An Unbalanced Scorecard

Twelve New IT Metrics for an Era of Change
A Framework for Member Conversations

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# AN UNBALANCED SCORECARD: ROADMAP

**Introduction**

- Twelve Next-Generation Metrics
- Common Pitfalls in Metrics Programs
- Additional Assistance with Metrics Design
- Appendix: Key Metrics by IT Sub-Function

## Table: Common Pitfalls in Metrics Programs

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<thead>
<tr>
<th>Pitfall</th>
<th>Description</th>
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<tbody>
<tr>
<td>Pitfall 1</td>
<td>This is a description of Pitfall 1.</td>
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<td>Pitfall 2</td>
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<td>Pitfall 12</td>
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As economic uncertainty and changes to technology—some temporary, some long term—affect the business, a new approach to IT performance measurement is required.

- Volatile economic cycles require the ability to adjust performance plans and measures more quickly at the inflection point.
- Uncertain economic growth—in connection with elevated project failure rates—leads to increased scrutiny of growth projects.
- Globalization and the rise of knowledge workers place increased importance on collaboration, information sharing, and teamwork.

As the business changes, so do the metrics

1. Changing Economic Climate

   - Need for flexible metrics that measure readiness to scale up or down rapidly

2. Greater Growth Project Scrutiny

   - Need for metrics that move beyond on-time, on-budget performance to include value and risk

3. Information Over Process

   - Need for metrics to address the value and adoption rate of information-centric capabilities, such as collaboration

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**Percentage of Organizations That Have Growth Projects in Their Portfolio That They Regret**

- 34% Do Not Regret Any Growth Investments
- 66% Regret One or More Growth Investments


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**Expected 2011 Project Budget Allocation**

- 60% Investment in information-centric capabilities such as collaboration and business intelligence
- 40%

Changes in IT value, ownership, and role require a new set of metrics to measure performance and identify risk.

- Business unit leaders and end users will play a greater role in obtaining and managing technology for themselves where differentiation has more value than standardization.
- Delivery will be increasingly externalized as vendors expand service provision. Internal resources become brokers, not providers.
- By 2012, a majority of IT organizations expect to deliver services that cut across applications and infrastructure.

### AS IT CHANGES, SO DO THE METRICS

1. Greater Business-Partner Responsibility
   - Project Management and Business Analyst Roles Will Move into the Business Unit
   - **Metric Implication:** Need to measure good and bad complexity and risk

2. Increased Externalized Service Delivery
   - Back-Office Business Processes Will Become Entirely Commoditized and Outsourced
   - **Metric Implication:** Need to predict systemic problems with vendor performance

3. End-to-End Service Delivery
   - Percentage of IT Organizations Delivering End-to-End Services
   - **Metric Implication:** Need a business-centric view of service health across applications and infrastructure.

Source: CEB 2011 IT Budget Benchmark; CEB 2010 The Future of Corporate IT.

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MEASURING THE WRONG THINGS (BUT IN THE RIGHT WAY)?

Hierarchy of IT Performance Measurement Challenges

- Metrics Intent: Refine or replace existing metrics to focus on risk and value.
- Metrics Perspective: Measure strategic business enablement.
- Metrics Selection: Replace intuition with measurement in key areas such as collaboration value and complexity reduction.
- Metrics Collection and Reporting: Overcome seven pitfalls in metrics aggregation and usage.

Navigating rapid change in the business and IT environment requires new predictive, strategic, and actionable metrics...

...but most organizations are still preoccupied with the basics.

Source: CEB analysis.
As organizations focus on strategic enablement, it is imperative to develop “frontier” metrics that enable prediction and thus allow proactive planning.

- More often than not, frontier measures combine multiple information sources into composite metrics.

