

# **The Balanced Scorecard: Aligning Information Technology With Business Strategy**

Dave Rice



# Topics

---



- So What?
- Premise
- My Experiences with Strategy
- The Balanced Score Card
- Strategy Maps
- “Does IT Matter?”
- So What?
- Discussion

# So What?

How does understanding corporate strategy make a difference?

- To keep our “value” we need to connect with value-creating processes
- Help our clients see how our projects support “bigger picture” strategy
- Educate our clients about BSC and Strategy Mapping to help them sell their projects to their management
- Generate new projects/tasks linked to strategy – unrealized needs



## Premise -- IT is Under Attack

---



- Standardization has commoditized us
- Off-shore outsourcing kills our pricing power
- We are seen as out-of-step with the business
  - » SO
- We need to “Get Strategic” and show our value! Raise our profile!!

# My Experiences with Strategy

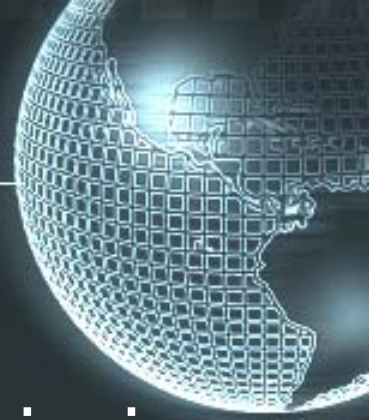
---



- Sexy concept
- Workshops, off sites, and big paper
- Linking what we do – with what we want to be?
- As a CIO – ROI or nothing (cost only view)
- Implementation of Knowledge Management or CRM systems
- There had to be a better way!!

# Definition

---



“The Balanced Scorecard translates mission and strategy into objectives and measures, organized into four different perspectives: financial, customer, internal business process, and learning and growth.”

The Balanced Scorecard Robert Kaplan & David Norton

# Balanced Scorecard Genesis

---



- 1990 Study by Nolan-Norton Institute
- Search for “new” performance measurement approaches
- Analog Devices offered a corporate scorecard more than just financial measures
- Jan 1992 HBR “The Balanced Scorecard—Measures that Drive Performance”

# Balanced Scorecard



- *“Strategy is about selecting the set of activities in which an organization will excel to create a sustainable difference in the marketplace....” Michael Porter*
- Four perspectives of an enterprise
  - Financial
  - Customer
  - Internal Business
  - Learning
- 70% of capital is in “intangible assets” (relationships, IT, employee’s skills & knowledge, brand, etc)
- Types of value propositions
  - Cost (Wal-Mart)
  - Leadership/Innovation (Mercedes--Apple)
  - Complete Solution (IBM—Target Great Land Centers)
  - Lock-In (Unisys/Gillette)
- Objectives are driven by value proposition



# Balance Scorecard 101



- Establish the Mission & Vision
- Establish Objectives in each of 4 perspectives
  - Raise Customer Satisfaction
  - Reduce time on ROI
  - Increase Current Client Spending
- Establish Measures/Metrics
  - 18 Month ROI on capital investments
  - 90% Contract renewal rate
  - 10% Employee turnover rate
  - 10% Increase in customer satisfaction ratings
  - 10% Reduction in order fulfillment time
  - 50% Employee PMI Certification
- Develop Initiatives to improve metrics\*\*\*
  - Implement new Call Center Systems
  - Implement CRM database
  - PMP Training Classes
- This is not quality stuff—it is a concrete/dynamic plan

# Scorecard Terminology



- Objective
  - An objective is a ‘verb noun’ statement for a desired business outcome
    - i.e. Improve Customer Loyalty
  - Objectives often represent translated elements of a strategic plan or strategy map
  - Objectives can be linked and cascaded
  - Objectives are ‘why’ we measure something

