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# Corporate Performance Management in IT Organizations

White Paper



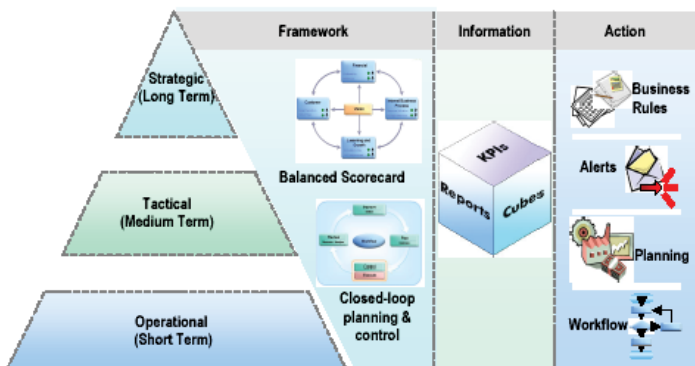
## Executive Summary

This document presents the relevance of Corporate Performance Management in IT organizations and introduces Ramco’s Corporate Performance Management Solution.

Software metrics are an essential part of Software Project Management, to quantitatively assess the status and performance of projects. Linking the performance of a software project to the department’s goals and thereby to the organization’s strategic objectives creates a powerful approach. Thus, a strategic objective can be seen in relation to the performance drivers that critically affect the organization’s ability to succeed.

The Balanced Scorecard (BSC) concept has become an essential cornerstone of the management system, in this scenario. BSC helps in identifying Critical Success Factors (CSFs) to achieve the organization’s vision and indicates its status with measurable Key Performance Indicators (KPIs), across four perspectives. These perspectives (Financial, Customer, Internal Business Process, Learning & Growth) allow companies to specify objectives which balance short-term financial performance with the drivers of growth opportunities for the future.

The Balanced Scorecard addresses performance management for the senior management in developing a balanced strategy and percolating it down to CSFs. These CSFs have to be then owned and managed by the Tactical and Operational managers in a performance management framework. The business framework should also include business intelligence for informed decisions and workflow for business process management. Gartner refers to this all-encompassing business framework as the Corporate Performance Management Tool. This paper discusses Ramco’s offering of its Corporate Performance Management Tool - Ramco DecisionWorks. Its key features and application in IT organizations are shown in the schematic below.



## Corporate Performance Management – Overview

### Overview

The principle benefit for an IT organization lies in the effectiveness of the Corporate Performance Management as a mechanism, for aligning Software Process Improvement initiatives with Strategic Business Objectives. The indicators serve as checkpoints on the way to achieve these goals. They maintain equilibrium between external measures (for principal/shareholders and customers) and internal measures of the unit’s performance, thus balancing outcome measures from past efforts and the measures that drive future performance.

With the plethora of data available from various transactional systems – ERP, Excel based Reporting, MS Projects, etc, the senior managers require a tool for Corporate Performance Management.

The Corporate Performance Management tool should be a simple tool, which can be easily used by all managers. It should essentially address Performance Management for Strategic, Tactical and Operational Managers, Business Intelligence and Business Process Management.

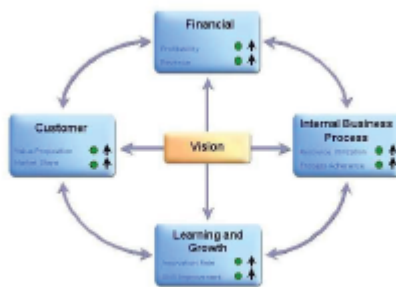


Strategic Performance Management Framework

### Balanced Scorecard

The Balanced Scorecard (BSC) is a Strategic Performance Management System. BSC is a methodology developed by Dr.Kaplan and Dr.Norton (the methodology was presented for the first time in Harvard Business Review in 1992) and later detailed out in their book. The Balanced Scorecard, originally seen by the authors as a measurement tool, is now presented as a means for implementing strategy, by creating alignment and focus.

The BSC aims to report on the drivers of future value creation. It translates an organization’s vision into a comprehensive set of measures, across the four perspectives (Thrust Areas) - Customer, Financial (Shareholder), Internal Business Process (Company) and Learning and Growth (Employee).



Balanced Scorecard Schematic

The term "Balanced" is used to indicate the balance between financial measures and non-financial measures and between short term and long-term objectives. The central theme of the BSC system is that by also focusing on non-financial measures, organizations can ensure long-term competitive advantage and thereby, sustained profitability.

### Tactical & Operational Performance Management

In their new book 'Strategy Focused Organization', Dr.Kaplan and Dr.Norton have reported that 90% of strategic initiatives fail not due to formulation, but due to implementation difficulties. Strategy has to become an integral part of the organization. Tying strategic objectives to Performance Monitoring and Decision Support at a tactical level creates a very powerful approach.

The Critical Success Factors (CSFs) should be owned by Functional – Tactical/Operational Managers and it should form the goal of their department/division.

Every process in the department/division should exist, to attain some part of the goal . It should be attached to KPIs, to give indicators on the level of achievement of the goals and what is on an improving trend and what is not.

### Business Intelligence

Both the performance management frameworks can provide performance monitoring with respect to a given set of CSFs, Goals and KPIs. Moreover, managers also require information on multiple dimensions and this is addressed by the Business Intelligence (BI). BI addresses a manager's access to the transactional data in a structured manner, in the form of multidimensional cubes & reports. It provides insights that will enable business managers to make strategic /tactical decisions, as well as to establish, modify or tune the business strategies.

### Business Process Management

The tool should provide the managers the workflow to automate their business process, for flow of information/tasks and it should be easily re-designable, in tune with the changing business needs.