<table>
<thead>
<tr>
<th>Time Horizon</th>
<th>Goal</th>
<th>Complexity</th>
<th>Complexity Allocation</th>
<th>Recommended Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historic</td>
<td>Outcome</td>
<td>Straight Reporting</td>
<td>30%</td>
<td>Basic</td>
</tr>
<tr>
<td>- Provides historic information</td>
<td>- Reflects current status</td>
<td>- Single input</td>
<td>✔ Fewer metrics</td>
<td></td>
</tr>
<tr>
<td>- Establishes baselines and trends</td>
<td></td>
<td>- Most granular level of information</td>
<td>✔ More data sources</td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>Diagnostic</td>
<td>Roll Up</td>
<td>50%</td>
<td>✔ Greater skill to interpret correctly</td>
</tr>
<tr>
<td>- Reports current performance</td>
<td>- Reveals potential sources of problems</td>
<td>- Multiple straight reporting metrics combined</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Enables benchmarking</td>
<td></td>
<td>- Summary of same-in-kind metrics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metrics Frontier</td>
<td>Predictive</td>
<td>Composites</td>
<td>20%</td>
<td>Advanced</td>
</tr>
<tr>
<td></td>
<td>- Provides forewarning for proactive planning (resources, budgets, etc.), scheduling, and trouble shooting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Enables proactive decision making</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Combines diverse data sources to produce a new perspective</td>
<td></td>
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</tr>
</tbody>
</table>

Source: CEB analysis.
METRIC PERSPECTIVE: A LESS BALANCED SCORECARD

Common Metrics Approach  
*Balanced Scorecard*

<table>
<thead>
<tr>
<th>Strategic Initiatives</th>
<th>Operational Excellence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Performance</td>
<td>Talent</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>Information Security</td>
</tr>
<tr>
<td>User Satisfaction</td>
<td></td>
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</tbody>
</table>

Mature Metrics Approach  
*Value- and Risk-Based Scorecard*

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<td>User Satisfaction</td>
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</table>

- Gives equal weight to each aspect of functional performance
- Helps establish a performance baseline
- Builds credibility about performance
- Promotes experience with metrics
- Metrics selection evolves as importance of value and risk demonstration increases
- Highlights enablement projects that matter to business partners
- Targets new areas where challenges are most likely to occur
- Promotes areas where IT can demonstrate business-value creation

Source: CEB analysis.

**THE NEED FOR NEW METRICS**

**WHERE METRICS PROGRAMS FALL SHORT**

**THE METRICS FRONTIER**
METRICS SELECTION: FILLING CURRENT METRICS GAPS

The following pages provide examples of metrics that address these next-generation needs.

Refining and refocusing metrics to support changes in the business and IT requires measurements that have traditionally been difficult to achieve.

Business Shifts

- Changing Economic Climate
- Greater Growth Project Scrutiny
- Information Over Process

Questions You Need Metrics to Answer

- How do I measure the value of specific project benefits so that we can rapidly scale up or scale down project scope?
- How do I track project and program business value and risk?
- How can I measure the value and adoption rates of new capabilities such as collaboration?

IT Shifts

- Greater Business Partner Responsibility
- Increased Externalized Service Delivery
- End-to-End Service Delivery

Source: CEB analysis.

THE NEED FOR NEW METRICS
WHERE METRICS PROGRAMS FALL SHORT
THE METRICS FRONTIER
METRICS COLLECTION AND REPORTING: (STILL) NOT THERE YET

Top Five IT Governance Processes by Average Importance and Maturity

<table>
<thead>
<tr>
<th>Importance</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Develop Staff and Leadership</td>
<td>1. Minimize IT Risks to Business</td>
</tr>
<tr>
<td>2. Measure Performance</td>
<td>2. Align IT and Business Goals</td>
</tr>
<tr>
<td>3. Align IT and Business Goals</td>
<td>3. Calibrate Organization Design and Sourcing</td>
</tr>
<tr>
<td>4. Manage the Portfolio for Maximum Returns</td>
<td>4. Manage the Portfolio for Maximum Returns</td>
</tr>
<tr>
<td>5. Minimize IT Risks to Business</td>
<td>5. Measure Performance</td>
</tr>
</tbody>
</table>

Average Maturity of IT Performance Measurement
On a Zero to Five Scale

- IT organizations have made almost no progress in improving the maturity of their metrics programs.

n = 261 IT organizations.

n = 174 IT organizations.


