



# Infosys ViewPoint

## The Balanced Scorecard

### Aligning IT Implementation to Business Strategy — A Successful Case History

By Sanjay Purohit and Indranil Mukherjee

*“Undertaking a structured and comprehensive strategic planning process is the first step towards institutionalizing business excellence. The second step is to translate strategy into action and align the organization towards achieving its key goals and objectives. For us this involved being able to successfully execute projects across the world on time and within budget by leveraging the unique strengths of our three partner companies.”*

Mr. Yoshimi Shimano  
President, Enterprise Business  
System Solutions Corporation

Corporate mantras such as “become a world-class company” and “set the industry agenda” adorn the walls of many aspiring organizations. But how many of these companies have executed an action-oriented framework to help them achieve a technology-led business transformation, or developed a method to ensure that their information systems support and uphold corporate goals over time? In other words, what systems do they have in place to tie the company’s vision and strategy to the technology objectives of the organization?

EBSS, a joint venture launched by Toshiba, Accenture and Oracle Japan in 2001, serves as a good example of how a Balanced Scorecard (BSC) can serve as a foundation for launching new business practices and setting the direction of a company. EBSS is deriving substantial value from its BSC effort, as managers create a framework for aligning their technology implementation initiatives with overall business strategy.

Here is a real-world example of how one company is using the Balanced Scorecard to create a framework for aligning technology implementation initiatives with overall business strategy.



### Putting Concepts into Action

Done properly, a BSC is not a static list of measures, but a framework for implementing and aligning strategy and carrying out complex programs of change, as illustrated in Figure 1.

A Balanced Scorecard begins with the premise that traditional financial measures are not sufficient to manage an organization. In other words, while financial measures tell the story of past events, they are not helpful to guide the creation of future value through investments in customers, suppliers, employees, technology, or innovation. Corporate officers need to know precisely what investments in

people, systems, and procedures are necessary to propel their firms down the road to profitability.

EBSS is taking an intelligent approach to the build of a complex business: the implementation of Oracle E-Business applications in the Asia/Pacific region. EBSS is offering complete enterprise solutions for the electrical, electronics, mechanical and automobile markets. Soon after EBSS was formed, consultants from Infosys Technologies Ltd. helped the new firm develop a Balanced Scorecard to determine how they could best create value for customers. EBSS worked with Infosys to develop the basic

Balanced Scorecard principles: financial considerations followed by customer/market considerations followed by capabilities.

“Most discussions of BSC precepts are theoretical, favoring high-level concepts rather than low-level details,” explains Mr. Yoshimi Shimano, President, Enterprise Business System Solutions Corporation. “Infosys helped us establish key strategic initiatives and prioritize our objectives. Its consultants played an important role in helping us articulate our business strategy and create a framework to align technology implementations.”

### Balanced Scorecard Overview



Figure 1: The five principles of the strategy-focused organization are central to the ongoing process of managing information technology.

