

# Balanced Scorecard IT Strategy and Project Management

“ Managing Strategy is Managing Change”

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November 7, 2002



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## What's the Problem Here?

- ◆ IT projects rarely have a 1<sup>st</sup> order impact on financial results.
- ◆ Their impact is usually a 2<sup>nd</sup> or 3<sup>rd</sup> order impact.
- ◆ Tracing this impact is part IT strategy.
- ◆ Delivering this impact is execution.



## Why is Strategy Critical?

- ◆ “Strategy has never been more important,” – *Business Week*.
- ◆ “In the majority of failures – we estimate 70% – the real problem isn’t bad strategy, it’s bad execution.” – “Why CEO’s Fail,” *Fortune*
- ◆ “Less than 10% of strategies are effectively executed,” – *Fortune*
- ◆ “If you want to understand strategy, you have to understand the outcomes first.”
- ◆ “If you’re not managing to a strategy, than what are you doing?”



## Using Balanced Scorecard to Create and Manage IT Strategy

By asking the question “How does this strategy and its supporting implementation fit into the balanced scorecard?” a powerful synergy can be created between strategy and tactics.



## What is Balanced Scorecard?

- ◆ It's a framework
- ◆ It's a measurement system
- ◆ It's a communication system
- ◆ It's a process for improvement



# Balanced Scorecard 101

Balanced Scorecard is a framework for translating vision into strategy by asking and answering the following questions.

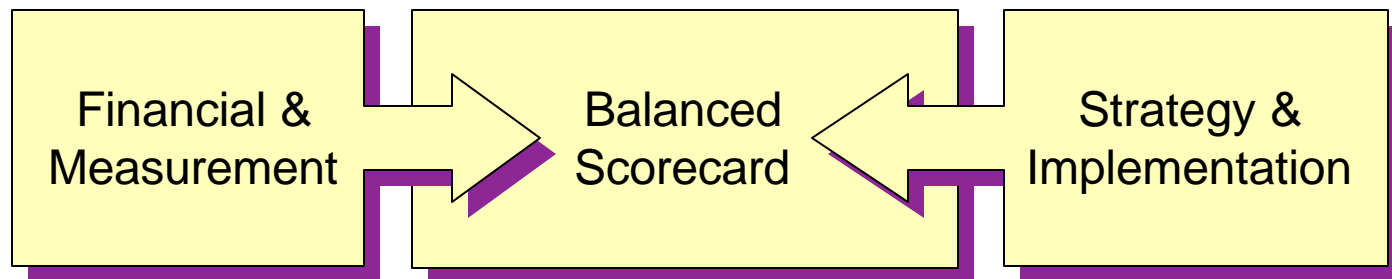
- ◆ Financial Prospective
- ◆ Customer Perspective
- ◆ Process Perspective
- ◆ Growth Perspective

- ◆ If we succeed, how will we look to our shareholders?
- ◆ To achieve our vision, how must we look to our customers?
- ◆ To satisfy our customers' value proposition, what must we excel at?
- ◆ If we are to succeed, what must we do to learn and improve?



## IT Strategy in the context of Balanced Scorecard

- ◆ We'll use the Balanced Scorecard words to define:
  - A “Strategy” that provides the directional clues to the organization that permit it to achieve its objectives, while responding to the opportunities and threats in its environment.”
  - “What we want, and how we're going to get it.”
- ◆ Using Balancedscore as the framework, the IT Strategy can be given purpose and guidance.



# Balancing Technology and Business

Add value to  
and identify  
new  
opportunities  
for...

