

# MATRIX<sup>®</sup>

## Essentials

### Bridging the IT Credibility Gap

By Bill Hickman

**H**ave you ever overheard one of these statements from your business partners?

- “The IT department isn’t being very responsive!”
- “We can’t afford any additional people in IT!”
- “What do you mean the requirements aren’t clear?”
- “We can get more sales people by cutting the IT budget!”



Bill Hickman

If these questions pop up in your company you’ve got a bigger problem than just trying to get funding for that next project. *You’ve got an IT Credibility Gap!*

The problem generating the gap is so basic that many IT leaders simply don’t recognize it as an issue:

*Information Technology is complex.*

Before you are tempted to skip ahead, pause for a moment and carefully consider this phrase. What many IT leaders don’t recognize is that these words are both a statement of fact and a statement of fear.

For IT leaders, the phrase is merely a statement of fact. The complexity of technology is nothing more than a challenge to be mastered. Because they understand technology at the gut level, they cannot conceive that others are intimidated by something so simple.

For many of their business counterparts, however, technology is not simple and these words are a statement of fear. Few will openly admit it, but those executives who don’t understand technology, or perhaps more appropriately, those who don’t want to understand technology, are intimidated and view the complexity of technology as an implicit threat that needs to be controlled.

*The fault for this sad state of affairs lies squarely with the IT leadership.*

No matter what IT leaders may want to believe, no matter how much they may wish it were not true, if their business partners do not have sufficient information to understand and appreciate the importance of IT to the business, the IT leadership is at fault. Managing the IT/business interface is the responsibility of the IT leadership, a responsibility they have, in many cases, badly booted.

Unless business leaders understand what information IT collects and how it fits with the business strategy, what the IT leader says is not getting through. The credibility gap not only remains, it widens.

One way IT leaders can ensure they are measuring things that matter is to use a Balanced Scorecard.

### What Is a Balanced Scorecard?

For the greater part of the 20th century, most American businesses were judged on a single measure of performance — their finances. Especially over the last couple of decades, investors, board members, analysts, and stakeholders of all stripes have seemed to focus almost exclusively on a company’s financials as the key to its overall health.

Granted, to talented readers a balance sheet can reveal a great deal about a company, but such a narrow focus by the business leaders can shortchange IT by leading to short-term thinking:

*How’s the stock price doing this quarter... this week... today?*

Clearly this heavy emphasis on finance is not the only model being followed in American business, but in many companies the short-term thinking is so

pronounced that investments in IT are increasingly difficult to justify. This is only exacerbated by the credibility gap.

In 1990, David Norton, then CEO of Nolan Norton, and Robert Kaplan, a Harvard Business School professor, led a multi-company study to identify new ways to measure company performance. The result of that study has evolved into what has been called the single most influential business concept in the latter half of the 20th century — The Balanced Scorecard.

By the end of 2003 more than 60 percent of the Fortune 1000 companies had operational Balanced Scorecards. A simple Internet search for a Balanced Scorecard yields over 500,000 articles and Web sites. As you browse these or peruse the plethora of papers, articles, or books on the topic, it is easy to become confused. *Just what the heck is this thing?*

### A Strategic Management System

No matter what you may have heard or read about the Balanced Scorecard, whether it is applied to a huge corporation or a small technology company, the most important thing to understand is this:

*The Balanced Scorecard is a strategic management system.*

Using measurements within the context of this strategic management system, a company can evaluate itself and its strategy from different perspectives — but

that's it in a nutshell. There are much more complicated explanations, but for survival, this is all you really need to understand.

To appreciate why this is important, ask yourself a simple question:

*What is your company measuring?*

If your company is like most in America, it is probably tracking revenue, expense, and a few other key measures. But, is it measuring the right things, the things that directly affect or are affected directly by your company strategy? *How do you know?*

From the business perspective there is one and only one simple truth about IT metrics:

*The only metrics that matter are those that matter to the business leaders.*

If the IT leadership is glazing the eyes of its business counterparts on the other side of the credibility gap, there is no way to be certain the measurements being offered really matter. Every executive knows that IT is awash in measurements, but unless these measurements make sense to non-technical executives and are clearly connected to the business strategy, they mean little to anyone outside the IT family.

The Balanced Scorecard provides a common language for IT leaders and their business counterparts. By using the agreed language of the company strategy, each IT measurement can be viewed in the same light.