## Driving New Business

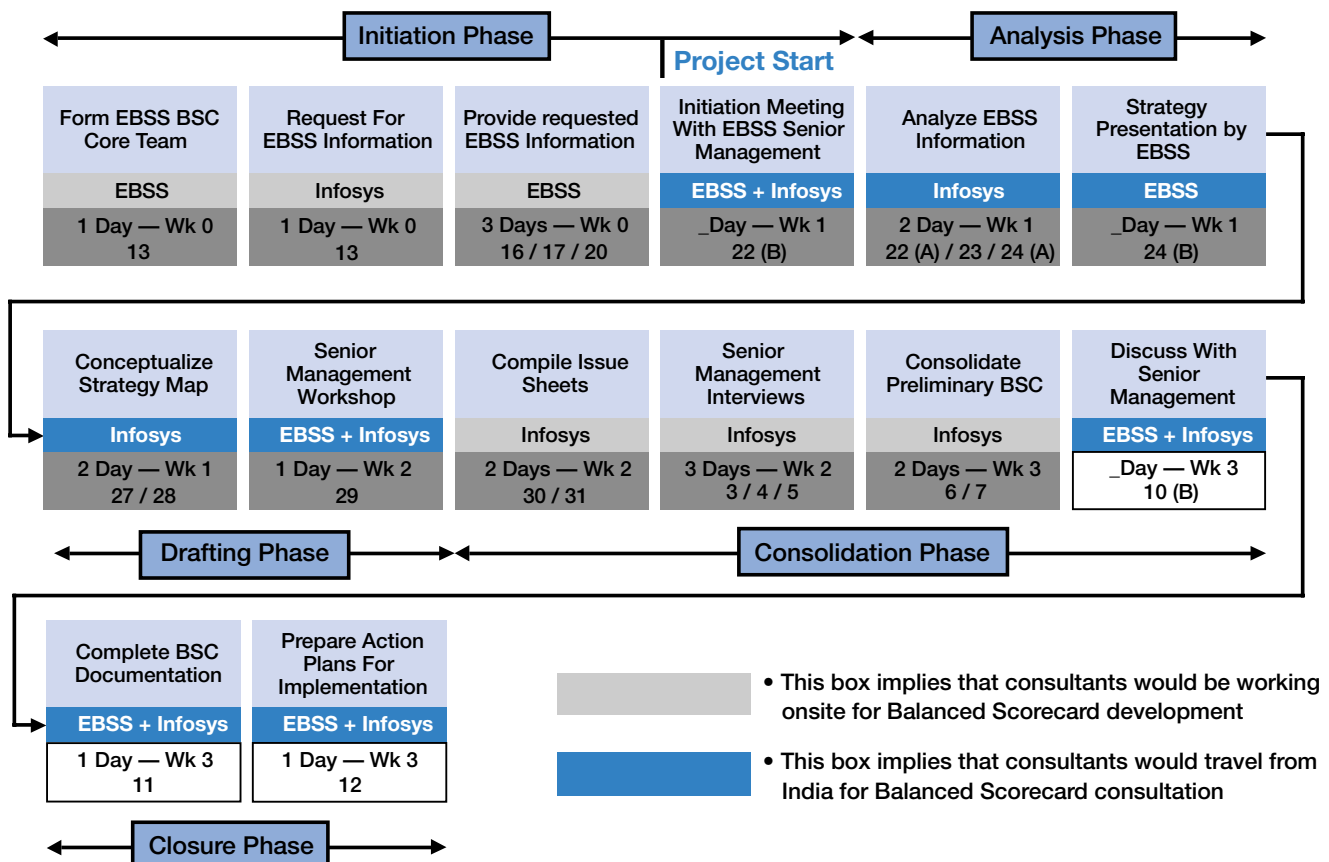
EBSS worked with Infosys to identify owners, schedules and resources; to set up strategic performance measures; and to review the progress and results of the strategy implementation to measure its effectiveness. The primary market consideration was ensuring EBSS had the right systems, business processes and strategy to acquire large customers in selected domestic markets. Capabilities-Planning exercises included ensuring that the company could meet aggressive sales targets

through its newly defined sales channels, and to utilize capacity effectively over designated time periods.

Phase 1 of the Scorecard defined the implementation plan, with attention to medium- and long-term horizons—from formation of a core implementation team to discussions with senior management to conceptualization and finalization of the Scorecard. This Phase of the BSC project was completed in September 2001 using a combination of onshore and offshore consulting

services, as shown in Figure 2. Blue boxes represent activities performed at EBSS headquarters in Tokyo and gray boxes represent activities being done by Infosys consultants in India.