## **Business**

Tell me the  
Business solution  
and I'll tell you the  
IT strategy



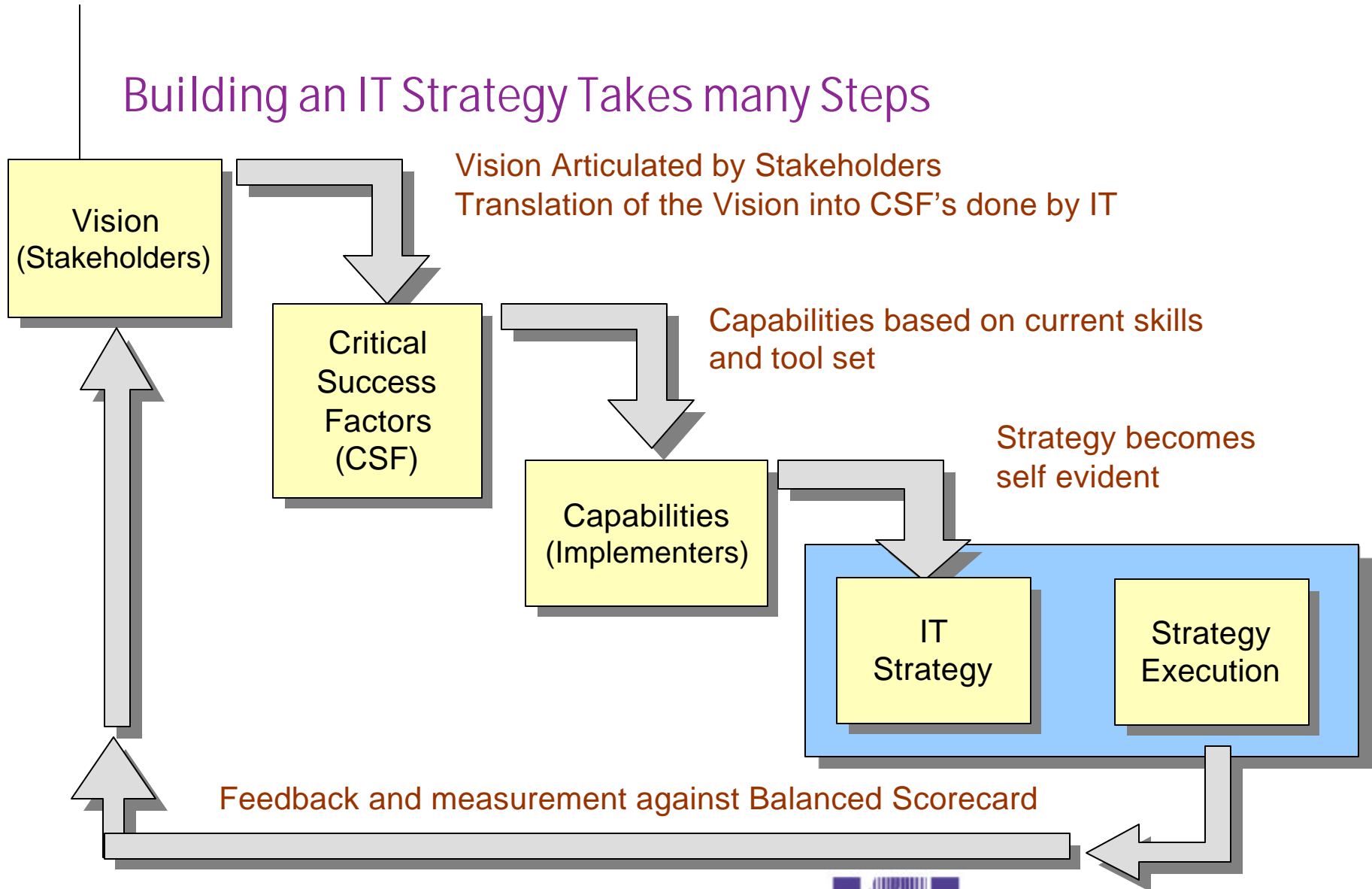
## **Technology**

Tell me what it can  
do and I'll tell you  
what the business  
solution is.

Set goals for  
and drive  
investment  
on...



# Building an IT Strategy Takes many Steps



## Principles of the IT Strategy using Balanced Scorecard

- ◆ Start the change process at the top of the organization
- ◆ Translate the strategy into a measurable set of actions
- ◆ Projectize these actions with clearly measurable outcomes
- ◆ Align the organization and its activities with the strategy through these projects
- ◆ Execute the strategy starting at the lowest levels in the organization rather than at the highest
- ◆ Continually update the strategy using feedback gained through the execution process
- ◆ Eliminate any projects that are not traceable to a strategy or an objective – no sleepers



## Start at the Top

- ◆ Create sense of urgency, communicated by senior management
- ◆ Align the team around this “burning platform”
- ◆ Engage each team member personally
- ◆ Empower each team member to be a “change agent”



## Create Measurable Sets of Actions

- ◆ Create a “strategy map” of what to do
- ◆ Define technical and financial measures of success
- ◆ Constantly and consistently communicate through multiple media across and down the organization:
  - Strategic priorities communicated across the enterprise
  - Success stories to syndicate the progress story
  - Reuse of these successful processes



## Align the Organization with the Strategy

- ◆ Action plans at all levels are aligned with and traceable to the strategy
- ◆ Continued “buy in” from stakeholders must be maintained
- ◆ Align all work activities through projects traceable to objectives
- ◆ Don’t let any work “leak out” beyond a project boundary



## Execute the Strategy Bottom Up

- ◆ Connect projects directly to strategy through the Balanced Scorecard objectives
- ◆ “Projectize” everything – without a project (including level of effort) you can’t answer the question, “Why are you here?”
- ◆ Create fine grained progress to plan measures
  - Earned value is one way – “What have you done for me lately?”
  - Continuous measurement – “What value do you add to this organization?”



## Continually Update the Strategy

- ◆ In the software business “Optimism” is the disease – feedback is the cure
- ◆ Formal operational reviews of progress to plan
- ◆ Budget is driven by strategy in many organizations
- ◆ In other environments, strategy drives budget
- ◆ Feedback and communication enable learning in both environments



## Governance

IT governance deals with the ways in which the financiers of IT assure themselves of getting a positive ROI.





## Some Governance Questions Connected to BSC

- ◆ How does top management get the CIO and the IT organizations to return some business value?
- ◆ How does top management assure themselves that the capital they supply is properly utilized in the creation of value?

IT governance is the organizations capacity to control the formulation and implementation of IT strategy and guide the proper direction for the purpose to achieve competitive advantages for the corporation.



