# Understanding the Potential of the Balanced Scorecard to Drive a High Performance Culture in a New Zealand Information Technology Organization:

## An Exploratory Study

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A thesis submitted in partial fulfilment of the requirements for the degree of Master of Business, Unitec, New Zealand, 2011

# DECLARATION

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- This thesis is my own work.
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# ABBREVIATIONS

NZIS: New Zealand Information Technology Services Organization

BSC: Balanced Scorecard

SLA: Service Level Agreement

IT: Information Technology

P1 Incident: Priority One Incident – refers to a system, hardware or application fault that can adversely affect the smooth running of the customer's business or operations.

BAU: Business as Usual

FM Manager: Facilities Management Manager

# ABSTRACT

This research is an exploratory study into the transformation of a low performance business unit, in a large information technology service organization within New Zealand, into a high performance team by means of the balanced scorecard approach. A phenomenological approach to the research was undertaken in order to get an insight into the drivers of low business performance, as well as understand the transformation process.

The research concludes that the balanced scorecard works well in the context of an environment in which there is good leadership and management; in which employees have a right attitude and are engaged in their work; in which there are processes which measure progress and propel employees towards the desired business objectives.

It also concludes that a complex approach to the implementation of the balanced scorecard approach will almost certainly result in failure, that a manager who is unable to motivate and engage employees is unlikely to succeed long-term, as will one who is unable to manage process.

The research recommends that managers should focus more on the soft factors of people management and on the required system processes if they are to succeed in the implementation of the balanced scorecard. Good people management takes effort and time, and few managers appear prepared to make the investment.

# CHAPTER ONE - INTRODUCTION

## 1.0 BACKGROUND

Companies have always faced many challenges, but at no other time have the business challenges become more pronounced, with rapid and volatile change, as in the 21st century (Adjibolosoo, 2004; Jørgensen, Owen, & Neus, 2009). Employment security is no longer guaranteed, and loyalty from employees is no longer a given. As the economic climate has become increasingly turbulent, businesses seek to keep ahead of the competition by working faster and smarter; by raising productivity levels per employee while, at the same time, increasing innovation and minimising costs (Chavan, 2009; Lee & Lee, 2007; Schulte, 2005).

Businesses need to concentrate on the things that matter to their customers, such as efficiency and the provision of more value-added services while keeping their employees motivated, focussed and engaged on the job (Adjibolosoo, 2004; Mansor, Chakraborty, & Tay Ke Yin, 2011; Nel et al., 2011). They need to swiftly and effectively communicate to employees changes in business strategy, and measure whether the new approaches are working and the business getting anticipated results. For knowledge-based industries, of which information technology companies are part, it has become increasingly clear that the best way to maintain a sustained competitive advantage is to develop and effectively deploy the knowledge-based resources they have to the advantage and benefit of their customers (Grundy, 2006; Lee & Lee, 2007; Perez & Pablos, 2003).

At the heart of the business are managers who must deliver required services to increasingly demanding customers, through employees having differing levels of understanding, personalities, backgrounds and abilities. Managers face complex

business environments in which there are many competing interests. Working out how to make the best use of the intellectual capital they have at their disposal in the form of existing productivity tools and employee knowledge to drive productivity can be a major challenge for many of them.

This research considers and studies how the balanced scorecard can be used to drive high workplace productivity in such an environment. An exploratory research case study was done on the transformation of a business unit within a large New Zealand Information Technology Services Organization. This unit was transformed from one having low employee productivity and morale, and poor customer satisfaction levels, into a highly productive unit. It arguably had the most engaged employees within the organization as a result of the effective adoption of a balanced scorecard approach over a three (3) year period. For the purposes of this study the organization will be referred to as NZIS; the real name of the organization will not be revealed, due to confidentiality requirements. All the names of people mentioned in this research paper are fictional, and not in any way related to the names of people whose real names coincide with those mentioned.

In 2004 NZIS was successful in securing a large outsourcing contract to provide information technology support services for Medicare Insurance, a major provider of private healthcare services and insurance. It was the first time that the customer had outsourced the management of its information technology infrastructure on such a scale. The outsourcing agreement required NZIS to manage the entire infrastructure for the customer, and the outsourcing contract prescribed response expectations, in a service level agreement (SLA), for fixing problems and issues that could arise from time to time. SLAs are standard practice in information technology outsourcing contracts.

NZIS inherited an infrastructure system that was unstable, and a system environment that they were not familiar with. The company embarked on a number of projects which were meant to bring stability to the system and reduce the number of system faults resulting in priority one (P1) incidents. Priority one incidents are software, hardware or system faults that result in service disruptions to a number of business users or their customers. On the NZIS side, the morale and commitment was initially high as these projects were embarked on, but as some issues persisted, and the number of P1 incidents continued - which the customer had expected to be quickly eliminated, the customer's satisfaction levels went down, bringing about the possibility that the outsourcing contract could be lost. The persistent issues affected the morale, and productivity of NZIS engineers. NZIS account managers got under increasing pressure to meet ever-changing customer expectations.

Given the fact that most organizations which adopt the balanced scorecard approach experience a high failure rate (Ittner & Larcker, 2003; Jørgensen, et al., 2009; Smith, 2005), this research identifies the initiatives and management approaches that were cumulatively critical for the successful transformation of the business unit into one having a culture of high employee productivity and engagement. It also explores how the balanced scorecard can be used for transformational change across the New Zealand Information Technology Services Organization in other more or less similar teams.

In this research study, managers and employees were interviewed with the intention of understanding the management actions they think made the balanced scorecard approach work in the business unit. The various views and experiences of management and employees within the business unit since the adoption of the balanced scorecard in 2008 were gathered. These views were analysed and

summarized with the intention of coming up with recommendations for a balanced scorecard approach that could be implemented company-wide to transform the organization culture in a similar way.

As NZIS has grown in business turnover and staff numbers, an interest has developed in how to more effectively manage its human and information technology resources. The need for more effective managers, as well as a highly engaged workforce, has never been greater. The increasing trend of encouraging and sending managers to management courses provides a strong indication that the company sees its workforce as a major source of competitive advantage that it can capitalise on through effective management.

## 1.1. INTRODUCTION AND OUTLINE OF THE RESEARCH

### SERVICE DELIVERY IN THE INFORMATION TECHNOLOGY CONTEXT

The provision of information technology services through outsourcing models provides significant challenges to many organizations. Both suppliers and recipients of information technology services always face the vexed question of how to deliver, or obtain, services that exceed expectations, or, at the very least, adequately meet their requirements. Customers usually see companies that over-promise in order to acquire an outsourcing contract, but under-deliver thereafter, leaving both parties with a bad taste.

At the core of the problem is how to efficiently meet the ever-changing needs of customers while keeping abreast with developments in technology, legislation and the economy. Some customers, after outsourcing the provision of information technology services, later decide to in-source once they fail to realise the quality of service and cost savings they anticipated. After in-sourcing, many realise that

they do not have the skills they thought they had, to effectively manage information technology services on their own.

As indicated by Jørgensen et al. (2009), most businesses do not have the luxury of expecting business operations to fall into a predictable pattern. Constant change has become a major part of what most businesses experience, and effective management of this change in the information technology service industry is crucial for success. To further complicate matters, many customers expect, and rightfully so, these changes to happen smoothly, without disrupting business operations. This is certainly the case with the NZIS Medicare business unit and its healthcare customer.

Service providers are cognizant of the fact that a good record of service delivery can easily be wiped out by one or two major service lapses that negatively impact on the customer operations – resulting in the loss of business overnight. A case in point is the highly publicised loss of the Air New Zealand outsourcing contract by IBM (NZ) to Gen-i following a major power incident at the IBM data centre which disrupted business for Air New Zealand in December 2009 (Twose, 2010).

Not all customers are happy with the level of service they get from information technology service providers, who appear to be either too slow, inefficient, or unwilling to meet new needs the customers consider to be necessary for improving business competitiveness. On the other hand not all information technology service providers are satisfied with the revenue they get from their customers, given the never ending chain of necessary, and unnecessary, demands for better or newer services - which must be delivered at the speed of light. Having employees who are disengaged, to varying degrees of significance, and who

believe that their managers pander to every “impossible” whim of the customer’s demands does not help matters.

This exploratory research project investigated the state of information technology service delivery before the balanced scorecard approach was adopted, with a view to understanding why this was the case. It also looked at the reasons for low morale within the business unit. Afterwards a look at the actions that were undertaken by management to ensure the effective management of customer expectations was made. Strategies that were employed by management to increase employee engagement were considered.

The project also considered the internal processes that were put in place to ensure a more efficient delivery of service in order to fulfil promises made to the customer, in the execution of projects and general systems support and management as part of the process of implementing the balanced scorecard.

## 1.2. RATIONALE AND PURPOSE

Understanding the reasons for low performing teams, and actively disengaged employees, enabled the researcher to understand why customer expectations could not be met as a result of stymied team dynamics. It is a known fact that identifying and addressing the key drivers of employee disengagement has the effect of improving organizational performance (Fairhurst, 2008; Macey, Barbera, Martin, & Schneider, 2009). Also given the fact that high performance organizations have highly motivated employees, it can be inferred that the balanced scorecard cannot effectively work in a business organization which has an unhappy and disengaged workforce (Fairhurst, 2008).

This research investigated and identified the drivers of disengagement in this particular team, and how management won the hearts and minds of the employees, thereby enabling the successful implementation of the balanced scorecard. Pinpointing the drivers of employee disengagement may enable other teams to identify with and, perhaps, be willing to adopt the recommendations that are made as part of this research. The research then examined how the balanced scorecard was introduced and explored what is needed to sustainably maintain the success experienced so far.

As indicated before, this research project was an exploratory research covering the three (3) years of the balanced scorecard implementation in the business unit of the New Zealand Information Technology Service Organization. At the time of writing the researcher was not aware of any similar research ever having been done in an information technology service organization within New Zealand, hence the exploratory nature of this particular research.

## 1.3. THE RESEARCH QUESTIONS

The project aimed to gather information that would answer the following research questions in NZIS:

**Major Research Question:**

How can managers use the balanced scorecard to transform low performing information technology service teams into highly productive and profitable units that meet customer service expectations?

**Research Sub-Questions**

a) What were the major drivers of low business performance, and how were they addressed?

b) How did managers get the necessary buy-in from employees for the balanced scorecard to be successful?
c) Was it the balanced scorecard approach, that made a difference to employee productivity and business performance of the unit, and if so how?
d) What management changes enhanced service delivery improvements which resulted in a change in customer satisfaction?
e) How is management ensuring that the culture change is sustainable?
f) Given that 70% of the companies that implement the balanced scorecard fail, what makes this implementation different?

Answers to these questions should result in a clear understanding of how the balanced scorecard can be used in NZIS to create a high performance culture across the board in many of its business units.

## 1.4. THESIS OVERVIEW

This thesis is divided into seven chapters. Chapter One covers the general background to business performance and productivity issues in the information technology sector which led to this research being undertaken. It covers the reasons why the research was conducted, and presents the questions to be answered by the research. It also provides an overview of the research thesis.

Chapter Two covers the literature review of the balanced scorecard. It defines the balanced scorecard concept, and describes the framework in general. This chapter also looks at the uses of the balanced scorecard and how other companies have used it to increase business performance, boost employee engagement, and enhance customer satisfaction. The evolution of the balanced scorecard framework, from a purely performance measurement tool into a driver of business strategy, as well as its transformation into a tool for business alignment, is

considered in Chapter Two. A literature review of the challenges faced with the balanced scorecard approach is also considered in this chapter.

Chapter Three covers the methodology of the research, and explains why the phenomenological approach was the most suitable in this exploratory study. It covers the methods of data collection, the selection criteria of research participants, limitations of the project, methods of data analysis and expected outcomes.

Chapter Four is the longest chapter of the thesis, and it presents the results of the in-depth interviews conducted with the research participants during the research. It considers various aspects of the business performance, as per the research questions, before and after the introduction of the balanced scorecard. This chapter summarises responses to research questions by various research participants, and tries to pick the main themes as they emerged from each participant.

Chapter Five includes data collected from the company's e-mail archive and from the researcher's experiences as an active participant in the research.

Chapter Six discusses the results and provides answers to the research questions. It identifies the main drivers of the transformation in business performance and considers what the literature says about these findings.

Chapter Seven provides research conclusions and makes business recommendations on how the balanced scorecard approach can best be implemented in order to achieve the desirable outcome of increased business performance.

## 1.5. CHAPTER SUMMARY

This chapter has looked at how businesses now face much stiffer challenges in a modern-day fast changing environment. Businesses have to deal with customers who are more sophisticated and demanding; with employees who are likely to be less loyal, less engaged, and not as productive as the business would prefer. Managers have to increase business performance while reducing costs. They face the challenge of how to increase employee productivity and engagement, satisfy customers while increasing efficiencies of internal processes.

Disengaged employees are seen as having the greatest impact on productivity. This research is an exploratory study of how the balanced scorecard was used to transform a disengaged team of employees into a highly productive team. A number of research questions on how this transformation took place were raised.

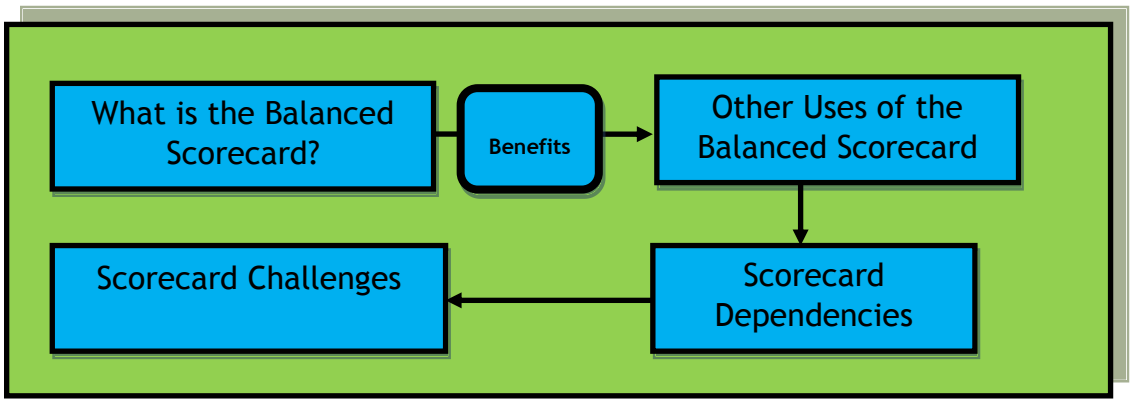
In Chapter Two the literature review reveals that engaged employees are productive. Organizations therefore need to have a culture which encourages employee engagement, while having a handful of balanced measures and targets that drive performance. Managers who are able to create such a culture stand a greater chance of being successful in increasing business performance.

# CHAPTER TWO - LITERATURE REVIEW

## 2.0 LITERATURE REVIEW

Chapter One explained the challenges businesses are facing, and indicated competing interests that managers need to address simultaneously while trying to lift business performance. The chapter briefly indicated how the productivity of a business unit in NZIS was boosted after the adoption of the balanced scorecard. Chapter Two is a literature review of the balanced scorecard.

Figure 1 - Structure of Chapter Two




As shown above, Chapter Two discusses what is meant by the balanced scorecard and briefly delves into the history of the scorecard. It then considers the benefits of the balanced scorecard and considers how its use has evolved over time.

### 2.1. WHAT IS THE BALANCED SCORECARD?

The balanced scorecard is a management tool that enables managers to manage organizational operations more effectively through the use of a balanced set of measures (Ahmed, Ahmed, Nawaz, Dost, & Khan, 2011; Chen & Jones, 2009). The concept of the balanced scorecard was introduced by Robert Kaplan and David Norton in a Harvard Review publication in 1992 entitled "*The Balanced Scorecard: Measures That Drive Performance*". It advocates a departure from the traditional

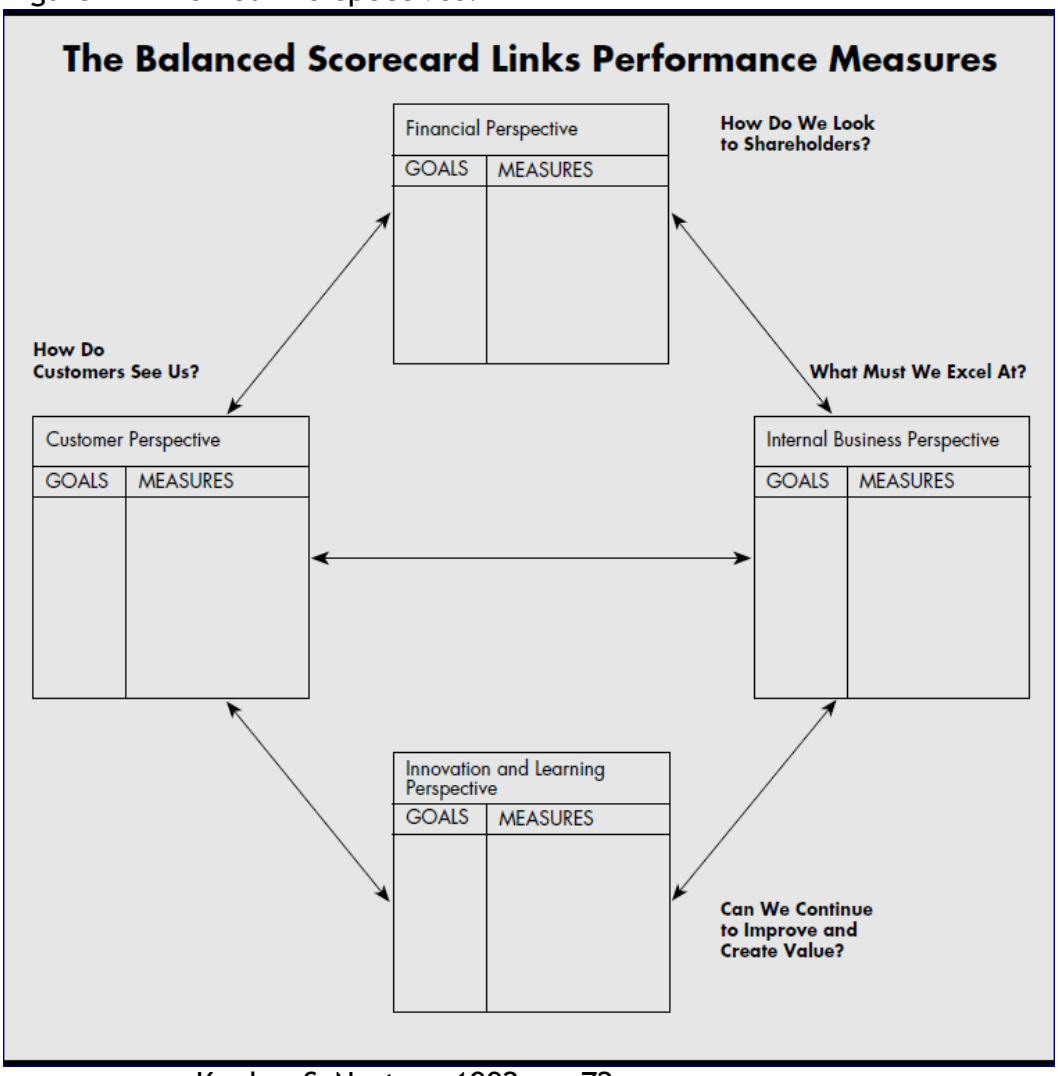
emphasis on financial performance measures, and proposes adding operational measures "which strongly affect the behaviour of managers and employees" (Kaplan & Norton, 1992). It is generally agreed that financial measures tend to be internally focussed, backward looking and do not provide a representative view of the overall health or performance of a business (Iselin, Mia, & Sands, 2008; Seraphim, 2006, p. 11).