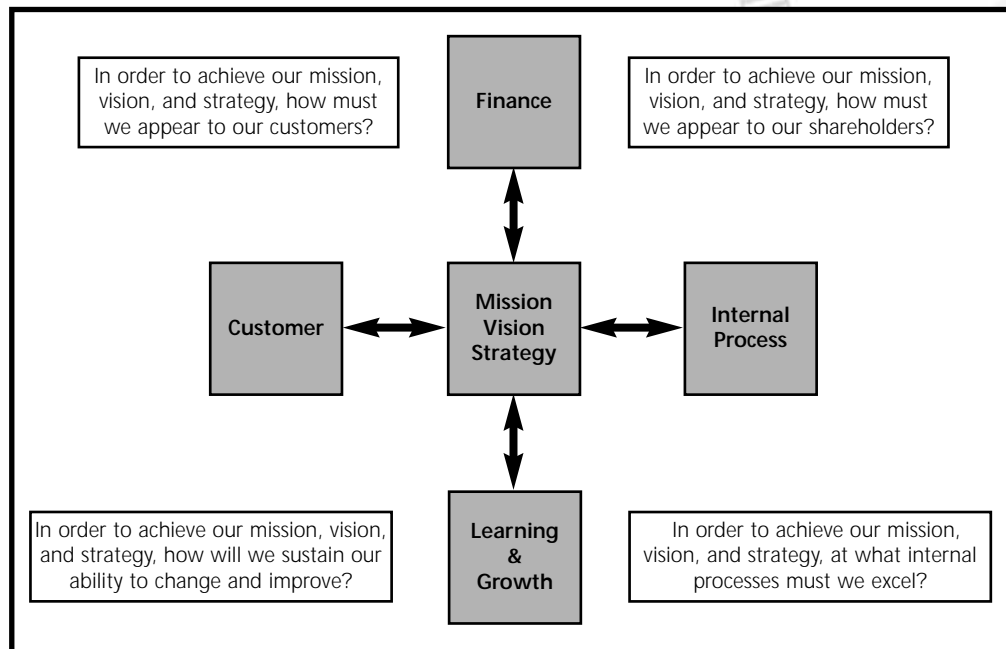


Figure 1: The Balanced Scorecard Perspectives

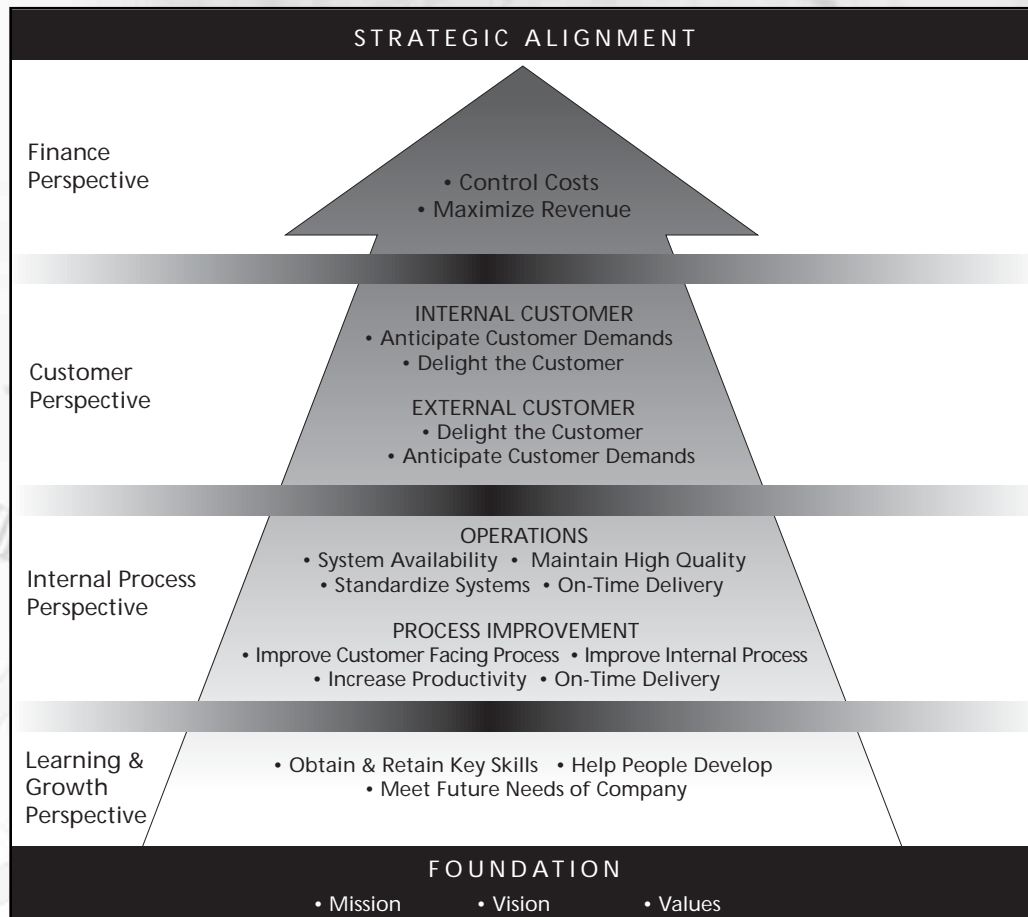


Figure 2: An IT Strategy Map

Eyes don't glaze over, credibility is increased, and the gap is narrowed.

