

## Client Profile

The Central Power Corporation is a state-owned enterprise responsible for the distribution of electricity in Vietnam. The company owns power lines and equipment necessary to deliver electricity to residential, commercial and industrial customers. The high growth economy has led to broad electrification. This has prompted investment in the electric grid and the companies in the power sector.



## Business Problem

As the company follows the country towards market-oriented reforms, managing human capital is evolving. Instead of a command-and-control part of the state apparatus, the client is becoming more market-driven. The introduction of competitive forces in supply chains includes competition for human capital.

Compensation is now a critical part of recruiting, management and employee retention. As IT grows in importance to the Vietnamese economy, technology leaders and staff have become critical to business success. Actionable Strategies was asked to design a measurement system for all of IT and then align a compensation model to it.

## Alignment - Key Considerations

Actionable Strategies briefed executives and front-line leaders on the importance of Business-IT alignment. Surveys of IT leaders by the Society for Information Management have ranked Alignment of IT to the business as a top concern of business leadership for decades, often ranking #1.

After communicating the importance of Alignment, we formulated the key considerations for the client.

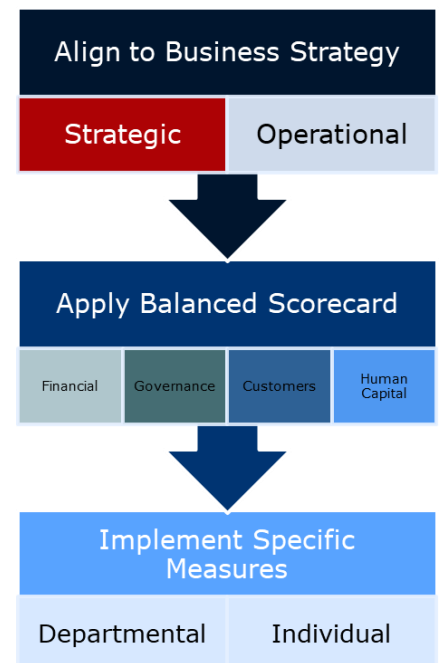
- ▲ IT's most valuable activity is delivering business impacting projects
- ▲ Basic IT services were already delivered effectively based on our Current State Analysis
- ▲ Continuing to improve basic IT services should be a basic expectation
- ▲ IT Projects are directly responsible for addressing other top concerns expressed by global leaders
  - ◆ Innovation, because IT is a key enabler
  - ◆ Agility
  - ◆ Costs especially in automating inefficient processes
  - ◆ IT Delivery

## IT Measurement Approach

The top-level approach for the measurement system was to develop a set of measures that flow from strategic to tactical.

In other words, there was alignment inside the measurement system of tactical measures to strategic measures.

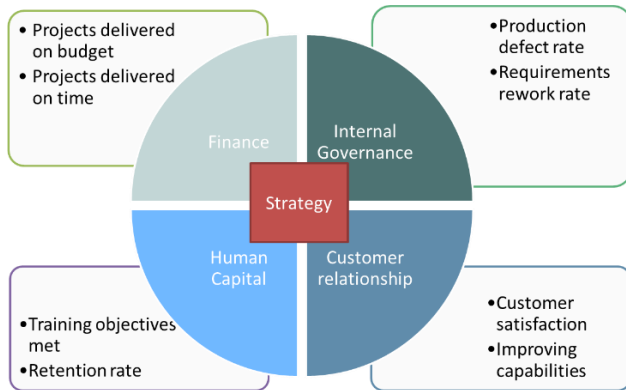
The business had already implemented a Balanced Scorecard. As a familiar framework used globally, we developed an aligned Balanced Scorecard



specifically for IT. The measures directly impacted metrics on the business Balanced Scorecard and the alignment of individual metrics was documented clearly. Departmental and individual measures then align to the Balanced Scorecard.

## IT Balanced Scorecard

The IT Balanced Scorecard provided the vital few measurements to drive IT to deliver business value. Run-the-business performance was expected to remain stable or increase marginally and no degradation of service would be acceptable.



Implementation of the Balanced Scorecard required adopting new practices and measurements.

- ◆ Expenses – Budgets are set and projects estimated (hours = costs) and negotiated with the Project Managers
- ◆ User Satisfaction and Service Statistics – e.g., Problems, Problem resolution timing
- ◆ Efficiency of development and operations – Bugs, Issues and program problems; Tied into training, skills and tools available
- ◆ Expertise of IT staff – Ability, training and experience.