The balanced scorecard concept claims that no single measure can provide a clear performance target for a business, or focus attention on the critical areas the business needs to address. It is based on the understanding that you get what you measure, and that you cannot improve what you cannot measure (Elg & Kollberg, 2009; Kaplan, 2009; Kaplan & Norton, 2005). The scorecard approach proposes that we seek to understand and measure the key factors which drive value-creation in an organization (Davies, 2007). It aims to present management with a summary of key performance indicators of a business and provide a rich set of measures with which they can effectively evaluate business performance (De Geuser, Mooraj, & Oyon, 2009; Seraphim, 2006). The summary of key success factors then acts as an operational dashboard which business managers can use to make tactical decisions that successfully drive the business forward (Iselin et al., 2008).

At the end of the day, through the use of the balanced scorecard, managers should not be overwhelmed with complexity, as they should have a handful set of balanced key performance indicators. This allows them to have an overview picture of organizational performance with minimal risk of overlooking something important. The balanced scorecard concept encourages managers to look at a business from four perspectives. These are: the financial perspective; the

customer perspective; the internal business process perspective; and the learning and growth perspective (Ahmed, et al., 2011; Iselin, Mia, & Sands, 2008; Kaplan & Norton, 1992; Pang-Lo & Chih-Hung, 2007), as indicated in Figure 2 below.

Figure 2 - The Four Perspectives.




Kaplan & Norton, 1992, p. 72

These perspectives represent shareholders, customers and employees which are the three major stakeholders in an organization (Ahmed, Ahmed, Nawaz, Dost, & Khan, 2011; Chavan, 2009).

### 2.1.1. Financial Perspective (How do we look to shareholders?)

The balanced scorecard approach retains traditional financial measures. The financial perspective considers business profitability, the return on investment, cash flow, growth, shareholder value and so on (Ahmed et al., 2011; Kaplan & Norton, 1992; Kaplan & Norton, 2005). These financial indicators are lagging indicators, which are not a good predictor of the future (Chavan, 2009; Iselin et al., 2008; Kaplan & Norton, 2005). Lagging indicators "*only alert us when things have gone wrong and the effect is already being felt by the business and the balance sheet*" (Davies, 2007). Such indicators do not provide proactive feedback.

Chavan (2009) goes further to say that a focus on financial indicators can cause organizations to do wrong things. An example of financial indicators causing organizations to do the wrong things could be when an organization focuses on short-term profits instead of investing in order to obtain greater revenues and profit over the long term. Kaplan (2009) indicates that many companies in the Unites States of America underinvest because of their general obsession with short-term financial gains, in contrast to German or Japanese companies, which invest for the long term.

This does not mean that financial measurements are not important. The balanced scorecard should ultimately result in an improvement in financial performance (Kaplan & Norton, 2005). If that does not happen, managers need to go back to the drawing board and revise the strategy.

### 2.1.2. The Customer Perspective (How do customers see us?)

The customer perspective considers measures for retaining and meeting customer satisfaction, as well as product expectations (Ahmed et al., 2011). Strategies for

creating and maintaining customer relationships necessary for keeping current customers and acquiring new ones are the main focus. This perspective includes measures and factors that matter to customers, such as how the customers view the organization in terms of efficiencies, cost, quality of products and services (Chavan, 2009; Kaplan, 2009). Market share considerations, customer performance, brand reputation and the company image are taken into account here.

### 2.1.3. Internal Business Processes (What must we excel at?)

The internal business perspective focuses on the processes, decisions and actions that are necessary for the organization to meet customer and shareholder expectations (Ahmed et al., 2011; Kaplan & Norton, 1992; Murby & Gould, 2005). For shareholder and customer-based measures to be met there must be other measures and processes that must be executed internally (Kaplan & Norton, 2005) such as a processes for handling customer complaints or quality assurance processes for reducing the number of unwanted defects in a product.

Research and development efforts which can bring about new product offerings to customers, as well as the enhancements of existing products which customers find value-adding fall under the internal process perspective. Operational excellence is critical in order to efficiently handle the internal logistics of production and delivery of products or services an organization offers (Chavan, 2009; Murby & Gould, 2005). In addition, effective customer management processes necessary for maintaining, as well as enriching, the customer relationship and experience are important. Without effective internal processes, an organization will struggle to meet shareholder and customer expectations in the medium to long-term. The internal perspective tries to identify and concentrate on the key internal

performance drivers which have the greatest impact on customer and shareholder satisfaction.

### 2.1.4. The Learning and Growth Perspective (Can we continue to improve and add value?)

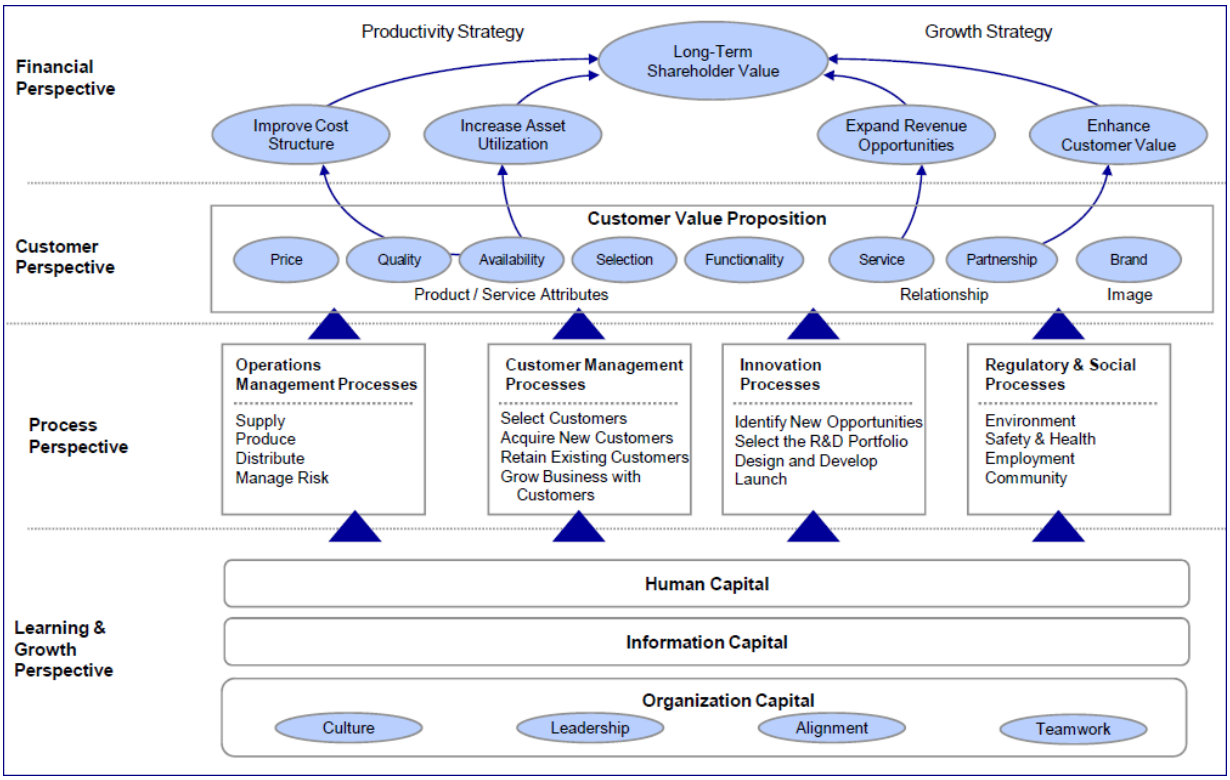
This perspective measures to what extent an organization's employees, technology and culture are capable of meeting future requirements (Ahmed et al., 2011; Kaplan, 2009; Kaplan & Norton, 2004; Murby & Gould, 2005). Measures such as employee satisfaction, retention and engagement form part of the learning and growth perspective. An organization's ability to innovate and achieve operational excellence depends, to a large extent, on the competencies of its employees, the capabilities of technology assets at its disposal, and on its culture and leadership (Kaplan, 2009; Murby & Gould, 2005).

Engaged employees are critical to organizational performance (Macey, Barbera, Martin, & Schneider, 2009). Investment in employee training and engagement is necessary. Key employees need to be retained as they are very valuable to an organization. They are essential for the creation, or improvements, of processes and products that drive value in the organizations. The learning and growth perspective is the foundation upon which all other perspectives of the balanced scorecard depend for success. As the operating environments for businesses change, so business strategies should change in order to adapt. The ability by the business to adapt depends on its culture, its internal leadership and the ability by its employees to change internal processes in order to adequately meet the challenges of the day (Murby & Gould, 2005). The inability by an organization to adapt can greatly reduce its competitiveness.

## 2.2. STRATEGY VALUE CHAIN

The relationship between the four perspectives is explained in Figure 3 below:

**Figure 3 - Strategy Value Chain**




Kaplan (2009, p.22)

As indicated above the value of the various perspectives is ultimately seen in the form of positive financial outcomes, as their purpose is to create a strategic value chain which ensures efficient internal processes underpinned by high internal capabilities. According to Kaplan (2009), this value chain is not cumulative, but rather multiplicative, thereby demanding that internal processes and capabilities be effectively high for any value to be realised.

## 2.3. USES AND BENEFITS OF THE BALANCED SCORECARD

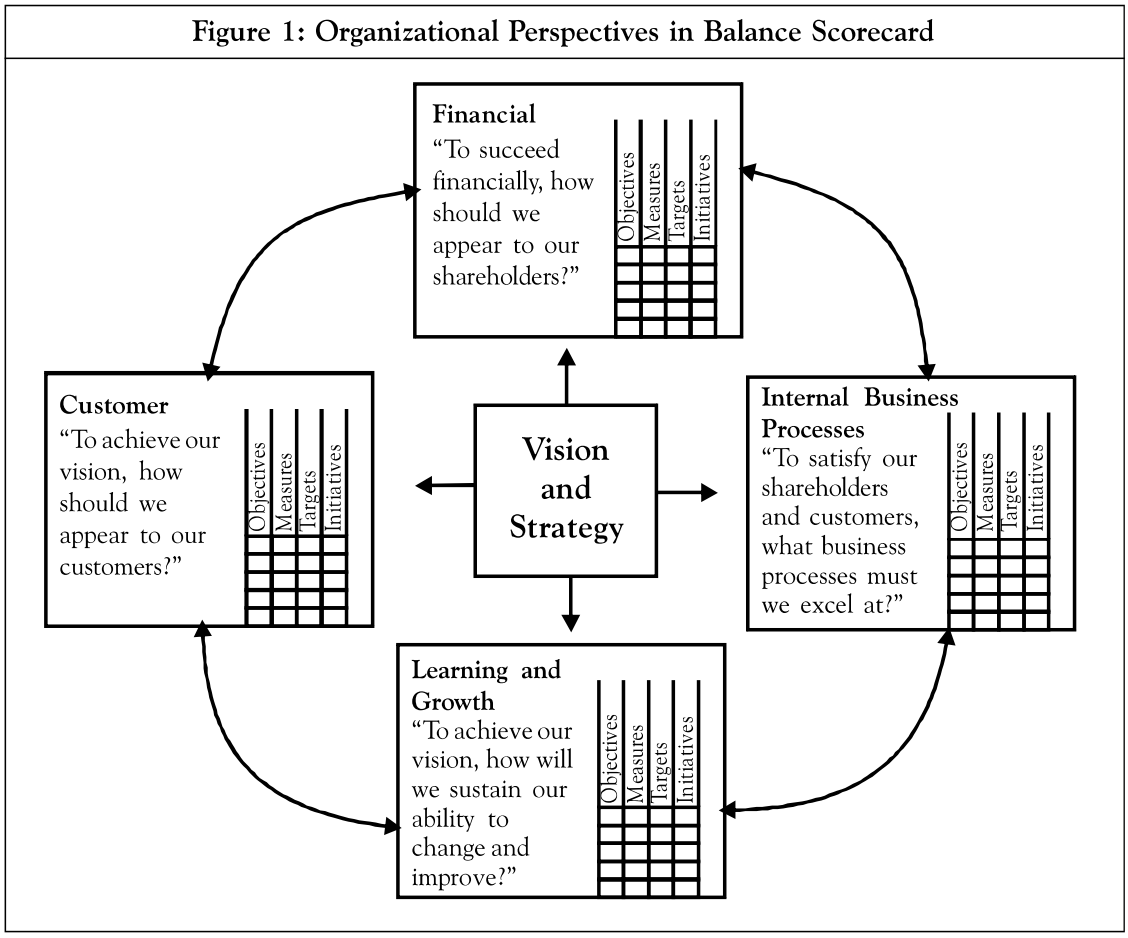
### 2.3.1. Monitoring a Range of Performance Measures

As indicated above, the original use of the balanced scorecard was to monitor a range of performance measures in an organization, as opposed to just financial measures which offer a historical, but limited, view of an organization's performance (Chavan, 2009; Dribin, 2009; Kaplan, 2009). The range of measures results in a balanced view of organizational performance. This view of organizational performance assists managers to know where to focus their attention, without doing so at the expense of something else important.

### 2.3.2. Strategic and Operational Control

The balanced scorecard evolved to become a tool for translating strategy into action, and its core value was in enabling an organization to realize its vision and strategy (Chavan, 2009; De Geuser, et al., 2009; Hwang & Raub, 2007; Perera, Schoch, & Sabaratnam, 2007). It has evolved to perform strategic and operational control functions in organizations (Phillips, 2007). Strategically a determination is made on what the organization is trying to achieve, and operationally an attempt is made to monitor, as well as get timely and accurate reports on the relevant processes critical for the successful implementation of strategy. The relationship between the balanced scorecard, the vision and strategy of the organization is depicted in Figure 4 below:

Figure 4 - The Balanced Scorecard the Vision & Strategy




Sharma (2009, p. 11)

According to Sharma (2009), the organization's strategy and vision drive the balanced scorecard. The balanced scorecard therefore became a tool for aligning a business with strategies and organizational vision (Gumbus & Lussier, 2006; Schalm, 2008; Schulte, 2005). Without a clear-cut vision and business strategy, the balanced scorecard would be of limited usefulness since it is always goal-oriented. It is therefore important, in general, for management to crystallize the vision of the organization and indicate, in broad terms, the approach that will used to achieve it so that everyone is clear about the direction being taken and means to get to the end-result.

### 2.3.3. Workforce Engagement and Productivity

Rampersad (2008a) renamed it the "Total Performance Scorecard", and postulated that it can be used as a way of bringing about a highly engaged and happy workforce which is very productive. He further indicated that employee disengagement is one of the major causes of low productivity in many companies, and that this disengagement is infectious, with disastrous consequences to general company morale. He even went as far as proposing that employees should have a personal balanced scorecard which covers both work and non-work aspects of their lives (Rampersad, 2005, 2008b). The reason for this being that as employees work towards self-fulfilment in their personal lives, as per personal balanced scorecards, they naturally apply themselves the same way in their work lives, resulting in both parties benefiting.

According to Wildermuth & Pauken (2008), engaged employees are very productive. They can put emotional and mental concentration on their jobs. Job satisfaction, and an environment which creates a voluntary, and passionate commitment by employees bring about added value to organizations in the form of increased business performance and productivity. High levels of employee engagement result in less employee turnover, thereby ensuring that companies spend less on hiring and re-training new staff. Engaged employees are willing and able to contribute to organizational success (Devi, 2009). They go beyond the call of duty when conducting their work.

