IT Balanced Scorecards -
Suncorp's journey to a contemporary model.

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1. The Problem

Growing the business in an environment of increasing competition and a changing marketplace challenges commercial organisations to focus on further reducing operating costs – "doing more with less" - as a means to sustain shareholder value.

Restructures, transformations, mergers, acquisitions, disposals and off-shoring have become the norm, and place intense focus on non-revenue earning divisions within the corporation to cut costs and more strictly qualify new initiatives in terms of benefits realisation. The big-spending Y2K era has intensified business focus on IT costs, and IT departments who continue to be measured largely in financial terms are constantly "under the gun".

Three years ago, Suncorp was restructuring for the 4th time since the 1996 merger of Suncorp Building Society, Metway Bank and QIDC and the resulting transformation process was again focusing on reducing operating costs, particularly with the acquisition of GIO under way.

The problem for IT was that its performance was largely measured in financial terms and even though it was already operating below industry average cost, the Business goals remained sharply focused on share price and the pressure to further reduce costs was a perpetual situation. For IT, the measures on performance were largely focused on:

- IT cost as % of group Operating Expenses;
- IT cost as % of Revenue
- Operating Expenses Variance to budget
- FTE numbers Variance to budget

Although IT maintained that System Availability and Security were also important, these aspects of IT performance were "just expected" by the business.

Additionally, business assessment of IT delivery performance was based on perception of project delivery, and unfortunately, what sticks in the mind of the Business are the projects that don't go so well - the 10% of the projects iceberg that sits above the water.

In short:

- What IT saw as high value had become a commodity to the business;
- What IT didn't want to be seen as (a cost centre) was trapped in the headlights.

IT had to change the way it was perceived and the way it was assessed - it had to develop more ways to show value to the business and take the focus off costs.

2. The Journey Begins

The Business introduced Balanced Scorecards to assess performance and the General Executive of IT embarked on a strategy that would see it adopting this approach to broaden the assessment base using a concept familiar to the business.

An IT Metrics team was established in the 2002 transformation and a pilot balanced scorecard for IT as a Business Unit was developed for the 2002/3 financial year (FY). Since then, many lessons have been learned on metrics for IT, balanced scorecards and how management deal with the information they receive.

The initial IT Balanced Scorecard, developed on the Kaplan & Norton model [1] has been reworked to a more contemporary model and scorecards are now provided monthly to the IT General Executive, 4 General Managers and 18 Managers across IT. They form a key input into annual performance reviews of IT management against KPI's.

In the complex environment that is Suncorp IT[1], balancing scorecard timeliness, quality and value (meaning and use) is a challenge. The most significant lessons learned with introduction of IT Balanced Scorecards to-date in Suncorp are summarised, somewhat metaphorically:

1. It is a journey, somewhat like a roller coaster. Lots of ups and downs, twists and turns, but you do get there, only to go around again, and again.
2. Many of the metrics will change, depending on where the hot spots are, but a core set will seem to persist. Be prepared for change.
3. Management acceptance of bad news on scorecards should not be expected – particularly near assessment time when bonuses are at stake. Be prepared for a challenge.
4. Data Quality begins at home, unfortunately everyone seems to be renting – not owning.

3. Initial Steps – Kaplan & Norton

Meta Group was engaged to ramp-up the initiative, and proposed the following steps towards implementation of Suncorp's first IT Balanced Scorecard:

1. Choose a Structure for the Scorecard – a methodology and layout;
2. Select Appropriate Metrics that drive action and identify Ownership thereof;
3. Assess Capability and Quality for Data Capture and document the derivation of metrics from that data;
4. Pilot the scorecard and assess each month. Build understanding in IT Management of the metrics and associated actions where issues are highlighted. Improve Data Quality;
5. Review metrics and targets annually;
6. Once established, link to KPIs to underpin corrective action on issues raised.

The involvement of Meta Group was a tactical move to jump-start the process with a scorecard layout and "industry standard" set of metrics, given:

- our inexperience with balanced scorecards for IT at the time; and
- the complexity of the Suncorp environment.

[1] Suncorp IT has over 900 staff working across 25 core systems involving over 2500 applications. It delivers around 11,000 releases per year and averages 40 concurrent projects. Suncorp IT supports the corporate back office and 3 business lines– banking, insurance and wealth management. Suncorp is Australia's 6th largest bank and 2nd largest general insurer. Head Office – Brisbane, Australia.

