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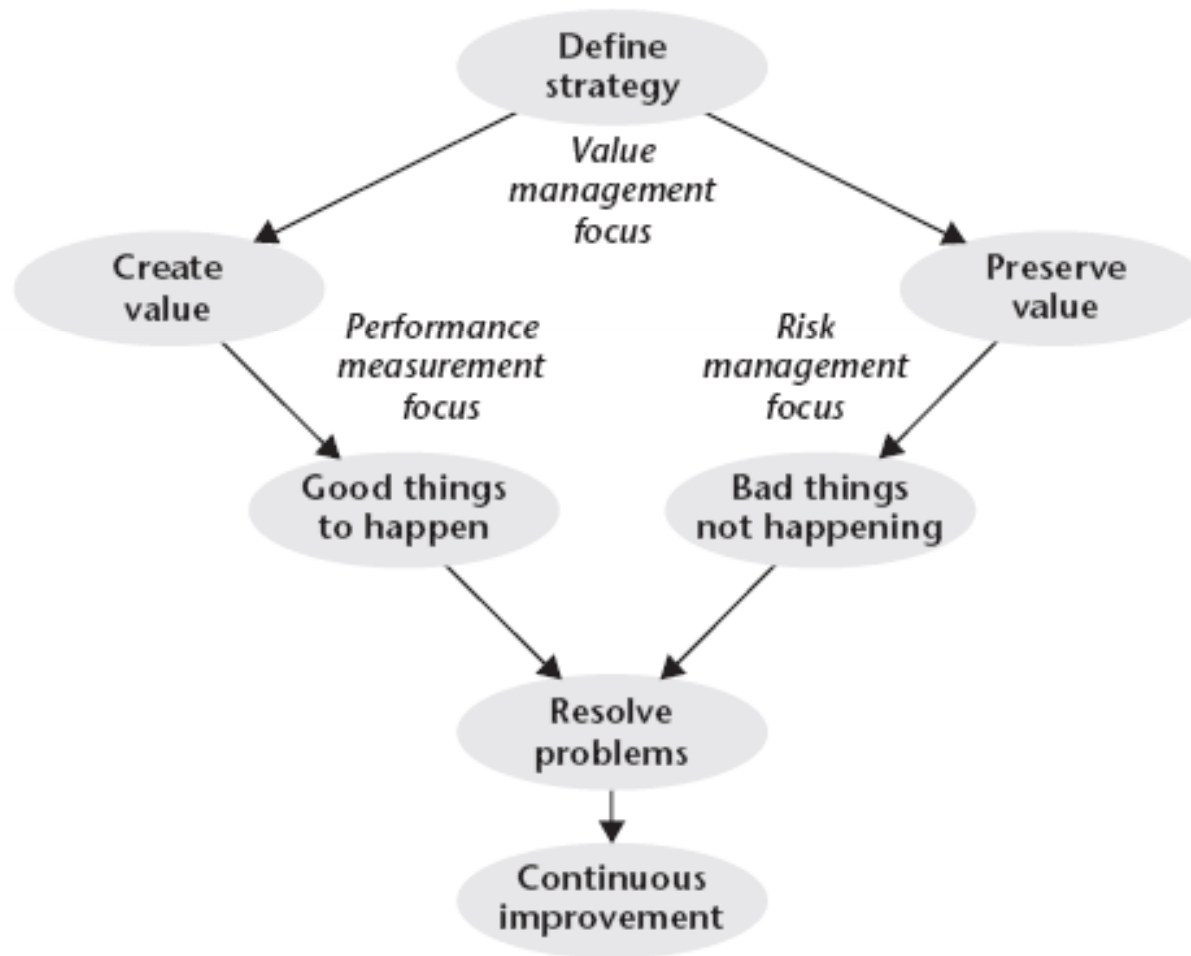
Chapter 11: Value Creation and Management Performance

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Management IT Responsibilities

Value

- ❖ *Values (what we believe in) are nonnegotiable tenets against which an* enterprise measures the worthiness of its choice
- ❖ They are core to vision, they provide a benchmark for guiding and assessing both team and individual behaviors as well as the ethical standards of the enterprise as a whole.

Corporate Governance and Value Creation

❖ <u>Value Creation:</u> When business earns more on its investment than cost of capital. Management formulates strategies to achieve this.

❖ <u>Governance:</u> Board of Directors creates value by governing well. Vital to capital formation and health capital markets.