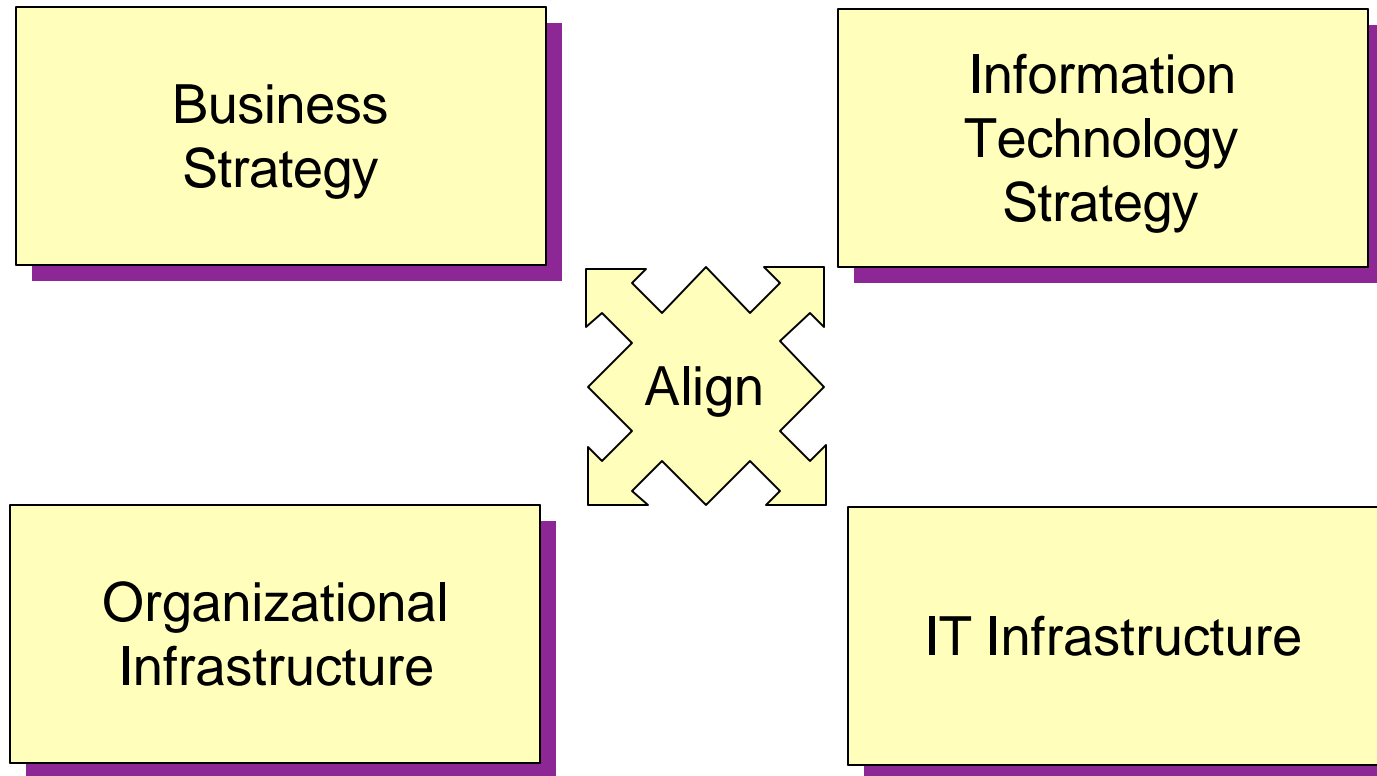
## Building the IT Strategy

IT Strategy is all about “alignment...”  
*...it needs to live in the minds of those tasked with the execution*



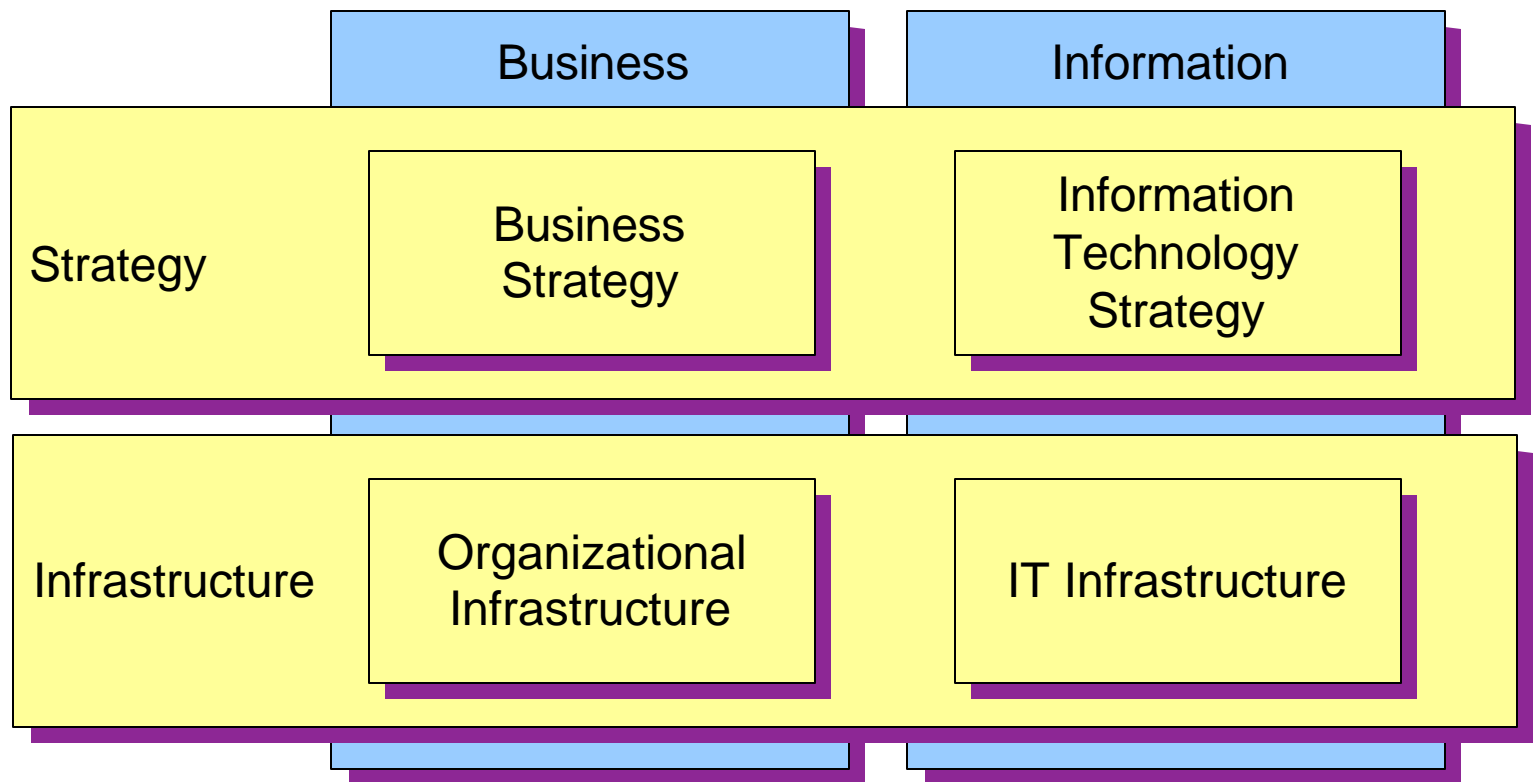
## The Goal of IT Strategy is to Align the Various Processes ...

- ◆ The Four “facets” of IT Strategy alignment are ...



## Aspects of the IT Strategy

- ◆ These IT strategy facets are related to each other:



# Facets of IT Strategy

## ◆ *Business Strategy*

- Scope – what business are we in?
- Competencies – what do we do well to distinguish ourselves
- Governance – what external relationships to we depend on?

## ◆ *Business Infrastructure*

- Structure – how are we organized?
- Processes – what are the key processes?
- Skills – what resources do we require?

## ◆ *IT Strategy*

- Scope – what technologies are used to create strategic advantage?
- Competencies – how does IT create business advantage?
- Governance – what external relationships do we depend on?