### 2.3.4. Business Alignment

Researchers indicate that many companies do not have issues with creating vision and mission statements, but they certainly face challenges in aligning business processes to work towards, and measuring, the fulfilment of these goals (Gumbus & Lussier, 2006; McLean, 2006). They have problems in translating business

strategy into operational actions. The balanced scorecard is a tool that alleviates these issues as it helps in achieving and sustaining strategic business alignment in an organization (Huang & Qing, 2005; Phillips, 2007). It also works as a strategic management and communication tool, and has the potential to improve transparency and accountability in organizations (Griffiths, 2003).

Businesses experience challenges if they adopt a dogmatic approach to implementing the balanced scorecard, particularly if they copy what is already working somewhere, forgetting that their environment is unique in some way. A flexible approach is needed, and extra measures may need to be added or subtracted to make things work properly (Kaplan & Norton, 1996, 2006; McLean, 2006). Aligning the operational aspects of a business with strategy is crucial if organizations are to experience sustained growth and success (Kaplan & Norton, 2008; Schulte, 2005).

### 2.3.5. Productivity Enhancement

In information technology service organizations, increasing the productivity of the knowledge worker is of paramount importance (Lee & Lee, 2007; Schulte, 2005). The balanced scorecard is seen as the most effective way to implement business strategy in an era where there is constant turbulence and change in technological, social, political and economic arenas. The emergence of knowledge and its effective management can provide significantly sustainable competitive advantages to businesses (Lonnqvist, Kianto, & Sillanpaa, 2009; Pang-Lo & Chih-Hung, 2007; Schulte, 2005). Without a performance management system most people lack a clear focus on what needs to be achieved, and are therefore more likely to be inefficient in their use of time. Performance management systems, such as the balanced scorecard, enable people to make more effective use of their time, resulting in more work being done as well as

business goals and targets being met. This is what is meant by increased productivity.

## 2.4. CHALLENGES

### 2.4.1. Patience and Determination

The implementation of the balanced scorecard throughout an organization requires significant patience, determination and focus (Lonnqvist, et al., 2009; Wen-Cheng, Yu-Chi, Chun-Hsiung, & Ming-Chin, 2008). It is a lot easier if there is total support and involvement from the board and senior management of the business at the top, all the way down to the shop floor (Chavan, 2009; De Vries, Ramo, & Korotov, 2009; Pang-Lo & Chih-Hung, 2007). This approach requires a substantial change in the organization culture to one which is appropriate and receptive (Adjibolosoo, 2004; Schalm, 2008; Smith, 2005).

### 2.4.2. Organizational Culture

According to Eker & Eker (2009), organizational culture determines the extent to which performance measurement systems will be effective in propelling organizations forward, while Dribin (2009) maintains that those organizations that have rigid cultures inevitably have poor communications, and are generally never ready for the implementation of a performance system, resulting in an attempt to implement one failing. Lau & Moser (2008) consider organizations, or cultures, in which performance measures are perceived as fair by employees as standing a high chance of successfully implementing them.

For the balanced scorecard approach to succeed in an organization substantial changes in culture within the business are required (Chavan, 2009). Managers championing the balanced scorecard need to be committed to creating a culture in which employees are supported and empowered to perform, and make

decisions. A people-centred culture in in which people feel that their jobs are meaningful, that managers care about their welfare and what they think, will most likely have highly engaged employees whose performance is higher than if such a culture did not exist (Dent & Holton, 2009; Devi, 2009a; Wildermuth & Pauken, 2008). According to Devi (2009) "Committed employees perform better".

Information technology service organizations are faced with constant change driven by changing customer requirements and needs, security enhancements, infrastructure and business application updates and upgrades. These continual changes result in change projects coming up all the time. A culture that is dynamic, receptive to change and has high employee engagement is required for successful change implementations (De Vries, et al., 2009; Jørgensen, et al., 2009). Managers who are not committed to creating or maintaining a positive culture are not likely to succeed in implementing the balanced scorecard framework.

### 2.4.3. Failure Rate and Lack of Guidelines

According to Smith (2005) many companies experience as much as a 70% failure rate in the implementation of the balanced scorecard. One of the major reasons for this has been the general lack of guidelines on how to identify and select specific performance measures which are relevant to the organization's strategy and make enough sense for employees to action (Dror, 2008; Smith, 2005). In some cases attempts to implement the balanced scorecard without an existing business strategy in place has been one of the causes of failure. According to Voelpel, Leibold & Eckhoff(2006) for the balanced scorecard to succeed a lot of management effort is required. Without it the scorecard concept is unlikely to succeed.

Schneiderman (1999) believes that balanced scorecards can fail because of a number of reasons. Some of the reasons relate to incorrectly identifying some variables as key performance drivers or poorly defining metrics to be measured. In other cases being unable to break high level goals into measurable objectives that can be acted upon has been a major reason for failure. Having non-financial results which do not have any direct or indirect bearing on the financial results has also resulted in the failure of the balanced scorecard framework.

Schneiderman (1999, p. 8) stresses that "*specific goals should be set based on knowledge of the means that will be used to achieve them.*" Managers need a clear idea of how they expect to achieve the successes they desire otherwise the balanced scorecard framework will not work for them. The lack of general guideline in how to implement the scorecard is therefore a major cause for failure.

### 2.4.4. Complexity of Capturing Performance Measures

The lack of guidelines and subsequent complexity on how to capture and report non-financial measures (Lengacher, 2009) has had an aggravating effect in the implementation of the balanced scorecard. In other situations, the difficulty in collecting the required performance information has made the implementation of the balanced scorecard difficult (Lengacher, 2009; Smith, 2005; Tate, 2000). Certain performance measures such as those pertaining to quality and customer satisfaction measures contain a subjective element. The subjective emphasis by managers on some of these measures in the balanced scorecard has led some employees to conclude that the scorecard introduces favouritism (Lau & Moser, 2008; Sandhu, Baxter, & Emsley, 2008)

### 2.4.5. Communication Issues

The balanced scorecard requires clear communication of the business strategy, objectives and performance targets to employees, as well as frequent feedback regarding whether or not those targets are being achieved. Ineffective communication of these to employees has been seen as a crucial impediment to the successful adoption of the balanced scorecard in organizations (Chen & Jones, 2009; De Vries, et al., 2009; Nelissen & Selm, 2008).

Without a large degree of employee buy-in and engagement, it is difficult for the implementation of the balanced scorecard to enjoy any significant measure of success. According to the Chartered Institute of Management Accountants (Smith, 2005), the need for training and communication should not be underestimated, as some people will need a lot of convincing. Without effective communication, the implementation of the scorecard will encounter resentment among employees (Murby & Gould, 2005).

### 2.4.6. Conflicting Objectives

The balanced scorecard does not address the issue of conflicting objectives. This is because one set of measures can have the effect of counteracting another set of measures. According to Youngblood & Collin (2003), if an organization has multiple objectives, there is bound to be conflict and therefore trade-offs are required. Employees would need to understand the bigger picture if they are accept trade-offs, otherwise a significant level of conflict will be experienced. This would need to be acknowledged during performance evaluation; otherwise employees will not buy-in to the balanced scorecard strategy.

### 2.4.7. Management Loss of Focus

Another reason for failure in the implementation of the balanced scorecard has lot to do with loss of management focus. Researchers studying corporate change indicate that the "*high failure rate is caused by managerial loss of focus concerning why they should change, what it is that should be changed and how this should be done*" (Lonnqvist, et al., 2009, p. 561). There is obviously little hope of the scorecard implementation succeeding once managers drop the ball during the implementation stage.

In many cases, this loss of focus may be linked to the loss of patience and determination that were indicated earlier on. Managers need to be clear about why they want change, and continuously communicate this to the employees.

## 2.5. CHAPTER SUMMARY

This chapter is a literature review of the balanced scorecard approach. It defined the balanced scorecard as a strategy for managing business performance through the use of a balanced set of key performance measures. From the operational dashboard provided by the set of measures, managers are able to quickly identify areas they need to focus their attention in order to increase or maintain business performance.

The chapter also considered the main perspectives which underpin the balanced scorecard. These are the financial perspective, the customer perspective, learning and growth, and internal business processes. These perspectives look what needs to be excelled at in order to satisfy shareholders and customer; as well as what needs to be done in order to achieve the organization's vision and sustain the organization's ability to continuously improve and adapt to change. The balanced

scorecard is not restricted to these four perspectives. Other perspectives can be added to the scorecard, if they are necessary for the achievement of business goals.

This chapter also indicates how the scorecard has evolved to be used for other purposes than just operational measures. The scorecard can now be used as a tool for aligning business operations with strategy, for improving workforce engagement and productivity, for culture change and so on.

The chapter also highlighted that businesses face significant challenges when implementing the balanced scorecard, and hence a high failure rate of up to 70%. For the balanced scorecard to work, managers the culture must be conducive to its implementation. Employee engagement is crucial, and managers need to be focussed on why they need to change. Managers need to be determined and patient when implementing the scorecard strategy, and ensure that there is effective communication within the organization. Identifying the right set of measures to use is important, otherwise the organization gets stymied in the complexity of information gathering. The general lack of guideline in how to implement the scorecard strategy has not made it easy for organizations wanting to implement the scorecard for the first time.

Chapter Three discusses and considers the research methodology that was adopted in this research.

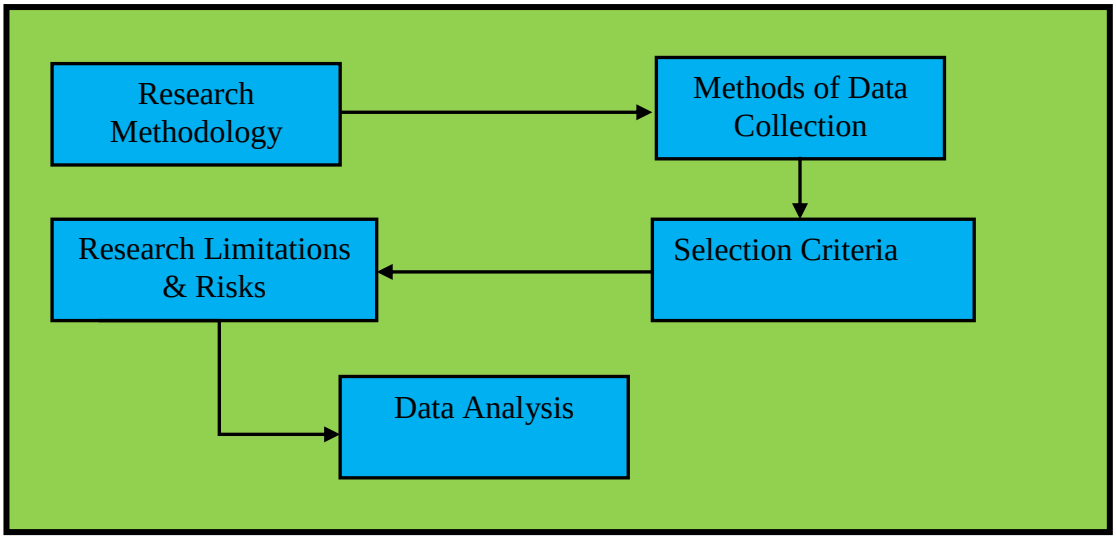
# CHAPTER THREE – RESEARCH METHODOLOGY

The previous chapter, Chapter Two was a literature review of the balanced scorecard. A brief background of the scorecard was considered, and the four major perspectives on which it is based were discussed. Other uses into which the balanced scorecard evolved were looked at, as were the challenges organizations face when implementing the scorecard approach for the first time.

## 3.0 RESEARCH METHODOLOGY

Chapter Three discuss the research methodology adopted in this research. The structure of Chapter Three is as shown below:

Figure 5 - Structure of Chapter Three




This research took a phenomenological approach using the NZIS' business unit referred to earlier on as the unit of analysis for an exploratory research case study. The exploratory research was purely qualitative with the intention to understand the reasons for various phenomena such as employee disengagement, low team performance, as well as how the new management approaches were

able to transform the business unit into a culture of high performance using the balanced scorecard.

The reason for choosing this approach is that qualitative research is good '*for addressing "how" questions rather than "how many" questions, for understanding the world from the perspectives of those studied, and for examining and articulating processes*' (Milena, Dainora, & Alin, 2009, p. 1279; Pratt, 2009, p. 856). This research focused on how the issues affecting staff morale were addressed, leading to the successful implementation of the balanced scorecard in three (3) years. While balanced scorecards are forever works-in-progress, this research also looked at how it was implemented in this particular unit of analysis.

### 3.1. METHODS OF DATA COLLECTION

Qualitative data was collected through recorded verbal interviews of managers and employees in the business unit on which the case study was based. Three (3) managers and two (2) employees in the business unit were interviewed. One senior manager (a director) higher up the hierarchy in NZIS was interviewed in order to capture his views on the transformation of the business unit. One manager in the customer organization was also interviewed in order to obtain her views on how she viewed the quality of service by NZIS before and after the implementation of the balanced scorecard.

No quantitative data was collected. The reason for this is that the sample size of 13-18 people was not large enough to warrant such an approach (Pratt, 2009). Further, the credibility and reliability of data and the findings that follow are more important than its replicability (Bryman, Becker, & Sempik, 2008). Because the target population work in a highly stressful environment it was expedient to limit the interview to not more than 60 minutes per interview, and at a time

which was convenient to both the respondents and the business. NZIS specifically indicated that business disruption, or inconvenience arising from the research needed to be kept to a minimum.

All the data was collected by the researcher between December 2010 and July 2011. Approval of supervisors was needed for the following initial stages of the research project to be completed:

- A proposal sign off
- Approval by the Unitec Research Ethics Committee (Form A)
- Interview questionnaire development.

## 3.2. SELECTION CRITERIA OF PARTICIPANTS

As there were only three managers in the business unit on which this case study was based, the sample population of managers was limited to three (3). Employees to be interviewed were chosen on the basis of their length of service within the business unit. The longest serving employees were interviewed. The reason for this purposeful sampling (Bryman, et al., 2008)was that employees that had been around for less than thirty-six (36) months would not be able to provide an insight into the changes that took place.

The audio files of the recorded interviews are securely kept in a USB storage device located in a cabinet at the researcher's house under lock and key. They will be destroyed after five years in order to comply with the NZIS' security requirements.

## 3.3. LIMITATIONS

This research was limited to NZIS and its business units. While generalisations made as a result of the research may be applicable to business units of other similar service organizations, the generalisations may not necessarily apply.

## 3.4. RISK

There is a risk that people may have provided incomplete or misleading responses in this research. The reason for this risk is that the sample population in the business unit was fairly small (13-18 people) compared to the total number of employees in NZIS (1800). It is possible that people might not have spoken out their minds, and thereforeprovided responses they believe their managers, or the researcher, would want to hear.

## 3.5. DATA ANALYSIS

Qualitative data was mostly analysed using “a general analytical procedure for qualitative data" (Collis & Hussey, 2003, p. 264). This approach requires one to go through an iterative process of comprehending, reflecting, synthesising, theorising and contextualising data generated as the research unfolds (Becker, 2009; Bryman, et al., 2008; Keso, Lehtimäki, & Pietiläinen, 2009).

A summary was written after each interview and personal thoughts and reflections added. This formed part of a tentative analysis of the data as it was collected (Becker, 2009; Rossiter, 2008). The context, the date and time of the interview and the possible implications of the findings were included in the summaries (Collis & Hussey, 2003; Rossiter, 2008). This enhances the data analysis process.

Grouping data into various categories as themes emerge after each interview was another level of qualitative data analysis (Collis & Hussey, 2003; Kelliher, 2005).

This part required considerable effort and thought. The categories were modified as new themes or data emerged. Progressive summaries of findings allow continuous data analysis, and any deficiencies, or short comings in the emerging theories to become apparent. These summaries were used to construct generalisations which can be compared to existing theories, or used to construct a new theory.

### 3.6. ETHICS ISSUES

Approval for this research was required by the Unitec Ethics Committee. No culturally or socially sensitive issues were anticipated. While participants were from different social and cultural backgrounds the interview questions were designed not to offend them. As a result Form A was used in seeking ethics approval which was granted as ethics approval number 2010.1142.

### 3.7. EMPLOYER-EMPLOYEE RELATIONSHIP

Since the research was conducted in an environment where the researcher was an employee, there can be questions regarding the level of censorship on the research findings, whether self-imposed or employer-imposed, and how representative of reality the reported findings are. This concern was addressed by the employer's interest in how the exploratory research findings can be used within NZIS to improve the business performance as well as customer satisfaction levels in other business units.

The employer was interested in protecting the trade secrets and identity of the NZIS while, at the same time, fully supporting the case study. The employer-employee relationship was therefore not seen as causing any ethical issues.

## 3.8. OTHER ETHICAL CONSIDERATIONS

The research process was under the supervision of Dr Andries du Plessis (Primary Supervisor), Dr Ken Simpson (Secondary Supervisor) who was also the programme director. The supervisors revised and reassessed the interview questions before the research could be undertaken.

The following ethical considerations were undertaken:

a. The term "New Zealand Information Technology Services Organization" (NZIS) was used to refer to the company on which this research was based.
b. All research participants would be notified in writing well in advance before participating in the interviews.
c. Participation would be voluntary and by consent, and the consent forms and letters of introduction would be written in a simple language so as to minimize possible misunderstandings.
d. Participant consent would be sought through signing a consent form.
e. Participants would be free to refuse to answer some, or all, questions.
f. Data, and the results of the research could only be made available to people related to the research, such as the research supervisors, examiners and transcribes.
g. A copy of all electronic data gathered would be kept on a USB memory device with password protection, and encryption.
h. The New Zealand IT Services Organization, on request, would be provided with a copy of the research thesis.
i. Collected data would be kept in compliance with the New Zealand Privacy Act.