To gain a slightly different perception of the value of the Balanced Scorecard as a strategic management system, think for a moment about your company's current strategy. Now ask yourself this question:

*Do you understand your company's strategy well enough to articulate it to your team?*

The unhappy reality is that despite all of the focus on strategy in recent years, many companies fail to effectively communicate the strategy to their employees, the very people they need to make it successful. More importantly, even the executives who have responsibility for executing the strategy often have a fuzzy concept of it.

This is especially true for IT leaders. Despite all of the attention and focus on aligning IT to strategic goals, if IT leaders cannot accurately articulate the strategy, there is no possibility of true alignment.

The Balanced Scorecard can help because in its simplest form, it is a tool for education about and

communication of strategy, a tool that can create common understanding. It is this common understanding that is the true power of the Balanced Scorecard.

## The Balancing Perspectives

The Balanced Scorecard is a top down system. This means that the starting point of a Balanced Scorecard is a common understanding of the mission, vision, and strategy of the company among the top echelon of the company.

With this foundation in place the Balanced Scorecard then allows a company to evaluate itself and its strategy from four different perspectives: finance, customer, internal process, and learning and growth. By asking the questions posed in Figure 1, business leaders focus on key aspects of strategy as they consider the measurements contained in each area.

For an IT Balanced Scorecard, the starting point is precisely the same. The primary difference is that IT leaders must consider each perspective solely from an IT perspective.

IT leaders can do this by making a simple alteration to the questions they pose.

*In order to ensure IT is strategically aligned to the company...*

This simple phrase puts the focus squarely on the company strategy, but it is critical that this consideration not be undertaken in isolation.

In order to obtain buy in, IT leaders must seek out and carefully listen to the perceptions of their business partners. Doing this can overcome the most common objection to an IT scorecard, i.e., that it focuses only on things of importance to IT, not to the company. Doing it at the outset of the IT scorecard development effort can also help close the credibility gap.

The diagram of the perspectives demonstrates the linkage between these perspectives through Mission, Values, and Vision, but there is a cause and effect relationship among them as well. This relationship is best demonstrated by use of a strategy map which provides a visual representation of strategy. The diagram in Figure 2 shows a strategy map for an IT organization seeking strategic alignment to the corporate strategy.

Having thought through the questions and mapped the strategy, the IT Balanced Scorecard can then be developed. Figure 3 depicts how the IT organization from Figure 2 might create their scorecard.

### How Do You Implement a Scorecard?

In a word — quickly! The issue is that part of the credibility gap arises from the general perception of business leaders that IT organizations are notoriously

slow to act or react. For the scorecard to be successful, there is nothing more important than speed.

While there are many reasons for this perception, it is certain that one of them is that IT professionals want only their very best work to be put in front of the business leadership. In this instance, identifying and developing the perfect measurement would be their best work, but it is counterproductive. Developing new measurements takes time, delays implementation, and widens the credibility gap.

Taken together, these two natural IT tendencies can torpedo the project before it is even launched. There are a number of ways to deal with these issues, but these work:

- For the first problem, put together a core team of smart people who share a passion for solving problems, educate them on the Balanced Scorecard, and make them passionate advocates. Assign them to each of the principal IT leaders responsible for the individual boxes in the scorecard.

Have the leader focus on the message to be displayed and have the passionate problem solver gather the data and figure out how to display it. The leaders avoid becoming bogged down in detail and the passionate advocates do what they love.

- For the second problem, put in whatever measurements you have. Time is your enemy, so get started quickly and perfect it later.

One way to build support among IT professionals for this process is to have them answer these two questions when deciding what to put into the scorecard:

*What do my business partners want to know?  
What do I think they NEED to know?*

