SWOT ANALYSIS AND BALANCED SCORECARD

ELSA ESTEVEZ

Universidad Nacional del Sur

Universidad Nacional de La Plata

CONICET, Argentina

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2	BALANCED SCORECARD
3	LESSONS LEARNT

SWOT ANALYSIS

It comprises the analysis of Strengths, Weaknesses, Opportunities and Threats aimed at exploring the IT situation of an organization.

AIM
To identify the strengths, weaknesses, opportunities and threats related to the attainment of the IT goals defined by an organization.

INPUTS	OUTPUTS
The IT assessment results and the IT strategic framework (vision, goals, and dimensions)	o a clear specification of the SWOT factors o result of the analysis of the SWOT factors

1) Organizing participants into groups

2) Enumerating SWOT factors for goals over all strategic perspectives

3) Consolidating SWOT factors for each perspective

4) Analyzing SWOT factors

Form goups

Enumerate SWOT statements for each strategic perspective

Consolidate SWOT statements over groups for each perspective

Analyze and synthesize SWOT statements

SWOT ANALYSIS TEMPLATE

STRENGTHS	WEAKNESSES

OPPORTUNITIES	THREATS

Strengths and Opportunities described in the Costa Rica Strategy for Digital Transformation

Ref – strategy [*https://bit.ly/2QSOOnS*]

4. Fortalezas y oportunidades

Costa Rica cuenta con importantes fortalezas para el uso y la adopción de servicios y productos digitales, ya sean fortalezas de los ciudadanos, las empresas, el Estado, o del acceso que estos actores tienen a las tecnologías. A su vez, el ecosistema del país presenta oportunidades inmejorables que se deben aprovechar.

	Fortalezas	Oportunidades
Ciudadanos	• Nivel adecuado de alfabetización • Beneficios sociales bien desarrollados	• Disposición de tecnologías digitales para su educación continua • Disponibilidad de canales digitales para interacción con el gobierno y otros actores
Empresas	• Crecimiento económico fuerte y sostenido desde 2010 • Ampliación de exportaciones de productos y servicios en los últimos años	• Desarrollo de la industria 4.0 • Mercado creciente para servicios digitales
Estado	• Voluntad política para la transformación digital • Líder y referente en América Central	• Ventaja competitiva en la región • Acceso a tecnologías que permiten mejorar la eficiencia del gobierno y la gobernanza
Tecnología	• Amplia penetración de telefonía móvil • Precios de conectividad competitivos	• Desarrollo de 5G • Disponibilidad de nuevas tecnologías, como inteligencia artificial, analítica de datos, grandes volúmenes de datos, para desarrollo de servicios innovadores.

SWOT ANALYSIS EXAMPLE – STRENGTHS

STRENGTHS	
Citizens	o Adequate level of e-literacy o Social welfare benefits well designed
Businesses	o Sustained and solid economic growth since 2010 o Product and service exports have increased in late years
Government	o Political will towards digital transformation o Leader and reference in Central America
Technology	o Broad penetration of mobile phones o Competitive connectivity prices

SWOT ANALYSIS EXAMPLE – OPPORTUNITIES

OPPORTUNITIES	
Citizens	o Availability of digital technologies for continuous education o Availability of digital channels for interacting with government and other actors
Businesses	o Development of Industry 4.0 o Growing market for digital services
Government	o Competitive advantage in the region o Access to technologies that enable to improve government and governance efficiency
Technology	o 5G development o Availability of new technologies, like artificial intelligence, data analytics and big data for developing innovative services

CONTENT

Balanced Scorecard is a method and a tool which includes:

o   A strategy map where strategic objectives are placed over four (pre-defined) perspectives in order to clarify the strategy and the cause and effect relationships that exists among them

o   Strategic objectives which are smaller parts of the strategy interlinked by cause and effect relationships in the strategy map

o   Measures directly reflecting the strategy

o   Strategic initiatives that constitute the actual change as described by the strategic objectives.

The scorecard drives the implementation of a strategy using perspectives.

DEFINITION [Balance Scorecard]

A Balanced Scorecard (BSC) is a carefully selected set of quantifiable measures derived from an organization's strategy.

The measures selected for the scorecard represent a tool for leaders to use in communicating to employees and external stakeholders the outcomes and performance drivers by which the organization will achieve its mission and strategic objectives [Niven 2003].

Developed by Robert Kaplan and David Norton (1987)
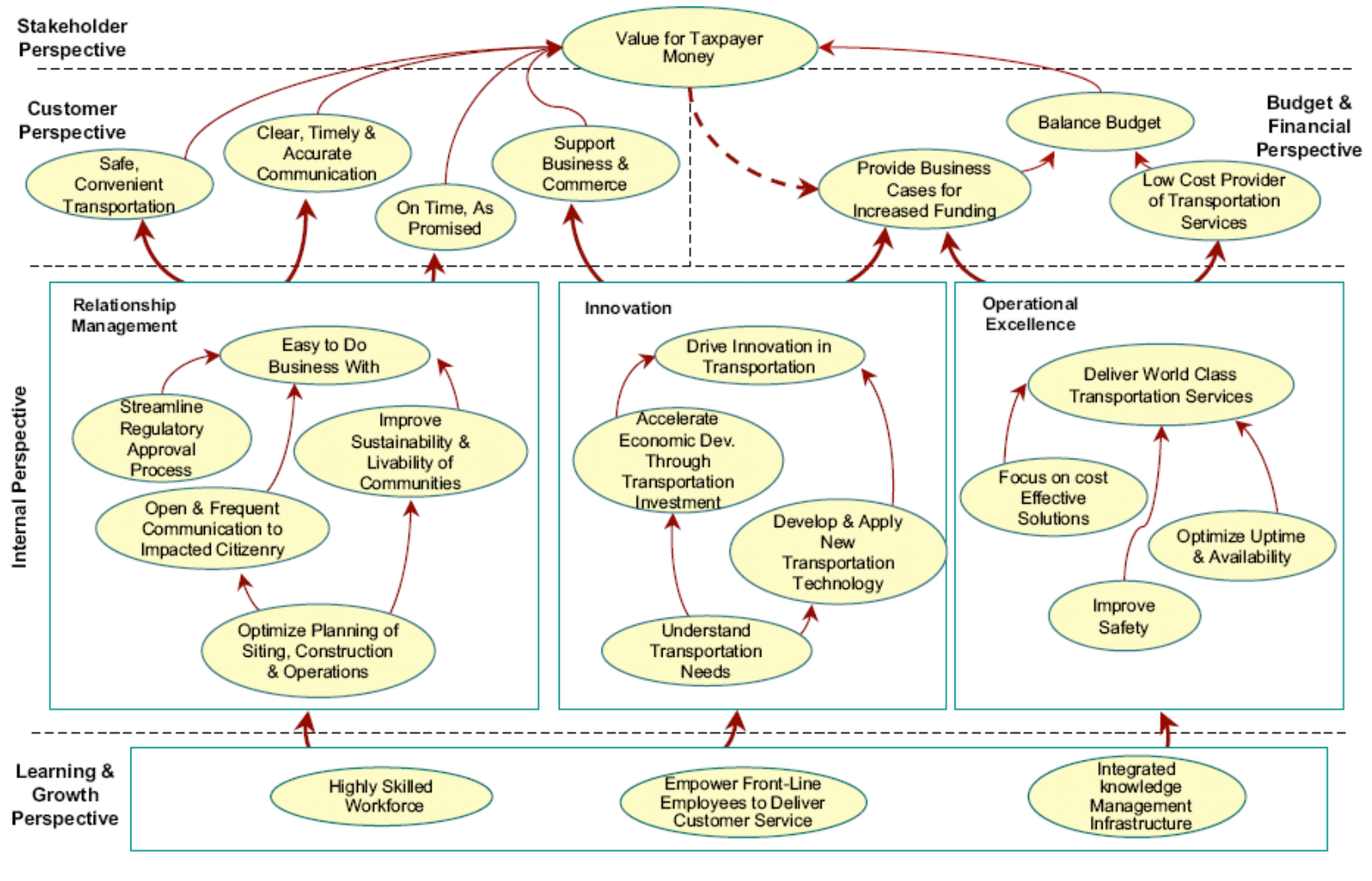
Strategy Map   Strategic Objectives   Strategic Initiatives   Measures