3.1

Step 1 – Structure

Suncorp and the Consultant from Meta decided to base the scorecard on a traditional Kaplan & Norton model [1] with perspectives of:

- Finances
- Business Internal Processes
- Customers
- Learning & Growth (ie. Employees)

The main benefits cited by Kaplan and Norton [1] for this model were:

- focuses the whole organisation on the few key things needed to create breakthrough performance;
- helps integrate various corporate programs, such as quality, re-engineering, and customer service initiatives;
- breaks down strategic measures to local levels so that unit managers, operators, and employees can see what's required at their level to roll into excellent performance overall.

The structure for Suncorp IT Balanced Scorecard was agreed, based on the 4 traditional perspectives and divided into 8 sub-categories as shown in Figure 1.

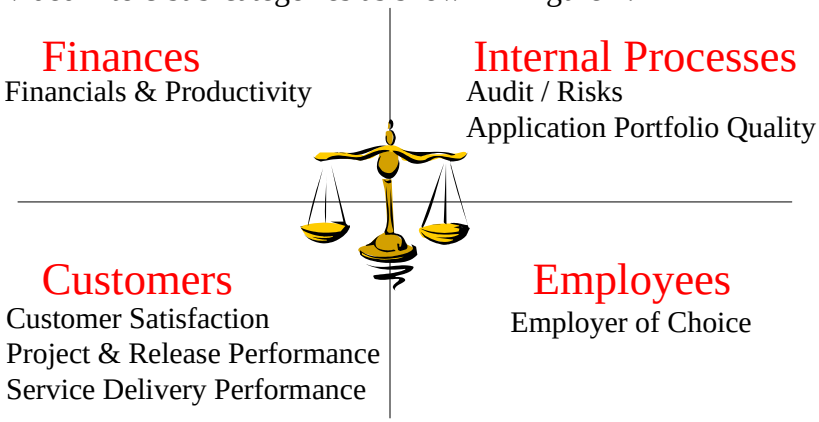

Figure 1 – Suncorp IT Balanced Scorecard model based on Kaplan & Norton

Various examples of scorecard layouts were reviewed and the initial scorecard was created similar to the example as shown in figure 2.

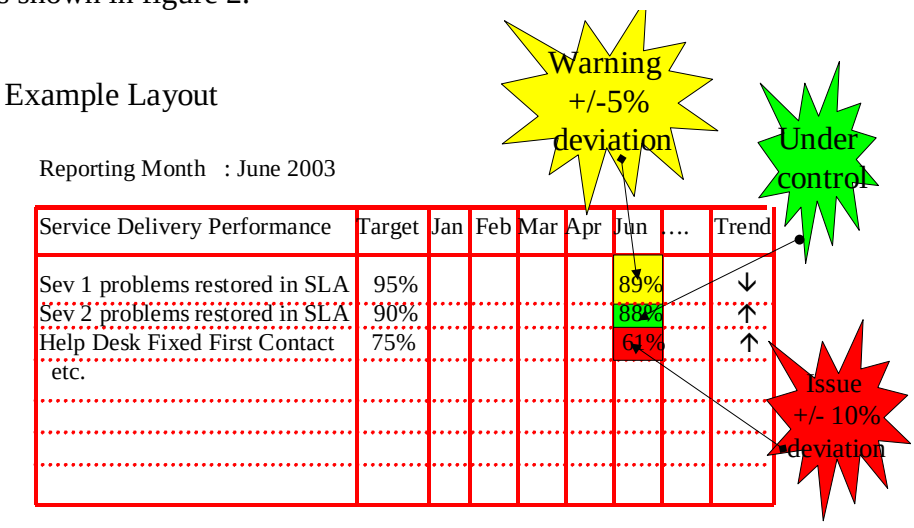

Figure 2 – Scorecard example layout

3.2 Step 2 – Initial Selection of Metrics

Meta Group recommended an initial set of metrics that, based on their global experience:

- were used as a foundation in many IT Balanced Scorecards;
- had industry standard benchmarks available; and
- were applicable to Suncorp ITs business and environment.

Suncorp added a few that related to key initiatives and after tweaking the Kaplan & Norton model the scorecard framework was set. (Refer to Figure 1 for structure, Figure 2 for example layout).

The initial metrics chosen were motivated as shown in Table 1 below. Although others were considered (eg. Charge-back gap actual v forecast), this list provided a start point, was easy to map to Kaplan & Norton's model and external benchmarks were largely available.

