



# For Good Measure

## Eight steps to establishing your IT performance measures

As more and more organizations are devoting significant resources (both financial and human) to their e-business and information technology (IT) initiatives, one of the most frequently asked questions by many executives still remains



By Preston Cameron

“how well is our IT function performing?” Most CFOs will admit that they don’t have a complete view of their global IT universe, including hardware, software, and services (training, consulting and communications).

The more complex your IT operations, the harder it is to stay on top of your IT performance. Consequently, too many executives still resort to calculating IT performance based upon simple variables like system up time or down time during a week or month. As long as the appearance of system availability is maintained, IT performance is often assumed to be sufficient. But with the new urgency of IT investments to support all the e-business initiatives, many executives are taking a second look at identifying performance measurements that communicate improved clarity of their organization’s IT performance.

If you’re looking to establish more meaningful measures of performance for your IT functions, consider the following eight steps to reviewing or establishing your IT performance measures:



### Step 1: Link information technology projects to your organization’s goals and objectives

The process of effectively measuring the contribution of your IT projects to your organization’s mission and vision begins with a clear understanding of your own organization’s goals and objectives. Linking IT projects to these goals and objectives improves your organization’s ability to measure the contribution of IT projects to your mission and vision, or 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 relating

to your organization’s mission and also in describing the desired outcome. It can be useful to help focus on the most important “vital few” IT objectives by looking at these four common areas:

- 1) Meeting the strategic needs of the enterprise
- 2) Meeting the needs of individual customers
- 3) Addressing IT internal business performance
- 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, allowing you to make necessary adjustments.

When developing your IT performance measures, start by focusing on the IT customer. By identifying what is most important to them, you should be able to narrow down the potential list of measures that are most meaningful to your IT organization. Get an agreement with that customer on the few meaningful measures that your IT organization will focus on that are considered most important.

**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.**

Performance measures seek to improve performance and accountability by using a quantifiable metre of results (i.e., 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 (i.e. products produced) could be another project’s input measure (i.e. 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 indi-



cates 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.

By identifying a team of IT customers, using clear measurable and end result-oriented performance measures, IT organizations can then determine the extent to which a program or project has achieved its specific goals within a given time period, and met the needs of its customers or accepted standards.



**Step 3: Establish a baseline to compare future performance**

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. The importance of this step is simply to assess any improvement in future performance; you’ll need to have a clear record of exactly what your current level of performance is.

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



**Step 4: Select information technology projects with the greatest value**

For any IT performance measure to assess effectively the contribution of your IT investments to your organization’s overall mission and objectives, an IT investment needs to be linked closely to your business priorities. It is essential that the IT projects that are selected 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 discrete benefits. Discrete benefits include 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



technology reasons rarely support improved business 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 performance of your IT investments, favour those IT projects that provide the greatest impact on the performance of your business domain.



**Step 5: Collect data**

If your IT organization can properly address the data needed for measurement during the development and selection of their performance measures, then the actual collection of data 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, using the following criteria for data collection can be helpful:

- **Availability:** Is the data currently available? If not, can it be collected? Are there better IT performance indicators for data that are currently unavailable?
- **Accuracy:** Is the data sufficiently reliable? Are there biases or exaggerations? Is the data verifiable and auditable?
- **Timeliness:** Is the data timely enough to evaluate performance? How frequently does the data need to be collected and reported? How current is the data?
- **Cost of data collection:** What is the cost of collecting the data? Is data collection cost effective; that is, do the benefits from having this data exceed the costs anticipated in acquiring it?



**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 to 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 are not used, employees simply will not 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 is also vital to communicate the results inside and outside your organization. Communicating the results internally can improve coordination and better utilization 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 favourable. Communicating performance results and measures externally can also strengthen your partnerships with customers and suppliers by opening new avenues to collaborate 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 that may result because 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 an IT performance measure is no longer useful, scrap it and find another that supports your organization's strategic objectives.

Instilling performance measurement into your IT functions and your organization may not have an immediate pay-off because of the learning process involved. Regardless of the type of organization, one common characteristic that exists in IT performance measurement is patience.

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