The Balanced Scorecard (BSC) tool can serve at least 3 basic purposes:		
1	Measurement System	Provide both lag indicators (financial) and lead indicators (future drivers) of performance in other spheres
2	Strategic Management System	Managing strategies effectively to overcome traditional challenges in strategy implementation
3	Communication tool	Shared among employees to be used as a basis for discussing the effectiveness and for reviewing the strategy

Measurement System

Strategic Management System

Communication Tool

BSC – PRINCIPLE AND PERSPECTIVES

PRINCIPLE	PERSPECTIVES
"If we have the right staff	INNOVATION AND GROWTH
doing the right things, then	INTERNAL PROCESSES
our clients will be delighted, and	CLIENT
we fulfilled our mission within our financial constraints".	FINANCIAL

PERSPECTIVES – RATIONALE

| Balance should be found between 4 perspectives to fulfil the mission of any organization	
Client Perspective	o Who are our clients? o How do we create value for our clients?
Internal Process Perspective	o At which business processes must we excel, to satisfy clients while meeting budgetary constraints?
Learning and Growth Perspective	o How do we enable ourselves to grow and change, meeting ongoing demands?
Financial Perspective	o How do we add value for our clients while controlling costs?

1) Customer Perspective – focus on defining the customer and value propositions for them, based on operational excellence, product leadership and customer intimacy.

2) Internal Process Perspective – identify the key processes the organization must excel in order to continue adding value to customers
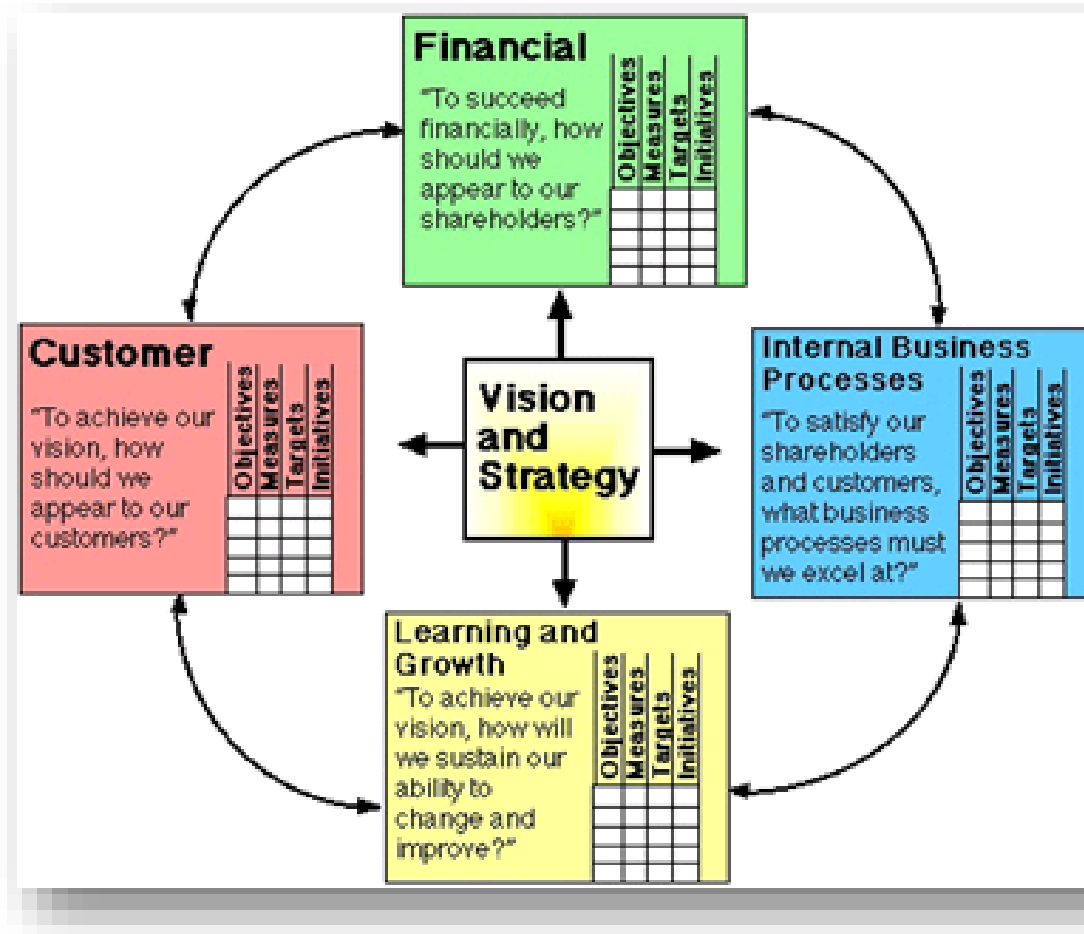
3) **Learning and Growth** – the enablers of the three other perspectives; related to organizational infrastructure of employee skills, information systems and culture.

