IT Performance Management

What Is Your IT Organization's Readiness?

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The Idea of the Measurement-Managed Organization

Measurement-managed organizations have been described as those organizations that have adopted a strategic and balanced set of Key Performance Indicators (KPIs) with which they plan, implement, operate and monitor the strategies, functions and processes of their organization. Various studies on the use of measurement as a management tool have shown positive results in most areas of concern to senior management. Almost all IT organizations have implemented some form or forms of measurement. Most of these apply to financial matters and IT operations. While these aspects of IT performance are very important, they only represent the traditional and obligatory elements of IT measurement.

Today it is more important than ever for IT management to be able to assure corporate and line of business management that the substantial investments being made in IT are both appropriate and providing the highest possible return. Further, IT's stakeholders are demanding that IT prove the value of these and prior investments. At the same time, the demand for IT services continues to accelerate as IT resources are forced to remain constant and in many cases, are being reduced.

IT management, through the use of a balanced and well thought out set of Key Performance Indicators can:
• Increase the certainty of decision-making
• Identify lagging performance and improve it
• Align the entire organization with its goals, objectives and strategies
• Align IT with the goals, objectives and strategies of stakeholders
• Communicate the Value of IT

Organizational Readiness for Measurement Management

There are a number of characteristics that help to define measurement-managed organizations and it is important to be aware of which of these are a part of or are lacking within your organization. As with any other undertaking, the more information you have, the better your decision-making will be. In addition to understanding what characteristics are important in order to be successful in the implementation of measurement as a management tool, it is also important to have a well thought out process of development for the implementation of your measurement program. ITPMG has developed a process specifically for this purpose and specifically for IT organizations. The following set of questions combines the characteristics elements of the *Measurement-Managed Organization* with the five phased of the ITPMG process. By reviewing these questions you will have gain significant insight into your organization's readiness for IT Performance Management.

The five phases of the ITPMG methodology are:
Phase 1: Specify and Clarify
Phase 2: Test and Develop
Phase 3: Automate
Phase 4: Cascade

Phase 5: Embed and Review

Test Your Organizations Readiness for IT Performance Management

Phase 1: Specify/Clarify
1. Clear process objectives formulated
2. Agreement on strategy secured
3. The business and change models are defined
4. Top leadership commitment to performance management secured

Question for Phase 1:
1. If asked individually, would each member of the leadership team articulate the same objectives for the performance management program?
2. If asked individually, would each member of the IT leadership team identify the same limited set of key drivers and expected outcomes underlying the business and change models being employed?
3. Are the concepts in the business and change models well balanced between results and drivers, between short and long-term objectives and across various stakeholder perspectives?
4. Have members of the leadership team defined the key concepts in the change model in terms of desired behavioral change?
5. Have members of the IT leadership team put their personal time and energy into the process?
6. Has a plan been developed for executing Phase 2 of the performance management program?

Phase 2: Test/Develop

1. Business and change models tested
2. Valid, reliable Key Performance Indicators, metrics and measures identified
3. Performance targets established
4. Process leaders developed

Question for Phase 2

1. Has the change model been discussed and validated by a representative sample of employees outside of the executive suite?
2. Is there a measure associated with each of the key concepts of the change model that is:
   a. Valid
   b. Reliable
   c. Responsive to change
   d. Easy to understand
3. Does the final set of measures find a way to balance:
   a. Short- versus long-term results
   b. Leading indicators of success versus lagging outcome measures
   c. The perspective of multiple stakeholders in the organization
4. Have clear performance targets been established for each KPI and measure based on current performance and, when applicable, external benchmarks?
5. Are the organization's major "influencers" involved and committed to seeing performance management implemented successfully?

Phase 3: Automate
1. Data repositories identified
2. IT systems aligned
3. Data extraction tool selected and implemented
4. Scorecard tool selected and implemented
5. Scorecard populated

Questions for Phase 3:
1. What percent of the raw data needed for measures is available electronically?
   a. Spreadsheets
   b. Local Databases
   c. Corporate systems
   d. Business unit systems
2. Is the location of all raw data known?
3. Have the "owners" of the various raw data elements been identified?
4. Have persons been identified as being responsible for updating measurement data?
5. Does an extract, transform and link (ETL) tool standard exist?
6. Are there Business Intelligence tools already in place in other parts of the organization?
7. Do scorecards exist in other parts of the organization?
8. Have IT's scorecard presentation formats been developed and agreed upon?
9. Has the scorecard distribution method been developed?
10. Has the scorecard distribution hierarchy been established?