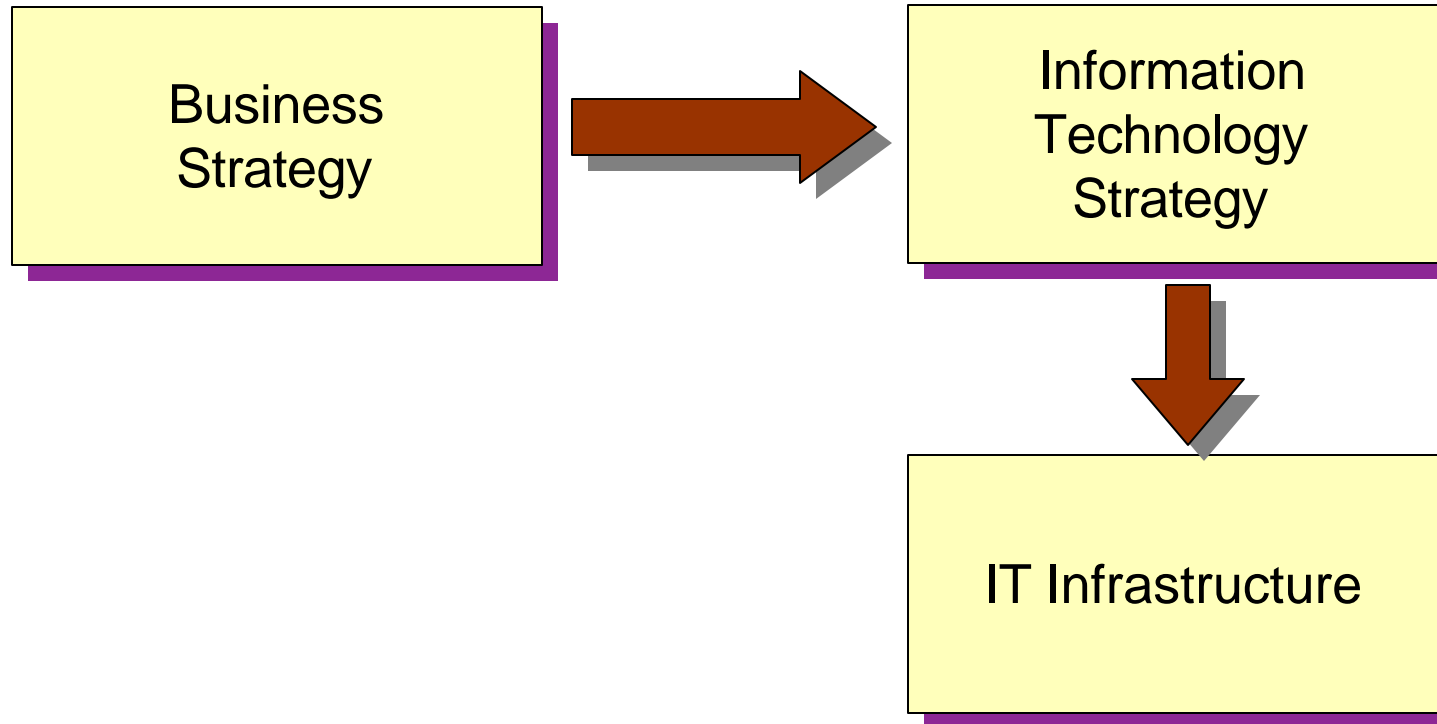
## ◆ *IT Infrastructure*

- Architecture – what are the platform choices?
- Processes – what are the IT processes?
- Skills – what talent is needed to maintain our advantage?



