Performance Management for Shipping IT

Charis Nassis

www.akereon.com

charisn@alum.mit.edu
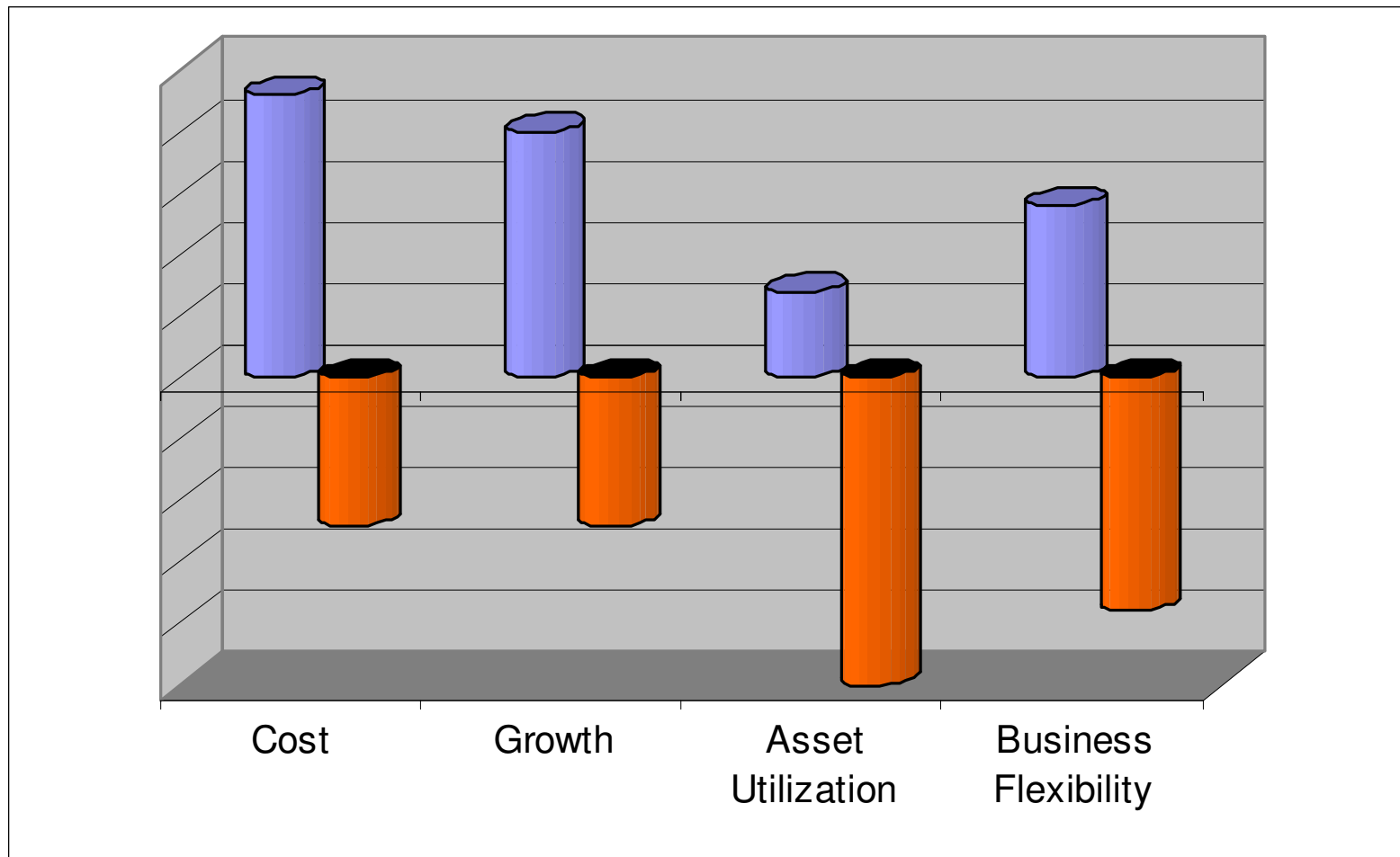
IT Performance

Agenda

- The role of shipping IT

- Measurements and key performance indicators

- The Balanced Scorecard Approach

- Smart Targets

- The Shipping IT Balanced Scorecard

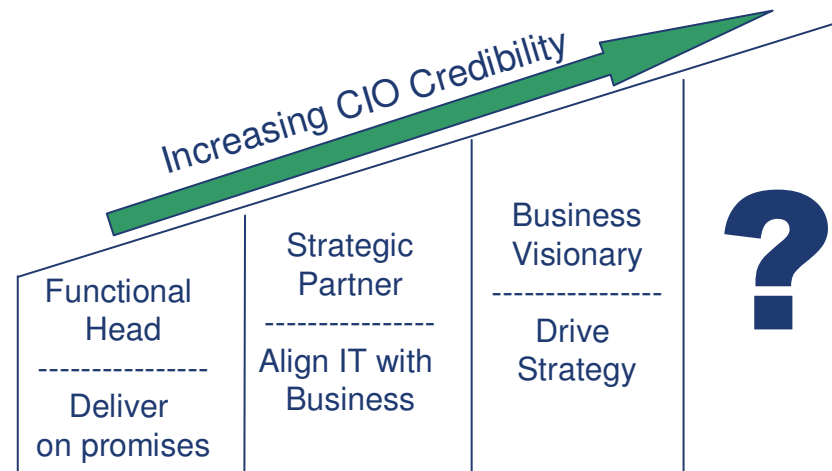- Integrating the IT targets with those of our Company

What is expected from Shipping IT?
Outcomes selected as Most or Less important

The Evolving Role of the IT Department

The evolution of the CIO role over time

The guys who take care of PC's and email or something more?

Mitigating the role of the IT Department

Task list - Job description

- Support PC's
- Open email accounts
- Daily backup
- Install new systems
- Onboard visits
- Maintain the Web site
- Cut costs
- Be there!

Management by Objectives

- Leverage technology for the benefit of the business
- Close the ship to shore gap
- Automate all the business processes
- Provide uninterrupted technology infrastructure
