Management Case Study

Managing Performance at The Co-operative Banking Group – A World-Class Balanced Scorecard Implementation in the IT Function
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Introduction

It is rare that I talk about ‘world-class’ Balanced Scorecard implementations but the IT Function in The Co-operative Banking Group has created a Balanced Scorecard system that should be a beacon of best practice for companies the world over. This case study outlines how the organisation has created a Balanced Scorecard that drives business improvements at all levels of the organisation. It highlights the importance of creating the right environment for performance management that is focused on improvement and the vital element of delegating ownership of the scorecard into the business to ensure it drives decision-making across the organisation.

About The Co-operative Banking Group and IT O&D

The Co-operative Banking Group forms part of The Co-operative Group, the United Kingdom’s largest consumer co-operative. Britannia Building Society merged with The Co-operative Banking Group in August 2009. The combined business provides a wide range of financial services, including retail and investment banking, insurance and asset management. It employs approximately 12,000 people and has 5.5 million customers.

The IT Operations & Development function (ITO&D) has undergone major organisational change since the merger. It now consists of six different functions, employing approximately 700 permanent staff, based in six different locations across the UK.

Where the scorecard has come from

A few years ago the IT Balanced Scorecard was far from perfect. Like so many other companies, the scorecard approach was brought in as ‘the thing to do’. The way the initial scorecard was created was by the design team speaking to representatives across IT O&D to identify what each function wanted to see on the scorecard. Unfortunately it quickly developed into a ‘bit of a monster’, running into a 90+ page document full of detail.

According to Sam Vickerman, who is responsible for the production of the scorecard and IT performance management today, “There was fantastic detail but no-one could see the wood for the trees. It was difficult to make any real decisions so we had to take a ‘step back’ and look at the reporting we were doing with a critical eye. We didn’t want to lose any of the good stuff but we knew it needed to change.” At that point the scorecard was more about individual functions highlighting their own performance, not always relevant to the organisation’s goals and direction. The scorecard was seen as being owned by the performance team.

Getting the scorecard to the right level – balancing strategy and detail

Over the past few years efforts have been made to make the scorecard process more strategic and more relevant to the overall business strategy. As part of this process a strategy map was created and the reporting of the scorecard went through a number of iterations. In 2009, performance was reported in a four-quadrant format each with a list of key performance measures showing current performance and trends. In 2010, the focus moved away from the detail towards a narrative explanation of performance in each quadrant and a visual representation of the
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objectives and deliverables. In 2011, the two approaches were brought together to create a 'best of both worlds' approach (see figure below). A visually pleasing wheel was created with four quadrants.

Principles of the New Balanced Scorecard (BSC)

A number of guiding principles were established for the new Balanced Scorecard to ensure it was delivering real and improved business benefits. These guiding principles were:

- The new BSC should be seen as a flight deck (like in an aircraft)
- It should be possible to drive monthly performance review meetings from the scorecard pack
- There should be an owner per KPI and a Leadership Team Sponsor for each objective
- It should be possible to show a view for each Function
- The 7 strategic objectives need to be clearly indicated
- The scorecard should display current issues, hot topics as well as good news
- There should be an exciting (and more flashy) Wallboard and reporting pack
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- The scorecard reports should include a trend and YTD view
- KPIs should be given a weighting to help determine the RAG (Red, Amber, Green) traffic light status of the objectives
- The scorecard pack should be able to offer a quick view of performance, but keep the necessary narrative to explain the performance.
- Narratives need to be clear on issue, impact, action, who is affected, who is responsible and what the fix is.