Time would tell, and although several of the measures survived, several didn't as they were either perceived as not being aligned to strategic initiatives nor operational goals, or not able to be easily related to business value of IT.

Metric	Motivation
Finances	
Actual Operating Expenses variance to budget	Inescapable measure – budget
FTE variance to Budget	Resources a significant driver of costs
TCO v Benchmarks	Cost competitive on # FTE's supporting various platforms
Processes	
Adherence to Architecture	Applicability of frameworks and consistency of use across IT
Architecture Reuse	Development Efficiency and Consistency
Architecture Time to Market	Timely facilitation of Development teams
Adherence to Policies	Assess effectiveness of policies
Adherence to Service Level Agreements	Measure of delivery as contracted
Changes Causing Downtime	IT should not cause disruption to customers through poor quality of work
Changes to Fix Same Problem	Fix problems at first attempt
Changes Causing Other Problems	IT should not cause problems for itself
Changes Implemented without Testing	Quality assurance
Customers	
Service Availability	Services meet business need for availability
Customer Satisfaction Surveys	Direct satisfaction measure
Problem Resolution – Sev 1 within SLA	Critical incidents resolved as per service level
Problem Resolution – Sev 2 within SLA	Major incidents resolved as per service level
Service Desk Fixed on First Contact	Alignment to business need to address issues at first point of contact
Service Desk Responsiveness < 60 secs	Calls answered promptly
Service Request Provided by Date Required	Delivery as per agreed service level
Projects & Releases Completed on Time	Benefits streams on tap when expected
Projects & Releases Completed on Budget Hrs	Costs of initiatives as quoted
Projects & Releases Started on Time	Scheduled projects/releases start as planned
Pre-Project Investigations Delivered on Time	Enable business decisions to be timely for approval of new initiatives

Metric	Motivation
Employees	
Turnover of High Performing Staff	Retention of high performers
Career Portfolio Assessments Developed	Capability assessment and career plan to show there is a career future with Suncorp
Career Development Plans Actioned	Attracting and growing staff

Table 1

3.3 Step 3 - Data Capture, Quality and Accuracy

Automated capture of data, as a by-product of processes is the ideal for delivery of metrics. Self-reporting or forced collection compromises quality and reliability of the data, but there may not be automated systems in place for capturing all data.

Core sources for Suncorp's IT metrics are:

- HR;
- Financials (Peoplesoft);
- Service Desk/Configuration Management System for Calls, Problems, Service Requests, Changes, Releases (Solve Central);
- a Project Portfolio Management System (Project Gateway) containing all project and BAU operational schedules (MS-Project and PMW) as well as timesheets; and
- Manually collected data such as Function Points and Service Availability.

Collecting data manually or receiving self-evaluated, sometimes anecdotal data, risks reporting of "engineered" results and introduces delays in production of reports - few people choose to represent their performance indicators in a bad light.

Manual capture of some data cannot be avoided, such as Function Points to size systems for productivity measures. The importance here is to ensure transparency and auditability of the data collected.

Suncorp introduced an IT Data Mart to collate information across its IT management systems and make it available to all IT staff for query, reporting and metrics.

Whatever the source of data, Suncorp IT Metrics found it imperative to be transparent about the origin, derivation, calculations and evaluation thresholds of data and to expose the underlying data for each reported measure.

Initially, the metrics definition that was provided through detailed documentation of each metric was too detailed and technical for senior management. A Metrics Overview register was subsequently established aimed at senior management, documenting objectives, ownership, source and meaning of each metric and a cross reference to which reports and scorecards they appear on. ISO 15939 is now being implemented for definition of metrics.

3.4 Step 4 – Pilot

During FY 2002/3 a pilot Balanced Scorecard for IT as a Business Unit was produced monthly for the IT General Executive.

The delivery vehicle for the initial scorecard was Excel spreadsheets with linkages to worksheets/books containing underlying data (where practical). The benefit of this approach was rapid prototyping and delivery, graphical display alongside data, formatting and grouping of data

and the absence of high-tech gadgetry that could take the focus off the information being presented (even senior management are familiar with Excel). Pivot Tables challenged some but was overcome to a degree by training of users, however they are extremely useful for presenting the underlying data. The down side is the manual intensive nature of scorecard production with drill through.