- Add value to shipping business
- Act as a catalyst for change
- Provide cost effective solutions

What you measure is what you get

- **Measurement is the language that gives clarity to vague concepts**

- TMSA (Tanker Management and Self Assessment)

  TMSA targets to provide to operators the means to improve and measure their own management systems. The TMSA guide includes a large number of key performance indicators (KPI's) to monitor the implementation and improvement of shipping processes.

- Key Performance Indicators (KPI's)

  Financial and non-financial metrics used to quantify objectives to reflect strategic performance of an organization. Management science is using for a long time now goals and measures to drive performance.

- The key idea is to create a system like the dials in an airplane cockpit that will give managers complex information at a glance.

Financial only indicators are not enough
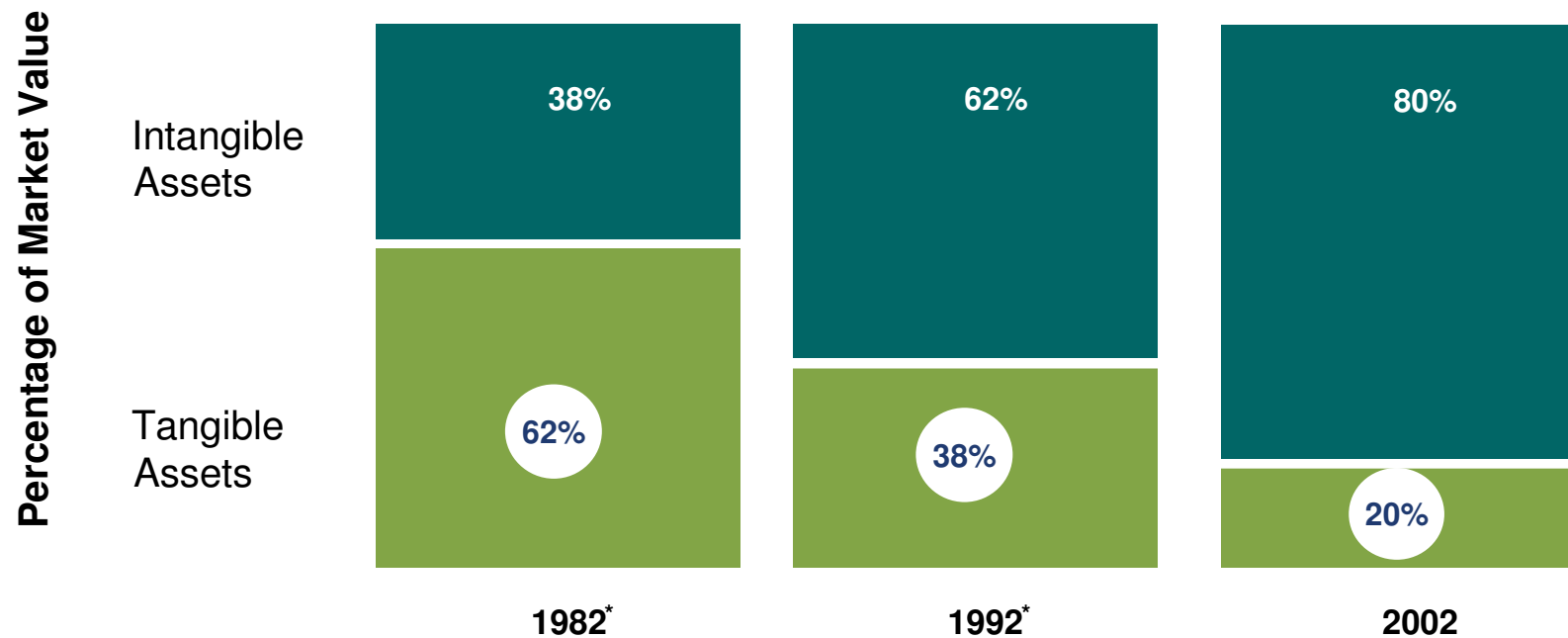
Our management systems were designed to manage tangible (financial) assets.