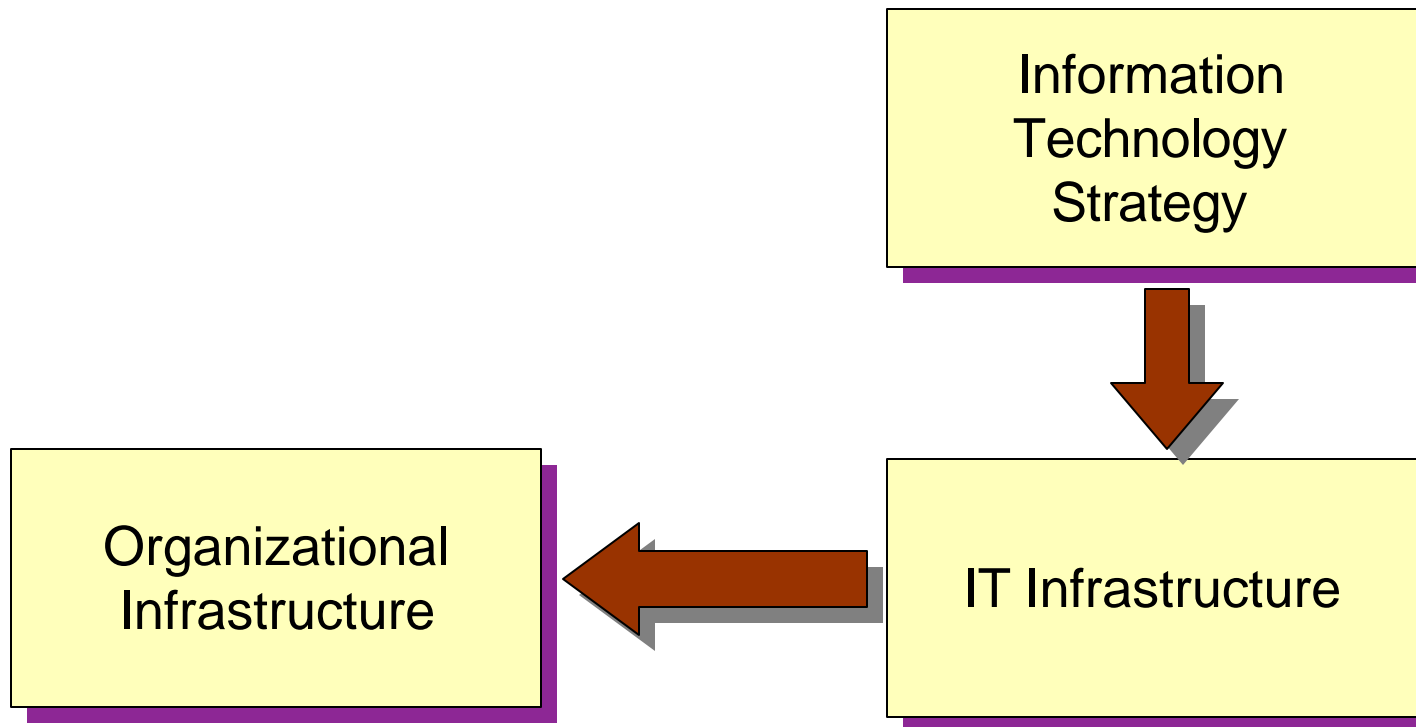
## Four Alignment Approaches

- ◆ Business strategy drives IT strategy



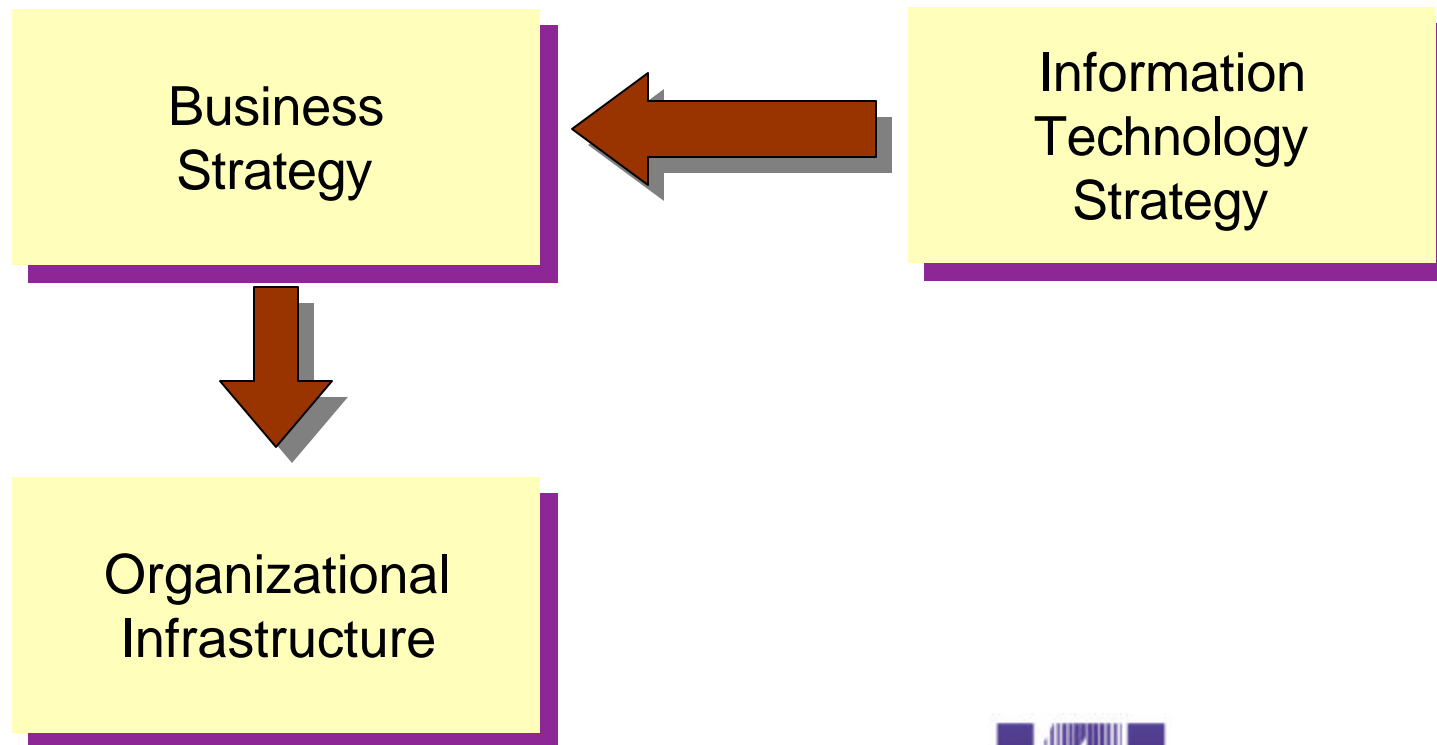
## Four Alignment Approaches

- ◆ IT strategy “IS” the business strategy



## Four Alignment Approaches

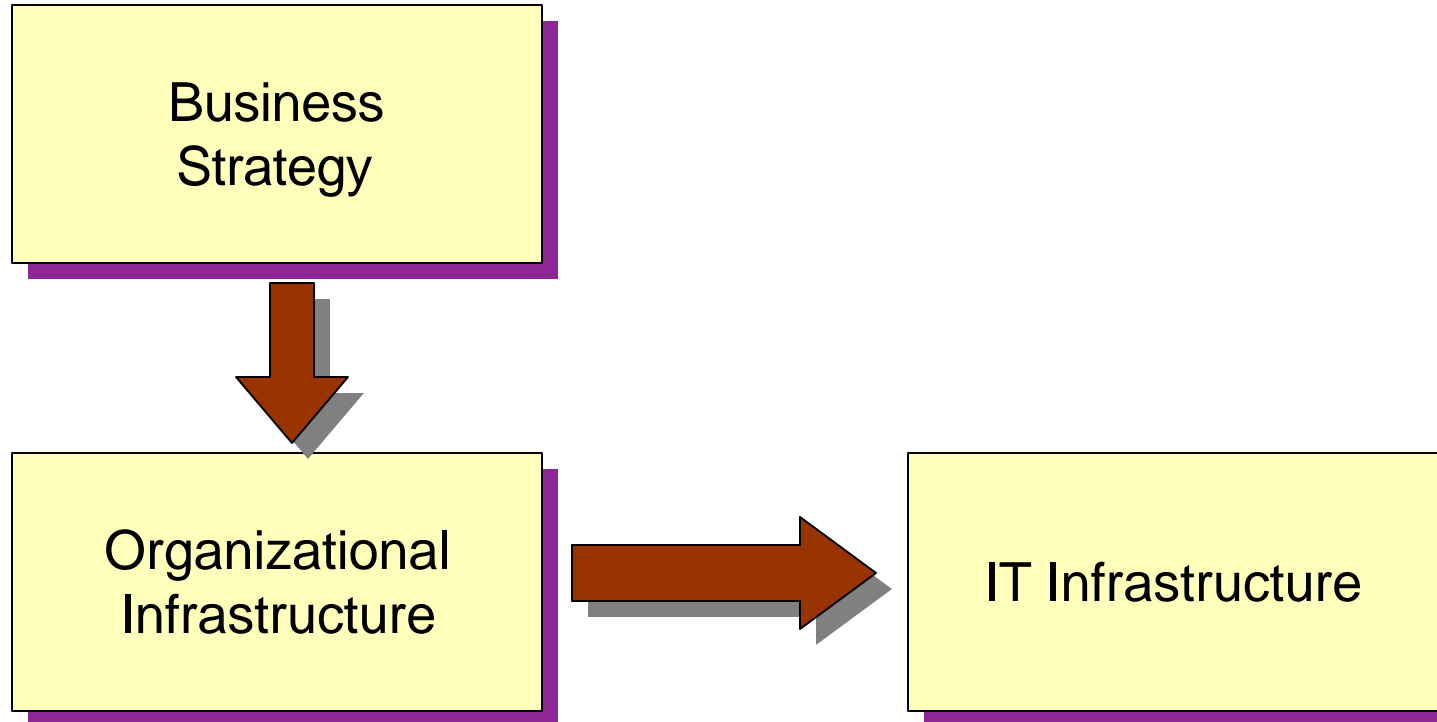
- ◆ IT as the “enabler” of the business strategy