THE NEED FOR NEW METRICS

WHERE METRICS PROGRAMS FALL SHORT

THE METRICS FRONTIER
AN UNBALANCED SCORECARD: ROADMAP

Introduction → Twelve Next-Generation Metrics → Common Pitfalls in Metrics Programs → Additional Assistance with Metrics Design → Appendix: Key Metrics by IT Sub-Function
# Twelve Next-Generation IT Metrics

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<thead>
<tr>
<th>Category</th>
<th>Metric</th>
<th>When to Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Management</td>
<td>1. Percentage of High-Risk Driver Projects</td>
<td>When managing strategic initiatives such as globalization or corporate transformation</td>
</tr>
<tr>
<td></td>
<td>2. Benefit Stream Value</td>
<td>When prioritizing growth projects or scaling back the portfolio in anticipation of a downturn</td>
</tr>
<tr>
<td>Value Demonstration</td>
<td>3. Likelihood of Achieving Expected Business Benefits from a Project</td>
<td>When managing projects with a high risk of user rejection such as collaboration, social media, and business intelligence</td>
</tr>
<tr>
<td></td>
<td>4. Enterprise-Wide Value Metrics</td>
<td>When demonstrating overall business-value generation by IT</td>
</tr>
<tr>
<td></td>
<td>5. Business Capabilities Support Index</td>
<td>When contributing to business strategy and prioritizing business capabilities</td>
</tr>
<tr>
<td>Collaboration</td>
<td>6. Collaboration Maturity</td>
<td>When identifying which business teams need new collaboration capabilities</td>
</tr>
<tr>
<td>Operational Excellence</td>
<td>7. Technology Standardization Index</td>
<td>When advising business partners making their own technology choices</td>
</tr>
<tr>
<td></td>
<td>8. Revenue Loss Due to Drop in End-User Productivity</td>
<td>When determining investment levels for global infrastructure</td>
</tr>
<tr>
<td></td>
<td>9. Service Health by Business Area</td>
<td>When managing the performance of an end-to-end service delivery group</td>
</tr>
<tr>
<td></td>
<td>10. Number of Event-Free Days</td>
<td>When trying to improve global service-delivery quality</td>
</tr>
<tr>
<td>Vendor Management</td>
<td>11. Vendor Staff Turnover and Absentee Rate</td>
<td>When evaluating providers for a major outsourcing contact</td>
</tr>
<tr>
<td>IT HR</td>
<td>12. Critical Skills Development Index</td>
<td>When preparing the IT team to fill future skills gaps</td>
</tr>
</tbody>
</table>

Source: CEB analysis.
Understanding project interdependencies (technology, deliverables, business processes, etc.) is essential when managing the overall health of portfolios.

- Organizations should move beyond on-time, on-budget, on-scope, and to-specification project delivery metrics and include risk as a measurement criterion.
- It is critical to understand which projects may derail other projects in the portfolio.
- A holistic understanding of project interdependencies—data, deliverables, technical functionality, infrastructure capability, milestones, and end-user commonality—provides greater visibility into the driver projects and the receiver projects in the portfolio and enables proactive risk mitigation.

MINIMIZING RISK CAUSED BY PROJECT INTERDEPENDENCIES

The Metric: Percentage of High-Risk Driver Projects
Tracks the health of projects that provide deliverables or milestones required by other projects

Percentage of High-Risk Driver Projects : High-Risk Driver Projects
Driver Projects < 10%

Key Benefits
- Predicts which receiver projects will be delayed
- Unearths overlooked drivers and interdependencies
- Pinpoints performance problems specific to receiver projects
- Allows resource allocation for delayed driver projects based on the number of interdependencies and the overall program health

When to Use
- As part of the project review and portfolio prioritization process

Required Maturity: Medium
- Requires a level of maturity to understand interdependencies
- Requires maturity to track interdependencies and associated risks on an ongoing basis

Data Source
- Project managers

Source: CEB analysis.
Understanding the interdependencies and tracking the performance of driver projects gives early warning about the health of the overall portfolio.

- Understanding project interdependencies allows improved resource allocation to ensure driver projects feed into receiver projects on time and to specification.
- To understand the full scope of interdependencies that can impact or derail a program, broaden the definition of project interdependencies.

MONITORING INTERDEPENDENCIES WITHIN A PORTFOLIO

Program Interdependency Dashboard

- **Neither Receiver nor Driver Projects**
- **Driver Projects**
- **Receiver and Driver Projects**
- **Receiver Projects**

Source: CEB 2010 “Portfolio Transparency as an Enabler of Executive Decisions,” The PMO as Portfolio Manager.

Note: The bubble size is an indicator of project risk exposure. Projects with higher risk exposure have a larger bubble size. Project risk exposure is calculated by multiplying the probability of occurrence with its impact.
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