- Avoiding meltdowns (Enron, WorldCom, Tyco, Xerox, Global Crossing, Lucent)
- Oversight of financial reporting (accuracy, balance, fairness, credibility, transparency)
- Conflicts/related party transactions
- Understanding key business risks/opportunities
- Judging quality, depth, integrity of management
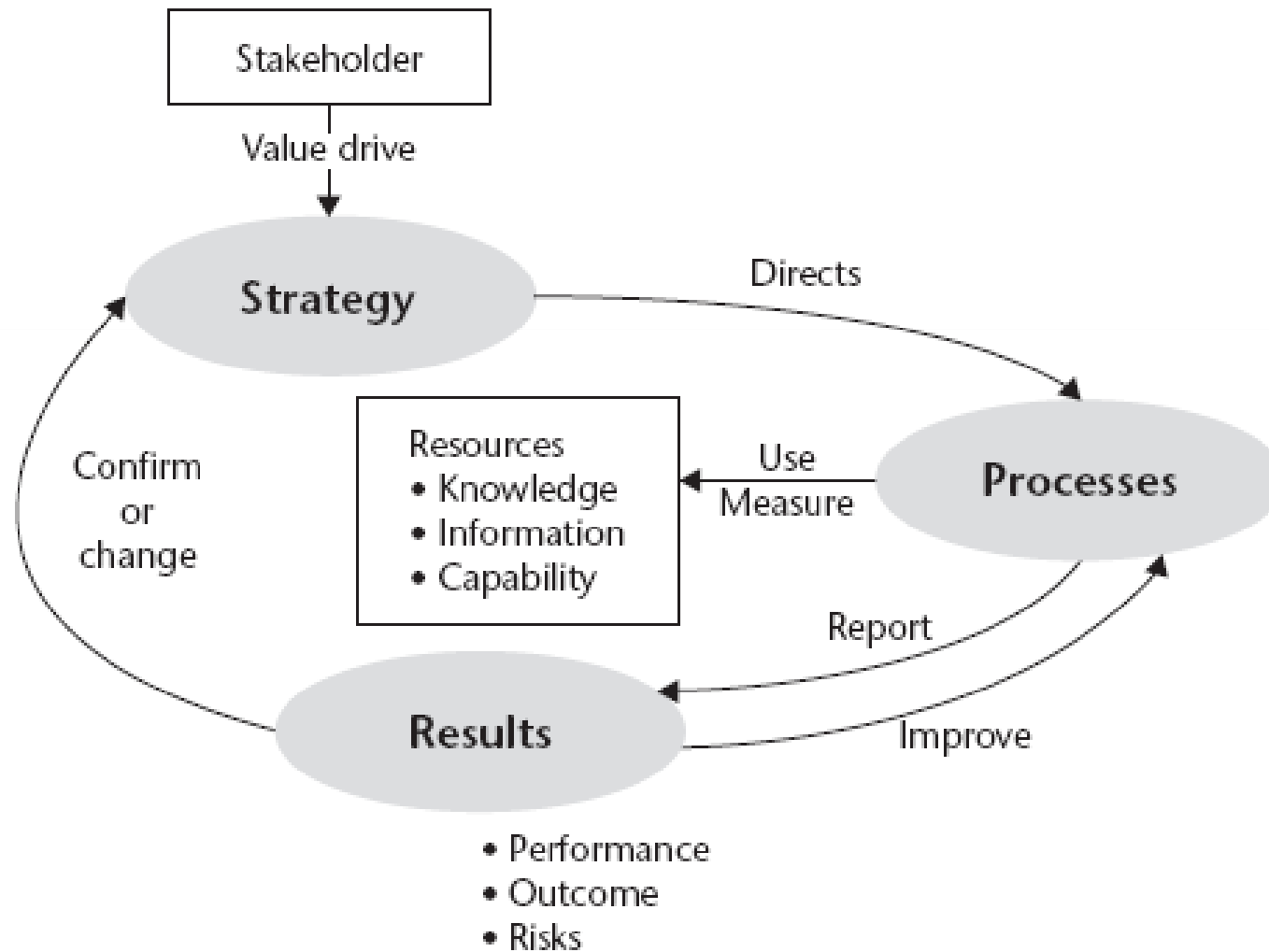
NECESSITY OF A CORE REPOSITORY OF KNOWLEDGE PORTAL

Management should keep focused on

- ❖ Cost
- ❖ Quality
- ❖ customer satisfaction
- ❖ Competition monitoring, and
- ❖ inventory levels