## Four Alignment Approaches

- ◆ IT structure and processes “defined by” the business strategy



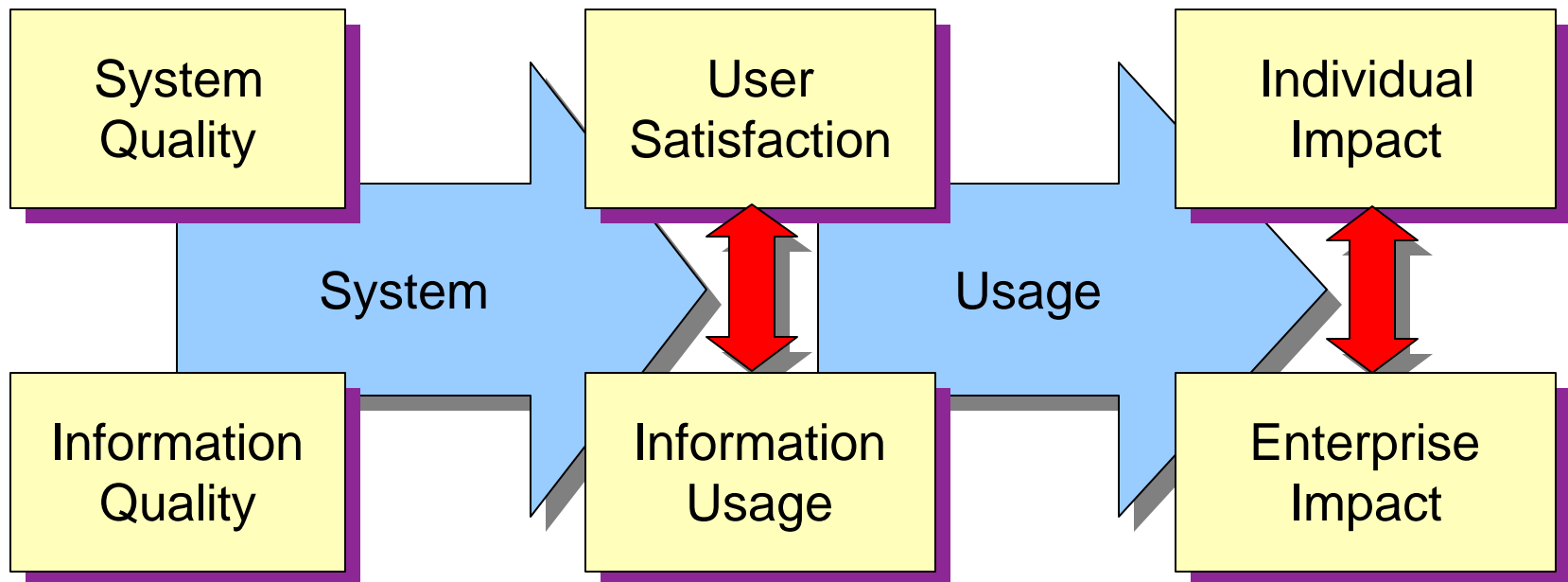
## The BIG Question of Fit

- ◆ If strategy and structure must fit each other, then what is not stated is:
  - Which aspects are to fit other aspects?
  - Business / Information relationships?
  - Information / Business relationships?
- ◆ The answer to these should be obvious, but the consequences of the answer needs to be understood:
  - *The business strategy “drives” the IT Strategy*
  - *The IT Strategy drives the Technology Strategy*
  - *A loop is created which must be broken before any measurable value can be created.*



## IT Strategy Success Model Example

- ◆ All of these IT Strategies need to be in place for the business to be successful.
- ◆ Success can be defined by the following process ...



## IT Strategy Model

- ◆ *System Quality* – measures of the information processing system itself
- ◆ *Information Quality* – measures of the information system's output
- ◆ *Information Use* – recipient consumption of the output
- ◆ *User Satisfaction* – response to the usability of the information
- ◆ *Individual Impact* – effect of information on the performance of the individual
- ◆ *Enterprise Impact* – effect of information on the performance of the enterprise

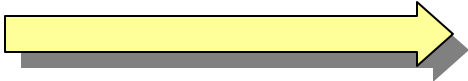
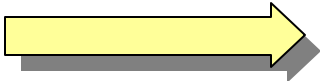

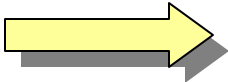


## Questions to be Answered By the Strategy

- ◆ What applications should be purchased, consolidated, or replaced as the business moves forward?
- ◆ Does an application's "sunset" plan match the long-term needs of the business?
- ◆ What technologies should be considered to increase productivity, reduce cost, increase data and process integrity, and support closure?
- ◆ What applications should be nurtured internally and what applications should be outsourced?
- ◆ How should IT activities be organized as the business moves forward?