The use of such a simple tool was seen as a tactical move to delivering information rapidly and simply - plenty of time to move to more sophisticated tools later.

Reviews during the year with senior management refined the metrics and added:

- perspective to each metric in terms of accompanying volumetric information such as number of Help Desk Calls, number of Sev 1 problems, number of projects completed;
- YTD column – some as an annualised projection, mostly as averages YTD;
- Benchmark column – documenting industry performance benchmarks - alongside the Suncorp Target column; and
- data quality rating for each metric.

4. First Lessons

Lesson 1 – Choosing Metrics that mean something and add value are not easy. Don't fall for the trap of choosing things that are "interesting" – they must drive action and be relevant to business and IT. The major issues that surfaced during the pilot were that the structure and metrics initially chosen were seen as IT-only measures, not able to be used/related to the Business, nor easily and overtly linked to IT and Business strategy.

Lesson 2 - Choosing Metrics is easy compared to Data Collection. Don't choose metrics you can't reliably collect – introduce them later when you can. No-one wants a scorecard full of "TBA" measures nor measures where poor data quality makes them unusable.

Lesson 3 – Targets should be challenging but attainable, otherwise it will be a "sea of Red". Don't set all targets at the industry benchmark as your organisation may be developing processes towards that point but not be there yet. Too much red causes dysfunctional behaviour and a culture of just changing targets or metrics because of colour. Remember – colour highlights performance issues and if linked to KPI's it could mean bonuses might be at risk.

Lesson 4 – Ownership of issues will be unclear and the focus of debate when measures are averaged across divisions and departments without transparency on how they were derived and who contributed what to which. First questions will be – what caused this and who's responsible for fixing it?

Lesson 5 – Be flexible, but guiding. Use an iterative prototyping method with users to establish the scorecards using low-tech tools – model with them and be flexible or they won't use it. Don't be a stickler for "strategic" or "outcome" metrics when it comes to what they want to measure – let them have operational measures if they wish but guide them.

Initially the scorecard owner will have a lot to deal with that is new, including:

- the scorecard concept itself;
- being measured objectively against KPIs;
- transparency of their performance and direct visibility to others (red is not the most desirable colour);
- wide-ranging measures – not just managing budgets and staff numbers; and
- poor quality of their own data driven by inconsistent application of processes / standards.

Your first attempt needs to have a soft landing or you won't get another ride. There is no "perfect 10" for IT Balanced Scorecards.

5. Take II – Contemporary Model

A major review of the pilot year was conducted 9 months in as this coincided with the latter stages of business planning for the new financial year.

Feedback during the review highlighted the main avenues for enhancing value from scorecards going forward were:

- the structure and metric groups needed to be easily and overtly linked to new Business strategy and IT business plans; and
- the metrics themselves needed to include more that were useable in a business context to demonstrate the value of IT to the Business in terms it understood (ie. IT needed to blend in some metrics to market the good news not just highlight issues).

There was also a new challenge – the scorecard was to be rolled out to the next 2 levels of IT management – 4 General Managers of IT Divisions (Applications, Infrastructure, Strategy & Architecture, Client & Internal Services) and 18 Departmental Managers (eg. Banking Systems, General Insurance Systems, Service Desk, Mainframe Infrastructure etc), and it was to be used as one input to KPI assessments for the year.

The push of scorecards to lower levels emphasised the need to reflect the individual divisional and departmental business plans and operational goals for each scorecard owner.

During strategic planning for the Group, Suncorp devised a new Business Vision – to become the most desirable financial services company in Australia, for:

- Customers to do Business with;
- Our Employees to Work for;
- The Community to be Associated with;
- Shareholders to Invest in.

All business planning across the group was to be linked to these 4 strategic themes and as these themes appeared similar in alignment to Kaplan & Norton's perspectives and supported the principle behind their model for scorecards (ie. to broaden the base of measures) it seemed a logical step to restructure scorecards along these lines.

Therefore the new IT scorecards at each level would have a 1st level "strategic theme" structure of:

- Customers – external customer value and enhancing the customer experience;
- Employees – engagement of employees;
- Community – contribution to the community; and
- Shareholders – enhancing value through operational efficiency and effectiveness.