## Tiered Systems

Measurements were tiered. Each of the measures had a departmental objective to foster ongoing teamwork, and individual measures to drive personal performance.

## Caveats

The client was advised that while measurement systems can be revised, a number of caveats should be remembered.

- ◆ Constant change of measurements leads to confusion and hinders completion of projects
- ◆ Too many measurements lead to lack of focus
- ◆ Tactical measurements divert attention from strategic goals; managers and supervisors must drive tactical performance
- ◆ Unintended consequences are always possible and should be anticipated; measures should not drive detrimental behaviors or encouraging gaming the system

## Measurement System

The IT Measurement System would be built applying the following guidelines. Actionable Strategies defined overall IT goals which were embraced by executives and leadership.

Client leadership would define specific measures based on this framework.

- ◆ Each Balanced Scorecard measure can have up to 3 metrics for an individual contributor (employee)
- ◆ Group level goals ensure that people keep working for overall benefit
- ◆ Personal goals enable management to directly manage individual performance
- ◆ Goals should be easy to measure
- ◆ Goals must be communicated
- ◆ Goals must be specific
- ◆ In the first year, start with 1 metric and then build up to 3 as the organization digests changes



# IT Level Measurements

Actionable Strategies worked with business executives to ensure that the following IT level measures met business needs.

## Financial Measures



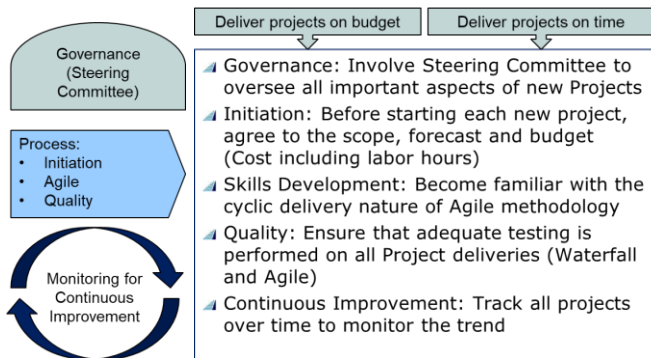
Financial measures were designed to ensure that fiscal prudence is exercised by IT.

- ◆ Projects delivered on budget: on average, projects are no more than 20% over budget (with the tolerance becoming lower over time)
- ◆ Projects delivered on time: on average, projects are no more than 20% late (with the tolerance becoming lower over time)

The underlying rationale is that project delivery is the key output of IT.

- ◆ Late projects delay benefits to CPC which has a financial impact
- ◆ Budget overruns may change CPC's financing plans
- ◆ Late projects delay other initiatives especially when using internal staff
- ◆ Overall budget and capital are enforced by finance/accounting; IT should focus on its span of control
- ◆ Operating infrastructure is basic; projects deliver business value

## Implementation



## Governance Measures



Governance measures were designed to ensure that IT is managing the delivery of key projects without costly production defects

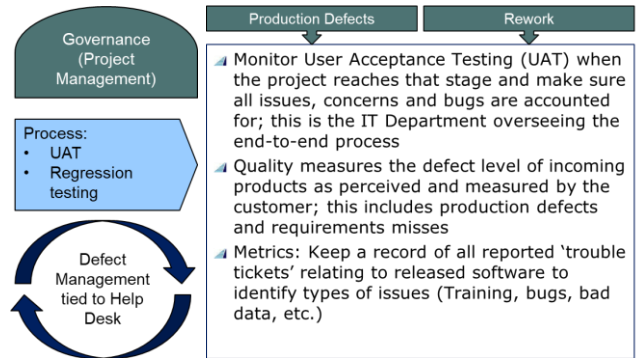
- ◆ Production defect rate: no more than 10 production defects per project on average

- ◆ Requirements rework rate: no more than 5 missed requirements in production per project on average

That rationale is that IT manages projects on behalf of internal customers (users).