4) **Financial** – address bottom-line issues or cost efficiency
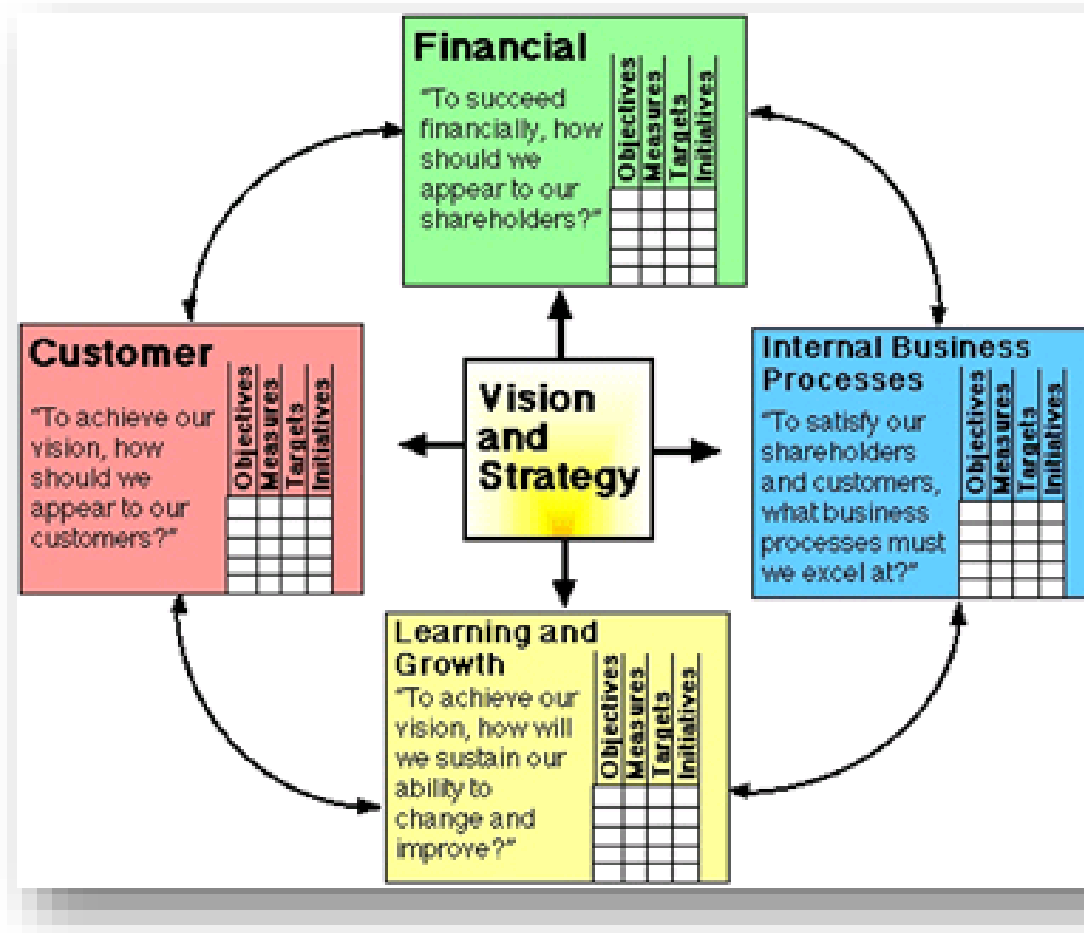
Public and non-profit organizations adopt a modified form of the classical BSC design to emphasize the mission accomplishment as the bottom line and customer perspective is elevated.
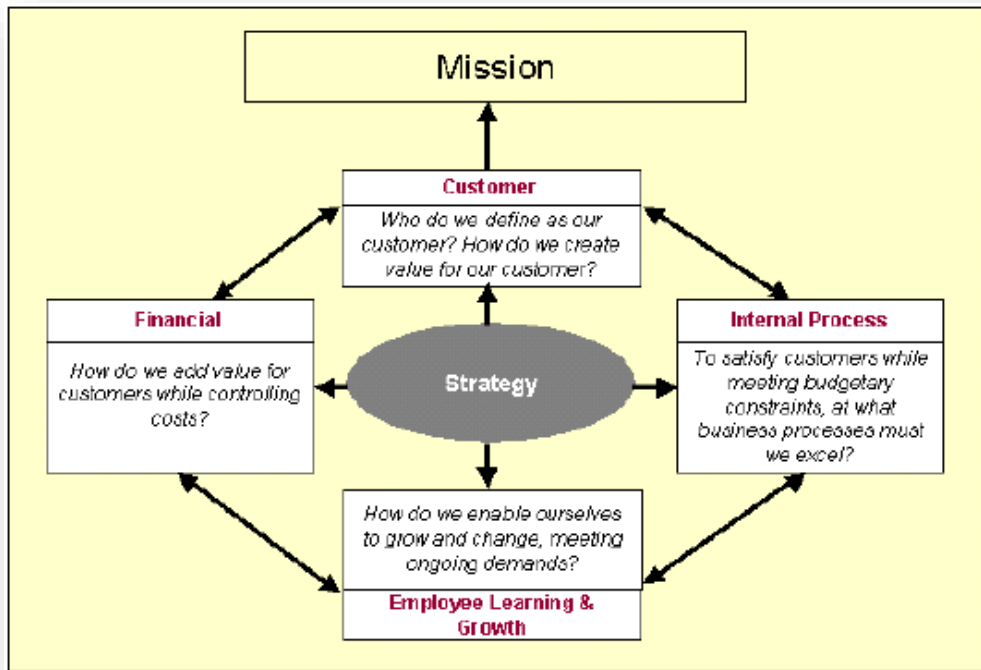
The four traditional BSC perspectives are still used but with some variation in the meaning.

o Who do we define as our customer and how we do create value for them?

o To satisfy our customers while meeting budgetary constraints, at which business processes must we excel?

o How do we enable ourselves to grow and change, meeting ongoing demand?

o How do we add value to our customer while controlling cost?

BSC – EXAMPLE STRATEGIC OBJECTIVES

The example has been developed by students of a Diplomado Programme in Colombia. The students worked for COLJUEGOS (http://www.coljuegos.gov.co/), an industrial and commercial organization from the Colombian Government responsible for games.

GOAL: To promote the industry	PERSPECTIVE
Provide software for gambling machine management	Customer
Supervise and control transactions	Internal Process
Develop new innovative games for youth	Customer
Develop new virtual games	Customer
Develop new online games	Customer
Optimize procedures	Internal Process
Train personnel	Learning and Growth