Next step was to engage all stakeholders during their business planning to identify metrics that related to outcome measures for initiatives and operational goals. Business planning at a conceptual level involved strategic conversations covering the following topics:

A – Where are we now
B – Where do we want to be
C – What do we do to get there
D – How do we make it happen

5.1 Metrics Review

The main objectives of the review of metrics was to:

- Ensure match to new groupings for driving of the owner's business initiatives and operational goals;
- Hierarchically link to their manager's metrics;
- Introduce more business value based metrics to make the scorecard more useable with the Business;
- Set targets appropriate to their division / department and process maturity, rather than Industry Benchmarks.

In doing so, reference was made to a number of works, including a paper on IT Balanced Scorecards from the Working Council for Chief Information Officers 2003 [2]. This paper provided validation of much of what we were doing and also additional options and insights for consideration.

5.1.1 Metrics Linkages

With each manager developing a business plan at their level of the organisation that was hierarchically linked to their manager's business plan, it seemed logical that the metrics based on outcomes would also link hierarchically – from GE of IT to her GM's and from each of those GM's to their Managers, as per Figure 3.

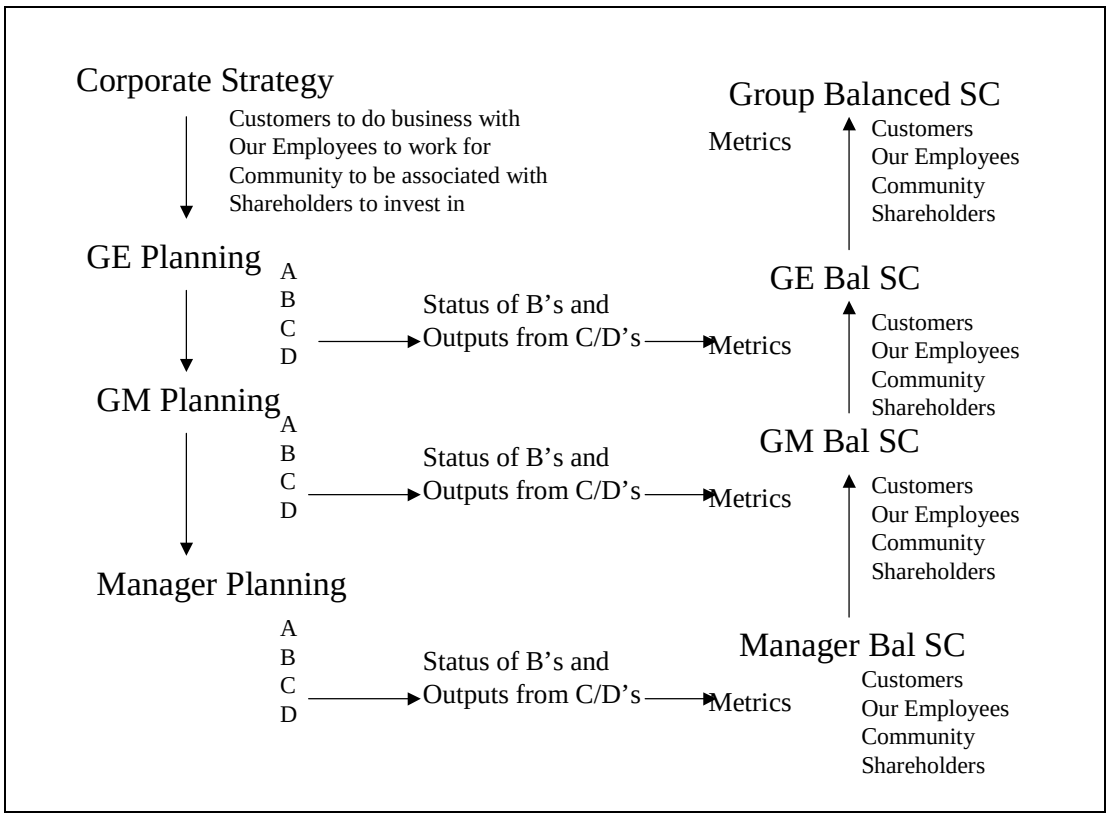

Figure 3 – Linkage of Business Plans to Scorecard Metrics

The consulting sessions on metrics during business planning were invaluable means to engage stakeholders and assist their understanding of scorecards and metrics, and for the metrics team to better understand the managers business drivers. It built relationships.

Business plans largely showed the grouping of goals and operational objectives within strategic themes. These goals and operational objectives would naturally flow into the grouping of metrics that supported tracking and performance of them. Therefore metrics were now explicitly linked to business plans and to organisational strategy.