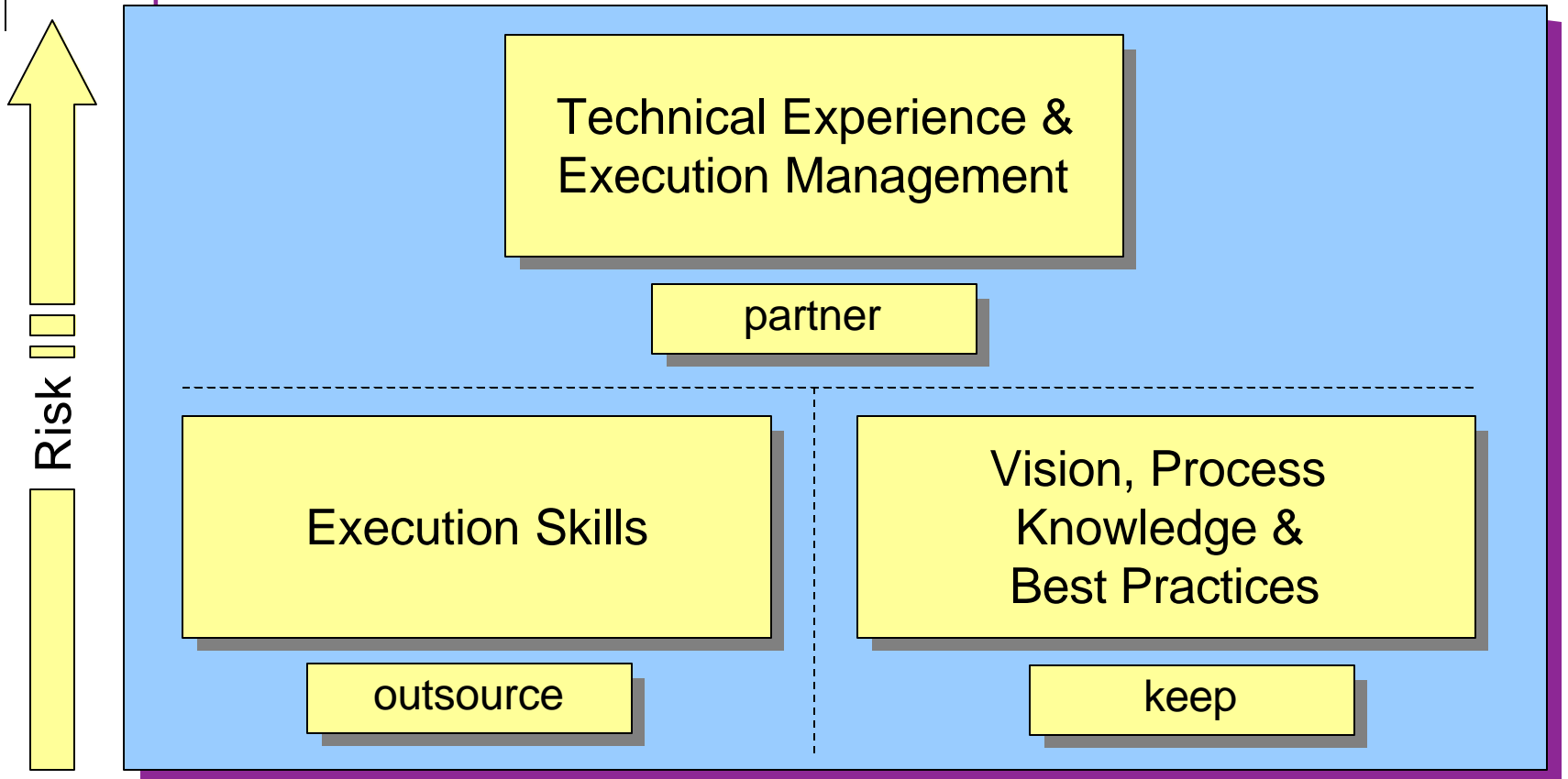


## There are 4 Elements of an IT Strategy

- ◆ Organizational strategy 
    - *The rationale for the strategy*
  - ◆ Information systems strategy 
    - *The components of the strategy*
  - ◆ Information technology strategy 
    - *The mechanisms of the strategy*
  - ◆ Information management strategy 
    - *The participants in the strategy*
- ◆ WHY
  - ◆ WHAT
  - ◆ HOW
  - ◆ WHO



# Executing the Strategy Requires Risk Taking and Cooperation from All Parties

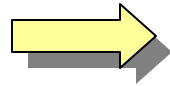
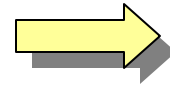
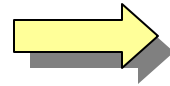
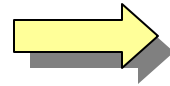
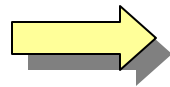


Core Competencies

# Alignment Means “Actions have Consequences”

## **Alignment Actions**

- ◆ Full engagement with the “customers” at the detailed level
- ◆ Aligning in “stages” by sorting out “going forward” applications
- ◆ Shared strategic objectives that start with the “customers” needs
- ◆ Short-term tactical success means long-term strategic success.
- ◆ Knowing about the business, but not making the business decisions, this belongs to the “customers”



## **Alignment Consequences**

- ◆ *Servicing the customer is a “strategy”*
- ◆ *Identifying the value of each application.*
- ◆ *Capturing needs is a continuous process.*
- ◆ *Continuous building on success is a difficult and fulltime job.*
- ◆ *Having the customer “inside” the process, rather than as an external source of information.*





## Alignment Activities Require Effort

### **Activity**

- ◆ Capture strategic priorities from top management
- ◆ Align IT strategies with the corporate strategic plan
- ◆ Adopt measurable goals and objectives in support of the strategy
- ◆ Maintain a mutual understanding with top management on the role of IT
- ◆ Adapt technology in support of this strategy

### **Effort Required to Fulfill Activity**

- ◆ *Requires direct engagement*
- ◆ *Difficult with a rapidly changing plan*
- ◆ *Use Balanced Scorecard here, but adapted for IT “fuzziness”*
- ◆ *Continuous engagement with the high–level stakeholders will be hard*
- ◆ *Straightforward, since all processes and data are self contained*



## Putting it all Together

“How do you eat an elephant?  
“One bite at a time.”

All successful yet complicated implementations start with a vision and some incrementally extendable project activities.



