



# DEVELOPING METRICS THAT MATTER

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A universal law of business states, “What gets measured gets the attention.” As a result, IT must ensure that the right metrics are used as key performance indicators (KPIs) so that appropriate actions are taken by IT management and IT staff to meet the targets set by these KPIs. It’s important, therefore, to communicate to the IT staff the overall business goals and to motivate the staff to view the KPIs in light of those goals. This awareness of the necessary alignment between IT activities and business strategy is critical if IT is to play an integral role in the business.

Most IT organizations have the expertise to leverage technology to provide competitive differentiation and to deliver technology to help the business grow. IT cannot, however, simply sit down at the business table in the enterprise and begin to integrate with and innovate the business immediately. Instead, IT’s integration with the business typically progresses through three phases:


- » **Phase 1** — IT must first earn a seat at the business table by providing dependable, high-quality service to business users at a reasonable cost. The business services you deliver must meet the expectations of your business users.
- » **Phase 2** — When satisfied with IT service, the business community will then begin to work with IT to increase the integration of IT with the business.
- » **Phase 3** — IT becomes a recognized source of competitive advantage and business innovation.

The continually evolving IT service management solutions enable many IT organizations to meet management’s demands by continuing to improve service and reduce costs. To earn a seat at the business table, IT must demonstrate and explain that success in a way that business users understand. KPIs can supply the information you need. KPIs provide metrics to measure factors that are deemed important for an organization’s success in meeting its business goals. Using KPIs to demonstrate success requires IT to perform the following:

- » Establish a set of business-oriented metrics in the form of goal-oriented KPIs
- » Leverage the available data to link the KPIs to other key operational metrics that include both technology and process metrics
- » Monitor and communicate the KPIs to ensure actions are taken to influence continual improvement of IT operations

## Establish Meaningful KPIs

Key performance indicators differ substantially across industries and also across companies within industries. Each organization must develop a set of indicators that is specific to the organization's industry and to the organization itself. To derive KPIs, you must set business goals and provide the means to measure success in achieving these goals.



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When you establish KPIs related to business service delivery, it's important to determine whether the IT staff and its business users view business service delivery from the same perspective. You may discover that the IT staff measures service delivery using internally facing operational metrics that have a technology and process perspective. Business users, on the other hand, are more likely to gauge service delivery from an overall business service perspective. As a result, the IT staff and business users operate from two different perceptions of the quality of service delivery.

Establishing KPIs usually requires the creation of a hierarchy of indicators and their associated goals. Breaking top-level KPIs and goals into their component sub-KPIs and subgoals allows your IT staff to gain insight into the factors that affect the top-level indicators and what actions to take to influence those factors. You might want to establish KPIs incrementally, beginning with a single, top-level business KPI based on the outcome you desire. Use several references — including the metrics described in the IT Infrastructure Library® (ITIL®) — to help you derive actionable, goal-driven indicators that are meaningful to business managers.

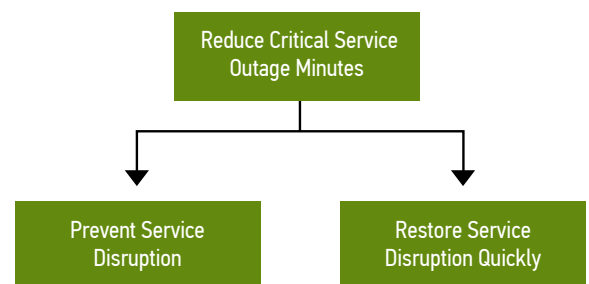
What should you measure? In your IT organization, information about unplanned outages might help you demonstrate that IT is a trusted source of business services. If such information would be useful, you should establish a KPI that measures the reduction of total

outage minutes of certain critical business services compared to the previous year. Then, set a goal to reduce the outage minutes of the targeted critical business services by a specific percentage compared to the previous year. Work with the business side of the enterprise to derive the KPI, and consult business unit managers to determine which business services the managers consider critical to their business units.

Divide your goals into subgoals that apply to the underlying IT processes that help reduce total outage minutes. Then divide the subgoals into two major categories: *prevention* of service disruption, and *fast restoration* of service if a disruption occurs (see Figure 1).

The first category of subgoals — prevention — requires IT to move

proactively to detect and address issues before they result in service outage. Prevention also requires IT to reduce the number of failed changes that result in service outage. The second category — fast service restoration — requires IT to reduce incident resolution times through a fast escalation of incidents to the appropriate people, a rapid diagnosis, and a quick resolution of the incident.



**Figure 1.** Divide goals into two categories of subgoals.

## Understand KPIs in Terms of Business Value

IT organizations have implemented sophisticated IT service management solutions that track a wide variety of metrics. Some solutions measure the health of IT infrastructure resources (servers, mainframes, storage devices, and network elements) using metrics such as availability and performance. Other solutions track support services (change management, incident and problem management) using metrics such as incident response times, root-cause determination and permanent-fix implementation times, and change successes and failures.

