The Balanced Scorecard and Decision Support System – Case Study

Elsa Farto
elsa.farto@cgd.pt

Sogrupo-SI – Caixa Geral de Depósitos Group
AGENDA

• Context

• The Decision Support System Enterprise Solution

• Pilot Demonstration

• Corporative BSC Implementation & BSC Deployment

• Achieved Results

• Lessons Learned

• Questions & Answers
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The Case Study is to be presented based on the development of a Decision Support System within the Shared Services Unit of Information Systems.

### Main characteristics of Sogrupo-SI:

- It serves the major Portuguese bank group
- One year of activity
- It results from the merger of several IS companies
- It has about 400 collaborators
- It presents 4 essential business areas:
  - Projects
  - Maintenance
  - Exploitation
  - Customer Services
By creating Sogrupo-SI, the CGD Group had the purpose of developing a set of initiatives with the objective of endowing the new organisation with quality, innovation and efficiency.
The objectives of the Decision Support System were established aligned with the organisation’s objectives

Main objectives of the project:

- To endow Sogrupo-SI with an instrument which allows the follow up business evolution
- To use the DSS as a main information management tool of Sogrupo-SI
- To align the individual objectives with global strategy
- To supply an integrated and automated decision support solution with the operational systems
- To develop the Cost System as a management tool, with updated information and a high level of detail that allows:
  - Manage/monitor at an operational level, in compliance with the strategic objectives based on business drivers
  - Manage budgets and invoicing of the services provided to clients
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The information flows reflect the interdependencies between different components.
The Balanced Scorecard Project approach:

- Conception
  - Business Environment
  - Mission
  - Vision
  - Strategic Themes
  - Scorecard Scope

- Design
  - Analysis Perspectives
  - Strategic Objectives and Strategic map
  - Success Critical Factors
  - Performance Measures (KPI)

- Development
  - Selection of Support Application
  - Measures Assessment
  - Targets/Goals
  - Initiatives
  - Pilot Planning

THE DECISION SUPPORT SYSTEM
ENTERPRISE SOLUTION
The top-down approach proposed by the Balanced Scorecard starts by documenting the main strategic dilemmas/themes:

- **Businesses Environment**
  - Clients
  - Suppliers
  - Competition

- **Substitutes Services**
  - Complementary Services
  - New services

- **Mission**
  - What’s the organisation’s reason to exist?

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**Emerging questions**

- **Present Situation**
  - How is the organisation in the present?

- **Strategy**
  - How to reach the Vision?

- **Vision**
  - How do we perspective the organisation in the future?
In the Conception phase, actions were developed according to the main critical points identified:

- The Mission was not defined (Main reason for the organisation existence)
- There was no Global Vision (how the company should be positioned at medium and long term)

### Critical points

- Workshops to define Mission, Vision and Strategic Objectives
- Communication actions of Mission, Vision and Strategic Objectives to the entire organisation
- Study about the main trends in the IS Outsourcing market
The Strategy Map reflects a graphic view of the organisation strategy in terms of strategic objectives and cause-effect relationships between:

- **Process**: Maximisation of the value proposal
  - Relationship + Quality + Time + Price

- **Efficiency and effectiveness of processes**
  - Projects + Maintenance + Exploitation + Customer Services + Support Processes
  - Methodologies and tools + "Cost-benefit" Analysis + Previous developments + Outsourcing utilisation + Systems in production + Quality control + Clients formation + Knowledge about client + business + IS

- **Learn & Growth**: Optimisation of the financial performance
  - Cost + Resources

- **Learn & Growth**: Motivated and prepared collaborators
  - Reorientation of competencies + Culture + Formation + Technological Supporting infrastructure
In this Design phase, a set of the measures and the critical success factors of the strategic objectives were identified:

<table>
<thead>
<tr>
<th>Critical Success Factors</th>
<th>Client</th>
<th>Financial</th>
<th>Processes</th>
<th>Learn &amp; Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliver according to specifications</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Response in time according to the established</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Client oriented collaborators</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Systems availability</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Productivity of the collaborators</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Processes optimisation</td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>
The measures proposed by the Balanced Scorecard were obtained according to several selection criteria.

- Initial collection of business Measures
- Set of measures susceptible to utilisation
- Priority and filtering Measures
- Initial proposal of Measures
- Proposal discussion with Top Management
- Measures proposal for Workshop
- Measures Validation
- Measures Selected

Measures Selection Criteria

- Relevance for Business
  - Mission
  - Vision
  - Strategy
  - Strategic Objectives
  - Critical Success Factors

- Intervention Capacity
- Information Availability
- Measures Independence
During the Design phase, actions were developed according to the main critical points identified.

