Evaluating the Synergy between the Balanced Scorecard and ITIL: A Strategic Approach to IT Service

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Abstract

The Balanced Scorecard (BSC) and Information Technology Infrastructure Library (ITIL) are distinct frameworks with unique strengths. BSC offers a comprehensive approach to strategy execution across multiple business dimensions, while ITIL focuses on enhancing IT service quality and aligning IT operations with business goals. This paper compares these two frameworks, highlighting their unique features, differences, and potential synergies. It also discusses emerging trends in strategic management and IT service frameworks and the challenges and opportunities they present. Finally, a comparative analysis illustrates these approaches' key distinctions and complementarity.

Keywords: ITIL, BSC, Balanced Scorecard, ITSM, Service Management, Strategic Management, IT Service Management, Performance Metrics, Business Alignment

Introduction

In an era of digital transformation, organizations require frameworks that align strategy execution with operational excellence. A Balanced Scorecard, as quoted by Harvard professors, is not just a measure of a company's health but a comprehensive approach to strategy execution. Kaplan, R. and Norton, D., 1992 state, "*Balanced Scorecard communication happens through a logical structure, based on the management of established goals, enabling managers to reallocate physical, financial and human resources to achieve strategic objectives. More than a performance measurement tool, the Balanced Scorecard is a translator of strategy and a performance communicator.*" A balanced scorecard is needed to answer a few essential questions from the following perspectives, which will help an organization shape its strategies for business growth. It provides a framework of measurement to define organizational goals. On the other hand, the Information Technology Infrastructure Library (ITIL) is a widely accepted framework for IT Service Management (ITSM) that emphasizes process standardization, continuous improvement, and alignment of IT with business objectives.

This paper aims to compare BSC and ITIL frameworks, analyze their advantages, differences, and emerging trends, and provide actionable insights for decision-makers to use these frameworks effectively.

Balanced Scorecard (BSC)

BSC, a unique performance management framework, integrates financial and non-financial metrics, focusing on four distinct perspectives:

- **Financial Perspective**: This suggests how a company is doing with shareholders' returns, how to measure them, and how to increase their value.
- **Customer's Perspective**: This suggests customers give feedback on the company's services and products. A customer feedback form or timely survey could help measure this.
- **Internal Perspective**: Which strategies or frameworks should be used to drive business growth, such as COBIT, ITIL, CMM-Dev, TOGAF, etc.?
- **Learning & Growth Perspective**: This perspective indicates the need for a knowledge management system, employee training, new skill development, innovation, and what can be learned from customer feedback.
  BSC has been instrumental in aligning business strategy with execution through a comprehensive performance measurement system.

IT Frameworks (ITIL)

Information Technology Infrastructure Library is a framework to align IT services with a company's business needs. It was developed by Great Britain s'Office of Government Commerce. ITIL is one of the most widely accepted frameworks for IT service management. It is a cultural change for which new policies, processes, and key performance indicators (KPIs) must be defined for ITIL process owners and other employees. Praeg and Schnabel (2006) suggest an IT-service performance management framework consisting of four levels: strategic, business process, IT service, and tools. IT and business metrics are linked together to create more customer value and generate revenue, which is the final goal of any organization. ITIL, through its various proactive and reactive measures, defined service level agreements (SLAs), and customer-driven support, can drive more efficiencies in the workplace and create a cohesive environment for IT and business to grow together.

ITIL is a set of best practices for IT Service Management (ITSM), focusing on delivering IT services that meet business needs. The core components of ITIL include:

1. **Service Strategy**
2. **Service Design**
3. **Service Transition**
4. **Service Operation**
5. **Continual Service Improvement**

ITIL enables organizations to improve IT service quality, reduce downtime, and enhance user satisfaction.

Comparative Analysis

The comparative analysis of the BSC and ITIL frameworks reveals their synergy potential. This synergy, as Elhefnawi, M. (2009*) suggests, can enable the successful implementation of ITIL projects by continuously monitoring progress and introducing required feedback*. Such insights from the comparative analysis offer practical implications for decision-makers and IT professionals, inspiring them to explore the combined benefits of these two approaches for effective IT service management.