## 3.9. OUTCOMES/OUTPUTS

It is anticipated that the research will assist NZIS by providing a simple framework that managers can use in implementing the balanced scorecard to transform the business units they manage into high performance teams of well-motivated employees. This can have the effect of improving service delivery to customers, resulting in increased business profitability. It is anticipated that research findings and recommendations that come out of the research will be able to generally apply to other information technology service organizations of varying sizes within New Zealand.

## 3.10. CHAPTER SUMMARY

This chapter discusses the methodology that was adopted in this research. The balanced scorecard research in NZIS organization was an exploratory research. A qualitative approach was adopted because of the need to identify how the balanced scorecard was used to transform a business unit from a culture of low productivity into a culture of high business performance. This research was primarily concerned with getting an insight into how the transformation took place from the viewpoints of various stakeholders directly related to this business unit.

A research proposal was submitted to the Unitec Research Committee in order to seek approval to conduct this research. Application for ethics approval to conduct this research was also made to the Unitec Ethics Committee. Both committees approved this research. No ethically contentious issues were identified as material in this research.

Data collection was primarily through recorded verbal interviews of the research participants. The researcher's own e-mail archives in the years from 2007 to 2010

were also used as another source of data. A total of seven research participants were interviewed for about one hour per interview. The research participants were selected on the basis of their involvement during the time of the business transformation being researched.

The recorded data was transcribed, and key themes from each interview identified, and put into various categories. An iterative approach of comprehending, synthesising and reflecting on the interview material formed a significant portion of the qualitative data analysis.

The outcome of this research was two-fold. The first outcome was to produce a guide on how to use the balanced scorecard to transform business units into a culture of high productivity. The second outcome was to complete the Master's thesis in order to fulfil Unitec's requirements of adding to the academic body of knowledge. Chapter Four discusses the results of the in-depth interviews with the research participants. This provides an insight into the views of the research participants regarding business performance before and after the implementation of the balanced scorecard.

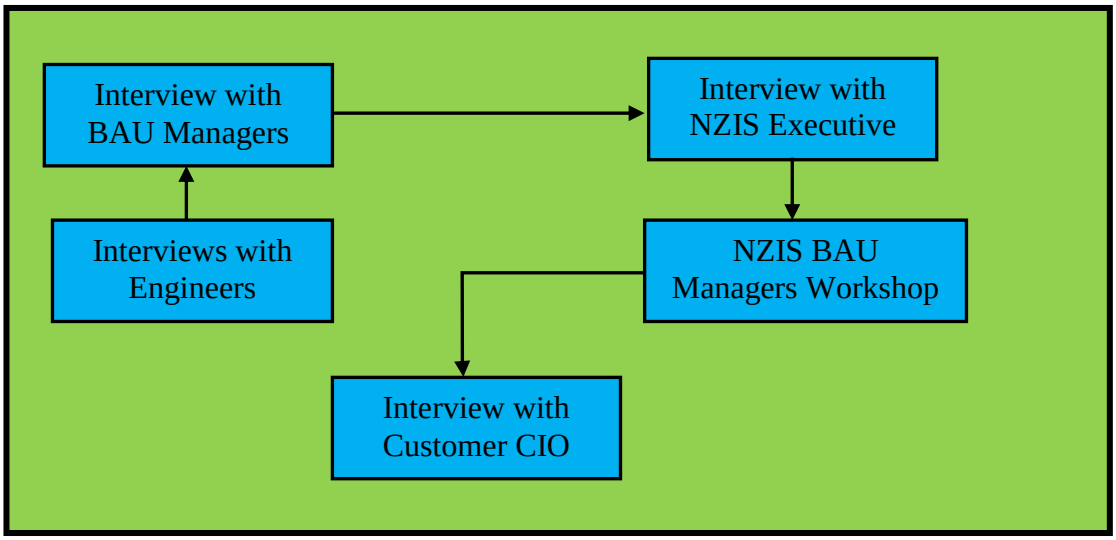
# CHAPTER FOUR –INTERVIEW RESULTS

## 4.0 INDEPTH INTERVIEWS

Chapter Three discussed and justified the qualitative research methodology of this exploratory research. It discussed the methods of data collection, the selection criteria for research participants, risks and ethical considerations, the approach to data analysis as well as the expected outcome of the research.

The structure of Chapter Four is presented in Figure 4.1. This chapter summarises the information gathered in in-depth interviews with various managers and Engineers related to the NZIS BAU team being studied. The major objective was to gain a deeper understanding of what the major issues were before the balanced scorecard was introduced, and identify the critical success factors that resulted in a high performance culture. The personal interviews enable us to gain an understanding of what actually transpired, as seen from different viewpoints of the interviewees.

Figure 6 - Structure of Chapter Four



All seven interviews were conducted in Auckland and were recorded on a digital recorder and subsequently transcribed. The NZIS Medicare BAU management workshop held in Wellington was a company initiative to encourage the managers of other outsourcing BAU teams similar to the one being studied to meet together and share information on how they can emulate the success and employee engagement that appeared to work so well for the Medicare BAU team.

The researcher attended the workshop as an active participant, and had permission to record the proceedings of the workshop, for use in this research. The workshop of NZIS Managers for different outsourced teams, as well as an interview with an executive manager responsible for various business units provided an insight into the extent to which the findings of the case study can be generalised and applied across other teams. It also provided and insight into the limitations of such generalisations.

The large volume of data generated in the interviews was analysed through a process of continuous reflection and synthesis.

## 4.1. INTERVIEWS WITH ENGINEERS

Two (2) engineers were interviewed with the intention of finding out their perspective of the most important factors responsible for the improvement in employee productivity and motivation. In order to understand the distinction, questions relating to the time before and after, the balanced scorecard was introduced were asked.

## BEFORE THE BALANCED SCORECARD

### 4.1.1. How Was Performance Measured Before The Balanced Scorecard?

**Basic and Informal Measurement**

According to the engineers, before the balanced scorecard was introduced in January 2008, performance measurement was informal. Only basic measurements were in place. Measurement was in terms of the number of jobs raised in order to fix incidents, to make system changes, the number of completed jobs and how long the jobs had been in an engineer's queue. A daily report was run, to check what had come in and what had gone out and how long it had taken to close a job.

In the case of incidents, there was no emphasis on what had caused the call. For business performance to improve, it is important to understand what the key drivers of performance are, and measure them (Davies, 2007). It certainly did not appear to be the case here.

**Reactivity and Lack of Structure**

It was both engineers' view that there was no real structure to ensure that performance tracking was effectively done. As far as they were concerned measurement was inadequate, and management was not forward–looking. The environment was more reactive than proactive, and there was a lot of fire-fighting. There was a hand-to-mouth existence. Sometimes performance was based on emotions. Managers would jump up and down, screaming at people if things went wrong (relates to sub-question 1.3.(a)). Reactivity and lack of structure was certainly one of the causes for low business performance.

**Lack of Management Direction**

Managers did not appear to have a good idea of how to get on top of things by proactively measuring and directing the performance of the Engineers. They certainly knew what the issues were, but using available performance measurement tools to improve things was either difficult or not seen as important. Available performance data did not make sense, as there was no system of actively ensuring that the data captured had meaning. The issues were not technical or skills-based, but they were purely a management issue. Employees need clear directions from managers if they are to be effective (Kaplan, 2009; Nel et al., 2011).

### 4.1.2. How was the Business Relationship between NZIS and Customer?

**Tense and Distrustful Relationship**

The engineers interviewed considered the relationship between the customer and NZIS, before the balanced scorecard was implemented, as tense because of the higher number of problems that used to exist. They considered it to be antagonistic and fraught, with a culture of blame – whatever went wrong was always NZIS's fault. There was a lot of friction.

The customer was never sure of what they were getting. Whenever there were issues the customer was never sure if they were being given the complete picture, because there was a significant level of pushback by NZIS as well as non-disclosure. The NZIS relationship with the customer was not based on openness, resulting in the customer not having confidence in NZIS (sub-question 1.3(a)). No-one would take ownership of problems, and indicate a plan of action to prevent a recurrence of issues in the future. There was a low level of trust between NZIS and the customer.

According to one of the engineers:

> *"Before, the environment was tense, angry, you really felt like the whole thing was really shaky. Medicare Insurance for example was reviewing the contract and it was always sort of, what shall I say. . . . it was shaky. Whereas now when we are told that Medicare Insurance is renewing the contract they are extremely happy"*

**Contractor Mentality and Lack of Process**

The customer wanted more than what was in the contract, but there was a contractor mentality on the NZIS side, where they would not provide more than what was in the contract. There was a "them and us kind of attitude". The customer wanted more services, which NZIS was unable or not ready to provide.

The customer was not able to see a clear pattern of improvement, or an indication of how things could be improved by NZIS clearly showing which areas were supposed to be focussed on. The customer was able to clearly identify a lack of process and discipline on the part of NZIS, and attributed system problems they were experiencing to this.

A general common denominator in providing efficient customer service is to have engaged and happy employees (Macey et al., 2009). Engineers were unhappy and, coupled with the lack of good internal processes, the customer service provided was frustrating to the customer. A frustrated customer can make life difficult in the form of late payments, complaints, investigations into issues and so on, all of which drive down business performance.

### 4.1.3. How was the Relationship between Managers and Engineers?

**Poor Relationships**

In the interviews, the engineers thought that the relationship between managers and engineers before the balanced scorecard was implemented was poor. In their view, one of the reasons for the poor relationship is that good people management was not high up on the agenda of management. People management skills on the manager's part were generally not good. The engineers viewed one of the managers as having a particularly negative personality which contributed to poor relationships with the customers. It is essential for managers to connect with employees and customers, and maintain healthy relationships (Seijts & Crim, 2006).

Two people resigned because they did not like working under one of the managers. There was poor management and poor management style. Previous management did not have people management skills. They were interested in keeping things ticking along. They were not interested in keeping people happy. They just wanted their jobs done. They just wanted things to work. One of the team leaders always seemed to run like a "*headless chicken*" whenever there were problems, while one of the managers was constantly on edge (sub-question 1.3(a)).

**Aggressive and De-motivating**

Morale was low. Managers did not appear to know how to motivate staff. Communication was poor. The account manager seemed to "*always pour negativity - mostly giving the down-picture in his reports and feedback, unlike now when we get the up picture*". The environment was aggressive, and managers did not have an open door policy. Even if they did, they were not easily

approachable. Approaching the senior managers "*was like approaching a grizzly bear*".

**Unsupportive**

There was a lot of noise when things went wrong, and there was a certain amount of "*finger pointing and that meant that engineers did not feel supported*". They would fix things, but not in the best and most efficient manner. The engineers were quite well skilled and competent but there was not enough organization or leadership by the managers. The management style resulted in engineers just fixing what needed to be fixed, not more and not less.

Managers are supposed to motivate employees and help them to be productive (Ketter, 2008; Nel et al., 2011). Maintaining poor relationships does not drive up business performance. Management support is especially required in times of crisis (Seijts & Crim, 2006).

**Poor Communication and Lack of Openness**

Engineers were never sure of what was really happening. There was very little positive feedback from management. It appeared almost certain that the three year IT outsourcing contract which was up for renewal in 2008 was certainly not going to be renewed, and the perception was that engineers were to blame for not performing up to the standards expected by the customer. Effective communication can have a positive impact on employee engagement, whereas bad communication can have a destructive effect (Lockwood, 2007).

### 4.1.4. What was Team Innovation Like?

Engineers considered the level of team innovation as rather low to non-existent, as a result of people always being in a fire-fighting mode, before the balanced

scorecard was implemented. There could be as many as three (3) P1 incidents per day. Clearly the engineers did not have time to do proactive work, and managers did not appear to have a plan to get to the desired goal.

## 4.2. THE BALANCED SCORECARD

### 4.2.1. So What Changed?

According to the Engineers change began in 2007 with the appointment of a new Service Delivery Manager, on contract, by the name of Samantha Jones, and another Outsourcing Manager by the name of Stevens Donalds. He did not stay for long as he was replaced by Jack, and Samantha by Carly Fiorina (not her real name).

**Management Openness and Better Communication**

The engineers felt that the appointment of the new managers brought an increased level of management openness, and feedback regarding customer perception of service quality provided by NZIS. This resulted in the team becoming a lot more settled and certain of what was happening. More positive guidance from management increased team confidence. For the balanced scorecard to work, managers need to provide clear guidelines and direction (Kaplan, 2009).

**New Blood and Departure of the Old Guard**

A number of team members resigned and left the team. Most of those that resigned were team members that had a negative attitude. One of them used to be a team leader, who was so abusive as to drive some other team members to tears. When such team members left, the level of friction within the team diminished. The new engineers that joined the team were hard-working and friendly, resulting in a less tense atmosphere.

**Motivational Leadership and Support**

The coming in of Jack as the outsourcing manager was seen by engineers as an event that had a huge impact on the team morale and performance. He formally introduced the balanced scorecard approach, and set expectations.

"*Jack made a huge difference. I would find it hard to separate the approach and the manager from each other; they are kind of the same thing. He brought with him a huge breath of fresh air. He knew which way he wanted our team to go and progress.*"

Jack put an end to the blame game, and made engineers feel safer and more comfortable. Employee confidence, engagement and management support are important for the successful implementation of the balanced scorecard (Ahmed et al., 2011; Seijts & Crim, 2006).

**The Scorecard as a GPS (Global Positioning System)**

Most of the engineers liked the scorecard. Without the scorecard, they believed that the team would be fragmented, and without consistent direction. One of them likened the scorecard to a roadmap that allows one to see to see where one wants to get. He also likened it to a GPS which, in this case, basically gave twelve instructions every year on how the team was doing.

**Team Spirit and Trust**

In the interviews, one of the engineers described the team relationship as "pretty good" and dynamic, with people happily doing their work. If somebody is a little weak in some area of knowledge they have no problems asking anyone else for help, and this never used to be the case previously.

If a new engineer joins the team, the engineer is given system accesses, and is trusted from the very beginning. They do not have to gain trust, as they have it from the beginning. Losing trust is the worst thing that can happen (Robertson & Cooper, 2010; Seijts & Crim, 2006). The engineers may lose trust, as a result of their own doing; otherwise they would have had it from the outset.

**Customer Satisfaction**

Engineers acknowledged that most team members do not need to second-guess what the customer thinks about the service NZIS provides, as feedback is provided on a monthly basis. In addition to high-level linkages between Jack and Helen, the Medicare CIO, there are linkages at different levels between the two organizations, resulting in even greater communication flow and feedback (sub-question 1.3(d)).

**Is this Culture Sustainable?**

The engineers' view is that it is not the balance scorecard that has created the current positive culture, but rather a combination of the balanced scorecard and the personality of management. The sustainability of this culture therefore largely depends on the new manager that comes. If the manager has the same approach as Jack, then the culture can be sustained.

## 4.3. INTERVIEWS WITH BAU MANAGERS

### 4.3.1. How Was Performance Measured Before The Balanced Scorecard?

**Financial Measurements**

Of the BAU managers interviewed one of them indicated that there were no other measurement criteria apart from financials, which engineers did not have access

to. Managers were measured solely on their contribution. Nothing else seemed to matter apart from this. There was nothing like the scorecard.

**No Performance Targets**

Another manager said that there was no real way of measuring performance. It all depended on the manager recording something on an adhoc basis - and then using it in a performance review against the engineer. The jobs were just attended to, without any real sense of ownership.

There were no on-going performance measurements on a monthly basis. There were no targets or goals that the individual team members had to work towards. There were no metrics that one could tie up with individual engineers. The reporting was cumbersome and not a true reflection of how things operated. The reporting did not make the customer any wiser, even though it appeared to meet a stated requirement.

### 4.3.2. What was the Relationship between NZIS and Medicare?

**Tense Relationship**

The relationship with the customer was tense at times - because there were issues. This could have been because the contract was new, and the customer was in the process of getting used to NZIS's way of doing things - which they did not always agree with. Some information technology architects on the customer side had a directive to police NZIS engineers, rather than working together with them. They did the policing job thoroughly. NZIS engineers worked to the letter of the contract, and some of the individuals clearly overdid it. A lack of trust and commit with the customer is not good for the relationship (Kaplan, Norton, & Rugelsjoen, 2010).

Emerging disagreements on the way the customer wanted to go, was a bone of contention. Another problem was that the customer did not want to change. This resistance to change caused more issues between NZIS and the customer. There were hard-nosed managers on NZIS's side, who were reluctant to give in - and this aggravated the relationship with the customer.

**Lack of Confidence**

One other manager said that there was no open relationship between NZIS and the customer. The customer always struggled to get anything they wanted. They were never sure of what they were getting.

Our monthly meetings with the customer were painful to us. According to the NZIS service delivery manager "*the customer was always chasing us, and we were always on the back foot. At that time they would just hammer us with questions that we didn't have answers to.*"

**Personality Issues**

There was a personality clash between the account manager from NZIS and the senior manager on the customer side. They just did not get on. It is evident that this can lead to a tenuous relationship. The fact that performance data produced as part of the facilities management (FM) report was not clear further aggravated the issue.

### 4.3.3. What was the relationship between Managers and Engineers

**Relationship Initially Good**

NZIS managers and engineers had a very good relationship at the beginning, in 2004, when NZIS won the outsourcing contract. There was a strong bond initially, but when things started settling down a bit, the relationship began to change -

and started going down the slope. The bond between managers and engineers disappeared, thereby creating a barrier between managers and staff.

When NZIS took over the IT infrastructure management, there were a lot of system issues, and constant breakdowns. Everyone worked hard to try and reduce the problems, and stabilize the infrastructure. Perhaps the relationship between managers and engineer was strong initially, in part because the contract was new, but perhaps also because the customer gave NZIS some slack – to settle in and resolve issues.

