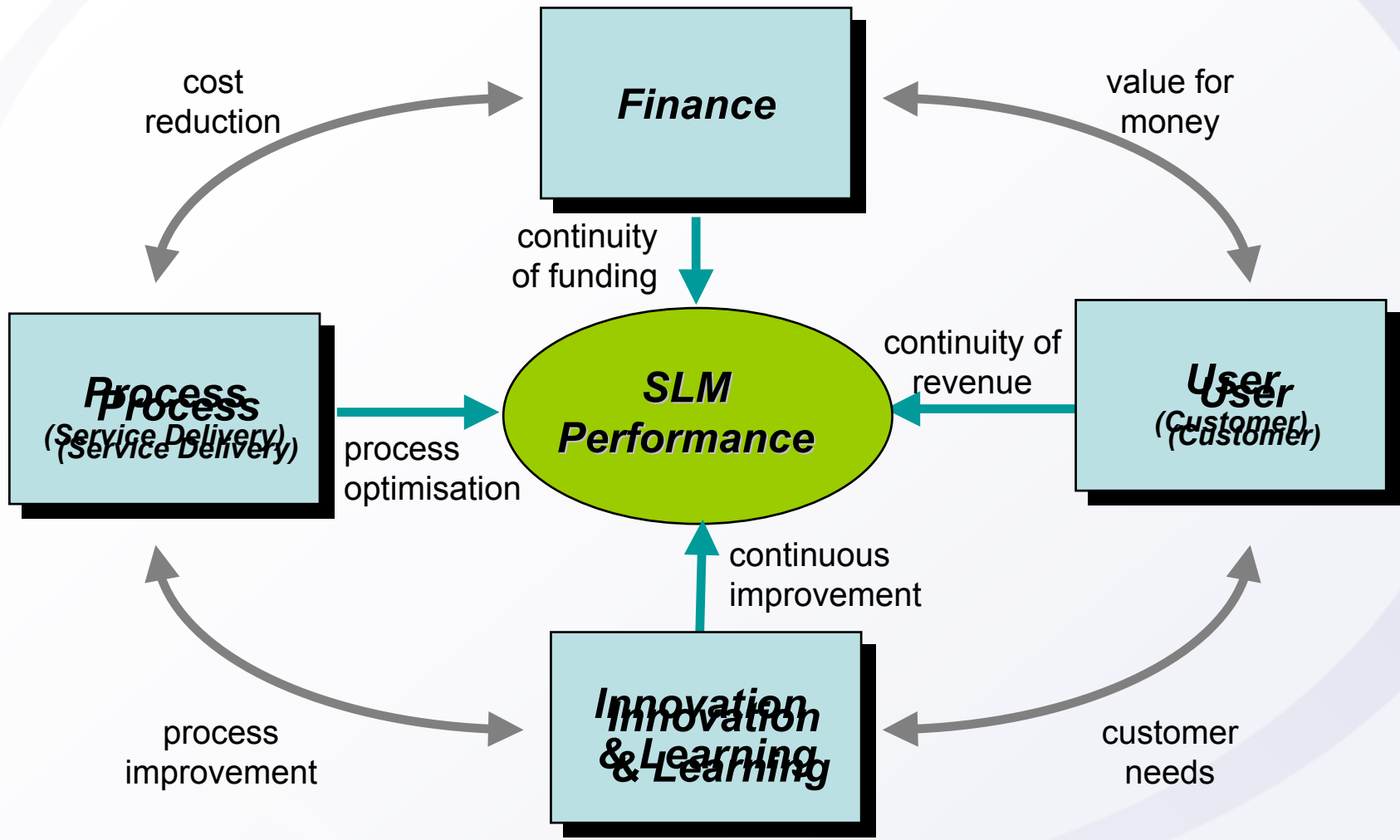
Implementation Challenges

- **Cultural and Management**
 - Prepare the organization for change (top-down)
 - Identify the right metrics (this is where Six Sigma helps!)
 - Get buy-in at all levels
 - Plan to follow through to completion

- **Technical – Real Time Analysis and Display**
 - Data retrieval (disintermediation)
 - Data filtering
 - Data aggregation
 - Data conversion
 - Digital dashboard display
 - Alert notification

What are the metrics and how do I get them?

The SLM Balanced Scorecard



Approach – eg User/Customer

■ Critical Success Factor

- Additional customers
- Increased customer confidence
- Increased customer satisfaction
- Conformance with SLAs

■ Measure

- No. of visits, appointments
- Order rate of established opportunities
- Ratio of firm orders to quotes
- Volume Opportunities lost by reason
- Growth in “live” customer base
- Renewal rate & volumes
- Customer Satisfaction Index
- No. of referrals
- Length of customer relationship
- Volumes & nature of complaint
- Failure rate to SLA
- Late signing statistics
- Non-conformance exception statistics

■ Service Delivery Process

- Service Level Performance
 - Performance to SLAs
- Quality
 - Process sigma
 - Availability
 - Throughput
- Capacity Management
 - Capacity/demand
 - Accuracy of capacity forecasts
- Project Management
 - Tracking of all requests
 - Requirements fulfillment
- Incident recovery
- Incident Management
 - Tracking of all incidents
 - Incident ownership