NECESSITY OF A CORE REPOSITORY OF KNOWLEDGE PORTAL

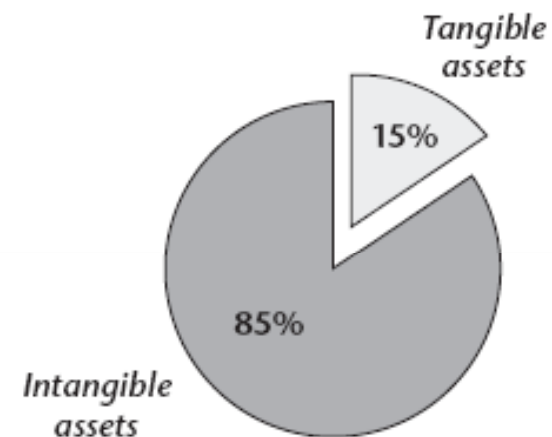Sufficient resources should be allocated for knowledge repository in project plan, which involves

❖ Competing demands for: scope, time, cost, risk, and quality

❖ Stakeholders (partners) with different needs and expectations
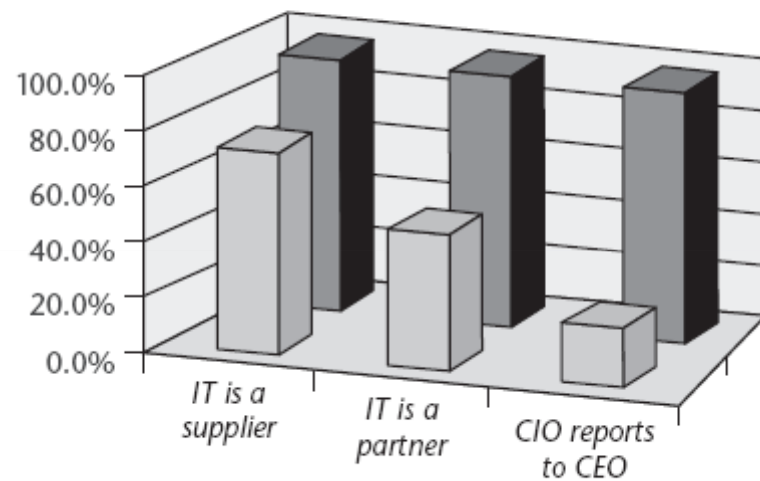
❖ Identified requirements

Exhibit I.3 IT Projects

Successful 23%
Challenged 28%
IT Projects
Failed 49%

Source: Acadys and Standish Group 2001 Surveys.

Exhibit I.4 Enterprise Market Value

Tangible assets 15%
Intangible assets 85%

Source: Acadys and Standish Group 2001 Surveys.

Exhibit I.1 Role of IT in the Enterprise

IT is a supplier

IT is a partner

CIO reports to CEO

Source: Acadys and Standish Group 2001 Surveys.

Exhibit I.2 IT Value Returns

1 in 8

Above expectations

Appropriate

Below expectations
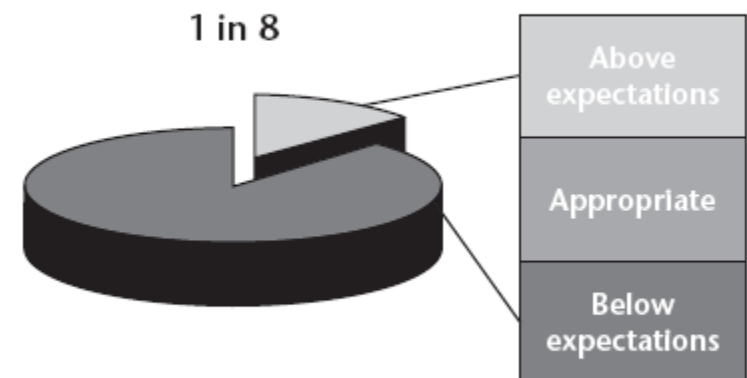
Source: Acadys and Standish Group 2001 Surveys.