* Brookings Institute analysis of S&P500 companies

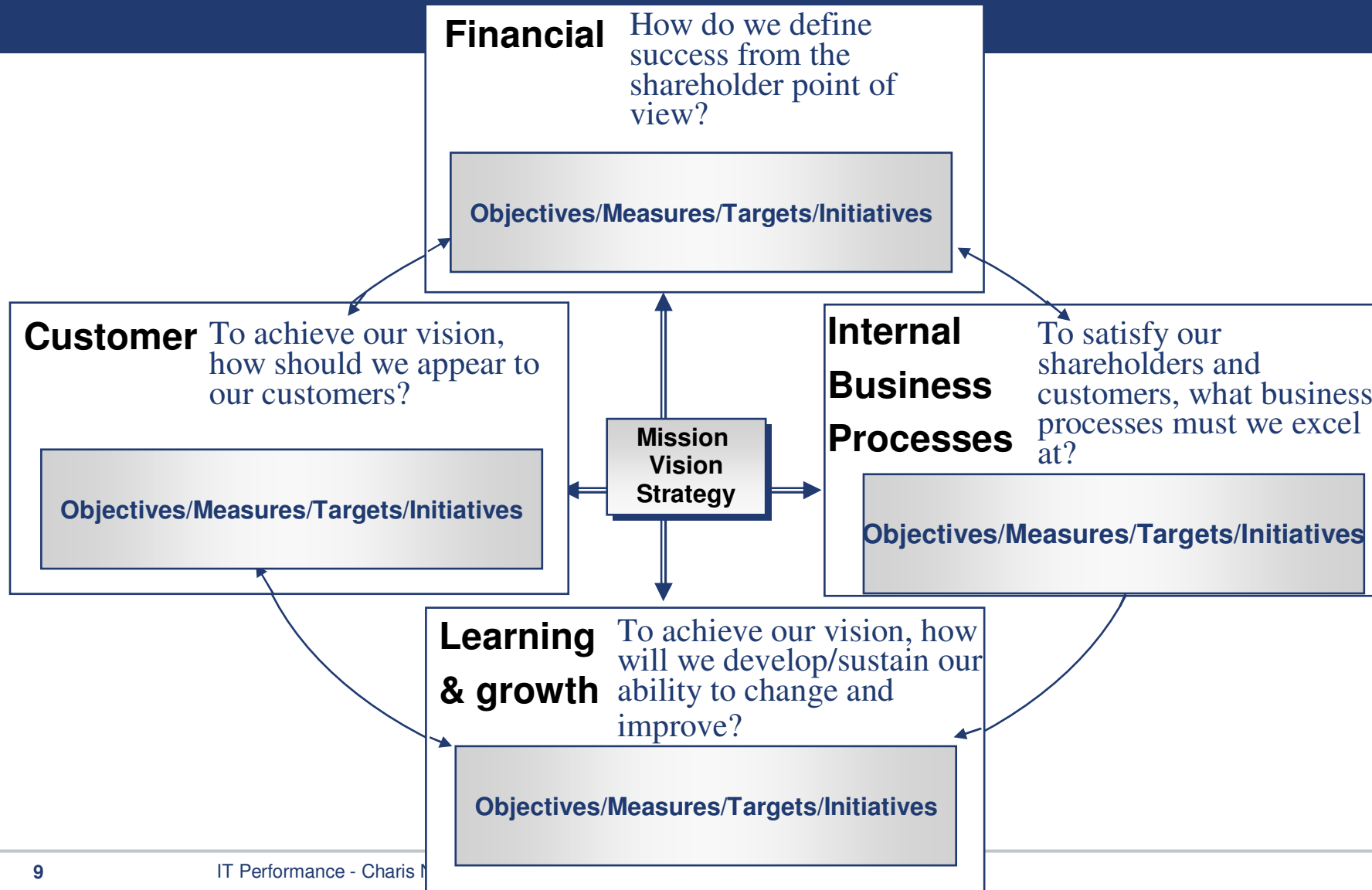# Creating Value from Intangible Assets Is Different

