Chapter V

Linking the IT Balanced Scorecard to the Business Objectives at a Major Canadian Financial Group*

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ABSTRACT
The Balanced Scorecard (BSC) initially developed by Kaplan and Norton is a performance management system that enables businesses to drive strategies based on measurement and follow-up. In recent years, the BSC has been applied to information technology (IT). The IT BSC is becoming a popular tool, with its concepts widely supported and dispersed by international consultant groups such as Gartner Group, Renaissance Systems, Nolan Norton Institute, and others. As a result of this interest, the first real-life applications are starting to emerge. In this paper, the development and implementation of a departmental BSC within an Information Services Division (ISD) serving a Canadian financial group will be described and discussed. We use an IT BSC maturity model to determine the maturity level of the IT BSC under review.
INTRODUCTION

Kaplan and Norton (1992, 1993, 1996a, 1996b) introduced the Balanced Scorecard (BSC) at an enterprise level. Their fundamental premise is that the evaluation of a firm should not be restricted to a traditional financial evaluation but should be supplemented with measures concerning customer satisfaction, internal processes and the ability to innovate. Results achieved within these additional perspective areas should assure future financial results and drive the organization towards its strategic goals while keeping all four perspectives in balance. For each of the four perspectives they propose a three layered structure: (1) mission (e.g., to become the customers’ most preferred supplier), (2) objectives (e.g., to provide the customers with new products), and (3) measures (e.g., percentage of turnover generated by new products). The Balanced Scorecard can be applied to the IT function and its processes as Gold (1992, 1994) and Willcocks (1995) have conceptually described and has been further developed by Van Grembergen and Van Bruggen (1997), Van Grembergen and Timmerman (1998) and Van Grembergen (2000).

In this chapter, the development and implementation of an IT BSC within the Information Services Division (ISD) of a Canadian tri-company financial group consisting of Great-West Life, London Life and Investors Group (hereafter named The Group) is described and discussed. We use an IT BSC maturity model (adapted from the capability maturity model developed by the Software Engineering Institute) to determine the maturity level of the IT BSC under review. An important conclusion of the paper is that an IT BSC must go beyond the operational level and must be integrated across the enterprise in order to generate business value. This can be realized through establishing a linkage between the business Balanced Scorecard and different levels of IT Balanced Scorecards and through the definition of clear cause-and-effect relationships between outcome measures and performance drivers throughout the whole scorecard.

IT BALANCED SCORECARD CONCEPTS

In Figure 1, a generic IT Balanced Scorecard is shown (Van Grembergen & Van Bruggen, 1998). The User Orientation perspective represents the user evaluation of IT. The Operational Excellence perspective represents the IT processes employed to develop and deliver the applications. The Future Orientation perspective represents the human and technology resources needed by IT to deliver its services over time. The Business Contribution perspective captures the business value created from the IT investments.

Each of these perspectives has to be translated into corresponding metrics and measures that assess the current situation. These assessments need to be repeated periodically and aligned with pre-established goals and benchmarks. Essential components of the IT BSC are the cause-and-effect relationships between measures. These relationships are articulated by two key types of measures: outcome measures and performance drivers. A well developed IT scorecard contains a good mix of these two types of measures. Outcome measures such as programmers’ productivity (e.g., number of function points per person per month) without performance drivers such as IT staff education (e.g., number of educational days per person per year) do not communicate
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