eight steps to establishing your IT performance measures. *for* good MEASURE

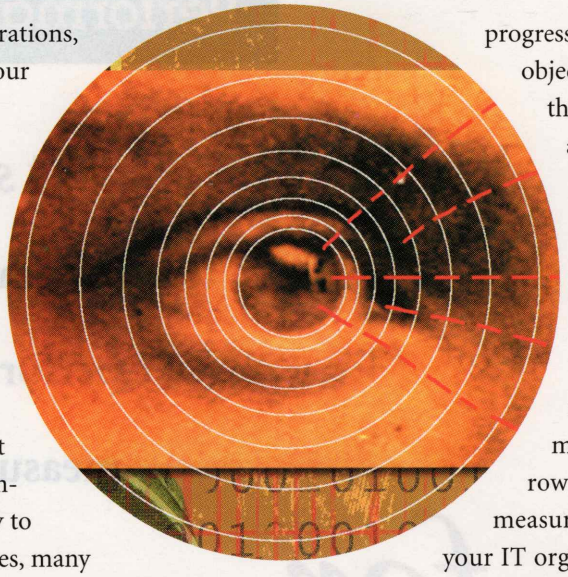
BY PRESTON D. CAMERON

As more and more organizations devote significant resources (both financial and human) to their e-business and information technology (IT) initiatives, one of the questions executives still ask most often is, "How well is our IT function performing?"

Most CFOs will admit they don't have a complete view of their global IT universe, including hardware, software, and services (training, consulting, communications, and so on).

ILLUSTRATION: BRIAN RASZKA

The more complex your IT operations, the harder it is to stay on top of your IT performance. As a result, too many financial executives still resort to calculating IT performance based on simple variables like system uptime or downtime during a week or month. As long as the appearance of system availability is maintained, IT performance is often assumed to be sufficient. But as it becomes more urgent for companies to invest in new technology to support all the e-business initiatives, many CFOs and other financial executives are taking a second look at identifying performance measurements that communicate their organization's IT performance with improved clarity.



If you're looking to establish more meaningful measures of performance for your IT functions, consider the following eight steps.

STEP 1: LINK INFORMATION TECHNOLOGY PROJECTS TO YOUR ORGANIZATION'S GOALS AND OBJECTIVES

Link your IT projects to your organization's goals and objectives. This will improve your organization's ability to measure the contribution of IT projects to its mission and vision—its reason for being. Start by dividing your IT projects, objectives, and functions into operational and strategic areas. Projects related to IT strategic plans can be defined in broad, general statements that relate to your organization's mission and describe the desired outcome. The following four common areas can help you focus on the most important "vital few" IT objectives:

1) Meeting the strategic needs of the enterprise,
2) Meeting the needs of individual customers,
3) Addressing IT internal business performance, and
4) Addressing IT innovation and learning.

STEP 2: DEVELOP PERFORMANCE MEASURES

The concept of IT performance measurement is straightforward: You get what you measure, and you can't manage an IT organization or project unless you can measure it. Measurement focuses attention on what is to be accomplished and compels your IT organization to concentrate time, resources, and energy on achieving those objectives. Measurement provides feedback on the progress of your IT performance toward objectives. If your results differ from the original objectives, you can analyze the gaps in performance and make any necessary adjustments.

When developing your IT performance measures, start by focusing on the IT customer. By identifying what is most important to this department, you should be able to narrow down the potential list of measures that are most meaningful to your IT organization. Agree with that customer to focus on the most important of these measures.

Performance measures seek to improve performance and accountability by using a quantifiable metric of results (for example, number of dollars saved, number of days saved in a business process, or recorded improvement in customer satisfaction). Four common IT performance measures include:

1) Input Measures The resources used in producing an output or outcome or the answer to the question, "What resources are in place or are needed to conduct this activity?" One IT project's output measure (for example, products produced) could be another project's input measure (for example, products received).

2) Output Measures The calculation or recording of activity that can be expressed in a quantitative or qualitative manner, or the answer to the question, "What is the product, service, or result of this activity?"

3) Outcome Measures An event, occurrence, or condition that indicates progress toward achievement of the purpose of the program. The results of a program activity compared to its intended purpose or the answer to the question, "Will expending these resources result or contribute to the success of what we want to accomplish strategically?"

4) Impact Measures An IT organization mission, objective, goal, or long-term effect of the outcomes over an extended time period.

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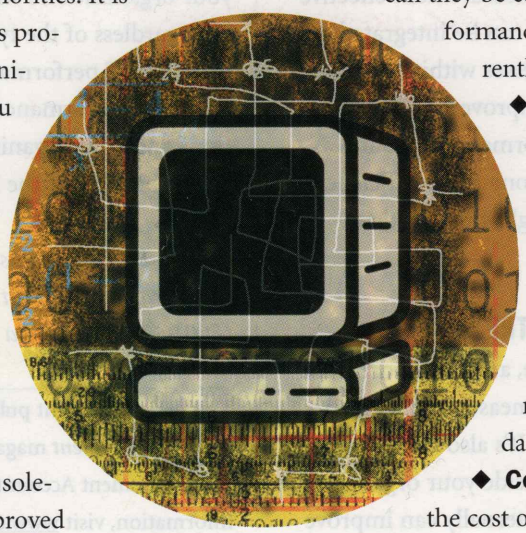
STEP 3: ESTABLISH A BASELINE FOR FUTURE PERFORMANCE COMPARISON

The baseline is an essential element of any IT performance measurement. Without a baseline, your IT goals can become merely wishes. Establishing baselines involves data collection and consensus building. This step is important because a clear record of your current level of performance is necessary to assess any improvement in future performance.