■ Finance

- Financial Management
 - Billing
 - Consumption
 - Performance to budget
- \$ Savings
- COPQ
- Penalty payments
- Asset management
 - Age
 - Cost
- ROI
- Profitability by user/customer
- Unit cost measures

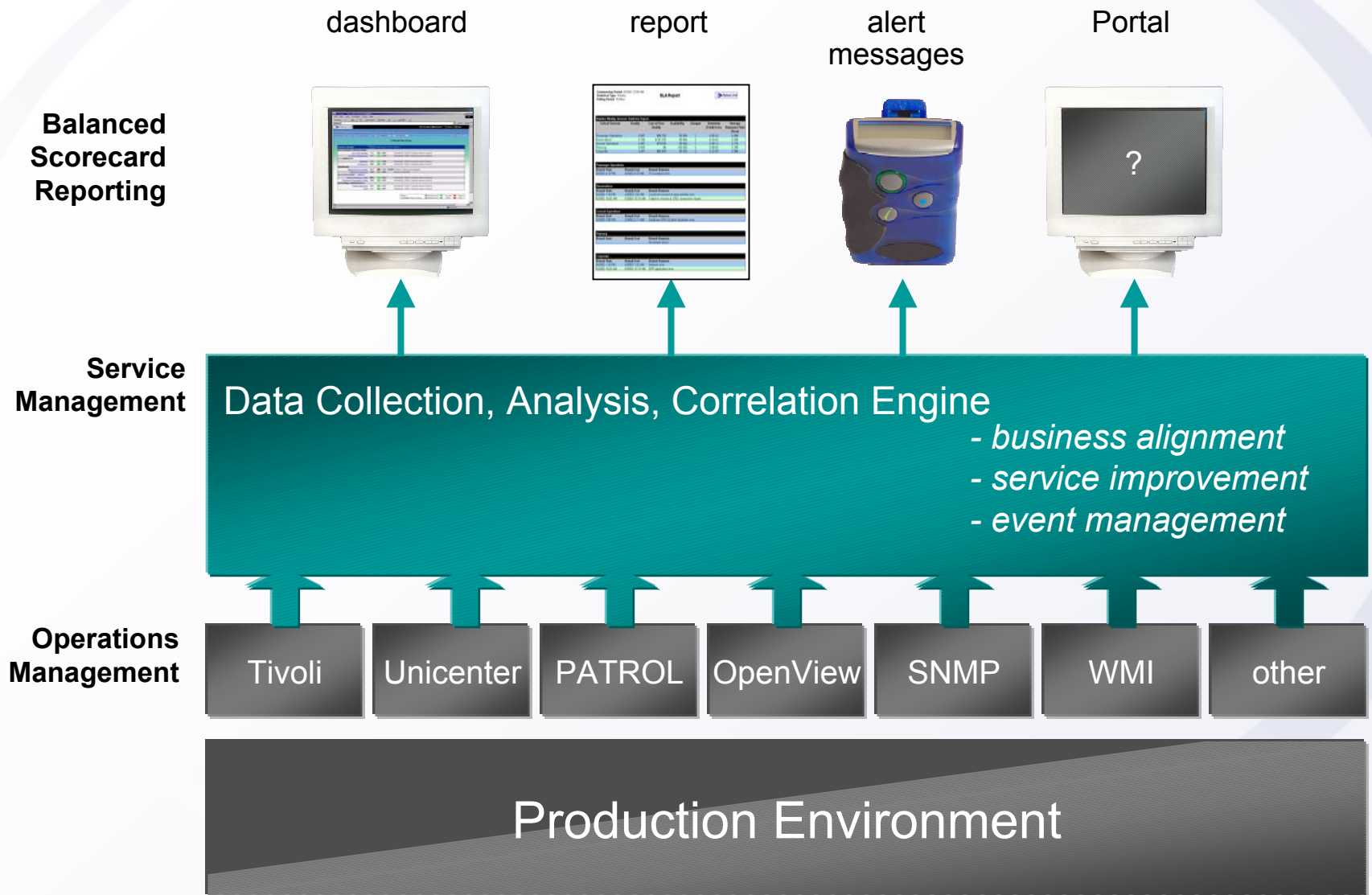
■ User/Customer

- User Perception
 - VOC
- Helpdesk activity
 - Volume
 - MTTR
- User downtime minutes
- End user training
 - Technology awareness
 - Consumption awareness
- Customer acquisition
 - Drop outs
 - Complaints

■ Innovation & Learning

- Rewards & recognition
- Classes taken
- Lateral moves
- Teamwork
 - Corporate Citizen
- Upgrade activity
- Technology
 - Efficiency
 - Effectiveness
 - Refresh
- Rate of improvement

Implementation Architecture



- **Disintermediation:**
 - The process of removing intermediary data collects made redundant by native and open data collectors
- Scorecard process results in an understanding of critical to quality components
- Eliminate expensive proprietary management products
- Scorecard implementation can be justified on this cost saving alone!

- Value beyond traditional measures
- Conflicting priorities are synchronized
- Not Rocket Science
 - The Devil is the implementation not understanding the concept
 - What are the right metrics?
 - Data collection, correlation and display?
- Requires top-down support
 - Either corporate or IT Management
- Requires data collection, analysis and dashboard technology