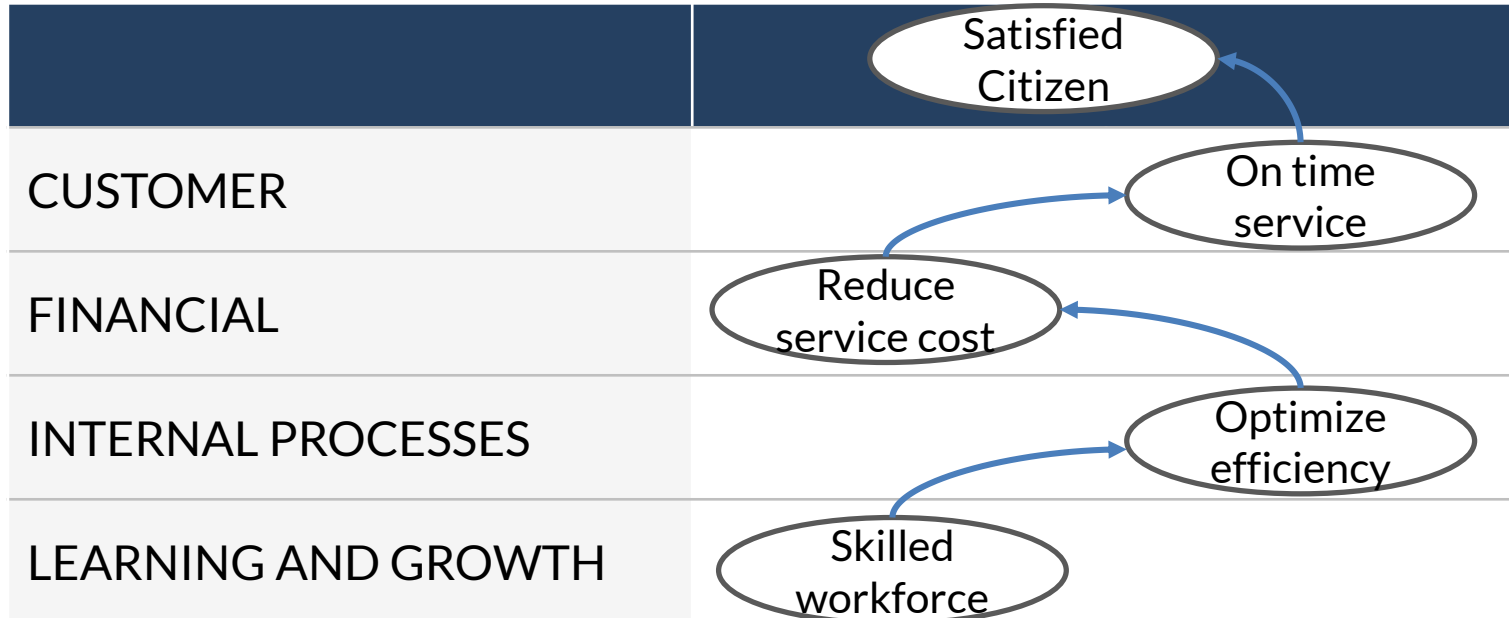|	
	Promote the industry
CUSTOMER	**Provide software for GMM** **Develop innovative games for youth** **Develop new virtual games** **Develop new online games**
INTERNAL PROCESS	**Supervise and control transactions** **Optimize procedures**
LEARNING AND GROWTH	**Train personnel**
FINANCIAL	
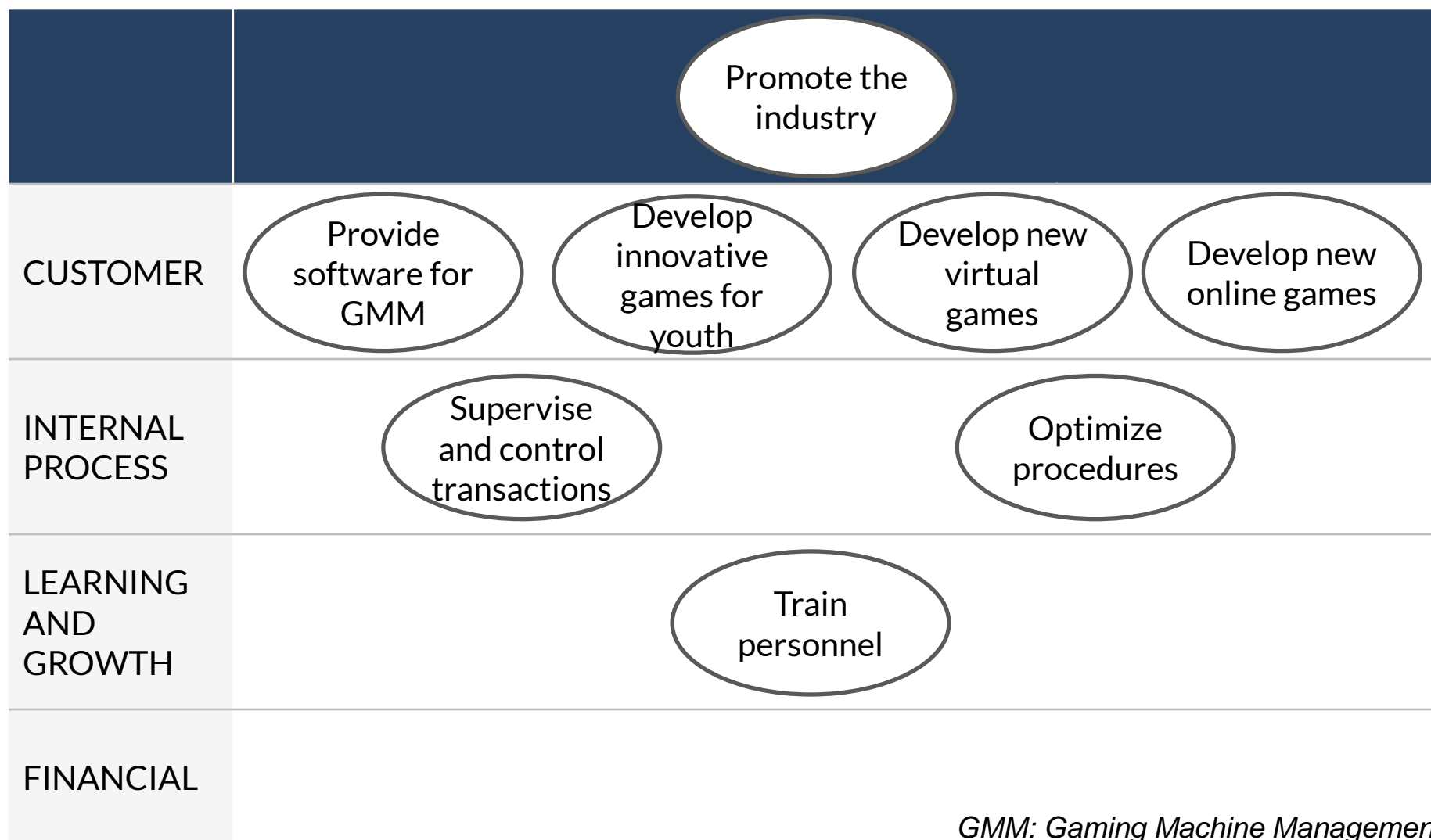
GMM: Gaming Machine Management

