A ‘middle-out’ approach to Balanced Scorecard (BSC) design and implementation for Service Management: Case Study in Off-shore IT-Service Delivery

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29 May - 2009
A ‘middle-out’ approach to Balanced Scorecard (BSC) design

Table of Contents

- Introduction and background
  - Balanced Scorecard Starting Block
    - BSC Design
  - BSC Implementation
- Way Forward
Tata Consultancy Services (TCS)
A Global Partner

Global Presence

- Global Presence 170+ Offices in 35+ Countries
- Global Network Delivery Model™
  - Global Delivery Centers
  - Industry Solution Centers
  - Onsite, Near-Shore, Offshore
TCS Services

IT Services
- Application Development
- Maintenance Reengineering, Testing
- Packaged Software
- Implementation, Systems Integration

Engineering & Industrial Services
- Product & Process Engineering
- Embedded Systems
- Plant Automation Services
- Enterprise Asset Management

Asset Based Solutions
- IT Products
- Product Based Services

IT Infrastructure
- IT Outsourcing, Network Consulting and Integration
- Hardware Support and Installation
- Infrastructure Management

Global Consulting
- IT Consulting
- Business Consulting
- Quality Consulting

BPO
- Inbound Call Centers, Back Office Support
- Engineering Services
- Database Services

Full Service Capability to enable Business Transformation
Global Financial Services Firm - TCS

Relationship Overview

Wide range of Technology Platforms being supported
- Client-Server (C++, Java, J2EE, VB, Perl, Unix/Linux, C#)
- Mainframe processing (Cobol, JCL, NATURAL/ADABAS)
- Database (Sybase, DB2/zOS, DB2/Linux, SQLServer)
- ETL tools
- OLAP & Reporting
- Message based architecture
- Web architecture

Wide Range of Services being provided
- Application development & Maintenance
- Help desk and Production management
- Migration and Re-engineering
- Decommissioning
- QA & Testing services
- Data warehousing
- Database migration services
- Infrastructure management services
- Performance Engineering
- Business and Process consulting
- PMO and Project/Program Mgmt services
- TCS Asset Based solutions

The strength of the current delivery platform TCS has built for the customer is increasingly being leveraged on larger scale globally
A new portfolio of projects in STP Transformation systems, was launched with the following objectives:

- To Establish a Decision Framework and Roadmap to Optimize the STP Operating Model;
- To Profile the STP portfolio, grouping work into the appropriate delivery categories, viz.,
  - Work best delivered in the prevalent out-tasked model;
  - Work best delivered in a proposed managed services model.
- For work appropriately delivered in the current model,-
  - Identify opportunities for improvement (OFl’s);
  - Develop specific plans of action to achieve near-term and longer term improvements.
## STP - Initial Program Governance

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Participants</th>
<th>Agenda</th>
</tr>
</thead>
</table>
| Bi-weekly   | • Steering Committee  
• Program Management Team  
• Working Groups | **STP wide governance**  
• Review overall program progress and set directions  
• Review overall program KPI  
• Review exit criteria  
• Jointly assess checkpoints for switch over |
| Bi-weekly   | • TCS Steering Committee  
• Core Team (TCS)  
• Working Groups (TCS) | • Review overall program progress and set directions  
• Review overall program Risks / Issues |
| Weekly      | • Working groups  
• Core Team | **Application groups governance**  
• Progress review at application group level  
• Discuss challenges, risks & issues, exit criteria  
• Review and detail SME & KM processes and Service Delivery processes for application groups |
| Weekly      | • Core Program Team | • Overall progress  
• Plan updates, Issues, Risks  
• Issues that need escalation |

PMR  

iPMS, Risks / Issues  

Customer systems
### Implementation: The Challenge– BSC Roll out part

<table>
<thead>
<tr>
<th>Journey to MSM</th>
<th>Quarter One</th>
<th>Quarter Two</th>
<th>Quarter Three</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Identify, Empower Program Manager</td>
<td>Develop, Publish Program Plan</td>
<td></td>
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<tr>
<td><strong>Structural Changes</strong></td>
<td>Finalize Leadership Positions - TCS MSM and MTM Groups</td>
<td>Review &amp; Finalize changes needed on customer STP Team</td>
<td>Finalize SME Positions - TCS MSM and MTM</td>
</tr>
<tr>
<td></td>
<td>Finalize SME Positions - TCS MSM and MTM</td>
<td>Hire as Needed for TCS Team Positions</td>
<td></td>
</tr>
<tr>
<td><strong>SME &amp; KM Changes</strong></td>
<td>Review and Refine SME Skills and Competencies for TCS STP Team</td>
<td>Refine/Create Assets necessary for SME Skills and Competencies</td>
<td>Rollout revised SME Skills and Competencies Training</td>
</tr>
<tr>
<td></td>
<td>Review and Refine Learning Processes</td>
<td>Create Assets to Support Revised Processes</td>
<td>Rollout revised Training Processes</td>
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<td></td>
<td></td>
<td></td>
<td>Create Succession Planning Framework</td>
</tr>
<tr>
<td><strong>Process Detailing</strong></td>
<td>Review and Refine Service Delivery Processes</td>
<td>Impart Training and Deploy Revised Service Delivery Processes</td>
<td>Establish Service Levels for Designated Metrics at each Level for MSM Groups</td>
</tr>
<tr>
<td></td>
<td>Review and Refine Metrics and Measurement</td>
<td>Define and Deploy Dev Group &amp; STP Level metrics for Services</td>
<td>Launch MSM, Monitor for Period before Contract Cut-over</td>
</tr>
<tr>
<td></td>
<td>Review and Refine Governance and Communication</td>
<td>Commence Metrics Analysis &amp; Review</td>
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</tbody>
</table>
Balanced Scorecard