Knowledge Portal for Partnering

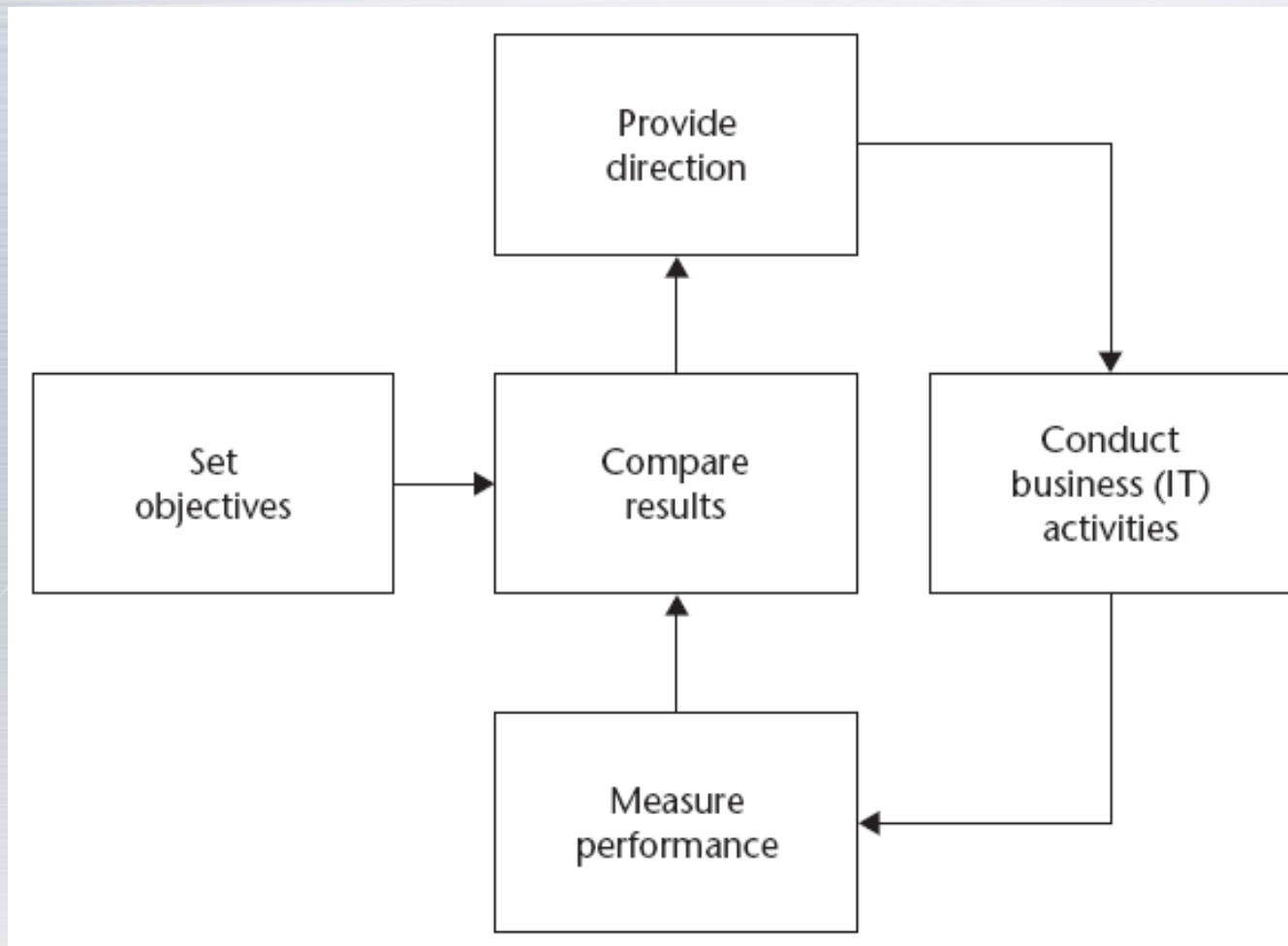An Extended Enterprise
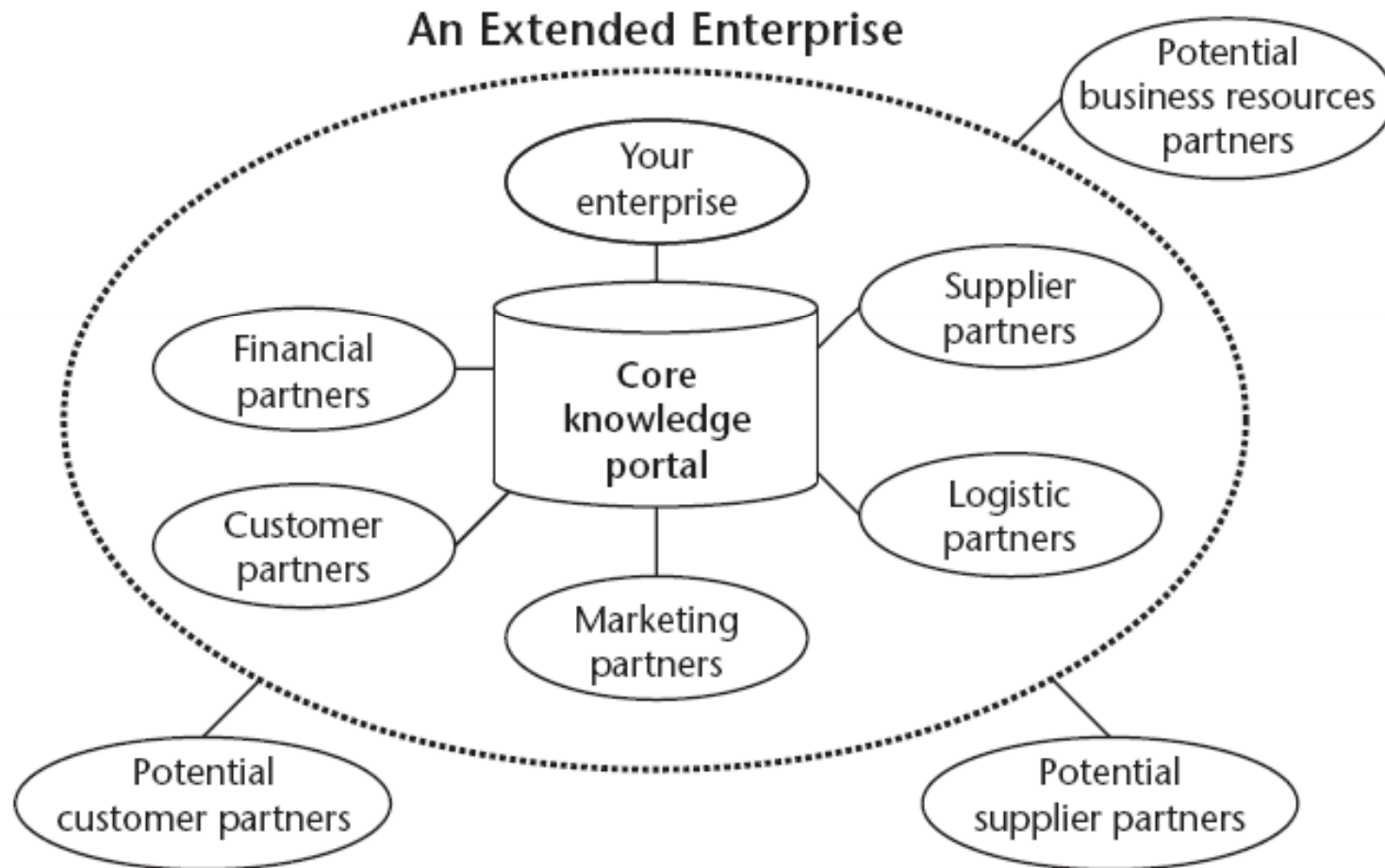