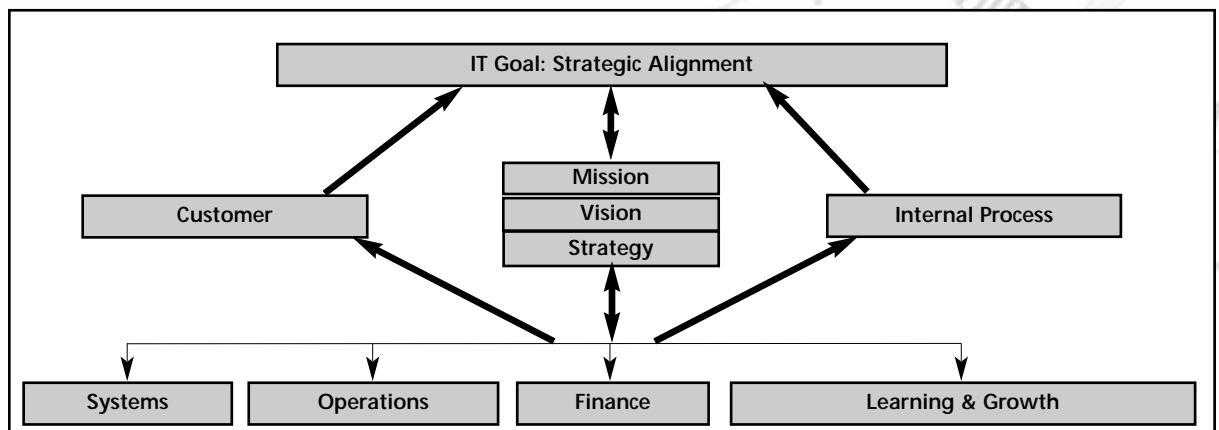


Figure 3: IT Scorecard

Few IT professionals would shy away from these questions. Because they are rarely afforded an opportunity to offer a judgment on what the business ought to know, many will fairly leap at the chance to make their point.

## How to Use an IT Balanced Scorecard to Bridge the Gap

Like any tool, an IT Balanced Scorecard can be misused. If it is created as a document and merely sent up the line, it is no better than any IT report and will likely be viewed in much the same context. Left to their own devices, business executives are guaranteed to find unintended meaning in the measurements. Without the guidance of the IT leadership, the scorecard could become a weapon.

It is important to remember that the scorecard is a tool for education about and the communication of strategy. To that end, the scorecard is intended to be presented, not submitted. This can be done most efficiently by presenting the scorecard to the entire executive team at the same time.

A good way to do this is for IT to host the meeting and to invite the business leaders to meet with the team that created the scorecard. If space will permit, open the meeting to a larger IT audience. This affords the business leadership a unique opportunity to speak directly to multiple layers of IT staff addressing issues of concern, but they do so on IT turf.

Conversely, it affords the IT staff the rare opportunity to hear the business leadership discuss IT issues. Most importantly, the meeting reinforces the strategy to everyone present.

## How to Succeed When Others Fail

Despite the unambiguous success enjoyed by so many companies from their successful Balanced Scorecards, the unhappy truth is that most attempts to install a Balanced Scorecard fail. They do so for one of several unfortunate, but predictable reasons:

1. *Lack of strong executive leadership.* There is simply no easy way to say this, but if the top person in the IT organization is not fully committed to the effort, it will very likely fail. IT professionals are smart. If it is not important enough to the top dog to be personally involved, the message is loud, clear, and easily understood.

2. *Making it too complex.* The key is to make the Balanced Scorecard as simple as possible. No matter how complex the IT organization itself might be, the key is to watch the eyes of the business partners. If they glaze over, simplify, simplify, simplify!

3. *Taking too long to get it out.* By their very nature, IT professionals are detailed, orderly, and precise. Unfortunately, these positive attributes undermine a sense of urgency. When initiating a Balanced Scorecard project it is crucial to get it out as quickly as possible. It is important, therefore, not to get caught up in details. Good enough is acceptable.

4. *Expecting too much.* The Balanced Scorecard is a tool, not a panacea. By itself it is nothing more than a display of measurements. But if it is integrated into an IT executive's leadership system and consistently used, it can help bridge the credibility gap. It is the personal responsibility of the IT executive to set and adjust expectations.

## Does Your Company Need an IT Balanced Scorecard?

Only you can answer that question, but to help you figure it out, here are a few questions to ask yourself. The answers might just surprise you.

### *Strategy*

- Do you understand the company strategy?
- Do your peers understand the company strategy?
- Is the strategy of your IT organization aligned with the company goals?
- How do you know?

### *Measurements*

- What are you measuring?
- Are you measuring things that truly matter?
- How do you know?

### *Communication*

- How often do you talk about strategy?
- Can you articulate the strategy to your group?
- Does your group know how they fit in the strategy?

Perhaps the simplest way to determine if your company needs a scorecard is to observe the eyes of the business leadership the next time an IT leader gives a report. If their eyes glaze over...

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**About the Author**

*Bill Hickman, President of The Gyst Group, is a business consultant, speaker, and seminar leader with more than 30 years experience in managing groups and organizations. Bill simplifies business success for leaders and their teams through his passionate advocacy of focus and strategy.*

*Bill can be reached at [bill@gystgroup.com](mailto:bill@gystgroup.com).*

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