**“Do the right things, do them well, do them with less, to...”**

**Business Results**

.....reduce overall operating costs - R2

...enable profitable operations - R1

...enable firm to accelerate market deployment - R3

**Project Expectations**

**Competency**

**Credibility** →

**Contribution**

“Keep my systems running” - E1

“Manage to corporate goals” - E2

“Understand my operation” - E3

“Implement timely and cost-effective solutions” - E4

**Internal Processes**

**Operational Excellence**

**Project / IT Alignment**

**Solutions Leadership**

Reduce the cost of providing services - P1

Provide appropriate technology to enable success - P2

Provide innovative solutions - P3

Improve processes for efficiency and quality - P4

Deliver solutions on schedule - P6

Manage requirements - P7

Leverage knowledge and best practices - P10

Centralize IT resources - P5

Enhance customer relationships - P9

Strategically deploy services - P8

**People and Tools**

Develop and retain critical skills - S1

Build a high performance culture - S2

Recognize team and individual performance - S3

Provide employees with the tools and knowledge they need - S4



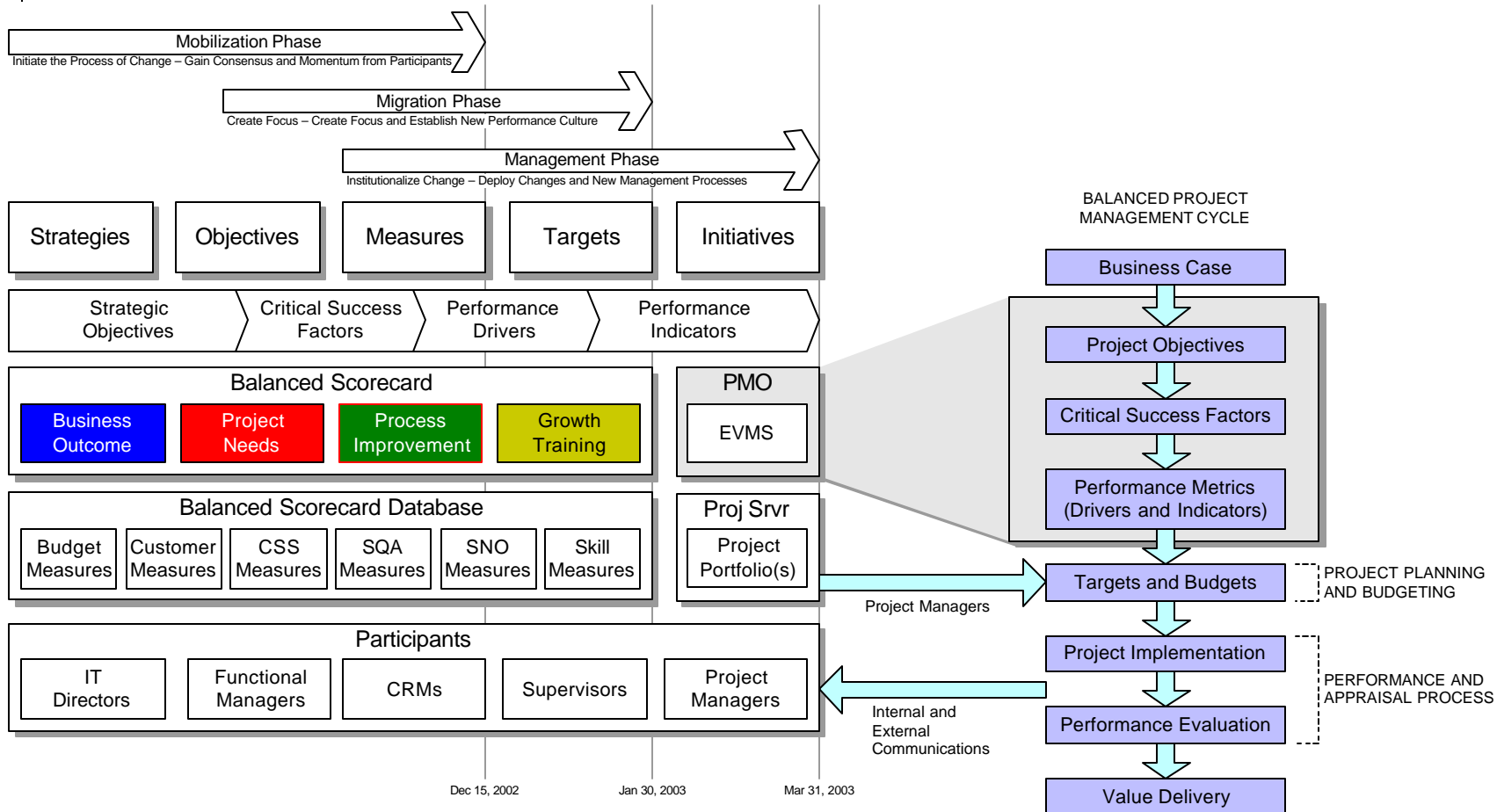
## Balanced Score and Project Management

- ◆ The Balanced Scorecard components are necessary but not always sufficient for success.
- ◆ Matrix of components
  - Strategy map – tells the strategy story in one page
  - Objectives – describes the deliverables from the strategy
  - Measures – indicators of success
  - Targets – goals
  - Initiatives – collections of work efforts
  - Projects – tactical work packages



# Putting it all Together

The Strategy Focused IT Organization



## Balanced Scorecard is not for the Faint of Heart

- ◆ The scorecard should:
  - Measure performance against goals
  - Determine if the goals are appropriate
  - Determine if the strategy or measures should be changed
  - Provide directly measurable outcomes traceable to the actions of individuals and teams
- ◆ The individuals and teams should:
  - Be committed to making the scorecard process work across all levels of the organization.
  - Seek to close any gaps that open in the process in the same way they manage their daily activities
  - Understand that without the commitment and dedication, not only will Balanced Scorecard fail, the underlying business process will suffer as well.



## Building a Strategy Focused Organization

- ◆ Translate strategy into operational terms
- ◆ Align organization with the strategy
- ◆ Make strategy everyone's job
- ◆ Make strategy a continuous process
- ◆ Mobilize change through strong, effective leadership



## A Final Thought

“One of the most dangerous forms of human error is forgetting what one is trying to achieve.”

– Paul Nitze

