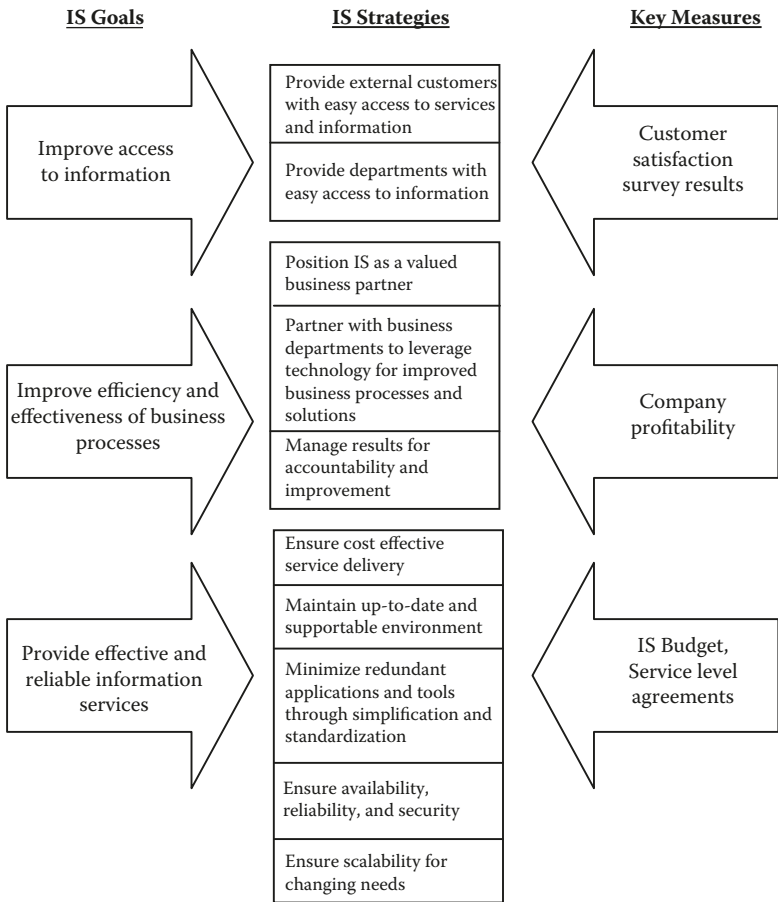


**Figure 6.7** IS strategies

## ***Determine the IS Balanced Scorecard and Metrics***

Measuring IS performance has been an area that has received much attention and press. Determining the appropriate metrics to measure IS performance has always been a challenge for management. Many companies spend countless hours gathering and reporting data to executives who do not really care about the metrics IS continues to report. For example, many IS organizations report how many calls they completed or how many maintenance requests were completed. What do the numbers actually mean? Although the metric may provide a relative performance from month to month, that is arguable because one request may be simple or very complex and there is no way to judge if the number reported should be more or less. With too many metrics, people become confused about what is important. The administrative burden in collecting and reporting the data can be nonproductive. The key to success is selecting a small number of metrics that are relevant to the business and that represent the true leverage points.

One way to identify metrics is to ask members of executive management what is important to them and how they would measure the success of IS. Another method is to benchmark against industry metrics, as discussed in the industry benchmarking section in the previous chapter, “Conduct Industry Benchmarking.” However, the best metrics are those that tie back directly to the direction, because it is important to measure



**Figure 6.8** IS goals, strategies, and key measures

progress to the direction, not just metrics for the sake of metrics. An excellent method to determine metrics is to use the balanced-scorecard approach. This provides a balanced measurement around four areas: financial, customer, internal processes, and individual innovation or learning. The balanced scorecard emphasizes that no single measure provides a clear picture of how an organization functions but that a set of key indicators is required. This allows an organization to focus on what is important to define the success of the organization over time. The following are questions within each balanced-scorecard area as it relates to IS:

*Financial:* How much money is the organization spending on IS? Where is the money being spent? What was the budget and how did actual

spending compare? How much money is spent keeping the business functioning (e.g., legacy systems support and maintenance) versus moving the business forward (e.g., new development projects that meet the business priorities)? How much revenue is generated from IS initiatives, such as e-commerce? How does IS perform in the eyes of senior management? Examples of financial metrics include IS costs as a percent of revenue, percent of IS costs on development, IS budget actual versus plan, and revenue related to e-commerce.

*Customer:* How does IS perform in the eyes of external and internal customers? How satisfied are customers? How well is IS meeting service-level agreements? How does IS address the customers' concern about time, quality, performance, service, and cost? How many business interviews and focus groups have been held? Examples of customer metrics include annual customer satisfaction survey results, customer satisfaction on random surveys of help desk requests, post-project customer satisfaction, and service-level agreement performance.