**Critical Points**

- Strategic objectives where not aligned to the organisation Mission and Vision
- Lack of knowledge about critical success factors that influence strategic objectives
- Difficulty in identifying which measures are essential to monitor the organisation performance

**Actions Developed**

- Identification / alignment of strategic objectives and establishment of cause-effect relationships (strategic map) as well as the relative success critical factors
- Achieving the business critical measures filtered according to an iterative process
- Realisation of workshops to obtain agreement about the Balanced Scorecard design
The definition of Targets and Initiatives permits to drive the organisation towards objectives materialisation

- **Strategic Objectives**
  - **Financial**
    - Profitability
    - Revenues growth
  - **Client**
    - Service quality
    - Supply capacity
  - **Processes**
    - Processes management
    - Resources management
  - **Learning & Growth**
    - Motivation
    - Workers competencies

- **Measures**
  - Operational result
  - Client fidelity
  - % of resources use
  - % of average permanence in each level

- **Targets**
  - 20% annual increase;
  - About 50% annual increase;
  - Year 1, 60%; year 2, 65%; year 3, 70%;
  - Year 1, 50%; year 2; 75% year 3, 90%;

- **Initiatives**
  - Definition of management plans
  - CRM implementation
  - Resource control implementation
  - Formation programmes
In the Development phase, actions were developed according to the main critical points identified.

<table>
<thead>
<tr>
<th>Critical Points</th>
<th>Actions Developed</th>
</tr>
</thead>
<tbody>
<tr>
<td>There were no support systems susceptible to feed the BSC Measures</td>
<td>Achieving the actual values of the measures, when it's necessary using estimates</td>
</tr>
<tr>
<td>The strategic objectives of the organisation were not adjusted although there was a set of established initiatives</td>
<td>Identification/evaluation of impact of each initiative on strategic objectives by means of inquiries on various organisational levels</td>
</tr>
<tr>
<td>The software solutions existent in the market for Balanced Scorecard are in an intermediate maturity phase</td>
<td>Evaluation and selection of software solutions which are leaders in the market</td>
</tr>
</tbody>
</table>
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PILOT DEMONSTRATION

- The Balanced Scorecard Project approach:
Balanced Scorecard

Operational Systems

Data Warehouse

Pilot Environment

Balanced Scorecard

Analytical Information Systems

(ex: Activity Based Costing System)

Access to Information

Illustrative

Accounting

Human Resources

Logistic
PILOT DEMONSTRATION
Proporcionar, de forma eficiente e com qualidade, um sistema de informação alinhado com as necessidades do negócio do Grupo Caixa Geral de Depósitos e que seja facilitador da sua evolução.
## PILOT DEMONSTRATION

### Sogrup SI: Key Metrics, Score: 99.91 (SogrupSI.May2002)

<table>
<thead>
<tr>
<th>Indicadores</th>
<th>Status</th>
<th>Tendência</th>
<th>Real</th>
<th>Meta</th>
</tr>
</thead>
<tbody>
<tr>
<td>% de projectos ou actividades realizados no SSI relativamente aos objectivos estratégicos</td>
<td></td>
<td></td>
<td>53 %</td>
<td>55 %</td>
</tr>
<tr>
<td>Índice de facilitação de evolução do negócio</td>
<td></td>
<td></td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>Nº empresas agrupadas no ACE</td>
<td></td>
<td></td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Custo médio total por transacção para o negócio bancário</td>
<td></td>
<td></td>
<td>€ 0.158</td>
<td>€ 0.15</td>
</tr>
<tr>
<td>Custo médio total por transacção para o negócio 'segurador'</td>
<td></td>
<td></td>
<td>€ 0.305</td>
<td>€ 0.25</td>
</tr>
<tr>
<td>ROIIS (Return on investment for Information Systems)</td>
<td></td>
<td></td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Grau de cumprimento dos SLA's de Sistemas</td>
<td></td>
<td></td>
<td>95 %</td>
<td>99 %</td>
</tr>
<tr>
<td>Índice de adequação dos SI às necessidades do cliente</td>
<td></td>
<td></td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>Taxa de ocupação de recursos humanos em projectos estratégicos</td>
<td></td>
<td></td>
<td>60 %</td>
<td>60 %</td>
</tr>
<tr>
<td>Grau de adequação na afectação de recursos humanos</td>
<td></td>
<td></td>
<td>55 %</td>
<td>55 %</td>
</tr>
<tr>
<td>Índice de relacionamento com o cliente</td>
<td></td>
<td></td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>% de desvio entre custos de serviços internos standarts e custos obtidos por Benchmarking</td>
<td></td>
<td></td>
<td>20 %</td>
<td>20 %</td>
</tr>
<tr>
<td>% de desvio dos custos dos projectos</td>
<td></td>
<td></td>
<td>1 %</td>
<td>1 %</td>
</tr>
<tr>
<td>% de cumprimento de SLA's existentes</td>
<td></td>
<td></td>
<td>100 %</td>
<td>100 %</td>
</tr>
<tr>
<td>Contacts, Objectivos estratégicos, Indicadores (99.43)</td>
<td>Avaliação</td>
<td>Status $f(t)$</td>
<td>Tendência $f(t)$</td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------------</td>
<td>-----------</td>
<td>----------------</td>
<td>-----------------</td>
<td></td>
</tr>
<tr>
<td>Adélia Castro (Mean)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ana Maria Costa (Mean)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ana Paula Melo (Mean)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manuel Frade (Mean)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maria Jesus Leonardo (Mean)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rui Mendes (Mean)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rui Martins (Mean)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Esteamos no bom caminho. As iniciativas dão o resultado esperado.
**Sogrupo SI: Objectivos estratégicos (SogrupSI.May2002)**