CAUSE AND EFFECT RELATIONSHIPS

The relationships between the perspectives of the scorecard are directly reflected or elaborated in the cause and effect links between strategies.
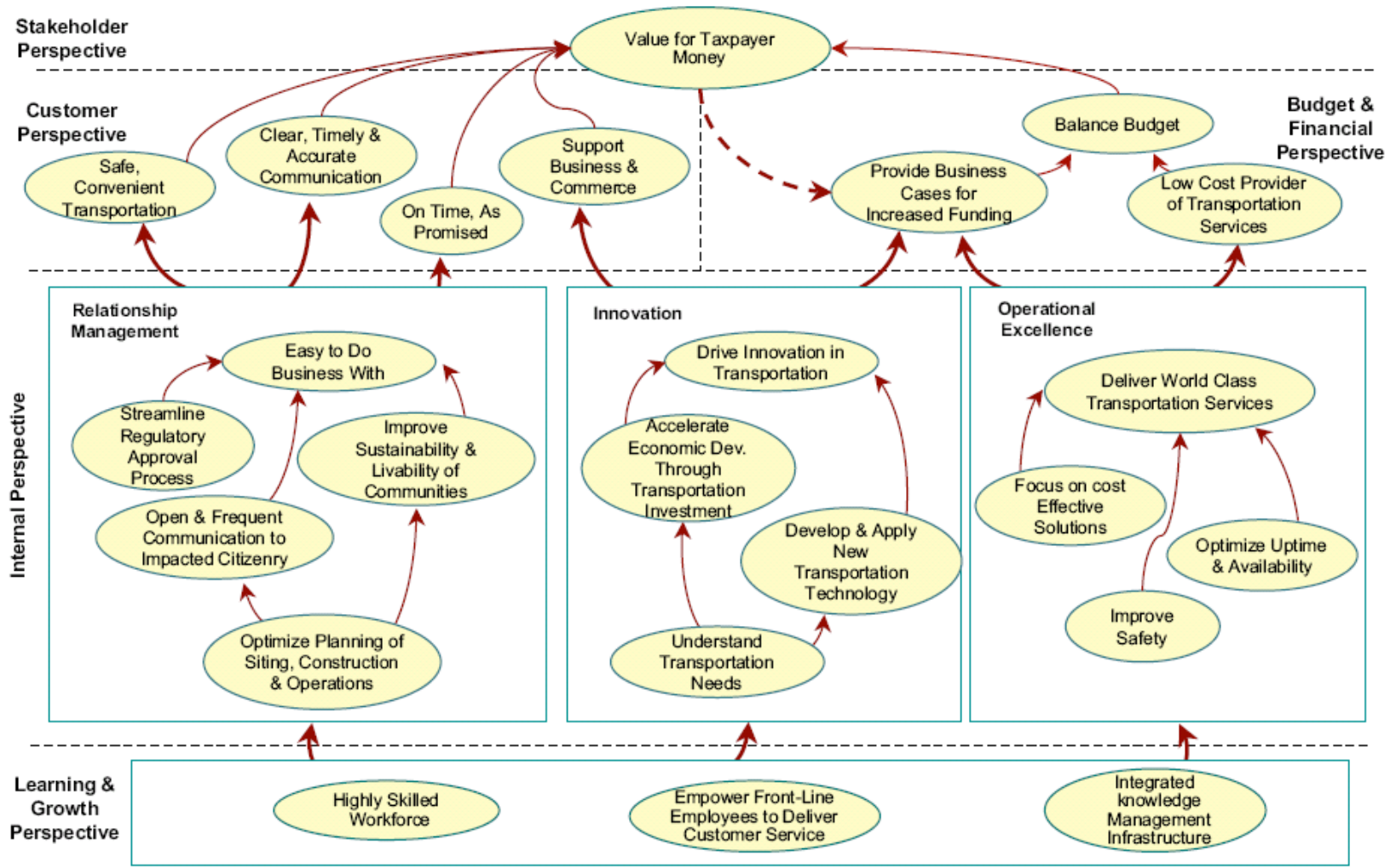
Cause and effects relationships are shown in Strategy Maps.

o A well designed BSC should describe the strategy through the objectives and selected measures.

o Measures should link together in a chain of cause and effect relationships from the performance drivers of employees learning and growth to improved customer outcomes as reflected in the customer perspective.
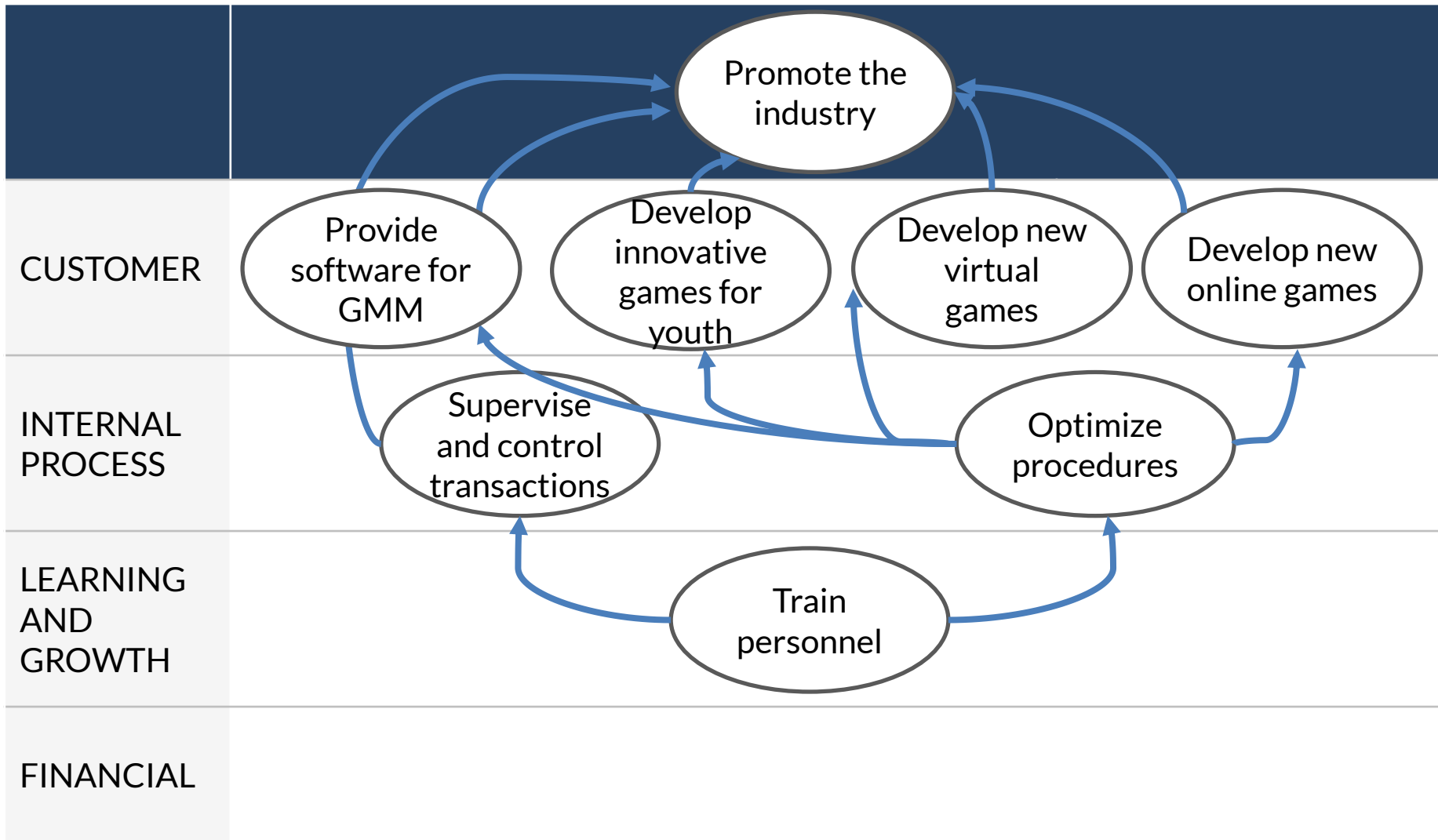
|	
	Satisfied Citizen
CUSTOMER	On time service
FINANCIAL	Reduce service cost
INTERNAL PROCESSES	Optimize efficiency
LEARNING AND GROWTH	Skilled workforce

BALANCE SCORECARD FOR AN IT ORGANIZATION

IT Balance Scorecard defines the strategies for the IT function or organization.