### Ramco DecisionWorks – Overview

Ramco offers Ramco DecisionWorks – a comprehensive, smart and easy to use, web architected Business Framework, which can be quickly configured for a comprehensive Performance Management Solution with the Balanced Scorecard methodology. It is all encompassing because the application comprehensively provides for

- Performance Management
  - Strategic Performance Management through Balanced Scorecard Method
  - Tactical Performance Management through a Closed Loop Planning & Control method
- Business Intelligence
- Planning with Business Optimization
- Business Process Management

### Product Features

- Metrics or Key Performance Indicators (KPIs) can be defined to measure the performance of various facets of the goal. (Performance Management)
- A user friendly Query Builder and Formula Builder to calculate the KPIs
- Relevant reports, drilldowns and cubes to summarize / analyze the goal, along multiple dimensions. (Business Intelligence) – Available with Crystal and MS Excel 2k.
- Optimization models to perform what-if/scenario analysis of decisions to be taken. (Business Analytics)
- Workflow to handle flow of information and action, for the various business processes relevant to the given goal. (Business Process Management)
- Business Rules to monitor critical events and initiate alerts / workflow for the given goal. (Event Management)
- Security across hierarchies, as various users can be mapped to different roles with relevant View/Full Control permissions
- Personalized Business Dashboard

## Ramco DecisionWorks - IT Organization Model

The IT Balanced Scorecard

The IT Balanced Scorecard essentially is built around the four perspectives of Finance, Customer, Internal Business Process and Learning & Growth. Presented below is a sample IT Scorecard.

### Vision:

We will provide value to all our stakeholders, by exceeding customer expectations with agile software solutions on time, within budget and with the highest quality achieved, through continuous process improvements.

### Finance

CSF: Profitability

CSF: Budget Performance

CSF: Revenues

KPIs: Billing & Collection

Customer

CSF: Exceed Customer expectation

KPIs: Time Variance

Budget Variance

Post Release Defects

CSF: Customer Acquisition

KPIs: Number of new customers

Internal Business Process

CSF: Sales Efficiency

CSF: Implementation Efficiency

CSF: Software Quality Assurance

KPIs: CMM Level

CSF: Resource Utilization

KPIs: Billing Ratio

CSF: SPI

KPIs: Process Improvement Coverage Ratio

Process Improvement Suggestions received vs implemented.

### Learning & Growth

CSF: Infrastructure

CSF: Training

KPIs: Training Effectiveness

Training Ratio

CSF: Human Resources

KPIs: Employee Turnover

Employee Churn

Key Role Vacancies

### The IT Business Goal Hierarchy for Departments/Projects

The IT Business Goal Hierarchy for departments/projects flows from the Critical Success Factors in the Balanced Scorecard. Thus the business goals at the tactical and operational level contribute.

#### Department: Infrastructure Maintenance Group

##### Goal Hierarchy

Parent Goal: Improve Customer Service Level

Child Goals: Minimize Resolution Time

KPIs: Critical Breakdown Calls resolved within 4hrs

Minor Breakdown calls resolved within 8 hrs

Minor Service calls attended within 8 hrs

Minimize Response Time

KPIs: Breakdown Calls Responded within 30 mts.

Breakdown Calls Responded within 30 mts. to 2 Hrs

Service Calls Responded within 60 mts.

Minimize Call Logging Rate

KPIs: Call Logging Rate Per Day

Parent Goal: Monitor Maintenance Cost

KPIs: Total Spares Cost

Parent Goal: Monitor Asset Density

Parent Goal: Monitor Server Performance

#### Department: Development Projects

##### Project RAW

Parent Goal: Project Management

Child Goal: On Time Delivery

KPIs: Schedule Variance

Child Goal: Within Budgeted Cost Delivery

KPIs: Size Variance

Effort Variance

Child Goal: Product Quality

KPIs: Defect Density

Defect Distribution

Residual Defect Density

Defect Leakage Ratio

Cost of Quality

Child Goal: Employee Productivity

KPIs: Effort Distribution

Productivity

Defect Turnaround Time

Review Efficiency

Child Goal: Software Process Improvement

KPIs: Process Improvement Coverage Ratio

Process Improvement Suggestions received  
vs.implemented

Effort Variance - Process Improvement

Department: Sales

Parent Goal: Sales Efficiency

Child Goal: Sales Prospecting

KPIs: Funnel Analysis

Funnel Conversion Rate

New Customers

Conversion Cost

Conversion Time

Child Goal: Post Order Sales efficiency

KPIs: Billing

Collections

Child Goal: Product sales effectiveness

Child Goal: Market intelligence

The above IT Balanced Scorecard and the IT Business Goal hierarchy are an indicative and not an exhaustive complete framework. It aims to present the application of Ramco DecisionWorks as an effective Corporate Performance Management Tool for IT organizations.

### Conclusion

To succeed in today's competitive IT environment, an IT organization needs a Corporate Performance Management solution, which is a simple tool to start with and which can be scaled up to add complexities at a later date.

Ramco DecisionWorks is a simple to use and affordable application, which supports all the necessary functionalities of a Corporate Performance Management solution. It seamlessly integrates the functions of Performance Management, Business Intelligence, Business Optimization and Workflow in one single application.

The application provides high visibility to the organization's goals/objectives and focuses the employee attention on them and thereby helps in reducing /eliminating the latency in Business Decisions. The benefits of Ramco DecisionWorks include improved process performance, reduction in operating costs, tactical decision-making enabled by right, timely and informed decisions.

### References

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2. The Strategy-Focused Organization by Robert S. Kaplan and David P. Norton, reviewed by Tom Ehrenfeld
3. The Balanced Scorecard by Robert S. Kaplan and David P. Norton