<table>
<thead>
<tr>
<th>Objectivos estratégicos</th>
<th>Prestar serviços de acordo com os requisitos de qualidade</th>
</tr>
</thead>
<tbody>
<tr>
<td>N.º</td>
<td>7</td>
</tr>
<tr>
<td>Linha Estratégica</td>
<td>Ser Referente na Excelência e Eficiência</td>
</tr>
<tr>
<td></td>
<td>Operativa na Prestação de Serviços</td>
</tr>
<tr>
<td></td>
<td>Ser o Parceiro Estratégico para os SI do Grupo CGD</td>
</tr>
<tr>
<td>Perspectiva</td>
<td>Cliente</td>
</tr>
<tr>
<td>Iniciativas Associadas</td>
<td></td>
</tr>
<tr>
<td>Relação Causa-Efeito</td>
<td>Contribuir para a melhoria da performance do Grupo CGD</td>
</tr>
<tr>
<td></td>
<td>Satisfação as necessidades em SI do Grupo CGD de forma eficiente</td>
</tr>
<tr>
<td>Gestor de Processo</td>
<td>Emanuel Fernandes</td>
</tr>
<tr>
<td></td>
<td>Paulo Marup</td>
</tr>
<tr>
<td>Actual Situação</td>
<td></td>
</tr>
<tr>
<td>Última Modificação</td>
<td></td>
</tr>
<tr>
<td>Descrição do objectivo</td>
<td>Alcançar resultados nos tempos e qualidade requeridos. Realizar as actividades de forma adequada aos requisitos dos nossos clientes e melhorando o cumprimento dos Acordos de Níveis de Serviço.</td>
</tr>
<tr>
<td>Director Responsável</td>
<td>Adélia Castro</td>
</tr>
<tr>
<td>Indicadores</td>
<td>% de cumprimento de SLA’s existentes</td>
</tr>
<tr>
<td>Peso</td>
<td></td>
</tr>
</tbody>
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Corporative BSC Implementation & BSC Deployment

- The Balanced Scorecard Project approach:

- Corporative BSC Implementation
  - Preparation of Implementation
  - Co-ordination Mechanisms and Management Model
  - Implementation of Corporative BSC software tool
  - Deployment Plan

- BSC Deployment
  - Projects
  - Maintenance
  - Exploitation
  - Customer Services
  - Support
Corporate BSC Implementation and Deployment through Sogrupo-SI areas
The Strategic Challenge

... Why do we exist? What do we offer to the society?...

... How are we going to do it?...

... What core competences will guarantee our competitive advantage?...

... What behavioral patterns should guide our people’s actions?...

... What big themes will guide the company action for the coming years? ...

... What specific objectives define this strategic themes?...

... What specific targets do we want to attain for each measure?...

... How are we going to measure the achievement of our objectives?...

In which way are we going to monitor the performance of each measure in order to evaluate whether we are reaching our targets or not?...

... What actions are we going implement in order to achieve the strategic objectives?...
- Development a culture and a set of core competences associated with the Strategy.