Knowledge Portal Relationship
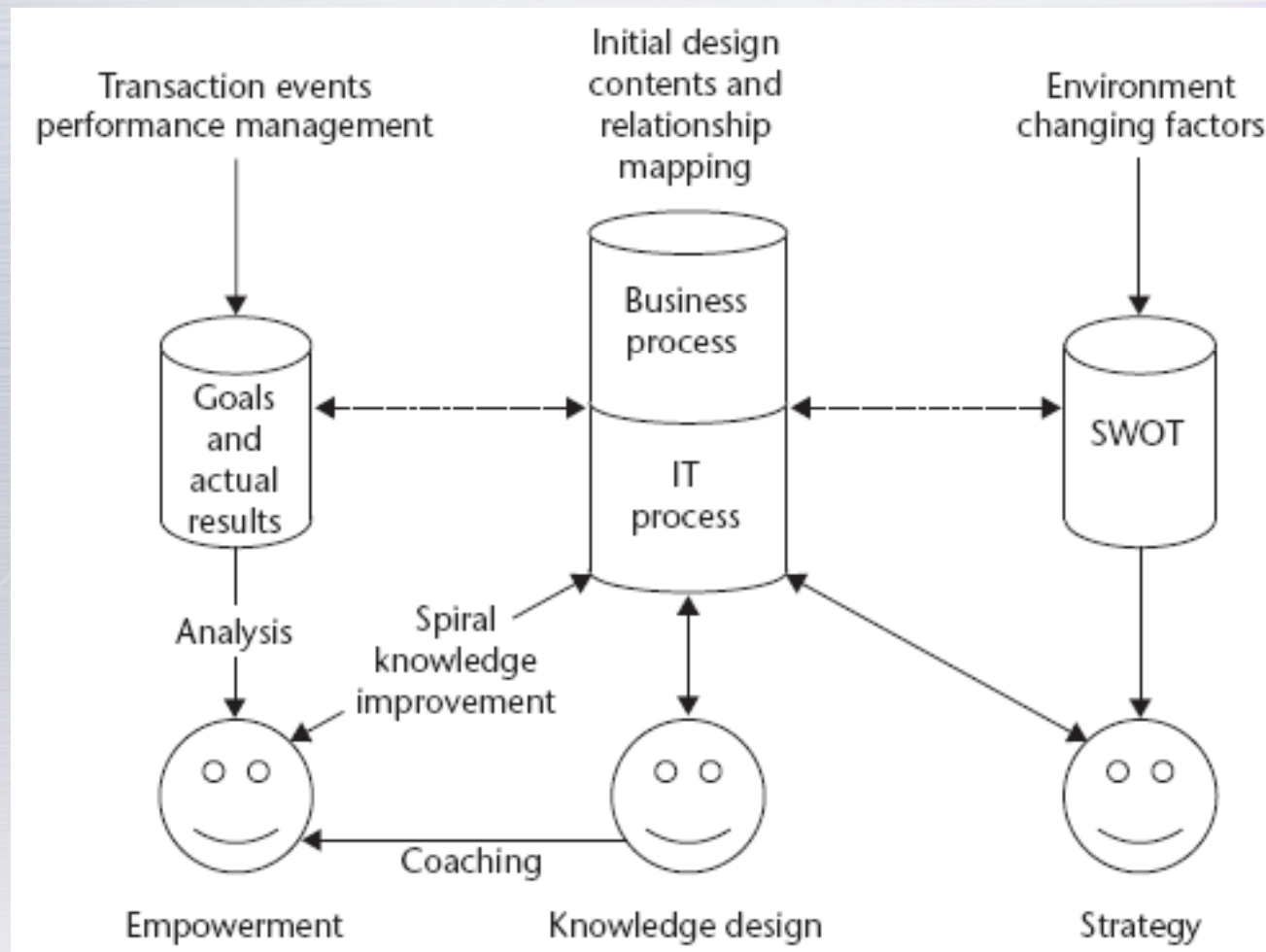
Performance Measurement Process