Phase 4: Cascade
1. Cascading structure determine
2. Strategy communicated
3. Cascade leaders trained
4. System of measures linked
5. Measurement behavior linked

Questions for Phase 4:
1. Does IT management and staff understands IT's high level strategy and performance measures, and the relationship between the two?
2. Is the IT leadership team directly involved in communicating the strategy?
3. Are senior leaders involved in reviewing both the supporting department's and group's scorecard measures and the rationale for how their managers will support the strategy?
4. Do functional and department leaders have a clear understanding of the role their group plays in supporting the organizational strategy?
5. Do middle mangers have the tools, knowledge and skills to develop and implement the KPIs and measures for their organization?
6. Is a process in place for linking KPIs and other strategic measures to department and group objectives and the workgroup, team or individual accountabilities?

Phase 5: Embed/Review

1. Measurement processes integrated
2. HR systems aligned
3. Objectives reviewed and refined
4. Strategies reviewed and refined
5. Business and change models reviewed and refined

Questions for Phase 5:

1. Is there an established management process for reviewing, analyzing and acting on strategic information?
2. Do employees or teams have a set of accountabilities that are linked to their performance measures, which are then linked to the KPIs and other strategic performance measures?
3. Is there help for individuals to understand how their personal performance objectives relate to the KPIs and other strategic performance measures (KPIs)?
4. Is there a process that links the development, training and advancement of the IT staff's capabilities to the strategic performance measures and strategic performance gaps?
5. Do managers have access to KPI results when they want and require them?
6. Are the summary reports accurate, friendly, and structured to communicate results?
7. Are compensation systems and the measurement program aligned to a "pay for performance" when performance exceeds expectation?
8. Are the change model, IT strategies and KPIs reviewed on a regular basis?

What Do We Learn From Our Answers?

First and foremost there are no IT organizations that we have worked with over the past fifteen years that have ever been able to positively answer all questions in all phases. **Do not be discouraged with your organization's responses!**

An ITPMG credo is "IT is doing things right, but are they doing the "right" things?" This credo easily transfers to an IT organization's approach to the use of measurement; "IT is measuring many things, but are they measuring the "right" things?" If no one asks these questions, no one will know the answers and therefore no one will take corrective action where and when necessary. This principle applies to the use of measurement. The first step in taking corrective action is to identify those areas requiring correction. Your answers to these questions begin that process.

Must our organization be able to answer all these questions positively before we begin to develop or migrate our measurement program? The answer to that question is simple, no! For one, your IT organization is probably employing many of the underlying elements of an IT performance management program. ITPMG does not advocate bringing measurement either to a halt or to throwing out everything that has been done to date. There are most likely many positive aspects regarding your current approach to measurement and people both within and outside of IT are familiar with measures and reports in use. These measures and reports provide value to some and should continue in use until others are developed.

There are "gaps" in every IT performance management program. Identifying these "gaps" is a necessary step in the advancement and eventual success of these programs. The primary purpose of asking these questions is to avoid the pitfalls of attempting to implement an overly ambitious performance program in advance of the organization's cultural readiness for IT performance management. It is extremely difficult to "undo" the perceptions of those that have a negative reaction to measurement. Further, it is also difficult to migrate your measurement program to a performance management program without the "buy in" of those that will be impacted by measurement. For these reasons it is important to recognize the current "gaps" in the culture and readiness to adopt measurement as a management tool and enable your measurement team to address and overcome these "gaps".

Finally, what should be your starting point along the five phases of program development and implementation? The answer to this question lies in an understanding of the goals of your measurement program and it's current status. An organization can enter the process at points in phases 1,2,3 and 4 once your goals are understood and agreed upon by the management and the measurement team. It should be recognized, however, that in order to ensure the success and sustainability of your performance management program, eventually all the major elements of each phase would need to be addressed.

Contact ITPMG today to get a better understanding of how your organization can benefit from implementing or upgrading an IT performance management program:

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