**Relationship became Strained**

The number of breakdowns went down significantly to a point. Thereafter, NZIS seemed to have hit a barrier they could not get over – as some disruptive system problems continued resulting in NZIS being in constant fire-fighting mode. An average of three (3) P1 incidents would occur on a daily basis. The customer ran out of patience, resulting in increased pressure which put a strain in the relationship between managers and engineers in the NZIS business unit.

**Lack of Career Trust in Management**

One manager said that engineers saw management as people who did not deliver. In addition managers appeared to put engineers into trouble. They could not entrust their careers to managers.

**Lack of Knowledge on the part of Managers**

Managers did not know how to address issues. They did not know what to do to get things resolved.

## 4.4. INTERVIEW WITH THE INFORMATION TECHNOLOGY DIRECTOR

The executive manager, Stewart Churchill (not his real name) - an information technology director - was responsible for overseeing a number of business operations and teams which included the NZIS Medicare Team. His perspective was fairly different from the other manager's view. In part this is because of the bird's eye view, and also in part because he would not ordinarily be involved in day to day operations of providing customer services in each and every business unit.

## 4.5. HOW WAS THE RELATIONSHIP BETWEEN NZIS AND THE CUSTOMER?

**The Relationship as a Journey**

Stewart Churchill preferred describing the NZIS relationship with the Medicare customer as a journey over a number of years:

> "*I think the customer has been on a journey of increasing efficiency and stability. When we first got engaged in the account way before my time it was in an environment that had been under invested in, it was largely out of date so there was a big technology refresh that went on as part of our initial engagement ... There was probably an eighteen month or two year technology refresh programme they went through and updated all of their environment. In the course of that that drove out a lot of change. It was a lot of effort and a lot of business impact involved in that, and it probably took us another two years to bring all that to a good operational standard*"

The process of bringing the customer's infrastructure to good operational standards involved a lot of changes and pain, and along with it changes in the relationship with the customer.

**Trust Issues**

According to the information technology director, it took NZIS a long time to gain the trust of the customer. In part, this was due to the pain of the technology refresh mentioned above – in which the customer's business suffered some disruptions as a result of the changes. Since it took time for NZIS to bring about the anticipated improvements, the customer was rightfully concerned about the whole process as it affected the business operations.

For the greater part, it was Stewart Churchill's understanding that, because the customer had previously managed the information technology systems internally, it took Medicare staff quite some time for them to fully accept and adjust to having those systems managed by a third party. As far as he was concerned, there was no way the pain process was going to be avoided during the course of making infrastructure improvements which the customer was going to be happy with.

While it has taken a long time, NZIS no longer have trust issues in the relationship with the customer.

> *".. I think there has been a journey towards getting a mature, well run infrastructure and as a result, a customer who has got confidence in us and is happy with their environment. So there has been a growing amount of goodwill as that has all come together"*

According to Kaplan, Norton & Rugelsjoen (2010) it is important to establish trust at all levels in an alliance, of which information technology outsource agreements are part. It certainly took time in this particular case. On-going trust issues could have resulted in the termination of the outsourcing contract.

### 4.5.1. Performance Measurement

**Profitability**

Stewart Churchill indicated that the primary focus of measurement in NZIS had been financial with a focus on profitability, but when he became in charge of I.T Operations, he decided to move towards a balanced scorecard approach across the group in the NZIS business. A profit focus was clearly not the right approach in the face of an ineffective service the customer was getting. It was important to improve the internal processes in order to increase customer satisfaction and make the alliance worthwhile to the customer (Kaplan et al., 2010; Macey et al., 2009).

**Measurement and Management**

Stewart believed that the move to the balanced scorecard approach to put in place a broad range of measurements was necessary in order to manage processes better in order to obtain good outcomes. According to him:

> *".. if you can't measure you can't manage. So the first step is measuring and get some visibility and then you have to do the manage bit"*

Without a balanced range of measures, a manager would not have the correct visibility of what is really taking place, thereby limiting his management effectiveness (Kaplan & Norton, 2005). The major challenge, across various teams, was to get the effective adoption of the balanced scorecard approach.

### 4.5.2. Medicare BAU Success Factors

**Buy-In**

In the interview, the IT Director indicated that for the balanced scorecard approach to work, people need to buy-in to the approach, as well as understand and see the benefit of adopting it.

> *"Scorecards were put in place for all of the groups within the business. The challenge is that the measures have to be seen to be adding value to the team that is doing the measuring. I set some measures for my GM's at a senior level but all those numbers are collated from down in the delivery teams. If the delivery teams don't see the value in those measures they become a bit meaningless"*

He believes that the Medicare BAU team, under the guidance of Jack, bought into the balanced scorecard approach, and saw value in the measures – resulting in the team becoming successful in implementing the scorecard.

**Ownership and Customer Maturity**

In 2007 Jack became the NZIS outsourcing manager for Medicare. According to Stewart, Jack' strong belief and experience in the BSC approach tied in nicely with the journey NZIS had had with the customer resulting in a successful outcome.

The Medicare BAU Team implemented the BSC approach with a large degree of ownership - unlike most other teams Steward looked after.

> *"I think at Medicare Insurance it is a team that is focused around a customer and actually adopted the measures with a degree of personal ownership so that the team took a lot of pride in achieving those numbers. They were actually quite meaningful measures for how they saw their success and how the customer saw their success so there is a good kind of match there. In some of the other teams the key business scorecard outcomes didn't really resonate so much with the staff or their customers."*

**Motivation**

Stewart Churchill believes that the scorecard was used as a way of motivating the BAU team, and providing a certain degree of customer focus among the team members. It was his view that BAU team members took pride in achieving the scorecard measures. Research confirms that the balanced score card can be used as a way of changing organizational culture and increasing employee engagement (Chavan, 2009), provided there is management commitment.

**Good Leadership and a Focussed Environment**

In Stewart's opinion, for a balanced scorecard to work well, good leadership is essential. A good manager, according to Stewart, is good at communicating with staff and overcoming the challenges of showing them how their skills and professionalism, during the course of tackling everyday work, impact on other measures such as customer satisfaction and financial performance.

Jack has proved to be a good leader, and an able communicator, especially in making staff understand the linkage between their work and the other indirect performance measures. It also helps if a team works in a very focussed environment, in addition to having a balanced scorecard approach, as its service delivery is closely aligned to the customer's needs. This resulted in the BAU team having an advantage over other BAU teams which work for multiple customers.

> "*It is not just about having a good manager and having a really good set of scorecard items that kind of really made sense and matched pretty with what the team* was *trying to do. Those things are* important but there are also other factors of a small focus-team, a *group that is co-located and working together and focused around the customer. That all drives a high productivity but also a very close match with my skills, my attitude and*

*the way I do my work. My processes are very closely tied to the scorecard outcomes of the team.*"

**Clear Understanding of Success**

Having a team that is focussed on one customer means that there is a close connection to the outcomes the customer believes to be important for success. A dedicated BAU team has "*a lot of clarity around what success for a customer means*".

Team members know which customer systems require immediate attention if they ever go down because of their understanding of what the business drivers to the customer are. On the other hand a team that serves many customers finds it challenging to acquire a similar level of understanding - resulting in their customer service not equalling that of dedicated teams.

Stewart indicated that a team serving many customers is not likely to have the same level of focus and dedication as is the case with the Medicare BAU team, and gave the network team as an example.

**Good Knowledge of the Customer**

Stewart pointed out that there is good knowledge of the customer within the Medicare Insurance team. Because the team has been engaged with the customer for quite some time, the team members very much know the environment, the applications, the processing environments and the business processes that are important to the customer.

According to him, all these things really help in terms of getting a good outcome and in enabling the team to function well. The team is therefore able to bring any new team member up to speed quickly resulting in them becoming able to contribute pretty quickly.

**Good Team Size**

Stewart believes that the size of the team makes a difference, and the Medicare BAU Team has the optimal team size for it to function well.

> *"In the Medicare Insurance you have got a good size team, there are enough people with a mix of skills, good knowledge sharing, good ability to back each other up and watch each other's back. If you have got fifteen to seventeen people, that is a really good size, it is a very easy team for one person to manage, you can maintain personal contact with everybody. There are enough people to cover for each other when you are ill, there are enough people for specialisation of particular skill sets. All of those things are really important in terms of keeping a group to function."*

In his opinion all of these factors helped and that is why he was reasonably keen to paint a picture that the scorecard was not a magical wand that lifted up performance and productivity. He believed a good work environment also had a lot to do with the improvements.

### 4.5.3. Was Success a result of the Scorecard Approach or Something Else?

**Scorecard Approach not a Magic Pill**

The NZIS director believes that the scorecard is simply a measurement tool which provides knowledge about a number of things. In many cases the information conveyed by the scorecard could simply serve as confirmation of issue the

manager was already aware of, but is doing nothing about. In such a situation the measures do not serve any useful purpose.

**Success as a Result of Action**

> *"If the scorecard brings a visibility of information or outcomes that people weren't aware of that can be good, but often I think the issue is that the scorecard information is not being translated into action."*

It was Stewart's view that one of the success criteria for the scorecard to succeed is if people change their behaviour based on the feedback from the measures with a view to getting better outcomes. A piece of paper, on its own, does not change behaviour.

**Success as a Result of a Combination of Factors**

Stewart summarized his view on why the BAU team was more successful than other teams as follows:

> *"It [**success**] is a combination of [**getting**] a lot of things right; so the tools, the systems are important. The people are important; the skills of the managers' focus on getting people engaged are very important. The more people we have who are passionate about coming to work the better. So that is really important. Also our structure is important so we make changes around the way we are organised to try and mature that "*

## 4.6. INTERVIEW WITH CUSTOMER CIO

### 4.6.1. How has the Relationship between Medicare and NZIS from 2004

**Steady Improvement in Relationship**

The CIO indicated that the relationship has steadily improved, particularly in the last few years. It has gone through some peaks and troughs.

*"No matter how thorough you are in terms of your procurement process ultimately a lot of it is very theoretical and so there is quite a steep learning curve, particularly for NZIS as they found out more and more about us, but also for us as we adjusted to more of a passive role rather than being far more involved in the day to day operational management of our systems. So that first couple of years was finding out about each other."*

**Friction and Reluctance to Handover Ownership and Control**

Helen acknowledged initial difficulties on the part of Medicare Insurance to handover ownership and control of the various systems to NZIS, and move into a passive role. This was particularly hard for those staff members who had been operationally involved in systems management. This certainly created a challenge on the part of NZIS Engineers, as they interacted with Medicare Insurance staff members.

As a result of this reluctance Helen acknowledged that a lot of friction resulted, as Medicare Insurance staff raised many issues against NZIS – which she called "side-issues" which distracted Medicare Insurance from focussing on the important things.

**Trust Issues**

The Medicare Insurance CIO admitted to having some underlying discomfort about the level of discipline and process in system management behind the scenes. She indicated that it was important, and still is, for them to have confidence that their systems were properly run.

> *"In order for this relationship with NZIS to work we do need to be really confident in the robustness of the service offering. Because we don't have the ability to drill down and really understand what is going on, we really do have to trust them"*

**Management Factor**

She indicated that most of the FM managers were mostly capable and also very open in terms of their feedback so there were no attempts to try and disguise issues or try and put a gloss over anything. They were generally very honest and open and not afraid to expose issues or problems as they saw them within NZIS.

In spite of there being good managers, who did not push back whenever there were issues, the customer remained a bit suspicious and uncomfortable with NZIS's level of maturity of discipline and process management.

Issues became apparent after one manager, was appointed as the FM Manager in 2005. This manager was not a very good people manager - unlike the other FM managers before him. He tended to rely heavily on individuals, and this exposed the lack of "the lack of depth and discipline in the processes", thereby increasing the level of discomfort in the customer.

**Increased Concern - Departure of Key Staff**

The CIO became quite uncomfortable when the lack of robust processes became apparent – and when key staff began to leave and it was obvious that there was nobody to pick up some of the responsibilities.

During this time the CIO indicated that they "*did start to feel a little bit more exposed*".

**Reporting Issues – Quality of Work**

Now in the early days Medicare Insurance struggled to get NZIS to report on much at all. The reports they provided were very operationally focused. They provided, what the CIO termed, mostly quantitative measures which gave indications of work done in terms of call volumes, when in fact the customer was more interested in the quality of work. The customer required to know the volume of work done in the context of the quality of work carried out.

Getting qualitative measures appeared to be a difficult thing to get. If anything the number of adverse incidents did not appear to decrease beyond a certain level. The opposite appeared to be actual take place; P1 incidents did not appear to be under control, the number of general incident, at times, appeared to generally trend upwards. The customer indicated that "*there wasn't much in terms of qualitative measures, how well are we doing, and for that you need much more of a trend and you need to be able to see decreasing numbers of incidences, or improved response times, or speed to recovery type improvements*. "

**Increased Confidence with New Management**

Another outsourcing manager by the name of Stewart was appointed. He came and went within a few months. According to Helen, in his short time as the FM manager, Stewart was able to improve the level of customer confidence.

> *"I think, in retrospect thinking about it, it was partly because there was no defensiveness. He once again was quite honest and prepared to concede that there were gaps that needed to be addressed, and then of course Jack came on board and I think to his credit he, once again like Stewart, didn't come in and try and gloss over any issues. He was quite open and honest but he also had a much focussed vision, I think, of what should be happening, and he was able to direct activities"*

### 4.6.2. Management Success Factors

**Good Leadership Capabilities**

According to the CIO, Jack had good leadership capabilities as well as the ability to actually create a team out of what was, probably, a selection of individuals, each of whom might have been quite competent in their own right but were not necessarily pulling together as a team. She indicated that, in her view, Jack also had a vision, and a clear understanding of the process detail that was required and the discipline that needed to be put in place for thing to work well. Since Jack' appointment, the account has moved from strength to strength. The CIO felt confidence in the service provision again, as issues were resolved for good, and the systems became more reliable and stable.

**Focus and Discipline for Sustainable Processes**

Helen admitted that she was nervous that should Jack leave, she was not sure if the systems would be able to continue to run as they have been in the last three

or four years. The reason for her worry is that while system robustness is there it needs a degree of focus and maintenance, and discipline to keep it going. She was not sure that she could be guaranteed of getting an FM manager with a similar level of focus and discipline as Jack.

**A Good Manager of People**

Helen indicate that maintaining a high performance culture was not necessarily contingent on Jack remaining, but rather it is contingent on a good leader being in that role; somebody with a similar vision and knowledge. In her opinion, the ability to bring people together is also very important, as is the understanding of what is actually needed to maintain that high level of team performance (De Vries, Ramo, & Korotov, 2009; Kaplan & Norton, 2007; Robertson & Cooper, 2010).

**Openness, Lack of Defensiveness and Positively Constructive**

As CIO, Helen believes that it is important for FM Managers to be people who are truly open and honest; people who are not overly defensive.

In her own words, a successful FM manager is one who:

> *".. has that ability not to be defensive, the ability to be honest and open and to admit issues or errors or faults and actually work very positively and constructively to resolve them. Because I think that is one of Jack's strengths, definitely is the fact that he doesn't become defensive if there is a problem, he is prepared to concede where NZIS is at fault. It doesn't become a problem for me because we can work together to find out what we are going to do about it, we don't have to waste time digging down into the details to really understand what kind of an issue it is"*

### 4.6.3. Do you think the balanced scorecard made any difference?

Helen indicated that the introduction of the balanced scorecard by Jack made a huge improvement to the level and quality of service delivered by NZIS. She confessed that one of the frustrations they seemed to have for quite a long time primarily centred on quantitative type of reporting by NZIS. The introduction of the balanced scorecard certainly changed all that.

**Focus on Tools and Measurable Quality Standards**

One of the first things Jack did when he introduced the balanced scorecard, was that he focussed on the quality of the measurement tools so that he could accurately report on quantitative and qualitative measures. He made sure that the measures could convey a qualitative meaning - such as why issues were occurring, and track root causes for the problems, as well as in which areas. This then allowed efforts to be directed in areas where maximum benefits could be extracted.

NZIS was able to use the balanced scorecard to measure performance against industry benchmarks. The CIO indicated that she values this kind of measurement against benchmarks, and it gives them confidence on the quality of work provided by NZIS.

**Outcome-Based Reporting**

According to Helen, the balanced scorecard was the first time Medicare Insurance got evidence that NZIS understood that their client was not interested in quantitative measures, but rather in tangible outcomes. She indicated that she does not really care what NZIS does so much as how well it does it, and the balanced scorecard seems to fit her mould.

Having a dashboard, as part of the balanced scorecard, that provides a visual picture of how well systems are running, in real-time, to her is way more preferable than getting a voluminous report on what happened. Since the introduction of the balanced scorecard, the number of incidents has continued to decrease, while system stability and reliability have continued to increase. Medicare Insurance has continued to get tangible outcome-based reporting with clear qualitative trends.

**Auditable Processes**

Since the introduction of the balanced scorecard, system management processes have become more robust and much improved to the extent where Helen, as the CIO, has a lot more confidence of being in charge of a well-run ship. She is not overly concerned about system audits because the outcome-based reporting that is backed by tangible data has been working satisfactorily for over three (3) years now. In most of the cases, the outcome of system audits by third parties, such as Price-WaterHouse-Coopers simply serve to confirm what she already knows, thereby further increasing her confidence.

**Team Focus**

Before the balanced scorecard, the NZIS BAU team was composed of a group of individuals, of varying technical competencies. With the advent of the balanced scorecard, Helen's impression is that she perceived the group of individuals now working as a team, with a team focus towards achieving service delivery objectives. This getting together as a team was apparent to the customer.

### 4.6.4. What do you think made this Balanced Scorecard implementation successful when others experience a 70% failure rate?