In linking metrics hierarchically, there was either a 1 to 1 relationship or 1 to many, as shown in the example in Figure 4 below.

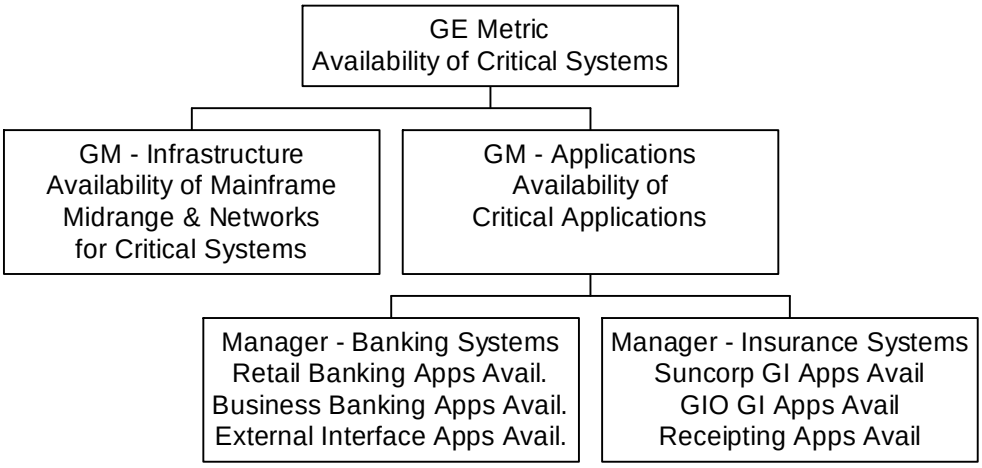

Figure 4 – example of hierarchically linked metrics

5.1.2 Business Centric Metrics and Fine-Tuning

In making metrics more business-value based, some of the IT centric metrics were altered, for example:

Pilot Metric	Revised Metric(s)
Service Request provided by Date Required	% SLA's Met Avg Days Lead time on Service Requests Avg Days delivery of Laptops and Desktops
Customer Satisfaction (of internal business customers)	Survey on IT alignment to Business
TCO vs Benchmark	% Effort on Enhancements vs Total (shows time spent on business enhancements which is valued by the Business v Fail and Fix effort which is not valued by business) % Effort on Overheads vs Total

Other metrics were removed or altered because they were causing undesirable behaviour. For example, "Fixed on First Contact" was timed-off at 30 minutes, causing Service Desk operators to extend call time until all avenues for resolution at Service Desk were exhausted or the 30-minute mark was reached. This had the effect of dropping Service Levels significantly as operators were not as available to take incoming calls.

New metrics were added in relation to security and disaster recovery capability, for example:

- %Security Policies Developed v IT Framework
- %Security Patches Installed v Available
- #Virus Intrusions not intercepted
- %DR Tests Completed Successfully v Planned

5.2 Live Pilot - II

With new targets negotiated, new metrics agreed and documented, the framework was in place for a challenging year for the IT Metrics team. The outcome since this change to a more contemporary model was the use of scorecards in the FY 2003/4 annual assessments of all IT management staff. Feedback on the whole was very positive and use of the scorecards throughout the year to initiate action for addressing issues highlighted and then track the impact of those actions gathered momentum.

Several managers that were not across the pilot scorecard developed "red light fever" – an aversion to anything red on their scorecard and a realisation that scorecards are not all-good news. The degree of the reaction may be less in some organisations than others depending on organisational culture in respect of dealing with issues, and the sense of community within the organisation when dealing with problems.

Challenges were made on data quality, the relevance of metrics (in most instances that they chose), and in the agreed targets. Clearly there was a lifecycle to how management took on, owned and accepted being measured via this means. Figure 5 below provides a model of this lifecycle of acceptance at Suncorp.