The standard IT Scorecard specifies 4 perspectives focusing on: 1) USERS, 2) BUSINESS, 3) IT OPERATIONS, and 4) FUTURE NEEDS.

| IT SCORECARD PERSPECTIVES (ORIENTATION)	
USER	How does users view the IT Unit?
BUSINESS	How does management view the IT Unit?
OPERATIONAL EXCELLENCE	How effective and efficient are the IT processes?
FUTURE	How well is IT positioned to answer future needs?

IT BSC AS A BUSINESS ENABLER
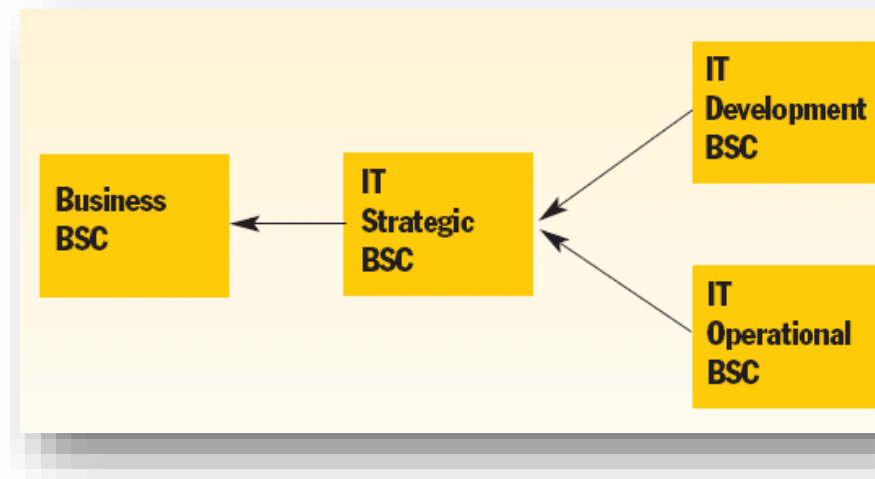
CASCADED SCORECARD – ILLUSTRATED

Cascading is a process of developing aligned scorecards throughout an organization.

For instance the Business Scorecard is usually cascaded into IT scorecard.

BUSINESS BSC → IT STRATEGIC BSC → IT DEVELOPMENT BSC
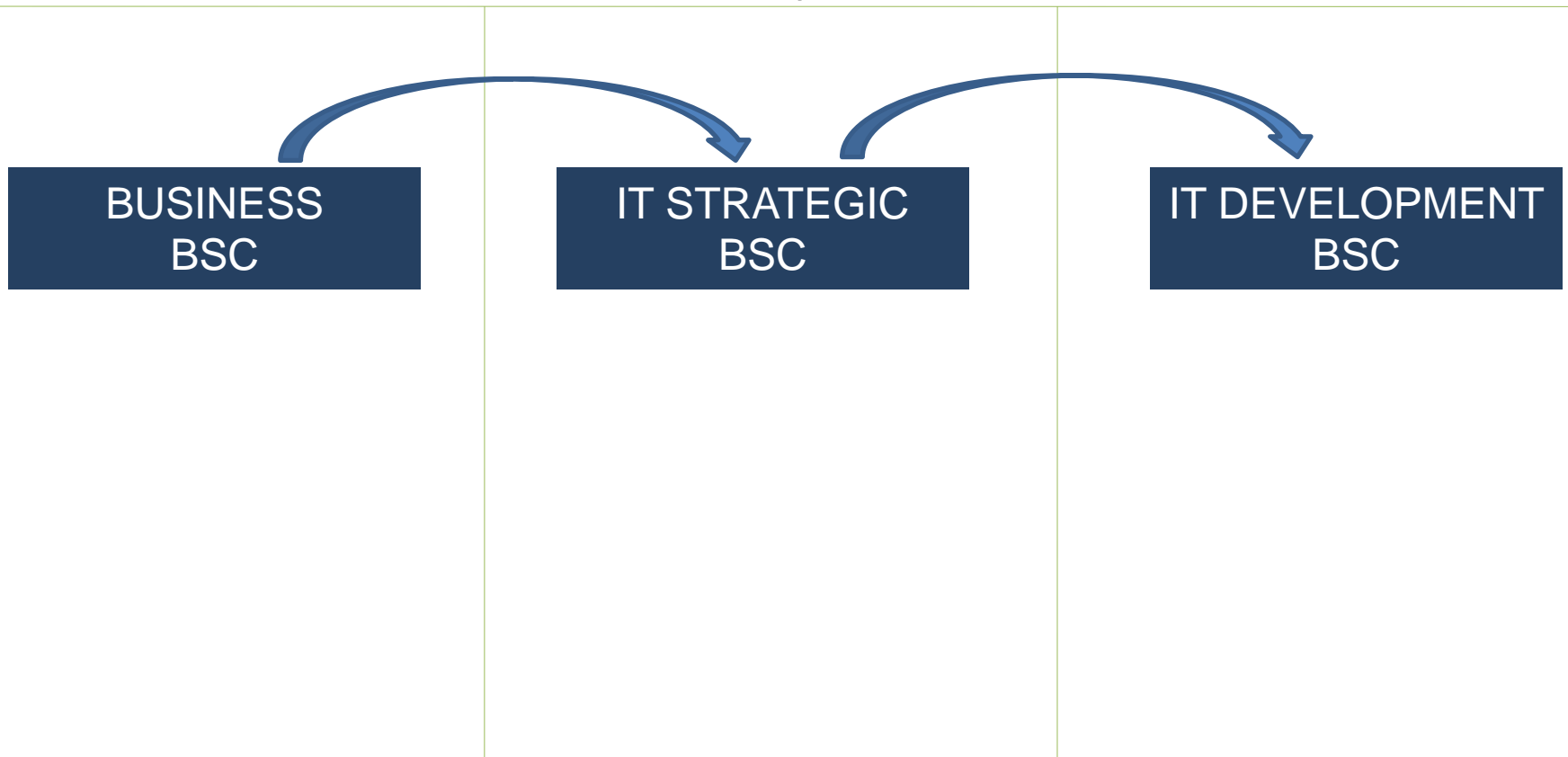
BUSINESS BSC PERSPECTIVES	
BUSINESS	o Deliver cheaper added-value services
CUSTOMER	o Individual relationship o New distribution channel
INTERNAL	o Customer relationship management o Electronic distribution channels
INNOVATION	o Teach employee how to use new approaches