Figure 1. **Comparison between BSC and ITIL**

Aspect	Balanced Scorecard (BSC)	IT Framework ITIL
Focus	Provides Internal perspectives for the implementation of the IT framework	Provides a framework for IT Service Management
Scope	Provides Integrated Perspective for implementation of IT Governance and measurement of long-term goals	Lacks business layer for IT Governance
Core	Financial, Customer, Internal, Learning, & Growth Perspectives are the key concepts of BSC.	Service Delivery and Service Support are key components of Incident Management, Problem Management, Change Management, Configuration Management, SLA, and Continuous Service Improvement.
Key Metrics	Performance Indicators (KPIs)	Service Level Metrics (SLAs, KPIs)
Outcome	Improved organizational performance	Enhanced IT service delivery and management
Implementation	Strategy alignment and tracking	Process standardization and optimization

Figure 1 mentions key differences between a balanced Scorecard and the ITIL framework. However, a Balanced Scorecard is a more holistic method to measure a company's success than ITIL or any such framework. The fundamental difference is that the ITIL framework is an internal implementation and adoption of a process that can first transform a company's digital approach toward solving problems and, thus, provide a means of measurement through various kinds of metrics such as SLA, percentage of incidents resolved, response times to the customers. Eventually, when this process is adopted by employees and an organization as a whole, it helps to improve customer satisfaction, which is connected to the internal perspective of the balanced Scorecard. A happy customer generates more revenue and returns for investors and stakeholders. It indicates a cascading effect of changing internal processes on the company's growth and external processes. If a balanced Scorecard is a means to measure a

company's success, that can be achieved by implementing one of the frameworks like ITIL (successfully).
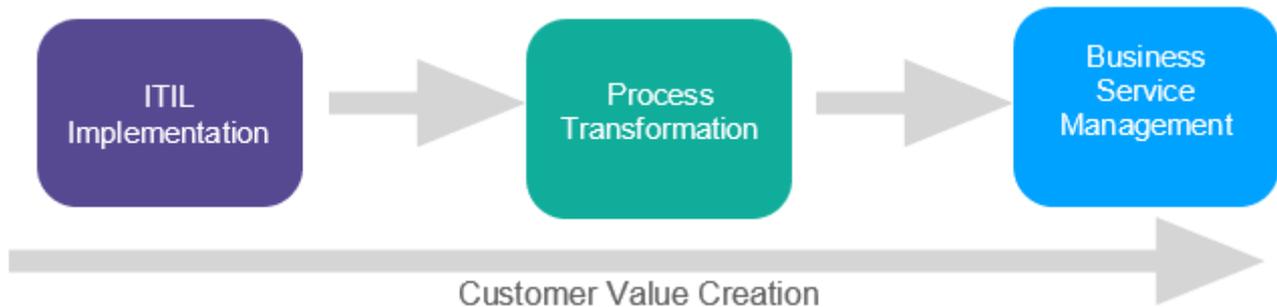

Figure 2. **Customer Value Creation**

Figure 2 explains that business needs can create customer value when aligned with IT transformation and implementing ITIL. Business Service management is part of ITIL implementation. There are various ITIL roles, such as Incident Manager, Problem Manager, Change Manager, and Business Relationship Manager. A business relationship manager works closely with the service level manager to identify the customer needs and implement them within the SLAs so that organizational goals are achieved to achieve happy customers. This can be measured with the help of response times of IT services, SLA percentage met and breached, and it also incorporates a continuous improvement cycle based on the metrics results. ITIL consists of service strategy, design, transition, operations, and Continual Service Improvement phase. The new ITIL V4 introduces a service value system that creates value by understanding stakeholders' demands.
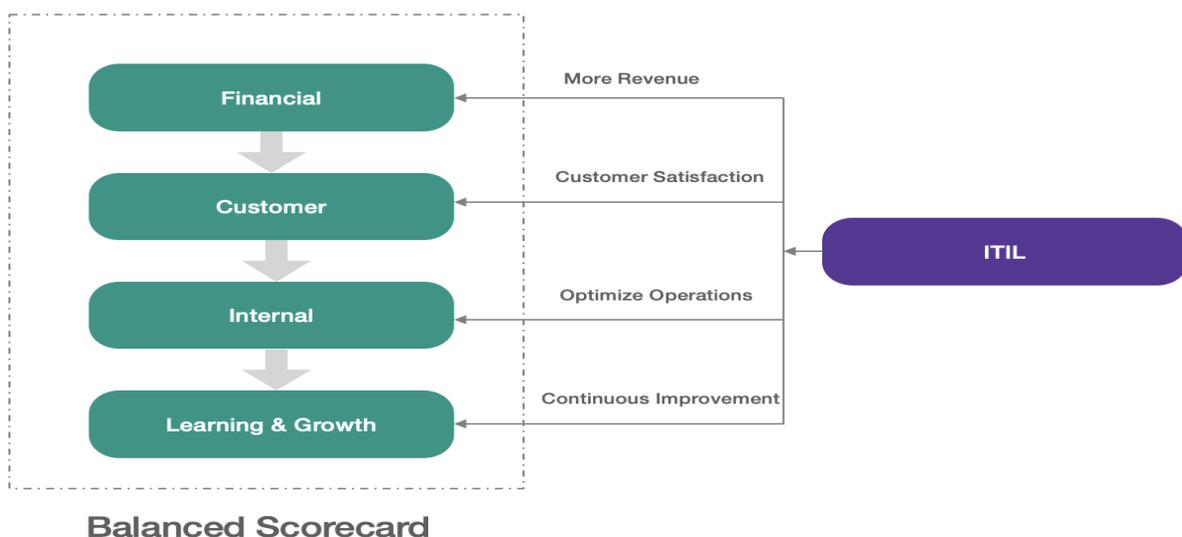