The metrics tracked by IT service management solutions are necessary for managing IT service delivery, but they are not sufficient by themselves to measure success in meeting the expectations of the business. The challenge is to identify the metrics that matter most for meeting business users' expectations and to leverage that information by rolling it up into actionable KPIs that are meaningful to the business. Both IT and business managers can use these KPIs to measure IT's success in meeting the expectations of the business.

A fundamental requirement for IT service management and linking KPIs is the ability to relate business services to the underlying IT infrastructure components that support these services. This capability provides the bridge between the business and the technology perspectives of IT service delivery.

IT service management solutions are available that provide this bridge. The solutions discover and record IT infrastructure components as configuration items in a configuration management database (CMDB). The solutions maintain details about the configuration items, such as their hardware and software configurations. They also maintain information about the relationships of the configuration items to each other, such as their physical and logical dependencies. In addition, the solutions maintain information about the relationships of the configuration items to the business services they support.

In the earlier example about unplanned outages, the IT staff should be able to roll up operational metrics, based on ITIL best practices, to create the KPIs that indicate the reduction in outage minutes for the targeted critical business services (see Figure 2). An operational metric could be the outage time for incident categories, such as priorities and product categories. For example, after you derive the outage minutes contributed by each of the IT infrastructure components involved in delivering the target business services, you could roll those up to the top-level KPIs that indicate total outage minutes for the specified business services.

IT needs to include, combine, consolidate, and analyze the wealth of data maintained in the IT infrastructure and translate that wealth into KPIs that both IT and business managers understand.



### Present the KPIs and Tie the KPIs to Actions

After you decide which KPIs to report and how they are interrelated, the next step is to design a mechanism to present the KPIs and their supporting metrics. The mechanism should enable managers to get the information they need, quickly and easily, without shuffling back and forth through an array of different tools and reports.

The reporting mechanism must support three purposes:

- » Highlight or alert whether business-expected targets are being met
- » Provide trending and an overview of performance indicators
- » Provide details that pinpoint which areas within each performance indicator require actions

The reporting mechanism should not inundate managers with information. Instead, it should make it easy for managers to get the information appropriate to their roles. IT can leverage a dashboard display system to present the

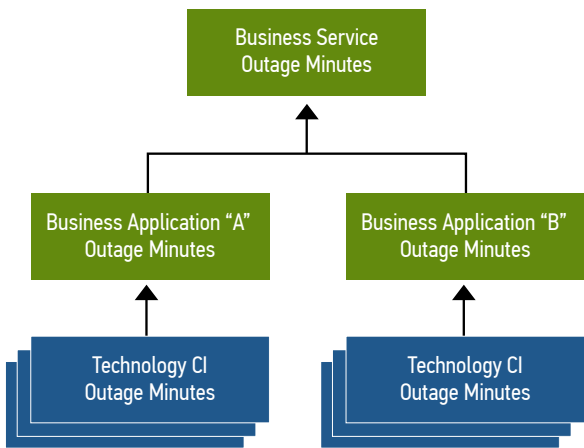


Figure 2. Rollup of operational metrics

KPIs in an easy-to-read, graphical manner. The system could provide a separate dashboard for each target business unit. Each dashboard could be hierarchical and present a metric tree through which managers can easily drill down to get progressively more detailed information, as required based on their individual roles.

At the top level, an executive display could present the overall KPIs that would indicate the overall reduction in outage minutes for the target business services for that business unit and the goals for those KPIs. At the next level down, the dashboard could display the sub-KPIs that measure the outage reduction in the underlying IT processes that contribute to total outage minutes. Finally, the IT staff can drill down from the second level into deeper levels that display the internally facing, operational metrics that support the sub-KPIs, helping the staff to identify specific problem areas so they can take corrective actions.

The IT staff can continue to improve upon results through ongoing development and measurement of additional KPIs to provide even more meaningful, action-oriented information. For example, the staff could leverage the total outage minutes KPI to calculate another top-level KPI that indicates the number of transactions lost over a certain period of time due to outages of the target critical business services. To do this, the staff could use historical data to determine the number of transactions that are processed per time period for each target critical business service. They can then use that metric to derive the number of transactions lost per outage minute in each service. To further understand the business impact, in terms of the financial costs of an outage, IT could work with the business to model the cost per transaction. Using this model, the total financial lost could be derived from number of transactions lost.

## Get the Results You Need

IT has the expertise and ability to contribute a great deal to competitive differentiation and business innovation. To make this happen, however, IT first must establish itself as a trusted partner in the eyes of business managers. That means ensuring and also demonstrating to business managers that IT is meeting the expectations of business users in the delivery of business services. Therefore, IT must measure its success in meeting these expectations and communicate this success in a way that is meaningful to both IT and business managers.

To achieve this objective, IT needs to include, combine, consolidate, and analyze the wealth of data maintained in the IT infrastructure and translate that wealth into KPIs that both IT and business managers understand. Through this integration of information, IT can increase its contribution to and recognition by the business.

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