IT STRATEGIC BSC - PERSPECTIVES	
BUSINESS	o Higher business value
USER	o Services to internal users o Services to external users
OPERATIONAL EXCELLENCE	o Business Intelligence technology o Website technology
INNOVATION	o Teach IT professional and business users to use new approaches o Research into emerging technologies

IT DEVELOPMENT BSC	
BUSINESS	o New, better and faster development process
USER	o Design of new user interface for external users
OPERATIONAL EXCELLENCE	o Dashboard development o Website development
INNOVATION	o Training and education of IT staff in emerging technology

STEPS FOR DEVELOPING A BALANCE SCORECARD	
TASK	DESCRIPTION
Define the mission	Defining the core purpose of the organization – why it exist. Mission statement are long term.
Articulate the values	Deep held beliefs within the organization and are demonstrated through the day-to-day behavior of all employees. It expresses how it expects everyone to behave.
Develop the vision	Describes what the organization would ultimately like to become (where we are going)
Define perspectives	These are categories of performance measures for an organization
Develop strategies	Broad priorities adopted by an organization in recognition of its operating environment and in pursuit of its mission.
Define objectives, measures targets and initiatives	Concise statement describing the specific things organizations must do well in order to execute its strategy (usually starting with a verb – increase, reduce etc.)

DEVELOPING A BALANCED SCORECARD 2

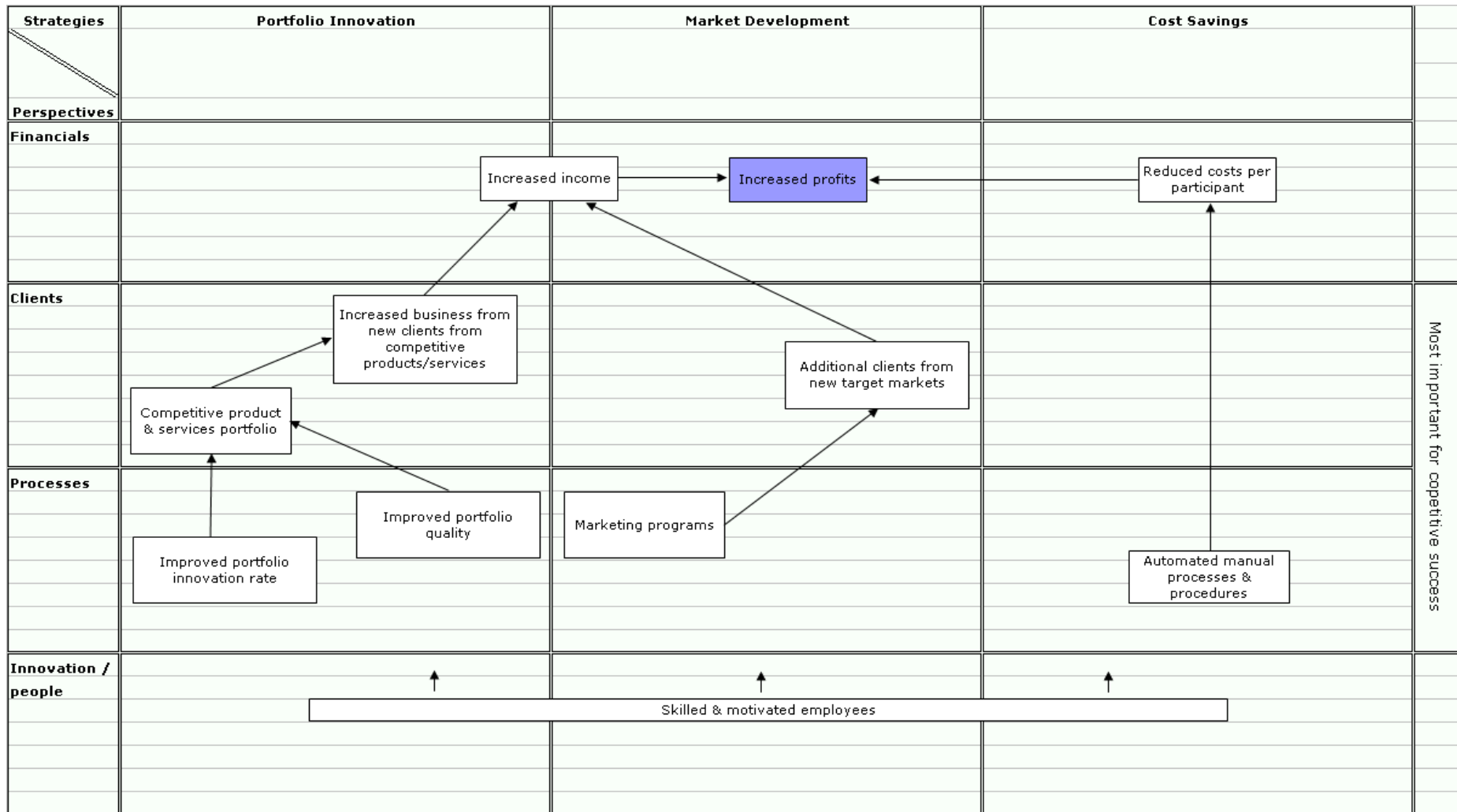The figure shows the process for developing a BSC.