- Strategy Deployment Framework
  - Top Down Approach
  - Strategic Theme, Strategy Maps
  - Cause – Effect Linkages, Lead-Lag Measures

- Program Management usage
  - ‘Project focused IT Organization’
## Strategy Facts / Why BSC

Measurement Managed Companies have Better Alignment around Strategy

<table>
<thead>
<tr>
<th></th>
<th>Measurement Managed Companies</th>
<th>Non Measurement Managed Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agreement among Senior Management on strategy</td>
<td>90%</td>
<td>47%</td>
</tr>
<tr>
<td>Good cooperation &amp; team work among management</td>
<td>85%</td>
<td>38%</td>
</tr>
<tr>
<td>Open sharing and communication</td>
<td>71%</td>
<td>30%</td>
</tr>
<tr>
<td>Effective communication of strategy</td>
<td>60%</td>
<td>30%</td>
</tr>
<tr>
<td>High levels of self monitoring employees</td>
<td>42%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: Mgmt. Review-American Mgmt. Association

At the highest level, the BSC is a Framework that helps organizations translate strategy into operational objectives that drive both behavior and performance.
### Objectives of the Transformation Program

- **Deliver STPT Business Goals**
  - Improve business growth & STP (Finance dimension)
  - Sustain & increase application stability (Process dimension)
  - Raise Quality of Service (Customer Dimension)
  - Maintain focus on Risk Management (Process dimension)

- **Transform the engagement model for selected application groups aligned with a common framework (BSC ‘Culture’)**

- **Serve as catalyst to transform remaining Application Groups in the portfolio (BSC ‘Culture’)**

- **Share experience and learning to other silos (L & G dimension)**

#### Key phrases for design of BSC

<table>
<thead>
<tr>
<th>Strategic Objective</th>
<th>Measures</th>
<th>Service business growth &amp; STP</th>
<th>Sustain &amp; increase application stability</th>
<th>Raise Quality of Service</th>
<th>Maintain focus on Risk Management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL</strong></td>
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<tr>
<td>TCO Savings (Direct / Indirect)</td>
<td>Reduce TCO (EDP+People cost)</td>
<td></td>
<td></td>
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<tr>
<td>Improve overall Customer Satisfaction (Overall)</td>
<td>Customer Satisfaction Survey</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sustain satisfaction in key areas of service</td>
<td>CSI - Most important parameters rated low</td>
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<tr>
<td>TCS has a strong grasp of customer’s business and delivers it during the delivery of its objectives</td>
<td>CSI - Most important Service &amp; Business Goals parameters rated high</td>
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<tr>
<td>TCS is responsive to customer complaints and recognition</td>
<td>No. of Customer Appreciations</td>
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<tr>
<td>TCS is considered to be a Trusted Business Partner in terms of directly contributing to the business goals of the customer</td>
<td>Lifeline Survey reflected feedback</td>
<td></td>
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<tr>
<td><strong>CUSTOMER</strong></td>
<td></td>
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<tr>
<td><strong>PROCESS &amp; DELIVERY</strong></td>
<td></td>
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<tr>
<td>Post Delivery Defects</td>
<td># of Post Delivery Defects</td>
<td></td>
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<tr>
<td>Compliance with Program Governance</td>
<td>MS STPT Steering Committee Meeting</td>
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<tr>
<td>Application Performance</td>
<td>Reduce Downtime - Improve Application Performance</td>
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<tr>
<td>Delivery</td>
<td>% projects Delivered On time</td>
<td></td>
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<tr>
<td></td>
<td>% projects Delivered on Budget</td>
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<td></td>
<td>Alerts resolved without errors</td>
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<td></td>
<td>SLA compliance to response time</td>
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<td></td>
<td>SLA compliance to resolution time</td>
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</tr>
<tr>
<td><strong>LEARNING, PEOPLE &amp; COMPETENCY</strong></td>
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<tr>
<td>E3 &amp; E4 Competency</td>
<td>Compliance to minimum competency level</td>
<td></td>
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<td></td>
<td>Unplanned Attrition in SMEs</td>
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<tr>
<td>Establish &amp; sustain a living Knowledge Management System</td>
<td>Upload activity of assets into KEY</td>
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**20 July 2009**
BSC Roll out - Summary