- ◆ IT must ensure that quality objectives are met
- ◆ IT is responsible for managing requirements and delivery against them
- ◆ Defects inside the software development lifecycle are the responsibility of vendors

## Implementation



## Customer Measurements



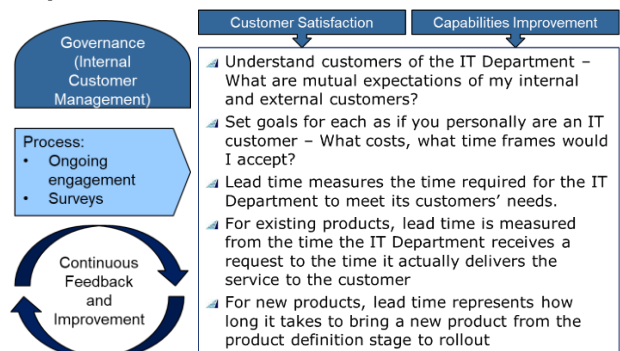
Customer measures were designed to ensure that IT is meeting the needs of customers and also improving.

- ◆ Customer satisfaction: average score > 6/10, increasing to 8
- ◆ Improving capabilities: 51% or more of users state that the IT Department is improving (vs. the same or growing worse)

The rationale was IT exists to meet the needs of internal customers (users).

- ◆ End users should have direct input about their satisfaction
- ◆ The IT Department must continue to improve over time

## Implementation



## Human Capital Measures

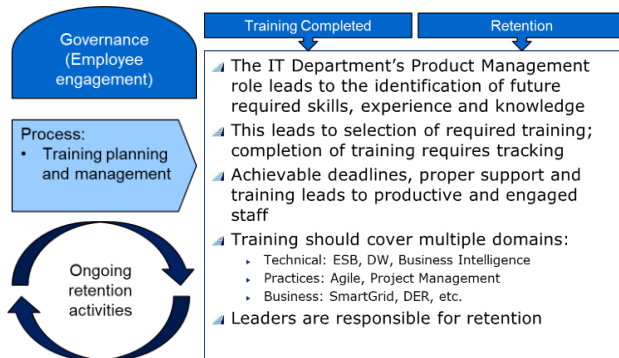
Human capital measures were designed to ensure that the IT is building important capabilities.

- ◆ Training objectives met: 95% of training objectives completed
- ◆ Retention rate: less than 15% turnover

The rationale is that IT must build capabilities while retaining talent.

- ◆ Specific training in new technologies and methods must be delivered
- ◆ Retention of talent is essential to growing and maintaining capabilities and knowledgeable capacity

## Implementation



## Knowledge Transfer

Since the client is in Vietnam, Actionable Strategies paid particular attention to ensuring understanding of the measurement system and the underlying principles. Because measurement and compensation were the foundation of the client's human capital strategy, it was important to furnish materials that could be used to train incoming leaders over the long term.

## Case Studies

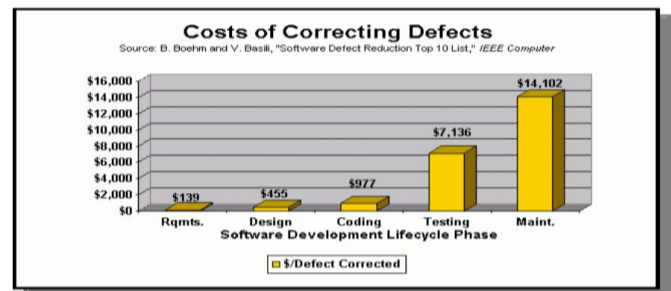
For each of Balanced Scorecard measurements, Actionable Strategies provided case studies. These case studies illustrated the application of the measurements and their effectiveness. In addition, there were lessons learned about implementation.

## Benchmark Metrics

For the rationale behind the measurements, Actionable Strategies provided benchmarks from other organizations. This allowed the client to

understand the business impact in concrete terms in addition to the conceptual.

For example, we demonstrated that software defects found in production instead of during requirements cost 100 times more to fix.



## Reference Materials

The underlying reference materials for these benchmarks were provided in a Dropbox library for the client. In addition, relevant articles, white papers and other reference materials were organized into Dropbox folders.

All of these knowledge transfer activities were designed to ensure that the client could be self-sufficient in using the measurement system long into the future.

## Business Results

Because we directly aligned to the business Balanced Scorecard, senior business executives required no convincing about the measurement system. After investing the time in educating IT executives and front-line managers, we let the now motivated leaders drive implementation. The client has moved towards a model that rewards performance based on delivering business results.