Note the feedback loop from Results to Strategy – implying that the process is continuous.
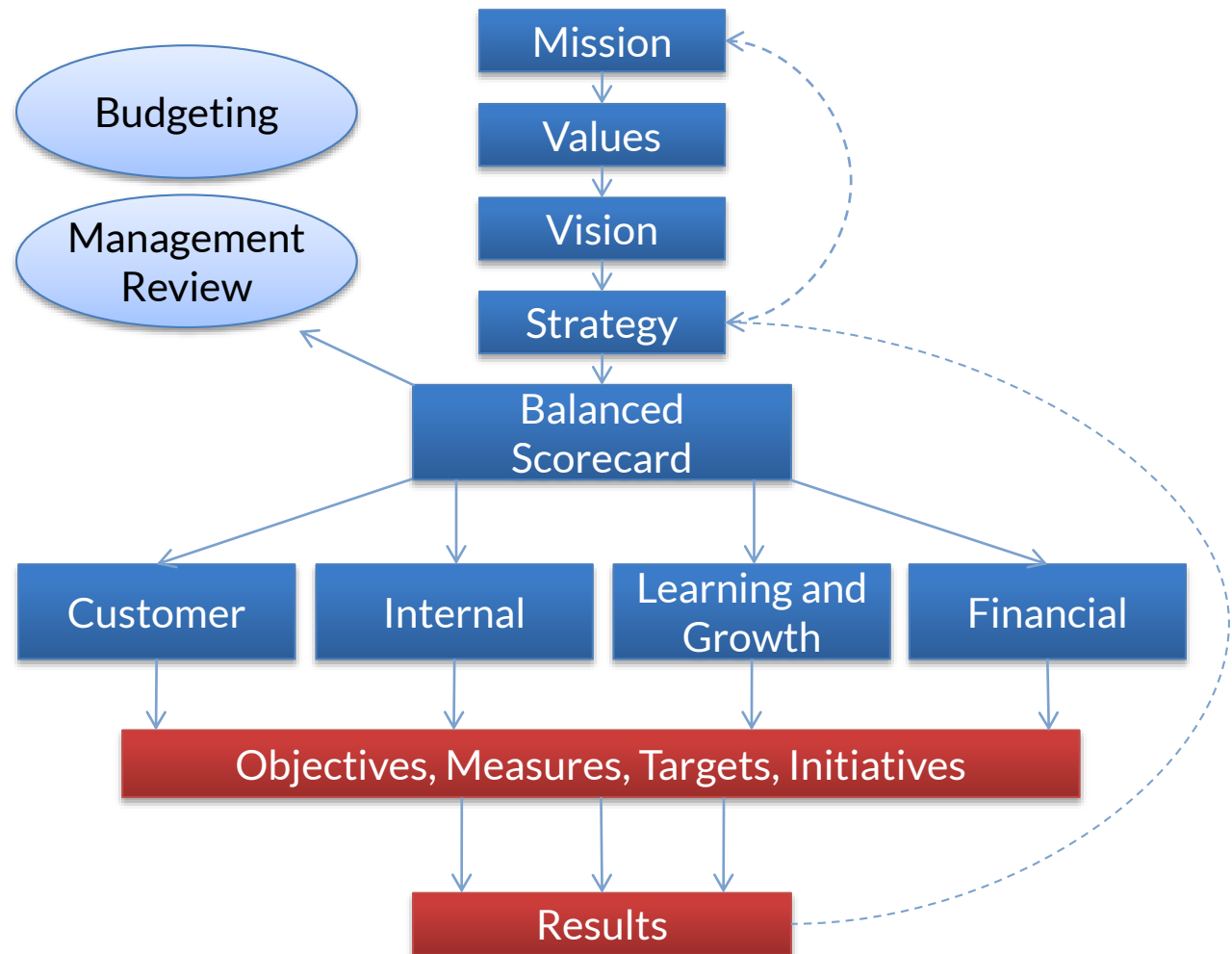
STRATEGY MAP

Strategies / Perspectives	Portfolio Innovation	Market Development	Cost Savings	Most important for copetitive success
Financials				
Clients				
Processes				
Innovation / people				

Goals		Measure	Target	Timeframe			
Financials							
increased income	L	income	55,000,000	Dec. 2008			
increased profits	L	profits	7,000,000	Dec. 2008			
reduced costs per participant	L	% of income	80%	Dec. 2008			
Clients							
increased business from new clients from competitive products/services	L	ratio of new business	30%	Dec. 2008			
additional clients from new target markets	L	number of clients	15	Dec. 2008			
competitive integrated products & services portfolio	L						
Processes						Project 1	
marketing programs	E	number of progr.	2	Dec. 2008	←	Responsible:	
improved portfolio innovation rate	E	% new programs	20%	Dec. 2008		Duration:	
improved portfolio quality	L	feedback from clients	>= 3.0	Dec. 2008		Resources:	
automated manual processes & procedures	E	done	done	Dec.2007		Expected benefits:	
						Goal:	
Innovation / people							
skilled & motivated employees	E	training programs	2 annually	Dec. 2009	←	Project 1	
						Responsible:	
E = early performance indicators (performance drivers)						Duration:	
L = late performance indicators (results)						Resources:	
						Expected benefits:	
						Goal:	

GOAL: TO PROMOTE THE INDUSTRY		INDICATOR	TARGET
SO1	Provide software for gambling machine management	# transactions managed by the system	2018: 1.000 2020: 10.000
		Frequency of reporting	2018: weekly 2020: daily
SO2	Supervise and control transactions		
SO3	Develop new innovative games for youth		
…	…		

BSC – EXAMPLE COLJUEGOS
FROM BSC TO PROGRAM-PROJECTS

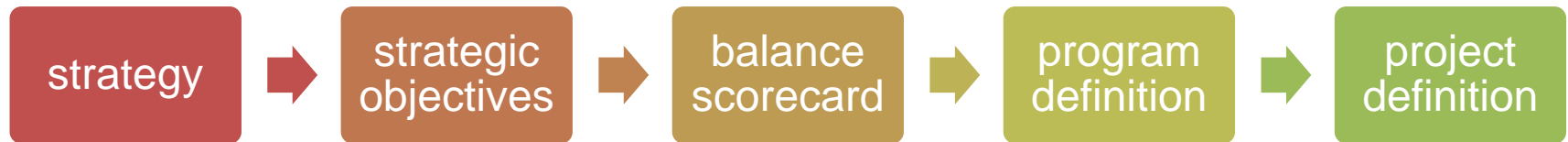| GOAL: TO PROMOTE THE INDUSTRY		INDICATOR	TARGET
SO1	Provide software for gambling machine management	# transactions	2018: 1.000 2020: 10.000
		Frequency of reporting	2018: weekly 2020: daily

PROJECTS SO1		
P1	Develop software for gambling machines	Responsible: Duration: Resources: Benefits: Goal:
P2	Develop interfaces for reporting on the use of gambling machines	Responsible: Duration: Resources: Benefits: Goal:

strategy → strategic objectives → balance scorecard → program definition → project definition

PROGRAM MANAGEMENT - DEFINITION

Programs and projects serve to implement a strategy.

Program management is the coordinated organization, direction and implementation of a portfolio of projects and activities.

When programs are focused on changing the way an organization works, the program is generally led by:

- a vision of a desired outcome, and

- the benefits that outcome will bring.

CONTENIDO

SWOT Analysis – identifying Strengths, Weaknesses, Opportunities and Threats

Balanced Scorecard is a method and a tool which includes strategy map, strategic objectives, measures and strategic initiatives.

BSC – a tool for deriving programs, projects and performance measures from the strategy.

BSC serves as: 1) measurement system, 2) strategy management system, and 3) communication tool.

BSC can be used in a cascading process of developing aligned scorecards throughout an organization – business BSC and IT BSC
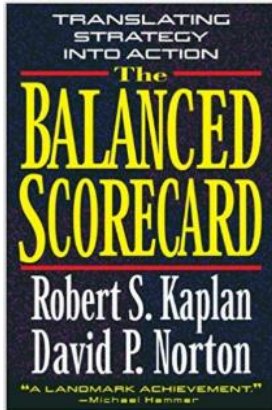
Robert Kaplan, David Norton, *The Balanced Scorecard*

ONLINE MATERIALS

The Balanced Scorecard Institute, Balanced Scorecard Basics,
https://www.balancedscorecard.org/BSC-Basics/About-the-Balanced-Scorecard

Videos:
- o Kaplan & Norton´s Balanced Scorecard, A Level & IB Business,
  https://www.youtube.com/watch?v=OZtNk__7Qyg
- o Balanced Scorecard, https://www.youtube.com/watch?v=M_IIOlywryw

¿Questions?

Elsa Estevez
ecestevez@gmail.com