Figure 3. Relationship between BSC and ITIL

Figure 3 describes how ITIL is linked to all the perspectives of the Balanced Scorecard. Successful implementation of ITIL, an internal perspective for an organization, sets up processes that put customer satisfaction first with defined policies for measuring that satisfaction, such as the percentage of

calls/issues resolved by customer support executives or the percentage of Services delivered with agreed Service Level Agreements. As van Bon states (2002), "*Providers of IT services can no longer afford to focus on technology and their internal organization; they now have to consider the quality of the services they provide and focus on the relationship with customers.*"

Organizations are increasingly integrating BSC with ITIL to ensure IT operations support strategic goals effectively. For example:

- Using BSC metrics to evaluate IT service performance governed by ITIL.
- Mapping ITIL processes into BSC's internal processes and learning perspectives.

The integration of AI, automation, and advanced analytics enhances both frameworks. Modern tools allow real-time tracking of KPIs (BSC) and ITIL process metrics. ITIL is evolving to align with Agile and DevOps methodologies to improve flexibility and speed. Organizations also leverage BSC to evaluate the outcomes of such agile transformations.

Conclusion

ITIL and Balanced Scorecard are defined frameworks that help organizations align their objectives with IT. IT governance is considered an integral part of corporate governance. Various frameworks, such as Capability Maturity Model Integration (CMMI), ISO 9001, and Balanced Scorecard, are being used by organizations concurrently based on the needs and the purpose they solve. PMBOK can be used for project management, ITIL for service management, and ISO 9001 can be integrated into the quality management system. Whichever standalone or integrated framework is chosen, an organization must identify its goals, align IT with business needs, and carefully establish methods of quantifying the success or failure of the services provided to customers. Balanced Scorecard and ITIL are potent frameworks addressing organizational needs: strategic management and IT service excellence. By integrating these frameworks, organizations can enhance performance, achieve IT-business alignment, and adapt to the digital economy's demands. Future trends like automation, AI, Agile, and ITIL integration will further drive the adoption and effectiveness of these frameworks.

The selection and integration of frameworks must be aligned with the organization's objectives to ensure IT delivers measurable value. Balanced Scorecard provides a strategic perspective focusing on financial, customer, internal processes, and learning and growth aspects. On the other hand, ITIL ensures operational excellence by optimizing IT service delivery and enhancing customer satisfaction. The synergy and contrast between these frameworks enable organizations to balance strategic planning and operational efficiency.

Integrating automation, artificial intelligence (AI), and Agile methodologies with ITIL and Balanced Scorecard can shape the future of IT governance. These advancements will enhance decision-making and accelerate innovation. Adopting robust governance frameworks will become even more crucial as businesses adopt new ways to work through the digital economy. By staying ahead of emerging trends and incorporating cutting-edge technologies, organizations can maximize their performance, achieve sustainable growth, and maintain a competitive edge

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