The New Balanced Scorecard

The new Balanced Scorecard now has four quadrants (finance, customer, process and people) arranged around a wheel, which has the vision of the organisation in the centre (see figure below). The vision is ‘To deliver a world class IT function combining leading-edge service and value for money to develop efficient and effective solutions that keep the business one step ahead’. Each quadrant (or performance perspective) has its own strap-line (sub vision statement):

- Finance: A lean IT function delivering value for money
- Customer: The IT partner of choice for delivery of IT projects and services
- Process: Efficient, effective and compliant processes in a culture of continuous improvement
- People: One IT – an engaged, high performing, integrated and motivated workforce
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Each of the four quadrants contains three strategic objectives, which are aligned around key action words that describe each of the objectives: Manage (for finance), Deliver (for customer), Ensure (for process) and Engage (for people). The detailed objectives are:

Finance

- Manage IT run costs to latest forecasts ensuring stretch targets are achieved
- Manage build costs effectively to deliver value for money solutions
- Manage suppliers to deliver the required service and innovation to drive value for The Co-operative Banking Group

Customer

- Deliver business benefit bringing Specialist IT functions under IT O&D governance
- Deliver IT elements of the change portfolio to time cost and quality criteria
- Deliver high quality IT services to support the business and seek ongoing improvements

Process

- Ensure the risks of legacy infrastructure are reduced in line with the 3 year plan and within risk appetite
- Ensure robust resilient IT processes are delivered within governance
- Ensure effective control of operational risks, IT security and business continuity

People

- Communicate effectively with our people to engage them on our journey
- Lead an engaged and motivated workforce
- Create a high performing engaged workforce

Reporting Performance in the Scorecard

The scorecard uses Red, Amber, Green (RAG) ratings indicating performance against each strategic objective, where green indicates performance is on target, amber indicates performance is of concern and red indicates performance is off track. In addition to showing performance against the individual objectives, the quadrants are also RAG rated, showing performance over the past three months as well as an arrow indicating trends.
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Balancing Traffic Lights with Narratives

In addition to the RAG traffic lights, the scorecard report contains narrative content in form of headlines. Each quadrant will have three bullet points describing performance and providing written context of the current performance level. Each quadrant also contains a key theme, indicating key messages. Actual examples of key themes are: in the finance quadrant ‘Budgeting for 2012 is underway – significant focus required over the coming months’ and in the customer quadrant ‘Well done to all! Whilst delivering huge volumes of change across IT, excellent service has been maintained.’

KPIs and Key Performance Questions

Each of the strategic objectives is underpinned by a set of Key Performance Indicators (KPIs). Overall there are about 120 KPIs underpinning the entire scorecard. What is important to note is that so-called Key Performance Questions were developed to articulate the information needs and the unanswered questions that the management team needed an answer to. KPIs were then mapped against the questions to ensure they were relevant and meaningful and answered the critical questions as opposed to provide ‘interesting to know’ answers or information that no-one could really act on.

If KPIs don’t help to answer important questions about performance then they are taken out. One team member made the point "We want the scorecard to be like a flight deck – telling us how we are doing – we don’t want indicators on it that tell us whether a light has gone out at the back of the plane in the toilet.”

Jim Slack, the CIO of The Co-operative Banking Group, comments: “There is a real danger that you approach KPI design like a kid in a candy shop – pick what you want – where you then end up picking everything, which in the end will make you feel sick…. We care about our measures because they are aligned and relevant”. He continues “In the early days we went into too much detail – too low with too many KPIs. We have learnt from this and made sure our KPIs tell us what we need to know – if not, then we remove them. We have our measures to help us make decisions and answer our critical questions.”

When it comes to measures they should be owned by the people that use them. Jim makes an important point saying: “I don’t own the scorecard, the people in our business own it, but it tells me how my plane is flying.”

Quadrant teams and performance evaluations

It is interesting that these KPIs are not just simply used to determine performance following predefined rules but are used to inform performance discussions. The KPIs and Key Performance Questions are used to drive the debate and discussions about performance. What’s more, the performance of each quadrant is discussed by so-called quadrant teams, which are made up of members from across the functions. Each quadrant team evaluates the colour coding of the quadrant and agrees on the key commentary that should go with the RAG rating. Sam Vickerman explains that “during the Leadership review the team has the ability to override the colours if they feel it is not reflective of actual performance. The question the team has to ask themselves is: Is this feeling right? Is this reflecting actual performance? If it's not then we discuss this in the meeting and the RAG status can be amended under change control and the weightings that underpin the objectives are reviewed in light of this.”

