

Balanced Business Scorecard
Helping to ensure that a new system rollout benefits a business

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When a company is considering changing any of their back or front office systems, one of the challenges that its management team will face is to ensure that the appropriate business benefits are achieved with such an investment of time and money (i.e. that the rollout of a new system will be the right thing for the business).

To take a quotation from Stephen Covey “People and their managers are working so hard to be sure things are done right, that they hardly have time to decide if they are doing the right things”. In the area of changing IT systems, to ensure that “things are done right”, there are many articles written as to best practices for implementation, including one for CRM systems that I wrote in the Tech Focus section in the March edition.

In relation to the other part of the quotation, where people may not have the time to ensure that they are doing the right things, I believe that help is at hand in the form of the balanced business scorecard.

What I would like to do in this article is explain how some of the principles and steps in the balanced business scorecard approach can be of practical help to measure and monitor the benefits (i.e. ‘the right things’) that are expected to occur as a result of rolling out a new system. Benefits that can range from financial to process based to employee based. By measuring and monitoring a range of benefits with the scorecard approach, it assists in placing a value on the return on investment being made with the new system.

The following quotation from Howard Rohm of the Balanced Scorecard Institute in America illustrates the scope and potential of the business scorecard approach which “is a performance management system that can be used in any size organisation to align vision and mission with customer requirements and day-to-day work, manage and evaluate business strategy, monitor operations efficiency improvements, build organisation capacity and communicate progress to all employees”.

Looking at this definition in the context of rolling out new systems, there are a number of aspects worth noting:

- The approach is adaptable for use in any organisation from an SME to a large corporation
- It enables a business to define a set of goals and objectives related to customer requirements and the day-to-day work processes thus helping to focus attention on the practical benefits that the rollout is planned to achieve
- It facilitates the ongoing monitoring of these goals and reduces the administration burden in the management of the rollout
- It builds organisation capacity ensuring that as changes occur, the appropriate training and communication is in place to ensure a smooth progression of the rollout

One of the principles behind the Balanced Business Scorecard is a recognition that any business project, including rolling out new systems, will require a business to view the changes and benefits from a number of different perspectives:

- Financial (i.e. what are the planned cost and revenue improvements?)
- Customer (i.e. what are the improvements in customer service?)
- Internal business process (i.e. what are the reductions in cycle times and non-value add?)
- Employees (i.e. what are the training requirements and new growth opportunities?)

So, the balanced business scorecard can provide a framework to kick-off a system rollout with a focus on the business objectives that it is expected to deliver, monitor it's progress and ensure that the resultant change is being managed through effective communications and on-the-job training, but how do you build a scorecard ?

Before going into the detail of building a scorecard, it is important to remember that you project team charged with managing the new system rollout should be the one responsible for building the balanced scorecard. Also, the communications about the balanced scorecard and its continuing usage should follow the overall communications processes which are being used to update employees on all aspects of the rollout.

In the context of changing business systems, the first step in building a balanced scorecard is to develop an overall business strategy for the system change-over that provides a focus on the end goal of the project. Typically for a customer relationship management (CRM) system, the strategy could to enhance the quality and ease of doing business with customers, while for a back office system; a focus on improving operational effectiveness could be applicable.

The chosen business strategy can then be broken down into a number of objectives and any linkages between the objectives should be identified. Using the example of the CRM system, some relevant objectives may include; increasing customer satisfaction, which would be linked to the objectives of improving the cross-selling of products and improving the understanding of customer requirements; that in turn could be linked to an implementation of cross-training on different products with employees as well as providing better access to quality customer information. In turn, one would expect that increasing customer satisfaction could be linked to financial objectives such as improving sales and overall margins.

Looking back at this simplified CRM example, one can see how the different perspectives are beginning to be captured in a balanced scorecard:

- Financial (improvements in sales and margins)
- Customer (increased customer satisfaction)
- Internal business processes (better understanding of customer requirements and improvements in the cross-selling of products)
- Employees (implementation of cross training on products and providing better access to customer information)

Once the objectives and the linkages between them are agreed and understood, the next step involves identifying relevant performance measurements. One of the key challenges at this point which is referred to in many of the balanced scorecard publications is the temptation to rush and use existing measures. Another common problem is to focus on quantity, rather than quality and identify a large number of measurements. The key point to remember is that measures are a means to an end, where they are used to monitor how much progress is being made with your chosen objectives. Therefore the measures should flow from the specific objectives chosen for the system rollout. Using the above objectives as examples, here is a table of potential relevant measurements

Objective	Potential Measurement
Improvements in sales and margins	% change in sales / % change in margin
Increased customer satisfaction	% of customer retention
Improvements in the cross-selling of products	% change in the number of multi product orders
Cross-training on products	Number of product training days per employee

Once the measures have been identified, specific targets can be set and tracked which will provide a clear demonstration of the benefits as they occur. Also, the targets will provide an early warning if problems are occurring to hinder the progress of the rollout.

In this simple example, we start to see the value provided by the balanced scorecard approach of viewing the progress of a system rollout from a number of different perspectives; customer, financial, process improvements and employee training/investment. If any one perspective is emphasised to the detriment of the others, then the ultimate success of the project could be in jeopardy, but by setting a variety of objectives and monitoring all measurements, the chances of a successful rollout are increased. The measurements will provide a clear indication if the system rollout is the right thing for the organisation

References

- Stephen Covey, Seven Habits of Highly Effective People, Simon & Schuster, 1989
- Richard Bowden, Successful CRM Implementation, pp38-39, ComputerScope, March 2007
- Howard Rohm, Developing and Using Balanced Scorecard Performance Systems, Perform, Volume 2 Issue 2.