# Scorecard Terminology



- Measures
  - A measure represents the name of something that is measured on a standard frequency
    - (i.e. Monthly Customer Retention Rate)
  - Measures are also known as metrics or indicators
  - Each measure possesses a series of attributes that define how it is collected and stored
  - Measures are grouped under Objectives

# Scorecard Terminology



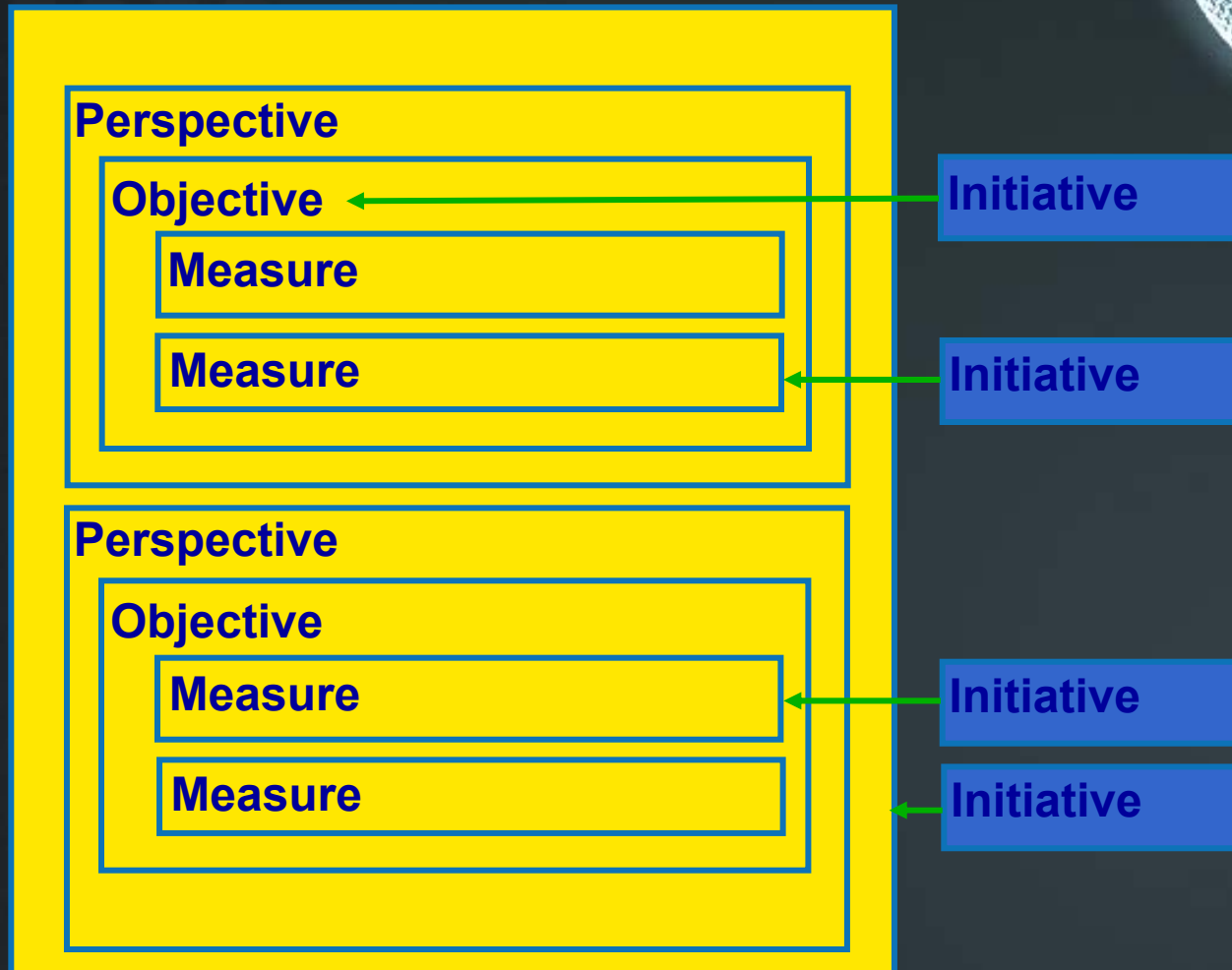
- Initiatives\*\*\*
  - Initiatives are also called projects or action plans.
  - An initiative typically has a start and end date, associated resources, and milestones.
  - Initiatives can be linked to scorecards, objectives, and or measures