Each quadrant is sponsored by a function lead and each objective is owned by a function lead but the discussions and the decisions about the overall performance of the quadrants are made by cross-functional teams. This means, that ownership and engagement of performance does not simply sit within single functional teams but
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It also means that performance is not just a mechanistic aggregation of numbers but KPIs are seen as input into a much richer debate about performance.

Cascading the Performance – keeping things aligned

Performance is reviewed at all levels of the bank. At the highest level The Co-Operative Banking Group executives review performance, this then gets cascaded in a briefing pack into the business. When this information reaches IT it will be put into the context of their own scorecard information and scorecard commentary. This ensures that the IT scorecard information remains relevant to the strategic priorities of the Banking Group as a whole.

Wallboard and Performance Pack

In order to share performance levels with everyone, wallboards of the scorecard are produced every month. These are A0 and A1 size posters of the scorecard, which can be seen along the corridors, in the offices, and even in each meeting room to ensure everyone is aware of the current priorities and performance levels. A point Sam Vickerman makes is that the scorecard should present a balance of good and bad news to keep colleagues engaged. “It shouldn’t just focus on the things that need improving, it should also highlight what we are doing well”, she says.

The performance information is then also summarised in a performance pack that contains the same front page as the wallboard but then goes further and includes a one page report for each strategic objective. The owners of the strategic objective add comments and ensure there is a good balance between meaningful data presented in good graphs and a narrative explanation and commentary (see the figure below for a sample wallboard display).
Engaging everyone

Engagement has been a major emphasis in this BSC implementation and various initiatives have been used to spread the understanding and involvement in the scorecard process. The new BSC was launched at an event (Expo) where the implementation team explained the new BSC. Employees were given mouse mats with the new BSC on which ensured that IT colleagues throughout the country had clear visibility of IT’s vision and goals. At a number of team meetings and off-site events, games were played such as ‘The Wheel of Fortune’ – where the BSC wheel would rotate around, stop at a specific objective and then questions would be asked about its meaning, purpose and performance measures - reaffirming the importance of the scorecard whilst highlighting the wealth of information that can be gained from it.

It’s not about Software and Automation

In the past, areas of IT were using commercial Balanced Scorecard software to support their scorecard implementation and reporting. However, this has now been replaced by an Excel-based scorecard. Sam Vickerman makes the point that “it is not about software but how we use the information, how we engage with the information and review it”. She continues “There is a slightly greater risk of human error but the benefit is that we can easily customise it to fit our needs and we truly own it. Especially as we are based across a number of sites we don’t rely on colleagues all having the same system and instead we are able to email the scorecard and share it on our Intranet sites”. The scorecard is now contained in a 2MB intelligent spreadsheet that includes links and Macros. Any changes are time stamped with an audit trail to check who made the changes and each month a copy of the scorecard is archived so everything is documented and the organisation doesn’t lose its performance history. Even though this case example works well without automation, I usually recommend that companies use commercial software – instead of Excel. However, I am happy to endorse the point that implementations shouldn’t be about software but about how the data in it will be used to inform decision making and performance improvements.

Senior Level Support

Senior level buy-in and support of the BSC is most instrumental in any successful implementation. Jim Slack, who heads up the department, believes passionately in the scorecard and has been instrumental in creating the right atmosphere to make the scorecard a success. Jim says: “I believe you get people to do a great job by engaging and empowering them. Managers often manage despite the management information they get. I wanted people to see the scorecard and the priorities we have. It was the people side that was missing from our previous scorecard attempts. Today, the BSC is part of our DNA – it is the way we run our business – it is fundamental to everything we do!”