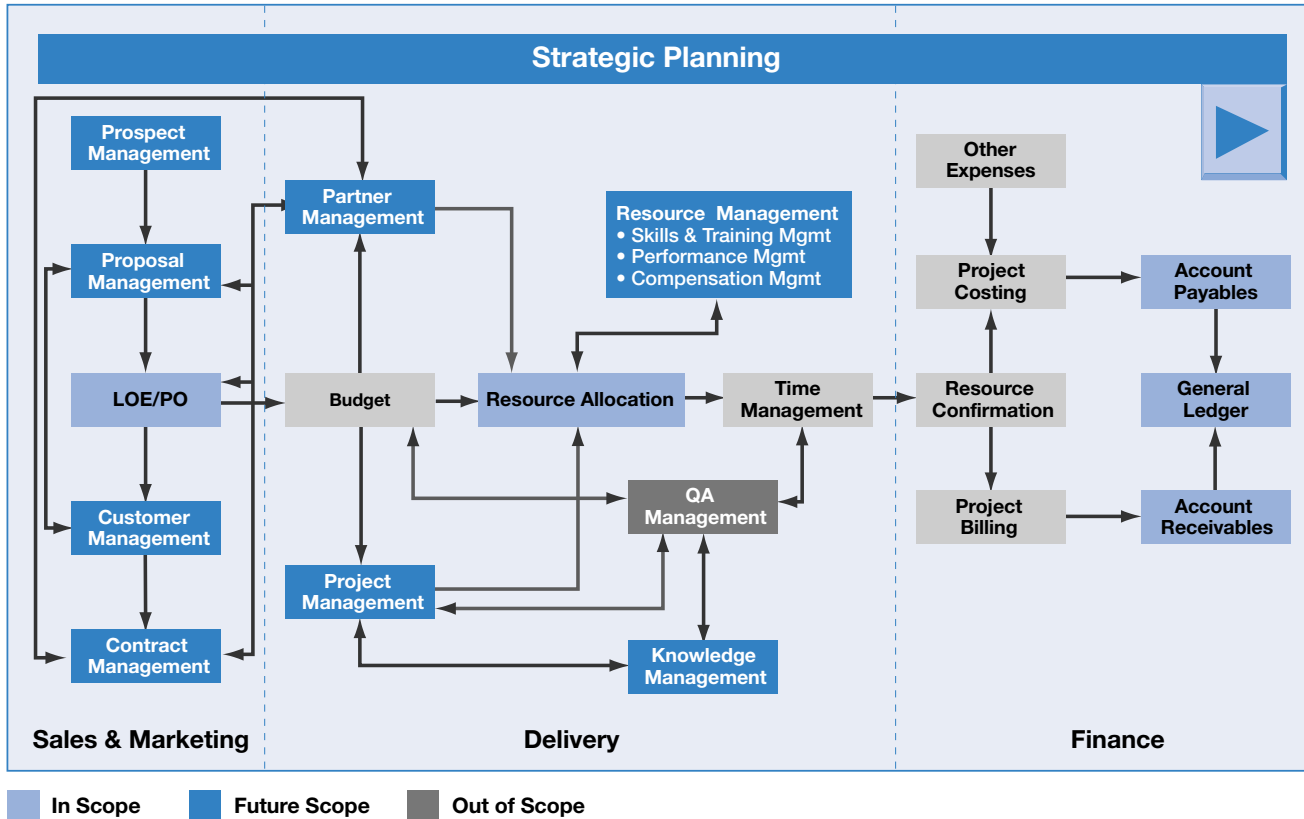
“Infosys successfully incorporated the principles of its global delivery model (GDM) to bring in relevant expertise and reduce costs,” says Shimano. “In some cases, work was performed on-site at EBSS. In other cases, we were able to leverage their extensive staff resources in India.”



**EBSS**

Figure 2: The BSC implementation plan, from formation of a core team to discussions with senior management to the conceptualization and finalization of the Scorecard.

## Overview of EBSS Business Process Flow



**EBSS**

**Figure 3:** Business process flow for the internal Oracle implementation at EBSS, as determined by the Balanced Scorecard. Color-coding represents the various phases of the implementation effort.