**Simplicity**

In her opinion Helen indicated that one of the reasons that the implementation was successful is that it is simple. With the benefit of hindsight, she believes her advice would be to "*not try and solve all the problems of the world at once but to focus on a few measures that you can measure and see the improvement and then move on and expand that. So start simple and start with things that are measurable*"

She indicated that one can have outcomes but unless there is some very tangible evidence of how one is actually scoring in that context people lose interest very quickly. One has to remove all the subjectivity, it has to be facts.

**Team Engagement**

She also indicated that the measures one picks have to involve the whole team and they all have to feel a degree of ownership and accountability for those measures. Helen believes that people need to be engaged and feel proud, and part, of their achievements. Without ownership, it is easy for people to work against the measures, and to a large extent, she felt that Jack managed to get the team well engaged around the various measures(Ketter, 2008; Seijts & Crim, 2006).

**Leadership**

Helen repeated her earlier assertion that a lot of the success revolves around good leadership, in which people are motivated to desiring to do things on their own.

### 4.6.5. What are the things that you would like NZIS to improve on?

**More for Less in Service Delivery**

Helen would like to see more automation of services, a greater increase in productivity without necessarily costing much more. This is not an indication of displeasure in any way - but rather a desire to continuously get better for less.

**Proactive Identification of Opportunities**

NZIS was identified as being sometimes reluctant to recommend new ways of doing things or products. Her desire is for NZIS to be proactive in identifying opportunities for service delivery or productivity improvements.

**Leadership Skills and Better Succession Planning**

Helen highlighted her concerns that if Jack leaves, there might not be someone to fill in his shoes, resulting in some of the gains accrued getting lost. She indicated that her desire would be for NZIS to focus on leadership skills and a better succession planning process, which would make the transition process smoother when an FM Manager, like Jack, moves on. She indicated that Medicare Insurance has also invested in the succession planning process at different levels for the same reasons.

## 4.7. CHAPTER SUMMARY

Chapter Four details the outcome of in-depth interviews with the research participants regarding their views on the reasons for the state of business performance before and after the balanced scorecard approach was implemented in the NZIS Medicare business unit.

Before the introduction of the balanced scorecard, the NZIS Medicare business unit had no performance targets for the year. The team was always in reactive mode; performance evaluation was either non-existent or informal. Engineers did not feel supported, and were therefore de-motivated, and not engaged in their jobs. There was a lack of process and management leadership. Relationships between the engineers and managers were tolerable at best. Relationships between the Medicare and NZIS were also tense and distrustful. Communication was poor and managers did not appear to have a solution on how to motivate the team to get ahead.

The engagement of new managers in 2007 in the NZIS Medicare business unit resulted in a turnaround, as management were able to re-establish trustful relationships with the customer. They were able to motivate engineers, and put in place processes that ensured that the number of faults that caused business disruptions to Medicare was reduced. The processes also ensured the provision of more reliable data upon which sound decisions could be based.

Performance targets were put in place, and a greater emphasis on the wellbeing of engineers was made. Salary reviews were made; the professional development and training of engineers was looked into. Where necessary, engineers were sent for training courses in order to properly equip them with the knowledge necessary

to become effective in their roles. Engineers became more engaged, and more productive, much to the customer's delight.

The relationship with Medicare improved, and became more trustful as issues were addressed in a constructive way. All the research participants agree that the turnaround was as a result of the adoption of the balanced scorecard, effective management and good leadership.

Chapter Five provides the results of how the balanced scorecard was implemented based on the researcher's experience and findings from his e-mail archives during the period 2007 to 2010.

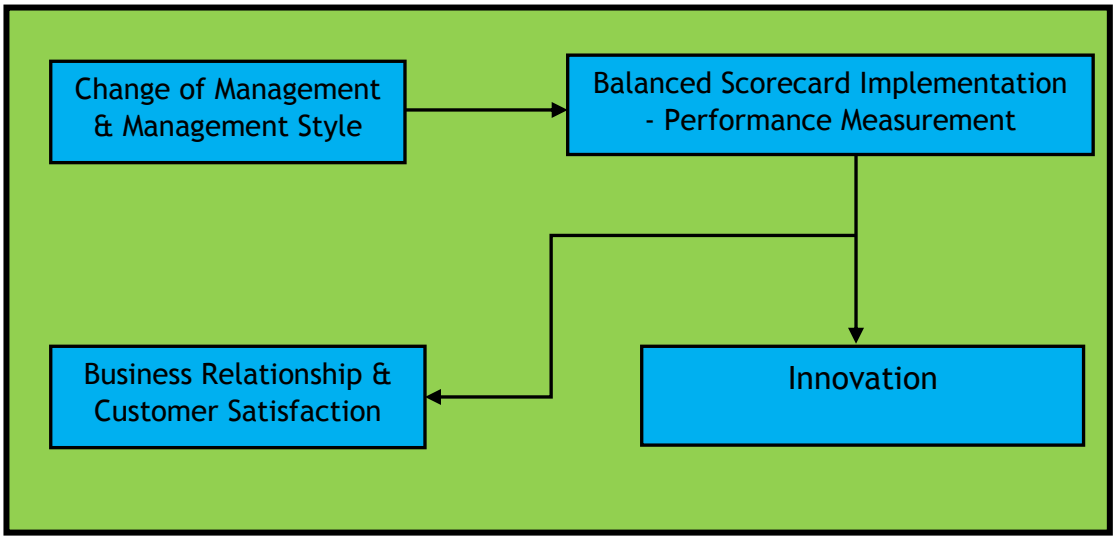
# CHAPTER 5 - RESULTS: THE BALANCED SCORECARD

*"Happy people are productive people. Productive people deliver" Carly Fiorina, NZIS Service Delivery Manager*

Chapter Four gave a detailed outline of the results from the in-depth interviews with the research participants. Chapter Five continues with providing results on how the balanced scorecard was implemented. Much of the information provided here is from the researcher's experience using information gathered from his e-mail archives of internal communication in the NZIS Medicare business unit during the period considered by the research.

The structure of Chapter Five is as shown below:

Figure 7 - Structure of Chapter Five




## 5.0 CHANGE OF MANAGEMENT AND MANAGEMENT STYLE

There was a change of management in December 2007. According to the engineers who were interviewed, the outsourcing manager, Jack, appeared to have good people management skills, with experience gained from working in different organizations and countries. Jack took time to talk to the engineers, and the

customer in order to understand how they felt about the business unit's performance, and which areas they felt could be improved.

Below is a list of his findings which he presented to the business unit in a team meeting in January 2008:

Figure 8 - Findings: A List of Complaints

| *Notes from client* | *Notes from 1:1 (BAU Team Meetings)* |
|---|---|
| *• Little issues…..*<br>*• Doing a good job*<br>*• Good attitude*<br>*• Communication is important*<br>*• Good team….hard working*<br>*• Happy with XYZ….but overworked*<br>*• But….*<br>*- NZIS sometimes defensive*<br>*- Issue with knowledge transfer*<br>*- Expectations need to be better managed*<br>*- NZIS not a brand*<br>*- Losing confidence*<br>*- Not proactive….. Expect NZIS to bring best-practise*<br>*- No visibility* | *• No clarity in role*<br>*• Little information on bigger picture or NZIS as a whole*<br>*• Team is isolated*<br>*• Staff turn-over*<br>*• No collaboration outside BAU team*<br>*• Little team work*<br>*• No opportunities to progress*<br>*• People not happy*<br>*• No pay reviews*<br>*• Management does not appreciate what we do*<br>*• Not challenged enough*<br>*• Nothing has changed since I joined*<br>*• Too much SD work coming to us*<br>*• Don't call people resources*<br>*• Lead us well - protect us*<br>*• On-call for something I can't do anything about*<br>*• We don't fix the core…just symptoms*<br>*• CA alerting is a nightmare*<br>*• Lack of accountability in team*<br>*• No empowerment*<br>*• Hope you will do something*<br>*• PC only has 512MB*<br>*• Put people in right position*<br>*• Little structure*<br>*• Overloaded*<br>*• Provide guidelines*<br>*• I am all over the place where others seem to be more settled*<br>*• Hard to find info*<br>*• Regular team meetings* |

(Extracted from NZIS's internal e-mail to Engineers - Jan 2008)

As shown above, the issues raised by the engineers (in the right-hand column) were largely on soft issues such as unhappiness in the workplace, lack of salary reviews, lack of career paths, accountability, poor communication, lack of guidelines, lack of management appreciation, and so forth. The issues did not major on the technical issues that impacted the customer - such as downtime and a high rate of system breakdowns. Only two things appear to be technical in nature - having insufficient memory for engineers' computers, and having a poor monitoring system that was an on-call engineer's nightmare.

Jack committed himself to addressing most of the soft issues that had been raised. He worked on creating a more pleasant workplace environment, and even moved the team to a more pleasant location within the same building in February 2008. Below is an excerpt from the e-mail on this issue:

Figure 9 - Better Physical Working Environment

*Team,*
*There might be an opportunity for us to relocate our group to the area that was previously occupied by the Helpdesk team here on the 2nd floor. It is the area right behind the visitors waiting area at the reception. I walked the area today with the Director of Services and agreed in principle to have that space made available to us. You might find the area much more pleasant from many perspectives: more privacy, cabinets, potentially better desks etc.*

*Considering that NZIS' current commitment to the Templeton Rd building does not go beyond January 2009, I have to make sure the relocation is going to be cost neutral to us, which I am sure we can work out. We will work out the details over the next couple of weeks but if everything goes well, we might make a move as early as February 1, although that date could potentially collide with prep work for the annual DR test.*
*I will keep you posted, but if you have any questions or comments in the meantime, please let me know.*

*Thanks……Jack*

(Extracted from NZIS's internal e-mail to engineers - Jan 2008)

Confidential team surveys were carried out, in which engineers completed the survey forms anonymously and put them in a sealed box. Jack provided feedback on the survey, and acted on it. He showed genuine care, as demonstrated by acting on the issues raised and increased staff confidence which resulted in the increased effort by engineers to see things changing for the better.

In 2008, those that needed memory upgrades in order to do their jobs better had their computer memory upgraded. Team events were introduced in an effort to create team bonding and trust between engineers, who previously lived in silos.

These team events have become part of the ongoing culture within the team. Job descriptions were created, as a way of providing broader and clearer guidance on what each engineer was expected to achieve during the course of conducting their day to day business. Performance and salary reviews once a year became regular, and job descriptions were reviewed and updated yearly.

In December 2008, the whole team was relocated to even more pleasant offices in a multi-storey building with great sea views. With the relocation, Jack also purchased new and powerful computers for all the engineers in his team, thereby replacing the old and less powerful ones which they had been using.

Figure 10 - Better Equipment

*From: Jack Welch [NZIS]*
*Sent: Tuesday, 21 October 2008 3:04 p.m.*
*Subject: HW Refresh*

*Just to let you know that our HW refresh was approved. From a desktop perspective we are going for the following option:*

*HP dc7900 SFF StdPS E8400 2GB(2x1GB) 160GB DVDRW Vista DG to XPP OR 3x3*

*HP L2245wg LCD Monitor*

*HP USB Keyboad And Mouse Bundle*

*On the phones I still have to make up my mind, but at this stage I think we will go for soft phones and head-sets, as opposed to physical phones on our desks. But there is still some time to decide on that. Whichever way we go, we will have VOIP.*

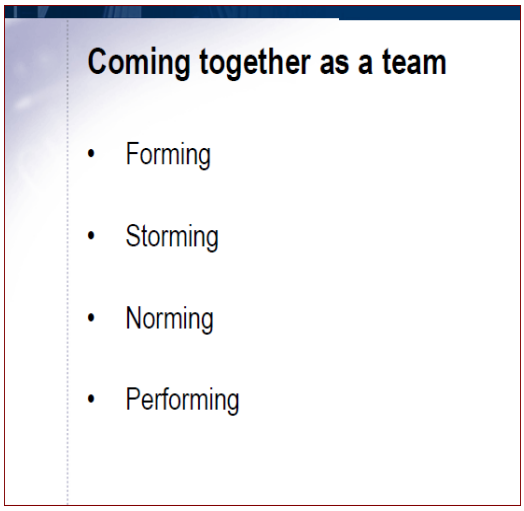
*The refresh will run alongside with our office move, which means the new location will be set up with the new devices so that we can minimise the number of items we need to move.*

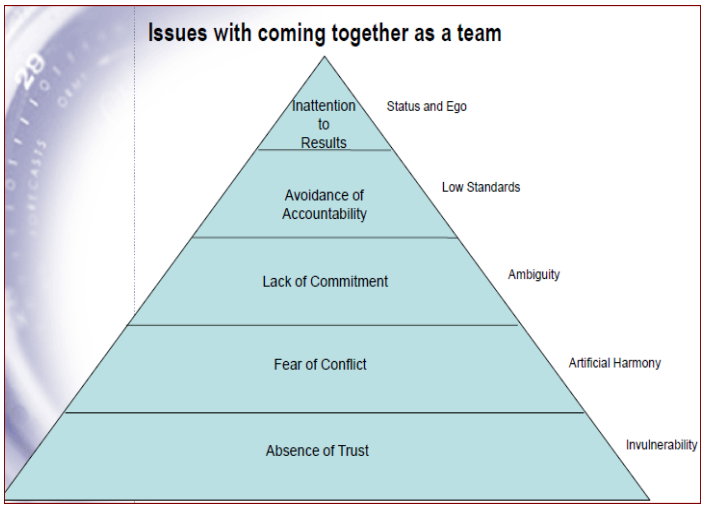
*Cheers.....Jack*

(Extracted from NZIS's internal e-mail to Engineers - Oct 2008)

A new structure was put in place which involved three (3) teams, each headed by a team leader, and this addressed, to some extent, concerns regarding the lack of structure within the team, and opportunities for progress. As changes began to take place, Jack proactively anticipated friction and resistance by making the team to understand and be aware of the change process as shown below:

Figure 11 - Challenges with Team Formation




*(Extracted from a January 2008 month-end team presentation by Jack)*

When issues arose, the team was mentally prepared for them, thereby making the transition to a new system much easier.

Management began to openly show appreciation to staff members who made significant achievements in satisfying a customer, or made improvements that stood out in some area, by giving out vouchers of appreciation whenever it was felt necessary to do so in support(Dent & Holton, 2009; Macey et al., 2009; Seijts & Crim, 2006). Engineers began to feel appreciated, and some started working harder in order to get compliments of appreciation, as one engineer *said "Martin and Tom are engineers who thrive on recognition and appreciation"*. These two engineers appeared unconcerned with the need to pull in their weight before the new management came, but that changed.

Birthdays became recognised and celebrated. An award for the employee of the month was introduced. Engineers began to be sent for training. This was never the case before. Management sought to provide computer-based training materials for

engineers which they could go through at their own pace at work whenever they had some free time. An end was put to the blame game if things went wrong, and an attempt was made to identify how situations could be improved, as well as increase the engagement of engineers.

## 5.1. BALANCED SCORECARD IMPLEMENTATION - PERFORMANCE MEASUREMENT

Management clearly communicated their expectations, so that engineers were not in doubt about what was required of them. Management also clearly indicated how progress towards the communicated goals was going to be measured. From the beginning, in January 2008, Jack spelt out to the business unit, a picture of what he believed success should look like, in the form of a vision, and a one page scorecard for the team for the year, as shown in the vision statement below:

Figure 12 - Introducing the Team Vision

**Account Vision**

- The **FIRST** company our customer will think of in IS/IT
- Because of a **SUPERIOR** delivery of services
- By a **PASSIONATE** NZIT team

**Our Goals**

- Retain our customer as a long term IT outsourcing client and continuously increase our business portfolio beyond its current scope
- Meet and exceed financial contribution targets for our shareholders on a sustainable basis
- Maintain a motivated and well trained workforce with a productivity well above industry benchmarks

**24/1/2008**

The vision showed a desire to achieve superior delivery of services to the customer as well as have a high level of customer satisfaction. It also gave an indication that, somehow, these two would be achieved by a passionate team of engineers, whose productivity and motivation were above industry bench-marks.

He broke down the vision into manageable targets and objectives for the year, in the form of a balanced scorecard shown in Figure 13. The team was to be measured and given a monthly report against this scorecard until year-end. Jack measured performance against the scorecard in a consistent and focussed manner. As indicated by one of the senior engineers during the research interviews "*management without measurement does not help and having measurement without management does not help either*". Clearly, the new management had both in good measure.

The scorecard provided focus, and a blue-print of what the goals were. It was no longer enough to fix issues as they occurred; importance was put on preventing the same issues from recurring. In addition it was no longer enough to close a job as soon as an issue was fixed. It was now necessary to investigate the root cause, and indicate in the system what the root cause was for the issue. If the root cause was not known the incident could be closed, but a problem record had to be raised - which was basically an indication that investigations should continue until the root cause became known, and a permanent fix put in place. The business asset, or business process against which the issue was raised had to be attached to the incident in the system, so that reporting, and analysis, could be done against the business process as well as against the root cause.

This incident and problem management process formed the basis for improved knowledge and performance management. Better quality information improved the ability to link cause and effects in a reliable manner. Generating quality data that people could rely on for operational decision making was an important step, but getting system improvements arising from decisions based on such information was a much more satisfying experience.

Below is an e-mail example detailing this approach:

Figure 13 - Improving the Quality of Data

Targets 2008.pdf; FM Report Appendix February 2008.pdf
**Importance:** High
**Categories:** Business

As you know, we have a monthly meeting with Rosalie Smith and Ken Pierce on our operational performance. Our next meeting is coming Wednesday and attached is the summary of what we are going to share with the client.

I also attached the latest version of our Targets 2008, which supersedes any previously released version (the only difference being the pushing back of some dates). Our score card will be taking scores effective Rosalie 1.