DELEGATE AND EMPOWER THROUGH PERFORMANCE MANAGEMENT

Beginning Management Process

goals and objectives are def ined

responsibilities are assigned

buy-in is obtained,

and criteria of performance are developed with the aid of the people responsible for implementation and performance

DELEGATE AND EMPOWER THROUGH PERFORMANCE MANAGEMENT

End

performance is rated against criteria, and then the cycle begins again.

Management uses tools such as key performance indicators, critical success factors, and key goal indicators to monitor the process.

Performance Excellence Framework

Source: Baldrige Criteria for Performance Excellence Framework: A Systems Perspective (*www.quality.nist.gov/PDF_files/2002_Business_Criteria.pdf*).

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FRAMEWORK FOR MEASUREMENT

Type of Measurement

1. Measures in terms of what customers and stakeholders want

2. Measures of the process of delivering reliable, cost effective, high quality information technology products and services

FRAMEWORK FOR MEASUREMENT

Framework

❖ Frameworks for measurement are tools for organizing and displaying performance measures

❖ Tool:

- Business balanced scorecard is an important
- Control Objectives for Information and related Technology (COBIT)

Business Balanced Scorecard: Measures that Drive Performance

developed by Robert Kaplan and David Norton,

❖ Four Strategy Road map

1. **How do we look to shareholders? (financial perspective)**

2. **How do customers see us? (customer perspective)**

3. **What internal processes must we excel at? (internal business perspective)**

4. **How can we continue to improve and create value? (innovation and learning perspective)**

From higher planning stage

Vision, mission, and values

Objectives/goals/expectations

Measures for outcome

Strategic feedback

SWOT, external and internal environment analysis, and control analysis

Critical Success Factor

Balanced Scorecards

Performance indicator

Compare

To lower planning stage

Measures for performance

Direction for Improvements

Capture Actual fact status

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