The next task facing EBSS was to implement Oracle Applications internally. Figure 3 reveals the steps that are currently being taken to complete this implementation in a timely, cost-effective manner. It defines which modules are being implemented, how the product teams blend, and which BSC measures are supported by which systems.

Here again, the Balanced Scorecard was used to help align business strategy with technology implementation activities. In that sense, it serves as a bridge between the technology implementation, the business requirements and the business model. On the financial side, this includes revenue, profitability and return-on-investment

(ROI). The Balanced Scorecard is also helping EBSS establish important business parameters. By carefully delineating the inputs, objectives, activities, and deliverables, the Scorecard serves as a bridge between the technology implementation, the business requirements and the business model.



## Summing Up the Benefits

Today, the Balanced Scorecard is being used by EBSS to establish a corporate roadmap for offering profitable Oracle implementation services to customers. “Undertaking a structured and comprehensive strategic planning process is the first step towards institutionalizing business excellence,” confirms Shimano. “The second step is to translate strategy into action and align the organization towards achieving its key goals and objectives. For us this involved

being able to successfully execute projects across the world on time and within budget by leveraging the unique strengths of our three partner companies.” As EBSS has demonstrated, the process of translating strategy into action involves turning the company’s strategic vision into clear and understandable objectives. To avoid focusing only on short-term financial measures, the Scorecard was used to ensure that each facet of the EBSS

operation was properly established. It has since become the roadmap for the new company – directing such important decisions as what systems need to be put in place, what business processes to deploy, and which teams are involved in which activities. The Scorecard will evolve as the implementation is completed, ensuring that business strategy continues to be properly aligned with the primary IT initiatives of the company.

## What is a Balanced Scorecard?

How can you ensure that the right data is gathered for effective measurement of business objectives? When objectives are not being met, how can you determine the reasons, then implement systems and business processes to put the company back on track? These questions, and many more, can be answered through a Balanced Scorecard (BSC), a framework of strategic measurement-based management that was selected by Harvard Business Review as one of the most important management practices of the past 75 years.

Robert S. Kaplan and David P. Norton initially conceived the basic concepts in the early 1990s, culminating with their definitive book *The Balanced Scorecard: Translating Strategy Into Action* (Harvard Business Press, 1996). They described a Balanced Scorecard as a multidimensional framework for describing, implementing, and managing change at all levels of an enterprise by linking objectives, initiatives, and measures to an organization’s strategy. “What you measure is what you get,” Kaplan wrote. “Senior executives understand

that their organization’s measurement system strongly affects the behavior of managers and employees. Executives also understand that traditional financial accounting measures, like return-on-investment and earnings-per-share, can give misleading signals for continuous improvement and innovation—activities today’s competitive environment demands. The traditional financial performance measures worked well for the industrial era, but they are out of step with the skills and competencies companies are trying to master today.”

The Balanced Scorecard concept of performance management quickly gained favor with organizations that sought a more well-rounded, forward-looking approach to guiding their businesses. The interest continues. In its 1999 executive survey of management practices, Bain & Company reported that 55 percent of surveyed companies in the United States and 45 percent in Europe claimed to be using a Balanced Scorecard to direct key activities.

The Balanced Scorecard complements measures of past performance (typically called “lagging indicators”)

with measures of the drivers of future performance (“leading indicators”). The objectives and measures of the Scorecard are derived from an organization’s vision and strategy. These objectives and measures provide a view of an organization’s performance from four perspectives, as shown in Figure 4.

With proper attention to these four perspectives, the BSC approach reduces the dangers of over-dependence on past financial results by ensuring that companies take regular measurements of their customer base, internal business processes and levels of internal learning and growth as strategic objectives are pursued.