- The Objective of STP - BSC is to –
  - Establish a Framework for Managing and Control, and
  - Optimize the STP Operating Model

1. Balanced Scorecard (BSC) chosen as a Framework to manage STP

2. For the 5 pilot Projects in STP -
   1. BSC for the Program and for individual Projects were designed and developed.
      - Metrics, targets and ranges for ‘traffic lights’ were finalized.
   2. Data Quality (for ‘actual filing’) discussed, OFIs identified (iPMS usage as one of the potential data source).
Characteristics of BSC design – the ‘Middle out’ (1 of 2)

• **Start up / or from a previous steady state phase:**

• **Coalescence phase:**
  • Select pilot projects that have similar and comparable SLAs and KPIs.

  • Derive ‘tactical themes’ as opposed to Corporate Strategic Themes. (the example is - “Move maximum number of projects to ‘Managed Services’ mode (MSM) from ‘Time and Materials’ mode (MTM)”)

  • Develop Strategy Map and derive the new set of KPIs and measures, from the new business goals, and the identified program benefits.

  • Assign targets with tolerance ranges (Green / Amber / Red) for the finalized measures that would drive the SLAs to fruition.

  • Apply Data Quality Framework (explained in later section), to individual measures and identify support projects and initiatives.

  • Re-draw (or edit) the program and project plans.

  • Analyse new risk profiles and mitigation plans.

  • Derive the new governance model and get approval for the same.
Characteristics of BSC design – the ‘Middle out’ (2 of 2)

• **Communication Phase**: Publish the Scorecard to stakeholders and draw up communication and change management plans. (Town hall meetings, Training, Kiosks for Demonstrations, etc. as required).

• **Implementation Phase**: Go Live and monitor. (Closure / start steady state phase)

• **Iterate from ‘Coalescence’**, when new projects join.
BSC Design – ‘Middle-out’

Strategy Maps

Relationship Focus, Portfolio Goals

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<th>FIN</th>
<th>C</th>
<th>I P</th>
<th>L&amp;G</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TCO</td>
<td>CSS / CSI</td>
<td>6 sigma</td>
<td>Kn Mgmt Sys, Attrition</td>
</tr>
</tbody>
</table>

TCO

Relationship Focus, Portfolio Goals

<table>
<thead>
<tr>
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<td>Kn Mgmt Sys, Attrition</td>
</tr>
</tbody>
</table>

Coalescence

Project-1

Project-2

Project-3

Project-.....

Project-n
### BSC: Top Down Vs ‘Middle-out’

Compare Approaches

<table>
<thead>
<tr>
<th>BSC Top Down</th>
<th>BSC Middle-Out</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starts at Organizational top; Corporate Vision driven SLAs / KPI</td>
<td>Focus on Customer – Vendor Relationship, Portfolio / Program Objectives; Benefits driven SLAs</td>
</tr>
<tr>
<td>Long Term planned (3-5 years)</td>
<td>Short Term focused (1-2 years)</td>
</tr>
<tr>
<td>Start from Financial goals (Perspective) and derive other Perspectives. Identify Strategic Initiatives (as relevant).</td>
<td>Start from Customer Expectations on Portfolio Benefits and distribute SLAs across relevant BSC Perspectives</td>
</tr>
<tr>
<td>Usually top-down approach to BSC design</td>
<td>‘Middle-out’ design’; iterative process of top-down (from Portfolio SLAs) and bottom-up, where the quantum of contribution is more from Projects’ level (operational parameters for arriving at measures and targets).</td>
</tr>
<tr>
<td>Strategy Maps are enablers for BSC design; they validate the Strategic Themes.</td>
<td>Strategy Maps drive the design</td>
</tr>
<tr>
<td>Changes to Dashboard measures are generally minimal at Corporate level BSC.</td>
<td>Flexible to changes to measures or their targets both at Projects’ level and at ‘Internal Processes’ Perspective of individual Scorecards.</td>
</tr>
</tbody>
</table>

**EVOLVE & EXTEND**
STP – BSC Rollout – HOW WE DID IT

Preparation for Launch (launch a biweekly call later)

1. Freeze BSC (Metrics, Data Quality, etc)
2. Address pending issues in Metrics, Data Quality
3. IPMS project plan in place

1. Note on why BSC
   i) Senior management - Draft
2. Market collaterals / Brochure
   i) Content, ToC, ii) Brochure - Coordination
3. Plan an event -- Agenda
   (Launch Day Agenda)