If you read the FM report carefully in the context of our Targets 2008, you might realise that we are currently not moving closer to our target. In fact we are moving away in terms of # incidents and P1/P2 numbers.

What makes matters worse, at this stage I have no real explanation of why that is. This is primarily due to the
way we use SD to classify incidents, lack of root cause analysis as well as problem management.

We will put this on the agenda for discussion in our staff meeting on Thursday. The discussion I would like to see is:
a) how are we going to change the use of SD so that the data becomes more meaningful and
b) what do we need to do to get the incident count down.

So please make sure we are giving this some thinking before we walk into the meeting
.
Thanks.....Jack

(Extract of NZIS' internal e-mail by Jack on 10 March 2008)

The monitoring (measurement) and implementation of this process were important for two reasons:

**First**: knowing and recording the root cause enabled engineers to permanently fix problems affecting the customer's business. Where a permanent fix was not possible, a work around was recorded, and this enabled the engineers to spend less time on the same issue on the next occurrence, thereby improving productivity and enhancing the level of customer satisfaction.

Figure 14 - NZIS Team Scorecard

# Our Objectives and Targets for 2008

| Category | Objectives | Measurements | Targets | Initiative |
|---|---|---|---|---|
| People | Improve Staff Retention | P1: Voluntary Staff turn-over | 0 | Employee Satisfaction Survey |
| | Increase Productivity | P1: Team members having at least one performance review | 100% | Improvement Suggestion Scheme |
| | Improve Knowledge Base | P1: Team members having at least one salary review | 100% | Time Tracking and Recording |
| | Get us working as a team | P2: Productive Hours/month | 1,677 | Call-Out Improvements |
| | | P2: < Incident related Overtime cost/month | < $400 | |
| | | P2: % Project work | > 50% by 31/12/2008 | |
| | | P3: Certification added | 6 | |
| | | | | |
| Customer | Improve Customer Satisfaction and Confidence | C2: # senior managers referenceable | 3 | Customer Satisfaction Survey |
| | Retain all Southern Cross entities as clients | C2: Contract Renewal covering both Medical Care Society and Hospital/Travel | by 31/5/2008 | Account Improvement Plan |
| | | | | FlightCentre Dashboard |
| Service Delivery | Improve SLA Performance | SD1: % Incident Logging in SD (including FlightCentre source) | 100% | ITIL TaskForce |
| | Improve Delivery Framework and Systems | SD1: KPI missed | 0 | FlightCentre Improvement |
| | | SD1: # P1 | <= 25 | |
| | | SD1: # P2 | <= 60 | |
| | | SD1: % Recovery time SLA met | > 98% | |
| | | SD1: # Datacom assigned Incidents (excl. RFS) | < 1,800 | |
| | | SD1: # Problem Management | 100% P1/P2, 30% P3-P5 by 31/3, 60% P3-P5 by 31/8, 90% P3-P5 by 31/12 | |
| | | SD1: # Problems turned to Known Errors | 90% within 30 days, 100% within 60 days | |
| | | SD1: # RFS open beyond 5 days (excl. password resets) | < 2% of rolling average | |
| | | SD1: % changes creating P1/P2 incidents | < 1% of rolling average | |
| | | SD2: % successful backups per cycle | > 98% | |
| | | SD2: Upgrade SD to R11 | by 30/6/2008 | |
| | | SD2: # all devices all parameters monitored by FlightCentre | > 90% by 31/3/2008, >95% by 31/12/2008 | |
| | | SD2: % of all incidents raised through Datacom | > 25% by 30/6/2008, > 35% by 31/12/2008 | |
| | | SD2: % of CIs within CMDB (Datacom handled/controlled) | > 98.5% | |
| | | SD2: % Accuracy of key CMBD fields (currently 36) | > 95% | |

**Second**: where the problem could not be fixed by the engineers, knowing the root cause enabled the NZIS BAU managers to recommend the correct teams (even on the customer side of the business) to look into the issues if it was felt that the issue was not the scope of services provided by NZIT's engineers.

Root cause analysis made it easier to identify trends, as well as cause and effect relationships between issues and the performance of engineers.

The process of dealing with incidents became more standardised, resulting in fewer issues, and increased stability for the customer. In the previous setup, the monthly report figures and graphs did not mean anything to anyone, including managers, as it was difficult to see a cause-and-effect relationship between business processes, assets and incidents. As the quality of data into the service desk improved, the correlation between cause and effect became more evident, and management were able to show increased value of the reports to the customer.

Changes to infrastructure became more structured and controlled, resulting in fewer changes causing issues. Management began to share more aspects of the monthly reports with engineers. Month-end team meetings became more constant and provided an opportunity for management to give feedback on how the customer felt about the services provided, how the team performed against the targets, a summary of what had gone wrong during the month and how the issues could be resolved in the future. Engineers could then provide Jack with insight and feedback on some

technical issues. All these things would be discussed in a relaxed atmosphere, over pizza, snacks and drinks.

In order to understand what engineers were spending their time on, management introduced a time tracking program cause Track-IT. Engineers would record time spent on various tasks using this program, as well as use it to claim their overtime. The increased visibility on what engineers spent their time enabled management to make more informed decisions on recruitment decisions.

The aspect of introducing measurement for necessary metrics continued, without necessarily making it a huge burden. In principle measurement would begin with what was there already, and this would be refined and fine-tuned until the desired goals were achieved. The next natural step was the automation of the measurement process where possible, and if not, a manual process would continue to be used on a monthly basis.

As a result, most decisions could be based on sound data, as opposed to hunch feelings. Engineers and the customer got to trust the data more and more, and use it to make decisions. Employee and customer satisfaction surveys were conducted on a more regular basis and feedback provided to staff members. Jack is a strong believer in measurement, having a people focus as well as sound processes. His tenets are that *"The manager and the BSC have to be one and the same thing in a way. The BSC concept is based on the fact that people behave in the way they are measured. The BSC is a measurement of the team and the team member, as well as the manager. My result and my behaviour have to be reflected in the scorecard. The BSC*

*ends up driving the manager's behaviour. Putting the BSC in front of the customer, you guys and my superiors makes me to focus myself on those things. It balances different aspects of the business. The BSC in our case largely has a people focus.*

*Every successful person has something like a balanced scorecard. A manager must have a definition of success, and a clear understanding of what it means to succeed. A manager can be successful without a formalised balanced scorecard. In our case, the balanced scorecard was formalised in order to use it as a medium for culture change. The clearer you define how success looks like the easier it becomes for people to embrace it and run with it."*

## 5.2. INNOVATION

It is widely accepted that as a result of the system stability that was brought about in the customer environment, engineers were able to get some breathing space, and time to consider how to do things better, and started making innovative improvements. Each improvement did not, on its own, make a huge difference to productivity. But the cumulative effect of the various productivity improvements that engineers individually introduced was that they ended up achieving more without necessarily working harder.

For example one engineer designed and wrote a program that interrogated the customer company's internal contact details, so that the engineers did not need to lookup these details in a spreadsheet, or a printed document. This program was widely adopted by other engineers in the business unit. Another engineer devised a way for managers to automatically retrieve

reporting data that he used to extract for them. Not only did he save himself time by making it possible for managers to get this information on their own, in an easy way, this had the effect of increasing his level of productivity, as well as theirs. A number of Engineers automated mundane tasks which used to take a significant amount of time to perform. The number of tasks that became automated has steadily increased since the introduction of the balanced scorecard. This has been attributed to the fact that the Engineers know what they should focus on, and therefore try to ensure that tasks which do not assist them to focus on the important things are automated.

According to one of the managers *"Happy people are productive people. They deliver"*.

## 5.3. BUSINESS RELATIONSHIP AND CUSTOMER SATISFACTION

Creating a good relationship with customers is a prerequisite for conducting business successfully. When Jack joined NZIS, one of the first things he did was to conduct a survey and try to understand issues from the customer point of view. He presented these issues to the BAU team, and worked hard at resolving each of these. He worked at ensuring that the BAU team made creating a pleasant customer experience a priority. If there was a problem, it was important to promptly resolve the problem for the customer, even if that meant putting in place a temporary work-around.

At the same time Jack worked on creating a good relationship with the customer. One of his principles was to always gauge the customer's concerns and to try and address them. The team was instructed to always do their best to resolve customer issues - and escalate them if they

persisted or if engineers considered the issues to be serious enough to warrant management attention. The new management worked hard on identifying performance indicators that really matter to the customer, and ensure that focus was put on getting those indicators right. Getting the few performance indicators that really matter to the customer right, meant that there would be little pressure in resolving other issues that are not high on the customer's priority list. Getting quick solutions to problems (quick hits) always has the effect of boosting employee and customer morale.

Monthly reports were made for the client customer, as well as monthly meetings. The monthly meetings serve a number of purposes. First, they enable NZIS to show what they have done for the customer during the month in providing a stable and productive environment for the customer. They also allow the customer to highlight any concerns that they have, and obtain clarification. While the monthly meetings are quite formal, regular informal weekly and fortnightly meetings are conducted. This enables bonding with the customer on many fronts and at different levels.

The relationship has continued to grow. There is now trust, to the extent where the customer rarely reads the entire monthly report - unlike three years prior. One of the reasons for the increased trust is that, unlike before, if something goes wrong, and the fault lies with NZIS, NZIS quickly raise up their hand and own up to the mistake - instead of taking weeks of investigations to come up with a the real reason why things went wrong.

The customer has become a major source of customer references for NZIS, and has increasingly become instrumental in NZIS winning a number of

business tenders. The customer has agreed to a number of video reference presentations. So happy is the customer that they have only declined being a referee once in the last 18 months.

Monthly lunch meetings with the customer are held. Usually a more senior manager, a management executive, is invited to such a lunch meeting with the customer. Higher level discussions are discussed in such meetings. But over time, the discussions have ceased to focus on business issues – and appear to centre more or less on social things. This is because the customer has become so comfortable with the way things are run, that there are no issues to bring to the attention of executive managers.

The monthly meetings mentioned earlier have become so boring that they have become more of a non-event. Joint NZIS-customer team events are held once or twice a year - further increasing the bonding effect. The customer, in turn, invites NZIS staff to celebration functions or team events at the completion of successful projects.

Unlike three and half years ago, when the outsourcing contract was at risk of being lost to a competitor, the contract renewal for another three years was a non-event last year. There was no competition. The customer did not go out to market, and at a celebration function to mark the renewal of the contract the client CIO indicated that the renewing the contract was the easiest decision they made - due to their great confidence in the ability of NZIS to deliver. This is quite an enviable position to be in - where the customer has implicit trust in NZIS, and is satisfied with the service delivery.

## 5.4 CHAPTER SUMMARY

Chapter Five detailed how the balanced scorecard was successfully introduced in the NZIS Medicare business unit. Management identified employee issues as a major obstacle to progress, and took such measures as were necessary to resolve them. This resulted in increased employee engagement.

At the same time management identified major issues that could be quickly resolved, but that were causing grief to customers. These issues were also quickly resolved. The balanced scorecard was formally introduced by the adoption of a vision for the NZIS Medicare team. A one page scorecard detailing the major targets and goals for the year was created. On a monthly basis, the team was updated on their progress against the scorecard. Team structure was introduced, and engineers had a clear sense of where they were going. Team events had a bonding effect which created trust between the various teams in the NZIS unit. The system stability of customer's business infrastructure increased, and disruptive issues decreased.

Another stream of activity to engage the customer at all levels on a frequent basis was undertaken. As the business performance improved, as well as the relationships with the customer, a sense of partnership emerged. In 2010, the customer renewed a three-year outsourcing contract without going to tender because they felt confident that they had the best supplier of services. This can be taken as proof that the implementation of the balanced scorecard had the desired goal.

Chapter Six provides a discussion and interpretation on the results given in Chapters Four and Five and answer the research questions given in Chapter Three.

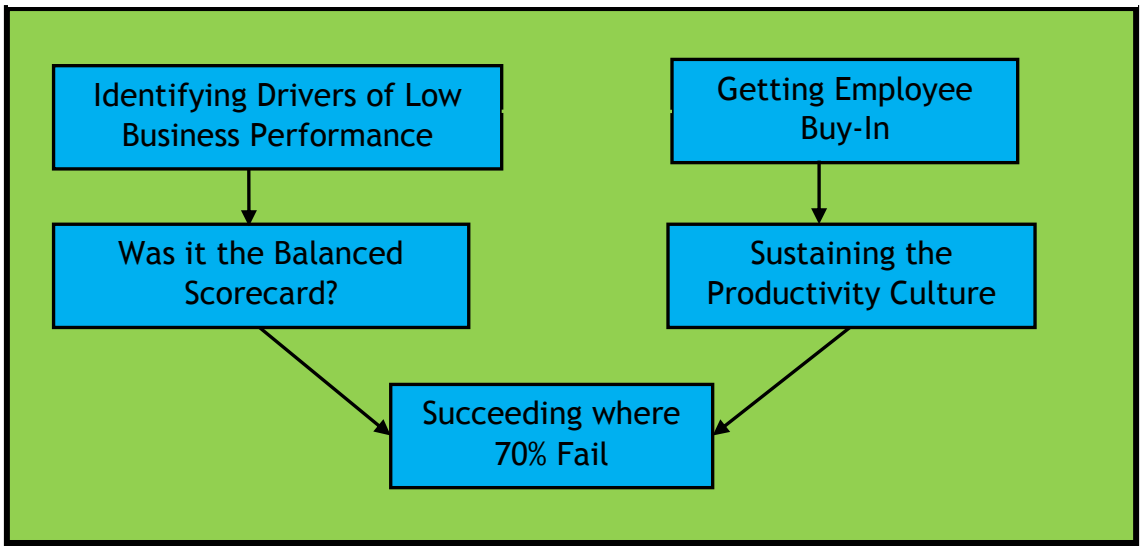
# CHAPTER SIX - DISCUSSION AND INTERPRETATION OF RESULTS

## 6.0 INTRODUCTION

Chapter Five detailed how the new managers introduced a new management style which was people-focussed. It also gave an outline of how the balanced scorecard was implemented, resulting in a better business performance, and how the customer was positively engaged resulting in the successfully renewal of the outsourcing contract which had previously appeared uncertain to be renewed.

The structure of this chapter is represented by Figure 6.1. This chapter focuses on answering the main research question and it associated sub-questions that were presented in Chapter One.

Figure 15 - Structure of Chapter Six



The literature review, the results of the in-depth interviews as well as results from the e-mail archives are all used to answer the research questions.

The summary concludes the key research findings of this chapter from the researcher's perspective, and identifies limitations, and further areas of research. The results indicated in Chapters Four and Five show that the objectives of this research have been achieved.

It has been identified that the balanced scorecard cannot exist in a vacuum, but rather exists in the context of people, culture, business environments, processes and relationships. These determine the extent to which the scorecard approach succeeds, or any approach for that matter(Kaplan, 2009; Martinsons, Davison, & Martinsons, 2009).

## 6.1. DRIVERS OF LOW BUSINESS PERFORMANCE

From the various interviews that were done, a number of issues were identified that acted to impede business performance. This section addresses the sub-question 1.3(a) - "*What were the major drivers of low business performance, and how were they addressed?*"

### 6.1.1. Lack of Employee Engagement

Before the management change, and the implementation of the balanced scorecard, employees were not engaged, and were described by most of the interviewees as unhappy, without confidence, having a contractor mentality and so forth. Employees had not had salary reviews in a long time. They were under-equipped. Engineers felt that managers did not appreciate their

work. They felt that there was little management support or communication.

As a result of the lack of salary reviews, and having inadequate equipment these engineers did not have a passion for their work. Some of the senior engineers were downright abusive of others. The lack of enthusiasm, and collaboration between team members meant that employees were significantly disengaged (Seijts & Crim, 2006). Employee disengagement is particularly not good in the knowledge industry. Knowledge workers expect operational autonomy, job satisfaction and status if they are to work with commitment and enthusiasm (Robertson & Cooper, 2010). They cannot be managed by old style authoritarian means. In the NZIS Medicare BAU team, it appears as if not enough was done prior to the introduction of the scorecard to increase the level of employee engagement.

**High Staff Turnover**

Previous managers did not appear to have a solution to this problem. This can be evidenced by the fact that between 2004 and December 2007, staff turnover was such that a total of four FM Managers and four Service Delivery Managers had been appointed. This means that, on average, the FM Manager, and the Service Delivery Manager resigned from the NZIS Medicare BAU account each year, and had to be replaced.

The longest serving engineers do not remember when things were operationally smooth, and managers on top of things. This contrasts with the views from the Medicare CIO, as well as those of the NZIS Information Technology Director and the NZIS Medicare Project Manager, who were able

to point to some good times before Jack Welch joined NZIS as the FM Manager. This therefore means that there was such a total staff turnover, that the longest serving engineers were not able to capture this period simply because they had not yet joined NZIS. The scale of staff turnover points towards a situation in which engineers and managers were stressed to the extent where their only option was to leave. Only four managers, of the eight, are still employed by NZIS. According to Robertson (2010)"employee engagement is more likely to be sustainable when employee well-being is also high". This clearly was not the case in the NZIS Medicare business unit. When employees are not happy, and organizations pay the price of unhappiness through a high employee turnover (Rampersad, 2008; Robertson & Cooper, 2010).

### 6.1.2. Poor Measurement Tools and Lack of Process Control

The NZIS Medicare BAU team was in constant fire-fighting mode, up to until Jack was appointed as the FM Manager. The automated monitoring tools were a constant source of frustration to engineers, as engineers got constantly paged for false alerts. The BAU team never really got on top of things, resulting in the BAU managers and the engineers becoming frustrated. The customer was also frustrated. This unending cycle of frustration appeared untameable and no one, including management, had a solution to get on top of this problem. Engineers need to be empowered, and the measurement process should not be laborious (Davies, 2007; Lockwood, 2007).