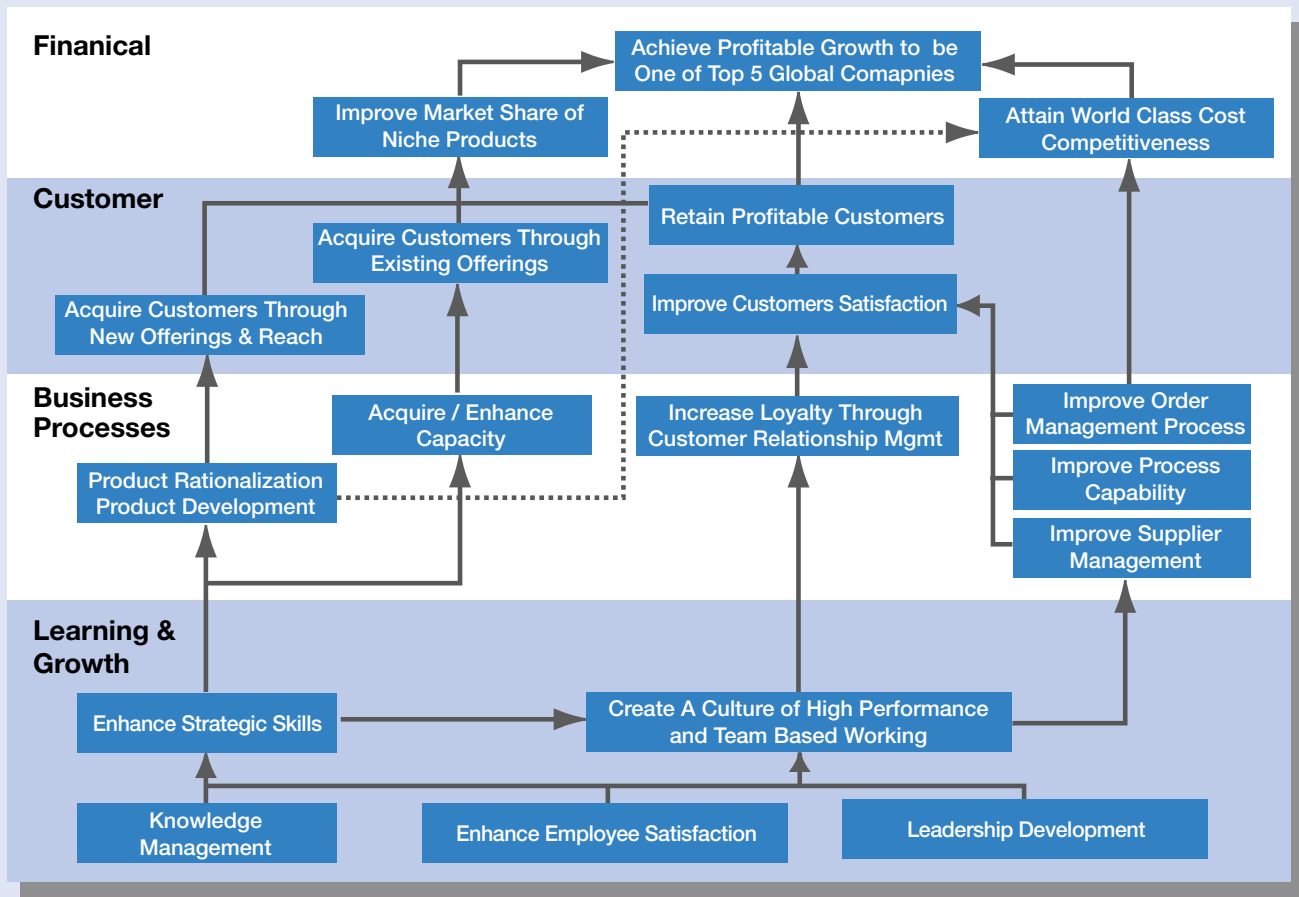


Figure 4: A Balanced Score Card strategy map, which establishes the cause/effect relationship among strategic objectives

**About the Authors:**

*Sanjay Purohit is a Senior Manager with Infosys Technologies Ltd.*

*Indranil Mukherjee is the Infosys Account Manager partnering with EBSS, Japan.*



POWERED BY INTELLECT  
DRIVEN BY VALUES