# -- Scorecard Structure



- Perspective
  - Order of perspectives should be in cause and effect
- Objectives
  - Should reflect strategy map
  - Only be 'critical few'
  - No more than 10-12 per scorecard
- Measures
  - Represent best milestones for achievement of objective
  - Keep measures to 1-3 per objective
- Initiatives
  - Separate from but aligned to objectives and/or measures

# Scorecard Terminology



# -- Methods for Cascading and Deploying



## Step 1

### IT Function Core Processes

#### Corporate Objectives

	Internal Network Management	Customer Data Center Management	Technical Support
1.1 Improve Financial Health		X	
2.1 Improve Customer Loyalty		X	
3.1 Increase Top Employee Retention	X		X

# -- Methods for Cascading and Deploying



## Step 2

### IT Function Core Processes

#### IT Objectives

	Internal Network Management	Customer Data Center Management	Technical Support
1.1.1 Maximize Monthly Revenue		X	
2.1.1 Minimize Customer Complaints		X	
3.1.1 Maximize Employee Productivity 3.1.2 Reduce Employee Frustration	X		X 16



# -- Methods for Cascading and Deploying



## Step 3

### IT Function Core Processes

#### IT Objectives

	Internal Network Management	Customer Data Center Management	Technical Support
1.1.1 Maximize Monthly Revenue		\$ Service Revenue/month	
2.1.1 Minimize Customer Complaints		- # Customer Site Downtime	
3.1.1 Maximize Employee Productivity 3.1.2 Reduce Employee Frustration	% Full Availability		% Employees with >2 calls/month

# Why is this different?

---



1. Actionable
2. Understandable
3. Measurable
4. Linkages are obvious
5. Projects have direct tie to measures, objectives, and strategy

# Strategy Mapping



**What are the main principles behind Strategy Maps?**

Strategy balances contradictory forces.

Strategy is based on a differentiated customer value proposition.