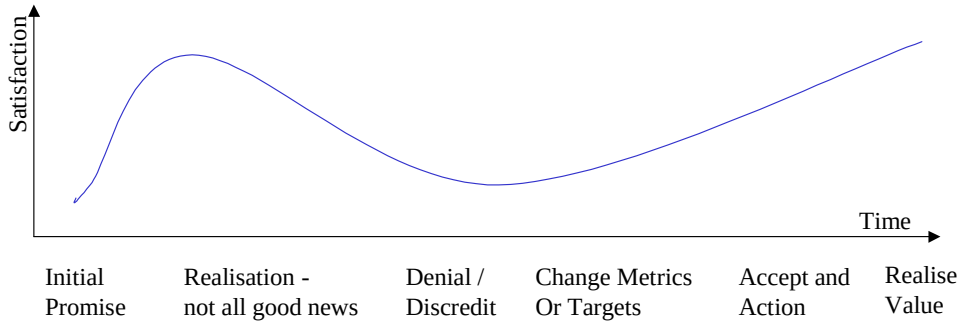

Figure 5 – Scorecard Acceptance Lifecycle

In delivery terms, to produce over 20 scorecards per month from a small team whose framework was based on Excel meant sacrifices in what could be delivered. The casualties included detailed analysis and commentary on trends, and drill down on data.

To address this gap an initiative is underway to implement a Management Information System across the IT Metrics Data Mart to allow automated production of scorecards through Cognos Metrics Manager and drill down OLAP analysis using PowerPlay. This deployment will be essential in assisting managers through the denial / discredit stages and by exposing the data to them will ensure they take ownership of data quality and root cause analysis that will lead to ultimate acceptance and action of issues highlighted by the scorecard measures.

6. More Lessons

Lesson 6 – Link all metrics to business plans or operational goals, which in turn should be linked to Organisational Strategy and Vision. That way the scorecards can be used at the higher levels to show IT is aligned to the business and link its contribution to business value. Our first attempt at Balanced Scorecards did not do this and the measures were largely seen as IT internal concepts.

Lesson 7 – Adherence to processes across a diverse IT group will always be an issue and the single biggest cause of Data Quality issues. Data Quality will often be used to explain-away performance issues. Data quality is the responsibility of those that record the data, not those that report it. Data Quality issues won't be fixed unless those that record the data at source own the problem. They won't own the problem unless they are able to understand the metric and its underlying data and use it in an operational context. ie. a Metric Measure is useless unless the underlying data can be analysed for cause and actions identified to recover to a satisfactory state.

Lesson 8 – Show trend and provide commentary on what the trend is showing. This adds value, particularly for time poor executives. Without it, the metrics function will be under-valued as a report producer and be seen as just a commodity itself.

Lesson 9 - Lack of acceptance of bad news, particularly around performance review time is an inherent issue. "Too much red – change the metric" we hear quite often. Timing of when Scorecards are linked to KPIs and bonuses is difficult. You need some time for scorecards, metrics and assessments to become familiar and for Data Quality issues to be identified – however they won't be fixed and scorecards will not necessarily drive recovery actions until there is something at stake. Go too early with links to bonuses and the scorecards will be discredited to the point of no return.

Lesson 10 – The words "first cut, iterative" came in very handy to describe the initial scorecards. It makes the scorecard owner more comfortable that things can change, but there will be a point where the scorecard definition will be locked-in for the year, and that point needs to be prior to any "engineering of outcomes".

7. Final Words

Guide the choice of metrics to those that will drive action and are linked to business plans and strategy. The use of the measures will be within IT and to the Business – keep this in mind or you could inhibit the value of the scorecards downstream.

Many of the metrics will change, depending on where the hot spots are, but a core set will seem to persist. Be prepared for change – be flexible and adopt an iterative prototyping approach for establishing scorecards. Don't get hung-up on stereotypes – there is no "perfect 10" in scorecards.

Data Quality begins at home, unfortunately everyone seems to be renting – not owning. Things will only improve when they take ownership and start renovating. Expose the underlying data to them so they can feel the impact of poor recording on their own use of the metrics. They will self correct.

Management acceptance of bad news on scorecards should not be expected – particularly near assessment time when bonuses are at stake. Be prepared for a challenge – get sign-off on metrics, definition and assessment tolerances well in advance of the review time, but not right at the start.

Disclose the data driving the measures and be prepared with some level of cause analysis to assist them to move from denial to recovery.

Implementing IT Balanced Scorecards is a journey, somewhat like a roller coaster. Lots of ups and downs, twists and turns, but you do get there, only to go around again, and again. Buckle up!

Acknowledgments

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References

[1] Kaplan and Norton Model from “The Balanced Scorecard - Measures that Drive Performance", Harvard Business Review 1992. Also published in "The Balanced Scorecard: Translating Strategy into Action", 1996.

[2] Working Council for Chief Information Officers “IT Balanced Scorecards – End to End Performance Measurement for the Corporate IT Function” © 2003 Corporate Executive Board.