If no baseline exists for the measures you've chosen, don't worry. Many organizations establish a baseline once they begin collecting the performance results data. Remember, to be effective the baseline must support the measures you're using.

STEP 4: SELECT INFORMATION TECHNOLOGY PROJECTS WITH THE GREATEST VALUE

For any IT performance measure to effectively assess the contribution of your IT investments to the organization's overall mission and objectives, an IT investment needs to be linked closely to your business priorities. It is essential that the selected IT projects produce the greatest value to your organization with the limited resources you have available. Value can consist of contribution to your overall business performance in addition to other more discrete benefits such as cost reduction, cost avoidance, productivity improvement, and increased capacity that can result when a particular area employs technology.



Decisions to invest in technology solely for its own sake rarely lead to improved performance. For example, standardizing workstation configurations can reduce your costs in maintenance or training. But although this investment appears necessary and prudent, the action can have little direct positive impact on your overall business objectives. Therefore, to maximize the value of your IT investments, favor those IT projects that provide the greatest impact on business performance.

STEP 5: COLLECT DATA

If your IT organization can properly address the data it needs to measure during the development and selection of its performance measures, then data collection becomes a routine event. So, the obvious time to address data collection is during development of the performance measures.

When selecting actual performance data and establishing performance baselines, you'll find the following criteria for data collection helpful:

- **Availability:** Are the data currently available? If not, can they be collected? Are there better IT performance indicators for data that are currently unavailable?
- **Accuracy:** Are the data sufficiently reliable? Are there biases or exaggerations? Are the data verifiable and auditable?
- **Timeliness:** Are the data timely enough to evaluate performance? How frequently do the data need to be collected and reported? How current are the data?
- **Cost of Data Collection:** What's the cost of collecting the data? Is data col-

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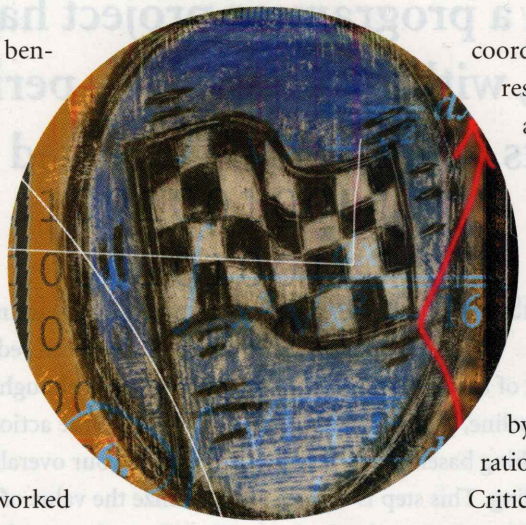
lection cost-effective; that is, do the benefits from having these data exceed the costs anticipated in acquiring them?



STEP 6: ANALYZE THE RESULTS

IT performance indicators, particularly outcome types of measures, rarely provide meaningful information by themselves. By conducting a measurement review to determine how well the indicators worked and how well the results contributed to your objectives, you can look for ways to improve the performance and effectiveness of your IT organization and make meaningful conclusions from the results.

STEP 7: INTEGRATE INTO MANAGEMENT PROCESSES

After your organization has collected and analyzed the performance data, the payback from any IT performance measurement process comes from using the data to improve individual, department, and enterprise-wide performance. Many organizations report that if the results aren't used, employees simply won't take the performance measurement process seriously nor will they make the effort required to apply measurement effectively. Performance measurement data can be integrated into a number of IT management processes within the business and technology domains to improve an organization's decision making. Good performance measures indicate whether the activity was done right (efficiency) and whether the activity was the right thing to do (effectiveness).

STEP 8: COMMUNICATE THE RESULTS

It's not enough to measure, analyze, and incorporate the results from your IT performance measurement efforts into your IT management process. It's also vital to communicate the results inside and outside your organization. Communicating the results internally can improve coordination and better use of limited resources. Internal communication also builds confidence and support from the rest of the organization regarding your IT projects, especially if the results are favorable. Communicating performance results and measures externally also can strengthen your partnerships with customers and suppliers by opening new avenues for collaboration on IT projects.

Critical to the success of any IT performance-based management system is the support and involvement of senior management and all levels in the organization to counteract resistance to change as a result of these IT performance measures. Remember that all of the IT activities must be included, even those that are outside the IT department, or your performance measurements could be incomplete. If performance measurement of IT projects is new to your organization, then start small and focus on measuring the processes, not the people. Fewer measures can mean less initial cost, and additional measures can always be added. Periodically review the measures to determine their usefulness and continued applicability. If a performance measure is no longer useful, scrap it and find another that supports your organization's strategic objectives.

Regardless of the type of organization, one overriding theme in IT performance measurement exists. Be patient. Instilling performance measurement into your IT functions and your organization may not have an immediate payoff because of the learning process involved. ■

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