Intangible Assets Do Not Have A Direct Impact on Financial
Results — It Is Usually a Second-Order or Third-Order Impact

The logic of cause-and-effect defines how intangible assets are converted into tangible outcomes

The Balanced Scorecard
Integrated approach to setting objectives and initiatives

Financial How do we define success from the shareholder point of view?

Objectives/Measures/Targets/Initiatives

Customer To achieve our vision, how should we appear to our customers?

Objectives/Measures/Targets/Initiatives

Mission Vision Strategy

Internal Business Processes To satisfy our shareholders and customers, what business processes must we excel at?

Objectives/Measures/Targets/Initiatives

Learning & growth To achieve our vision, how will we develop/sustain our ability to change and improve?

Objectives/Measures/Targets/Initiatives

SMART Targets

Target setting and objectives must meet some requirements to work for the benefit of the shipping company. The acronym S.M.A.R.T. is often used to summarize these main criteria:

- **S**pecific
- **M**easurable
- **A**greed
- **R**ealistic
- **T**ime Related

Example - Instead of setting a target for onboard visits and better communications:

Ship to shore data connections must be successfully performed at least once and no more than 4 times per day.

The Shipping IT Balanced Scorecard

Financial perspective

- <u>Objectives</u>: To expand the scope and efficiency of shipping IT services. To ensure that information and communication technology is delivered on time, within the budget and have visible benefits and value for the business.

- <u>Key Performance Measurements</u>: Total number of vessels and shore users. Cost per vessel. Improvements in cost efficiency and total cost of ownership. Delivery of IT value per employee.

Customer Perspective

- <u>Objectives</u>: Internal and external customer satisfaction.