Poor measurement and automation tools meant that the BAU team was unable to provide qualitative data required by the customer. Providing qualitative data would mean constant fine-tuning of the tools in order to get

better and more useful information. Constant fire-fighting meant that there was very little time, or energy by both managers and engineers to improve on the quality of measurements and automation, as well as implement better processes, to get the number of incidents under control.

It can be assumed that people lost hope of the situation ever getting stable, and therefore might have stopped trying. This is why the Medicare CIO indicated that they realised that the NZIS' system management processes were not as robust as they believed, when things worsened after key people started leaving.

### 6.1.3. Poor People Management

The inability by managers to successfully motivate and exercise good people management was a major factor in low performance. In some cases managers were not approachable, and did not appear to have good communication skills. Employees were mostly given the negative news, resulting in them not being sure if there was anything the customer was ever happy with.

Employees went for many years without a salary review. They had to get by with poor equipment. Management support was mostly not forthcoming in the face of aggressive Medicare staff, resulting in engineers losing confidence. Management decisions were not based on tangible data or evidence, but on hunch feelings. Staff members were not recognised for work well done, and their opinions did not seem to matter to management (Dent & Holton, 2009; Seijts & Crim, 2006). In short management was not people-oriented. They did not provide leadership, and a picture of what success looks like. There was no guidance on how to get there.

## 6.2. THE TURNAROUND - GETTING EMPLOYEE ENGAGEMENT

The appointment of Jack greatly slowed down the staff turn-over. Jack placed a heavy focus on good people management, good process management, and providing good leadership in which people knew where they were going and what was expected of them, and were empowered to work towards that goal. This section addresses the sub-questions 1.3(a), 1.3 (b) and 1.3(c) of the main research question.

### 6.2.1. A People Focus

Management focus on the things that matter to employees has the effect of making the employees care about their work (Dent & Holton, 2009; Fairhurst, 2008; Macey, et al., 2009). Employees need recognition by their managers, and their peers. They need their jobs to be interesting and challenging. They need to feel empowered and trusted to do the right things(Lockwood, 2007; Townsend & Gebhardt, 2008). Jack put in place a process that focussed on employees. Remembering engineers' birthdays; heaping praises to an engineer for a good job well done - especially if it is of a particularly challenging nature; getting engineers to nominate one among them as the employee of the month and rearranging jobs according to ability and skill, had a particularly motivating effect.

Employees got the impression that management genuinely cared about their well-being. The open-door policy also proved to be genuine, as opposed to lip-service. This goes on to prove that employee engagement is a direct reflection of how employees feel about their relationship with their managers, and how important they feel their work is in contributing to business success (Dent & Holton, 2009; Ketter, 2008; Seijts & Crim, 2006).

Sending employees for training courses paid for by the company, and providing proper equipment for engineers to perform their duties without having to struggle with inadequate, and under-powered equipment resulted in a dramatic improvement in productivity and performance.

Ending the blame game, in which employees were always to blame for anything, improved employee confidence. The ability by management to stand up for the engineers, and face any customer onslaught instead, made engineers feel safer, and trust management more. Even if they made a mistake, engineers felt safe enough to quickly admit it, and get things quickly sorted out - because there would be no backlash. This allowed people to openly seek help from each other, resulting in more open lines of communication between team members, as well as increased team cohesion.

Clear management communication to employees of customer feedback and of systems performance resulted in clarity of expectations. Engineers no longer had to interpret management behaviour. They knew exactly what was expected of them, and what they needed to apply their energies to. For the NZIS Medicare BAU team, high employee engagement has become a key competitive advantage (Lockwood, 2007).

### 6.2.2. Good Leadership

Based on the interviews, apart from two managers that were specifically mentioned as not having people management skills, most of the managers appear not to have had an issue in handling staff well. They certainly remained challenged on how to resolve issues and improve business performance, especially in the light of system challenges that threatened

the renewal of the facilities management contract with Medicare. What most of them lacked, was the leadership ability to bring about a culture change necessary for removing the logjam. Jack was able to paint a picture of what he believed success looked like, and provide guidelines to the BAU team on how to get there (Lockwood, 2007; Townsend & Gebhardt, 2008).

While the balanced scorecard has been acknowledged as a crucial tool in the transformation process, the provision of good and strong leadership by Jack in which he provided a vision and the means to see its accomplishment is also seen as an important driver to progress (this addresses sub-question 1.3(c))

### 6.2.3. Addressing Customer Issues Developing Good Relationships

This section addresses the research sub-questions 1.3(b) on how managers got employee buy-in as well as sub-question 1.3(d) on "what management changes enhanced service delivery improvements which resulted in a change in customer satisfaction".

Having a flair for developing sound relationships with important people in the customer organization was very important in improving employee engagement. NZIS management were able to identify, from customer feedback, areas that mattered most to the customer, and get them addressed, resulting in a reduction in the number of complaints by the customer, and a relief of stress levels on the part of engineers. The balanced scorecard measures acts as a business dashboard which directs managers on where to focus their attention on (Iselin et al., 2008; Kaplan, 2009).

In addition to productivity improvements, and as an increase in customer confidence and process improvements kicked in and Jack fully advertising these facts to the customer, the FM contract was renewed in fanfare and pomp, much to the relief of everyone. Management worked on ensuring that customer relationships were established at a number of levels in the two organizations - resulting in the two working more collaboratively instead of antagonistically. These collaborative linkages have become so strong that they are unlikely to be broken if the current care and maintenance process is continued. These linkages are important in service alliances if businesses are to be successful (Kaplan et al., 2010).

## 6.3. THE BALANCED SCORECARD

This section addresses a number of sub-questions: 1.3(a) – addressing reason of low performance due to lack of effective measures and processes, 1.3(c) – whether the balanced scorecard made a difference to employee productivity, and 1.3(d) on the management changes the improved service delivery and increased customer satisfaction.

### 6.3.1. A Focus on Better Measurement Tools

In addition to process improvements, a drive was made to also improve the reporting and monitoring tools to a level sufficient for better analysis to identify where issues really lay.

Better information meant that it became possible to identify areas to focus engineers' resources on in order to improve system stability. As system stability improved in those areas, NZIS was able to show improving trends which were convincing and pleasing to the customer. As everyone became aware of problem areas to focus on, automation solutions were applied

were possible, resulting in further productivity enhancements. Having a measurement system that provides prompt feedback to both managers and employees greatly assists in the service delivery improvements (Ahmed et al., 2011).

### 6.3.2. A Focus on Better Processes

In addition to a people focus, the new management also focussed on process improvements. It was not enough to treat people well, and make them feel comfortable and happy in the work place. There was need to reduce nagging issues the customer was unhappy with, and which the NZIS BAU was struggling with. As acknowledged by all people that were interviewed, Jack also had a strong process focus.

A process of reviewing disruptive incidents, with a view to permanently resolving them ensured that the number of recurrent issues drastically went down. A change management process, with quality in mind, was also embarked on. This management process had the aim of ensuring better quality in projects and changes so that their implementation would not create new issues (Jørgensen et al., 2009), which could, in turn, be disruptive to the Medicare business. Industry findings point out that most issues are likely to be as much a result of new changes or project implementations, as existing system instabilities.

As the quality assurance process of projects and system changes improved, the number of issues caused by them diminished. The balanced scorecard approach drives better processes, if the right performance measures are in place (Kaplan & Norton, 2008; Kaplan & Norton, 2005).

Without the improvement in the monitoring, reporting and measurement tools, it is possible that the balanced scorecard might not have worked very well as a driver for increased productivity in the manner that it did.

## 6.4. SUSTAINING THE PRODUCTIVITY CULTURE

This section addresses sub-question 1.3(e) on what managers are doing in ensuring that the culture change is sustainable.

From all the research participants, there is acknowledgement that being a good manager is not enough. The balanced scorecard, on its own is also not enough to succeed in increasing business performance and employee productivity. As indicated earlier on the balanced scorecard approach needs a mix of positive factors in order for it to succeed (Ahmed et al., 2011; Jørgensen et al., 2009; Kaplan, 2009).

According to Kaplan (2009), no single factor, on its own can be said to be responsible for the success of the balanced scorecard. All of the factors must exist in sufficient form to bring about success. "*The value creation is multiplicative, not additive*" (Kaplan, 2009).

After reflecting on the NZIS transformation to a culture of high productivity through the use of the balanced scorecard, and the literature review, I came to the conclusion that the balanced scorecard success can be represented as follows:

**BALANCED SCORECARD SUCCESS=GOOD MANAGERS x RIGHT EMPLOYEES x RELEVANT MEASURES x EASE OF MEASUREMENT x GOOD PROCESSES**

From this representation maintaining the culture of high productivity requires that these factors be maintained in good measure in a sustained way. The breakdown of one of these factors can have a crippling effect on productivity, either in the short-term or in the long run.

Good management involves good people management which results in positive employee engagement. Positive employee engagement cannot take place if the employees have an incorrigibly wrong attitude. An equally important component of good management is management perseverance. Jack put in place a management succession plan and, along with it, a training and mentoring programme to ensure that managers ear-marked to succeed him have good people and process skills. A conscious decision to focus more on hiring skilled people with a positive attitude appears to have been taken for filling-up any vacancies that may arise. A highly qualified person with a wrong attitude is unlikely to be engaged.

Relevant measures are the measures necessary for business improvements to happen. Obviously if significant effort is directed towards capturing measures which are of no importance and of no direct (or indirect) impact to the business, then the scorecard's chances of success becomes diminished. To a large extent this has already been done. Successive managers need to maintain and update the existing measures and processes.

The ease of measurement is the ease with which the various measures can be captured. Certainly the more difficult, or laborious, the measures are to capture, in general, the greater the chances are that the balanced scorecard will not work (Townsend & Gebhardt, 2008). Good processes include the taking of corrective actions and process improvements which are in response the information provided by the measures (Chavan, 2009).

## 6.5. 70% OF IMPLEMENTATIONS FAIL–WHAT IS DIFFERENT?

This section addresses the research sub-question 1.3(f) on what makes the balanced scorecard implementation in NZIS different, given the fact that many implementations fail.

According to the research participants, having a clear vision of what needs to be achieved, and how to achieve it is important (Ahmed et al., 2011). Involving and engaging employees through effective communication and having good people management skills greatly contributes towards the balanced scorecard being successful. Jack persevered and remained focused on the implementation of the scorecard. Many managers fail because they believe that the implementation of the scorecard creates a management burden or because the organization is not ready or prepared for change (Ahmed et al., 2011; Clark, 2005; Dribin, 2009).

The successful implementation of the scorecard starts with a vision and sound leadership by management to move towards that vision. The other factors mentioned in the preceding section such as relevant measures, ease of measurement and good processes have a multiplicative effect on the outcomes of the balanced scorecard. All the participant agree that the success of the business transformation in the NZIS Medicare business unit

was as a result of a combination of factors, the most significant of which, to them, was Jack Welch's leadership.

## 6.6. CHAPTER SUMMARY

This chapter answers the research questions raised in Chapter One. In essence it indicates that managers can transform low performing service teams into highly productive and profitable units that met customer service expectations by providing great leadership and addressing issues that discourage productivity. Managers should identify reasons for low employee engagement and address them. Managers should privately, and where necessary, publicly appreciate employees for a good job well done. They must show commitment to the well-being of employees in order to encourage greater employee engagement.

Managers should effectively communicate their vision to employees, and put in place key performance measures which provide continuous feedback on progress. Sound processes which promote the achievement of expected outcomes must be put in place, and employees need to be properly equipped and empowered to do their jobs well. Managers need the leadership ability to move the team towards one common goal.

Relationships should be built with the customer organization at all levels that are relevant and critical for success. Customer issues must be identified and addressed. A sense of partnership and collaboration must be built with the customer. Managers should have focus, determination and patience when implementing the balanced scorecard strategy. These factors were important in ensuring the success of business transformation of the NZIS unit into a culture of high performance productivity.

# CHAPTER SEVEN - RESEARCH CONCLUSIONS AND RECOMMENDATIONS

## 7.0 CONCLUSIONS AND RECOMMENDATIONS

This research has clearly identified that the balanced scorecard can only work in the context of an environment in which there is good leadership and management; employees having a right attitude who are engaged in their work; in addition to having processes which measure progress and propel team members towards the desired objectives which are relevant for business success.

It was also identified that a complex approach to the implementation of the balanced scorecard will almost result in failure. It is recommended to start simple, and move on after making some progress. A manager who is unable to motivate and engage employees is unlikely to succeed in bringing about a long-term culture of high performance. This also applies to a manager who is unable to manage process.

It is recommended that managers focus more on the soft factors of people management, and the required system processes if they are to succeed in the implementation of the balanced scorecard. Good people management and employee engagement takes effort and time, and few managers appear prepared to make the investment. Building capacity in employees to readily share knowledge and adapt to changing situations is a strategic underpinning factor in successful scorecard implementations for high productivity.

## 7.1. CLOSING STATEMENT

At no point in this research did the question of the technical capabilities of engineers arise as an issue. Issues of management capability came up time and again. Good managers are critical for the successful implementation of the balanced scorecard. Good managers successfully implement the balanced scorecard framework without formally knowing about it. Identifying and addressing issues affecting employee morale resulted in increased engagement, which made the implementation of the balanced scorecard easier. Happy employees are indeed productive.

In conclusion, if the implementation of the balanced scorecard is failing, or if business productivity is low, one should look no further than the management chain responsible for the running of the business.

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# APPENDICES

## *APPENDIX 1: UNITEC RESEARCH ETHICS COMMITTEE APPROVAL*

Dear Mr Tachiwona,

Ethics Application no. 2010.1142

Thank you for submitting your application. Firstly allow me to thank you for your rapid responses to the questions and amendments that we proposed. Both myself, as primary reader, and my colleagues are happy that you have identified and mitigated (wherever possible) any ethical concerns. As such, and as Primary Reader of your application, under delegated authority from the Unitec Research Ethics Committee (UREC), I now authorise you to begin your research.

You will receive a formal letter of approval after the next UREC meeting scheduled in January 2011.

The dates which should appear on your documents are:

Start date: 10th December 2010

Finish date: 10th December 2011

I wish you every success in your research endeavours,

Kind regards,

Mark Farnworth, Bsc Hons., Msc
Senior Lecturer in Animal Behaviour and Welfare;
UFAW Representative;
Curriculum Leader: Canine Behaviour and Training|Certificate in Animal Management
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Unitec Institute of Technology,
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## *APPENDIX 2: RESEARCH INFORMATION SHEET – INVITATION TO PARTICIPATE*

### INFORMATION SHEET

Unitec NEW ZEALAND Te Whare Wānanga o Wairaka

### INVITATION TO PARTICIPATE

**"Understanding the Potential of the Balanced Scorecard to Drive a High Performance Culture in a New Zealand I.T Services Organization: A case study"**

My name is Garikai Tachiwona and I am conducting a research on the above-mentioned subject in partial fulfillment for the requirement of the Master of Business program for the final year at Unitec, New Zealand. UREC Registration Number: **2010-1142.** This study has been approved by the Unitec Research Ethics Committee from 10/12/2010 to 10/12/2011.

I am inviting you to participate in this research. If you consent, you will be asked to answer questions concerning your perceptions in regard to this topic. Participation in this interview is totally optional and voluntary. You can withdraw at any time, or choose not to answer some, or all, of the questions during the research interview. However, by deciding to complete the interview you will contribute a valuable part to this research.

If you have any queries about the research please feel free to contact my primary supervisor at Unitec, New Zealand, Dr. Andries Du Plessis, telephone is +64 98154321 (Ext 8923) or email aduplessis@unitec.ac.nz and my secondary supervisor Ken Simpson, telephone number is +64 9 815 4321 Ext 7015 or email ksimpson@gw.unitec.ac.nz.

**Project researcher:** Garikai Tachiwona

**Date:**

UREC REGISTRATION NUMBER: **2010-1142**. This study has been approved by the Unitec Research Ethics Committee from 10/12/2010 to 10/12/2011. If you have any complaints or reservations about the ethical conduct of this research, you may contact the Committee through the UREC Secretary (ph: +64 9 815-4321 ext 7248). Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.

## *APPENDIX 3: RESEARCH PARTICIPANT CONSENT FORM*

Unitec
NEW ZEALAND
Te Whare Wānanga o Waitaka

# PARTICIPANT CONSENT FORM

**"Understanding the Potential of the Balanced Scorecard to Drive a High Performance Culture in a New Zealand I.T Services Organization: A case study"**

The aim of this research is: To understand how to successfully implement the balanced scorecard in a New Zealand I.T Service Organization in order to bring about a high performance culture.

I have had the research project explained to me and I have read and understood the information given to me.

I understand that I do not need to be a part of this research if I wish not to, and that I can choose to withdraw at any time during the interview process. Participating in this research is voluntary and there are no obligations attached.

I understand that every word I say is confidential and all information I provide will not identify my name or be reported back to my organisation as individual feedback. The only persons who know what I have said will be the researcher and his supervisors.

I understand that the in-depth interview will be recorded, and then transcribed into written content by the researcher.

I understand that I can ask the researcher to send me a soft copy of the finished research document.

I have had time to consider this research in detail and I give my consent to be a part of this research.

**Participant signature:**

**Date:**

UREC REGISTRATION NUMBER: **2010-1142**. This study has been approved by the Unitec Research Ethics Committee from 10/12/2010 to 10/12/2011. If you have any complaints or reservations about the ethical conduct of this research, you may contact the Committee through the UREC Secretary (ph: +64 9 815-4321 ext 7248). Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.