1. Steps to make it live (Meeting STP teams for a Town hall communication) - Plan Ready
2. Steps to make it live -- Socialize Activities (Town hall, Demo)

1. Steps to make it live -- Socialize Activities (Town hall, Demo)

1. Plan an event -- Demo (Launch day)
2. BSC Launch Declared (11 Nov)

Completed

Completed

Completed

Completed
TCS-STP Governance Toolkit - HOW WE DID IT

Usage of BSC for all Governance meetings
- BSC for Top level view and drill-down;
- Slice& dice for focused decision making (via customer systems, TCS-iPMS, Risks & issues register)

Appropriate Design of individual BSCs
- Identification of program / project goals;
- Right metrics for Operational level (Time, Cost Quality, HR);
- Right metrics for Tactical level (‘Lead / Lag’ indicators);
- Right metrics for Strategic level (‘Cause & Effect Linkages’)

Make BSC the ‘vocabulary’ of management review for focused time spent on operations, while freeing up time for ‘bigger’ things
## STP – BSC Follow-up plan / Program Governance

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Participants</th>
<th>Agenda</th>
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</thead>
</table>
| Bi-weekly   | • Steering Committee  
             • Program Management Team  
             • Working Groups           | **STP wide governance**  
                             • Review overall program progress and set  
                             directions  
                             • Review overall program KPI  
                             • Review exit criteria  
                             • Jointly assess checkpoints for switch over |
| Bi-weekly   | • TCS Steering Committee  
             • Core Team (TCS)  
             • Working Groups (TCS) | • Review overall program progress and set  
                             directions  
                             • Review overall program Risks / Issues |
| Weekly      | • Working groups  
             • Core Team             | **Application groups governance**  
                             • Progress review at application group level  
                             • Discuss challenges, risks & issues, exit criteria  
                             • Review and detail SME & KM processes and  
                             Service Delivery processes for application groups |
| Weekly      | • Core Program Team                                   | • Overall progress  
                             • Plan updates, Issues, Risks  
                             • Issues that need escalation |

---

PMR  

iPMS, Risks / Issues  

Customer systems  

BSC
## STP Program BSC
### A Snap Shot

<table>
<thead>
<tr>
<th>Sr #</th>
<th>Performance Measure</th>
<th>Unit</th>
<th>KPI</th>
<th>Target</th>
<th>Frequency</th>
<th>Apr ’08</th>
<th>Trend</th>
<th>May ’08</th>
<th>Trend</th>
<th>Jun ’08</th>
<th>Trend</th>
<th>Jul ’08</th>
<th>Trend</th>
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<tr>
<td>1</td>
<td>TCO Savings (Direct / indirect)</td>
<td>$</td>
<td>N</td>
<td></td>
<td>Half yearly</td>
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<tr>
<td>2</td>
<td>Customer Satisfaction Index (Overall)</td>
<td>%</td>
<td>Y</td>
<td>90%</td>
<td>Half yearly</td>
<td>34%</td>
<td>64%</td>
<td>64%</td>
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<td>3</td>
<td>CSI - Most important parameters rated low</td>
<td>%</td>
<td>Y</td>
<td>10%</td>
<td>Half yearly</td>
<td>11%</td>
<td>11%</td>
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<td>CSI - Most important Service &amp; Business Goals parameters rated high</td>
<td>%</td>
<td>Y</td>
<td>80%</td>
<td>Half yearly</td>
<td>46%</td>
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<tr>
<td>7</td>
<td>Quality of Service (from annual Lifeline survey)</td>
<td>#</td>
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<td>Yearly</td>
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<tr>
<td>8</td>
<td>Post Delivery Defects</td>
<td>#</td>
<td>Y</td>
<td>5</td>
<td>Monthly</td>
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<td>4</td>
<td>4</td>
<td>0</td>
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<tr>
<td>9</td>
<td>MS STPT Steering Committee Meeting</td>
<td>%</td>
<td>Y</td>
<td>100%</td>
<td>Half yearly</td>
<td>92%</td>
<td>92%</td>
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<tr>
<td>10</td>
<td>Monthly Governance</td>
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### STP Performance Index

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BSC – usage

- Metrics for usage, monitor

- Feedback
  - Feedback Questionnaire - Ready
  - Feedback Questionnaire - Administer, Analyze, report

- STP BSC Self Usage
  - Cruise Mode parameters, Closure Report (Findings, Recommendations)
Critical Success Factors

Way Forward

- Effective Change Management Program
- Involvement of Stake Holders (TCS, Customer team)
- Weighted-Average Performance Index (PI)
  - BSC Perspectives
  - Overall BSC for Program and individual Projects
- Visually pleasing Scorecards (user friendliness, at least in looks!)
- Way Forward: Increase other candidate projects and finally the whole customer Relationship itself!
Thank You