- <u>Key Performance Measurements</u> : Level of service. Satisfaction of existing users. Improvements in the user experience. Number of new ways and channels to deliver service to users.
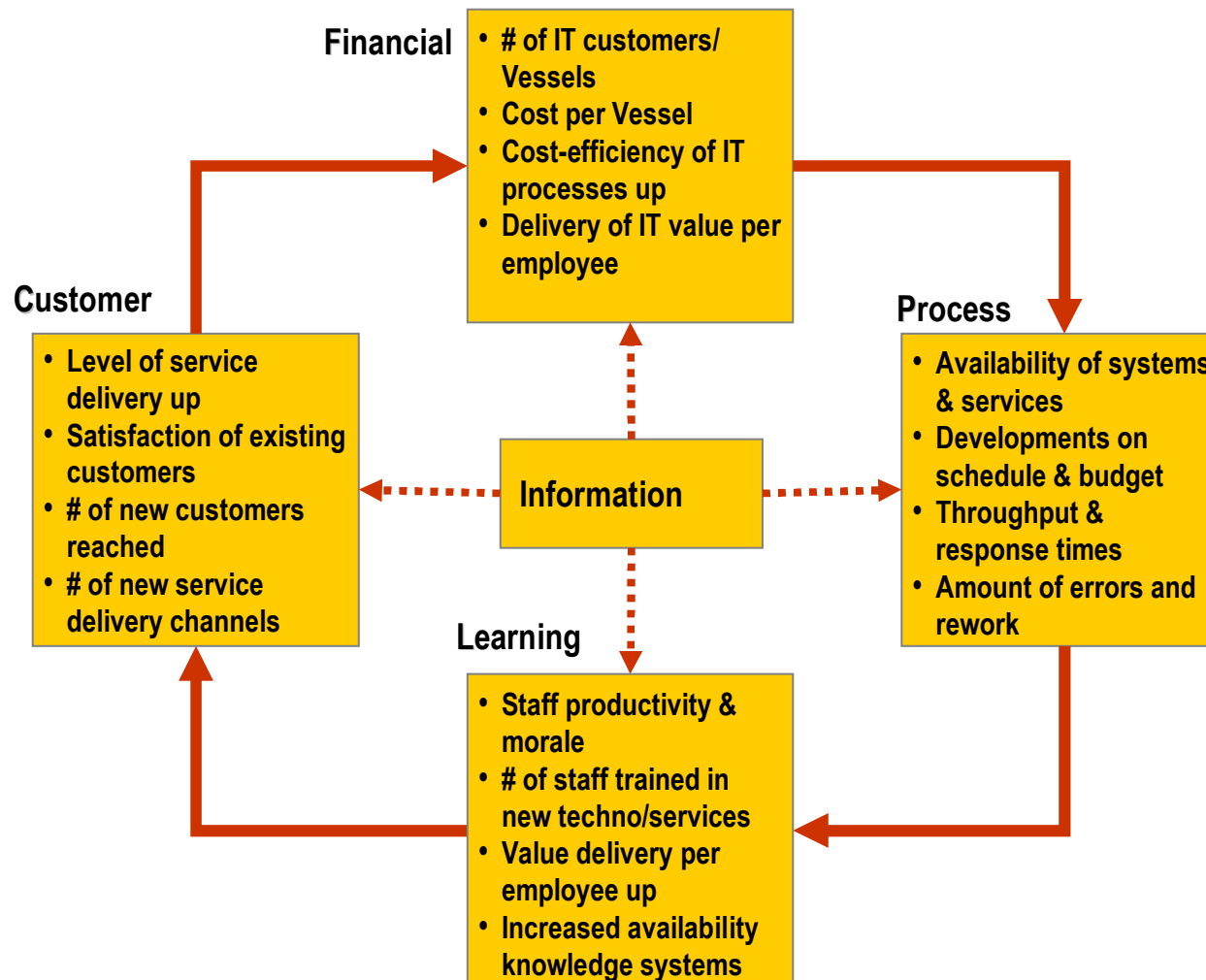
The Shipping IT Balanced Scorecard

Business Process perspective

- Objectives: Bridge the ship to shore GAP. Increase the availability and reliability of information technology. Develop innovative and effective solutions.

- Key Performance Measurements : Availability of systems & services. Developments on schedule & budget. Throughput & response times. Amount of errors and rework.

Learning and Growth Perspective

- Objectives: Develop skills of employees, information systems and IT procedures that are necessary to meet future demands with respect to financial, customer and internal objectives.

- Key Performance Measurements : Staff trained in new technology & services. Increase of valued delivery per employee. Availability of knowledge systems. Technology strategy plan. People motivation empowerment and organizational culture.

Shipping IT Balanced Scorecard

Financial

- **# of IT customers/ Vessels**
- **Cost per Vessel**
- **Cost-efficiency of IT processes up**
- **Delivery of IT value per employee**

Customer

- **Level of service delivery up**
- **Satisfaction of existing customers**
- **# of new customers reached**
- **# of new service delivery channels**

Information

Process

- **Availability of systems & services**
- **Developments on schedule & budget**
- **Throughput & response times**
- **Amount of errors and rework**

Learning

- **Staff productivity & morale**
- **# of staff trained in new techno/services**
- **Value delivery per employee up**
- **Increased availability knowledge systems**

The four perspectives combined….