### Values Company

<table>
<thead>
<tr>
<th>SOGRUPO-SI</th>
<th>COLLABORATORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client Oriented</td>
<td>Client Partnership</td>
</tr>
<tr>
<td>Objectives Oriented</td>
<td>Ethic &amp; Professionalism</td>
</tr>
<tr>
<td>Productivity</td>
<td>Interpersonal Relationships</td>
</tr>
<tr>
<td>Innovation</td>
<td>Results Oriented</td>
</tr>
</tbody>
</table>

### Core Competences

<table>
<thead>
<tr>
<th>SOGRUPO-SI</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality Management</td>
<td>Human Resources Management</td>
</tr>
<tr>
<td>Change Management</td>
<td>Project Management</td>
</tr>
<tr>
<td>Knowledge Management</td>
<td>Technology Knowledge Management</td>
</tr>
</tbody>
</table>
Corporative BSC Implementation

- From the pilot to the Implementation …
Maximize the Value of the IS for CGD Group

Be the strategic IS Partner

Facilitate the Evolution of the business

Contribute to Improve the performance

Satisfy the IS necessities in an efficient way

Deliver services at a Competitive Price

Deliver services within the establish Quality Service agreements

Dynamize the time to client in order to respect the delivery time

Value

Client

Allocate resources According to the Objectives and core competences

Organizational and human capital development

Processes

Integrate and Standardize the IS of CGD Group

Optimize the outsourcing services

Optimize and rationalize the Business Processes (Project, Maintenance development, ...)

Quality Management

Foster the use of methodologies & support systems

Learn & Growth

Develop IS & IT State of the Art Knowledge

Support the SSI Business with The adequate IS & IT

Create awareness of The SSI Image

Foster a HR Infrastructure associated with the strategy

Corporative BSC Implementation
The involvement of the people during the Corporative BSC implementation process

...How are we going to measure the fulfillment of the objectives?...

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Measures</th>
<th>Targets</th>
<th>Initiatives</th>
<th>Responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure the information readiness</td>
<td># Ad Hoc Information demands</td>
<td>5 Demands per Client per month</td>
<td>Definition and automatization of the clients information needs</td>
<td>Jean Pierre Martin</td>
</tr>
<tr>
<td></td>
<td>% Hours spent in gathering the information needed</td>
<td>&lt; 0.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Set the level of the stress we want to put into the organization and the people in it, identifying what is considered an achievement.

Translate the company mission into a set of tangible objectives that differentiate which are the key focus points for the people of the organization from the rest.

Identifies who is going to be responsible for which objective/s setting the accountability of the targets and goals.

Key Programs and projects needed in order to achieve the strategic objectives and targets / Goals.
The deployment scenario...

CGD Group

Reporting

Sogrupo-SI

Measures, Targets, Initiatives and Responsibilities
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ACHIEVED RESULTS

- Design and divulgation of **Mission, Vision and Strategic Objectives** of Organisation;
- Establishment of a **common management language:**
  - Facilitating the organisational change inherent to the Organisation creation;
  - Facilitating the dialogue between various business areas/perspectives;
- A versatile team of people who understand their contribution to the business strategy;
- The Balanced Scorecard has shown a strong potential as a model for a flexible strategic management allowing the alignment of the whole organisation around the strategy in a fast and precise way by:
  - Guaranteeing a **Comprehensive Vision of the Strategy** of the Organisation.
  - Integrating the main objectives of the various areas and helping brake departmental barriers.
  - Facilitating the **strategic monitoring of challenges** (strategic feedback).
- Demonstration of a Decision Support System value through the **construction of a Pilot**;
Advantages in using **SAS STRATEGIC PERFORMANCE MANAGEMENT**

- User friendly web interface, promoting the Balanced Scorecard as a communication tool
- Documenting and divulging the organisation strategy
- Visualising the cause-effect relationships between strategic objectives and the measures that support them
- Fast construction of a pilot to demonstrate the benefits of the Balanced Scorecard approach
- The standard usage of the Balanced Scorecard Methodology by the organization
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LESIONS LEARNED

- It is important to ensure that the project leadership is at the higher level of the organization.

- Obtain the management team agreement on each phase of the project with the workshops.

- Management tools are not enough to make the change effective: it is necessary to involve all the collaborators in the whole process.

- The Change Management project, developed at the same time, generated synergies and contributed to the success of this project.

- Manage the communication process of the project to all the collectives involved.

- Rapid development of a proof of concept version which allows the demonstration of the advantages of the solution adopted.

- It is necessary to recognize that the Decision Support Systems does not make decisions: it gives information to be used in making decisions.

- The optimal is an enemy of the good.
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