*Internal process:* How well are the IS processes formalized, documented, followed, and measured? How is time being spent within the IS organization? How does IS impact the business processes? How does your execution compare to industry standards? How many joint IS and business planning meetings have been held? How many IS steering committee meetings have been held? How many IS projects are directly linked to a documented business goal? What is the system availability? What is the system response time? How many security breaches or outages have been experienced? Examples of process metrics include number of function points or XP velocity points delivered, availability, and percent of the organization required to support and maintain systems.

*Organizational learning and people:* What is the ability of the IS organization to learn and improve? How well does the group keep pace with changing technology? Are career plans formalized? What skills and training are required? What recruiting and retention programs are implemented? How satisfied are the employees? Is the organization positioned to meet challenges of the future? Examples of people metrics include IS employee satisfaction, IS turnover or retention, and training hours per IS employee.

The following is one method of determining key metrics integrating the IS direction with the balanced scorecard that has been very successful:

- With a group of individuals such as IS management team or the IS steering committee, review each statement within the IS vision,

mission, goals, and strategies. Ask the group how to measure that, or how you will know that you have achieved the objective. If multiple measures are given, write down both. Move quickly and do not dwell on each item; take the first response and move on.

- You will end up with a long list of metrics. Review the list and categorize each metric as high, medium, and low in terms of the value the metric provides.
- Take the metrics rated as high priority, review them to ensure the metrics are measurable, and review them in relation to the vision, mission, goals, and strategies. Discuss whether they make sense or whether there is any need to add metrics or change them. Review each metric to identify the appropriate category within the balanced scorecard.
- Narrow down the list of metrics to the key metrics. There should be one or two metrics within each area of the balanced scorecard.
- Identify the frequency with which each metric will be measured, such as monthly, quarterly, or annually.
- Identify the target for each metric.

You should have no more than about six or eight key measures to measure the overall success of the IS organization. There may be many more metrics that are measured within each work group. For example, the help desk may have many detailed metrics, such as number of calls, mean time to close requests, mean time to respond, percent answered on the first call, and so forth. Operations may be another area with many detailed metrics. However, it is critical to focus on the few key metrics that measure the overall progress to the goals and direction. Following are six critical metrics that should be considered for inclusion:

*Percent of the IS budget spent on maintenance versus new development:*

Typical organizations may spend 80% of IS costs on keeping systems functioning and only 20% on new initiatives. World-class organizations strive for a 50%/50% balance between maintenance and new development.

*Customer satisfaction:* Both annual surveys and random surveys after service has been completed are excellent metrics of IS performance.

*Percent of IS projects directly linked to a documented business goal:*

This metric represents the alignment of the IS priorities and work with the business plan.

*Comparison of IS budget to plan:* Meeting budget targets demonstrates an environment that is predictable, planned, and under control.

*Availability:* In most environments, providing a reliable, secure, and stable environment for business operations is critical.

*Percent of IS staff exceeding average performance criteria on performance reviews:* Some companies that are artificially driven to a standard distribution of performance ratings may not be able to use this metric effectively. However, it can be a good measurement of the competence and accomplishments of the organization if done properly.

## ***Review and Confirm the IS Vision and Direction***

This is an important milestone to review the high-level IS direction with both the IS group and the IS steering committee. Update any areas that may require changes or additions.

## **Developing the IS Plan**

### ***Develop the Business Application Direction***

Next, identify the specific direction for the business application area. Begin by identifying principles that will guide the business application area. Principles are a reflection of the general culture and values. They provide guidance for IS decisions and investments in the future. There should be similar themes reflected through the IS mission, vision, strategies, and principles.

One example of a business application principle that if not stated can cause emotional arguments is the use of packaged versus custom software. In the past, companies have tended to migrate to custom solutions as both business users and the IS individuals claim they have unique requirements. Due to the high cost of custom solutions, and the increased availability of packaged solutions, many companies are migrating away from custom solutions. Yet, without a clear guiding principle, on a project-by-project basis it can be easy to fall into custom software claiming “We are unique” or to spend hours arguing about custom versus packaged solutions. Exhibit 6.31 and Exhibit 6.32 show how two companies addressed the custom versus packaged issue with a guiding principle.

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### **Exhibit 6.31 Custom versus Package Direction — Example 1**

#### **Custom versus Packaged Business Applications Direction**

We will invest the majority of resources (people and money) in areas and systems that are strategic and unique to the business. We will choose the lowest-cost