FINANCIAL		
Objective	**Indicator**	**Target**

CUSTOMER		
Objective	**Indicator**	**Target**

LEARNING & GROWTH		
Objective	**Indicator**	**Target**

INTERNAL		
Objective	**Indicator**	**Target**

IT Performance is not an IT only issue
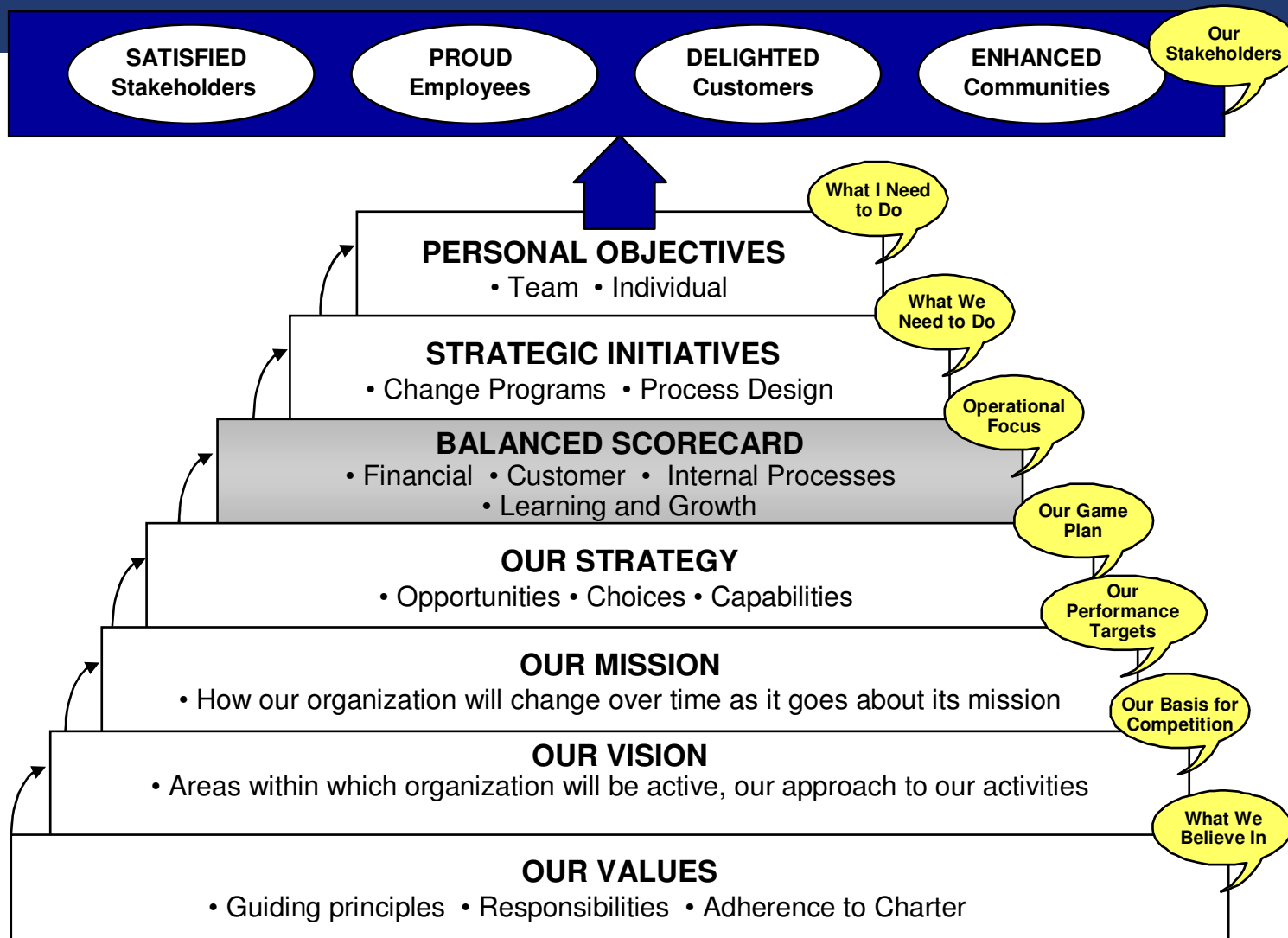
How Did They Do It?
They Created "Strategy Focused Organizations"

Management

Strategy

Process

1 Executive Team Leadership to Mobilize Change

2 Translate the Strategy to Operational Terms

3 Link & Align the Organization Around Its Strategy

4 Make Strategy Everyone's Job

5 Make Strategy a Continual Process

The Balanced Scorecard is a performance management program that puts strategy at the center of the process