Focus on Improvement

According to Jim Slack, “a key success factor of the balanced scorecard is that people are not afraid of it going red! If someone says I am the best project manager in the world because I never had a project going red – it makes them the laziest.” He continues “We don’t blame people, we use it as a flight deck – when things go red we use it to do something about it. You have a look around – our scorecards are not green. If a high jumper had a scorecard that was always green he would only clear 3 ft. – the reds help us to raise our bars. You think about what you need
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to do differently to turn a red into a green. We don’t spin our reports, it’s factual!” He continues: “I like to see ambers – not necessarily reds – but I do like ambers!”

The focus on improvement rather than blame also allows the delegation of performance data and measures design as well as target setting. Jim makes the point by saying: “I don’t dictate the measures in there – we delegate it down, make people set their own targets. And when a light comes on and something turns amber – we have a discussion about the actions we need to take.”

Keeping the Balanced Scorecard Relevant

Any strategic performance management framework has to evolve to ensure it remains aligned to the strategy and the business priorities. A pitfall many companies fall into is that they design the BSC once and then run with it for years without making sure it stays relevant. Jim Slack makes the point very well: “We won’t just pick the scorecard up next year and run with it. We will do a complete review – starting with the overall business objectives and how they filter down to us.”

The Co-operative Banking Group have split out Risk from the Process section of their top-level scorecard, to keep the focus on risk appetite which is key to supporting the delivery of the organisation’s Financial goals and Customer promise. IT have followed suit in order to ensure continued alignment and have now introduced the Performance Pentagon (see figure below) – a five section performance framework that will soon supersede the current four perspective framework.
Key Success Factors

Here are some of the key success factors, which all significantly contributed to the success of this scorecard implementation.

- Having executive buy in and a passion for it
- Having time to use the scorecard data and discuss it
- Having ownership of the scorecard spread throughout the business
- Keeping it relevant and simple
- Having a visually attractive scorecard that has clear messages and speaks to everyone so they can see what they need to do differently to improve performance

In addition to those, Jim Slack adds some personal ones:

- You need to believe it’s the right thing to do – don’t measure for measurement sake.
- You have to be comfortable with really being open and honest about where you are. Don’t be afraid as a leader to be honest – because this will show it. If your fuel light comes up you need to fill up. Don’t be afraid of amber and red.
- Ensure it feeds upwards and is aligned – with top line strategy.
- Let people who run the departments take ownership – empower them. Don’t impose it.
- Keep raising the bar – everybody likes this type of activity!

Benefits of the scorecard implementation

Jim outlines some of the benefits of the scorecard implementation: “The scorecard is the way we do our business and this year we have implemented more major change projects than ever before. The scorecard has clearly contributed to it. Because this is how we drive our business.” He continues: “It has created complete line of sight and the alignment of individual objectives with group objectives.”

In fact, it has helped to create massive staff engagement. Jim tells that “the CEO came down to see how we get colleague engagement so high – usually IT is the last place you would go, our scorecard is doing that.”

Overall, the scorecard has helped to create an environment where there are no surprises. Jim says “The beauty is that we don’t get any shocks now – because we are in control of our own destiny. We get real insights into our performance and how the rest of the business sees us – in the past IT was seen as just a cost to the business – today we’re seen as a key enabler to their success.”
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About

This case study was produced by Bernard Marr, who is the founder and chief executive of the Advanced Performance Institute. He is a leading global authority and best-selling author on organisational performance and business success.

The Advanced Performance Institute (API) is a world-leading research, consulting and training organisation specialising in organisational performance. The institute provides consulting, training and research on concepts like strategy management, performance management, performance measurement and business intelligence. Learn more at www.ap-institute.com

Further Reading

Bernard Marr (2012), “Key Performance Indicators – the 75+ measures every manager needs to know”, FT Prentice Hall, Harlow


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