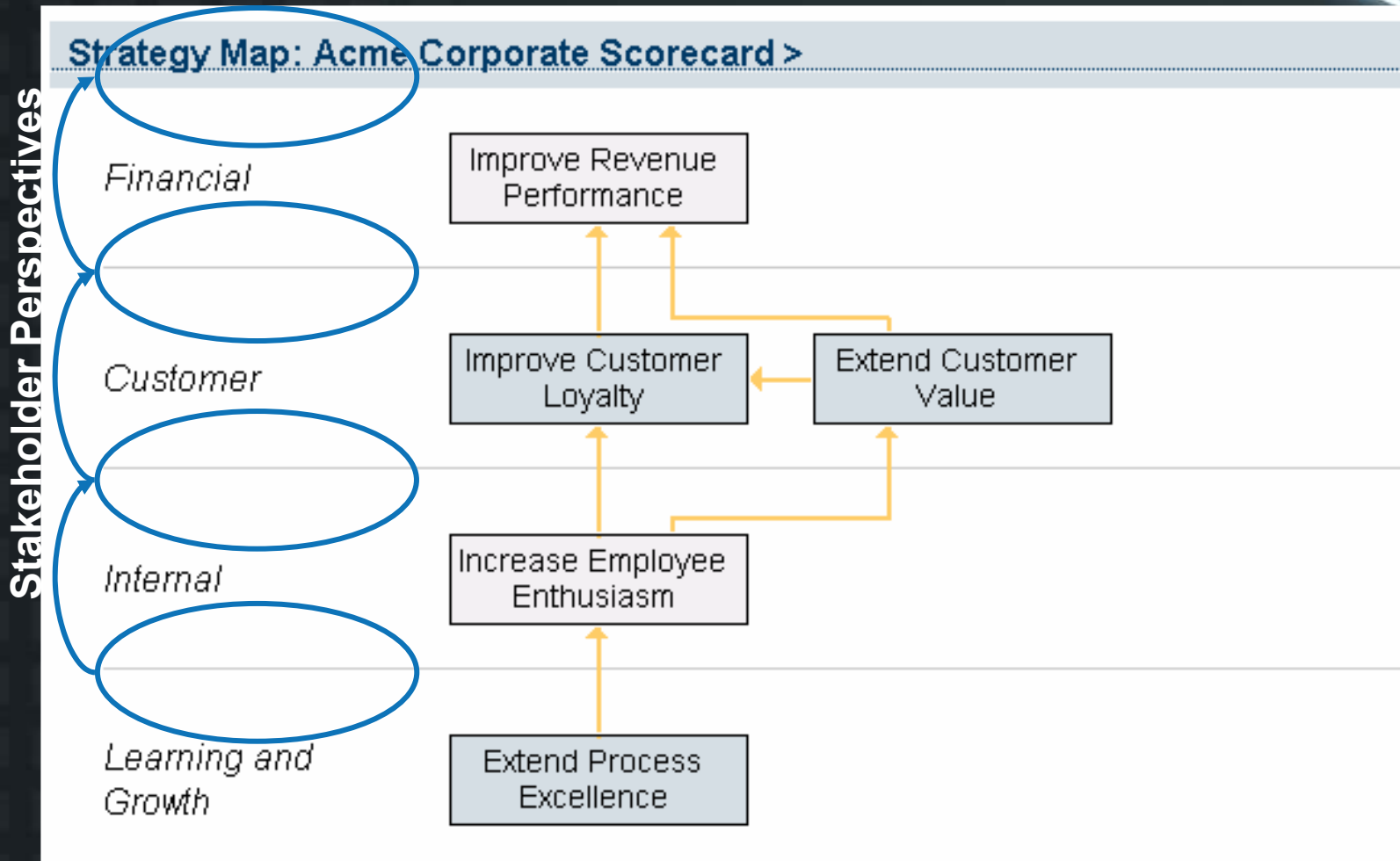
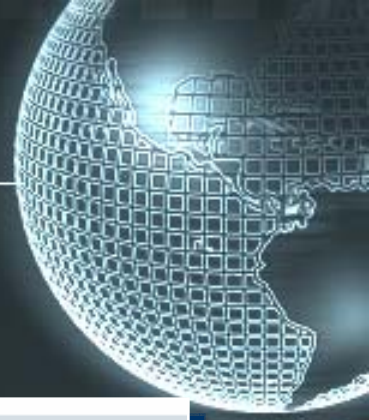
Value is created through internal business processes.

Strategy consists of simultaneous, complementary themes.

Strategic alignment determines the value of intangible assets.

*“The Balanced Scorecard strategy map provides a framework to illustrate how strategy links intangible assets to value-creating processes.”*

# Strategy Mapping



# Does IT Matter?

---



- Information Technology and the Corrosion of Competitive Advantage Nicholas G. Carr
  - Vanishing Advantage
    - When IT Was New
    - Locking in Advantage
    - The Technology Replication Cycle
    - The Homogenization of Processes
    - The Emergence of Dominate Designs
  - Recommendations
    - Spend Less
    - Follow; Don't Lead
    - Innovate When Risks Are Low
    - Focus More on Vulnerabilities than Opportunities

# So What?

---



- To keep our “value” we need to connect with value-creating processes
- Help our clients see how our projects support strategy “bigger picture”
- Educate our clients about BSC and Strategy Mapping to help them sell their projects
- Generate new projects/tasks linked to strategy

# DISCUSSION

---

