

# Conference report

# IT Performance Measurement

*Crown Plaza Amsterdam, June 24th to 26th, 2002*

From June 24<sup>th</sup> to June 26<sup>th</sup>, this international conference, organized by Marcus Evans, with more than 60 participants from major European companies, aimed at answering questions and exchanging experience around performance measurement for IT services and solutions.

Based on contributions from ABN Amro Bank, University Management school of Antwerp, the IT Governance Institute, ING Group, Great-West Life, Barclays, BNP Paribas, Royal & Sun Alliance, Cranfield School of Management, Swiss Life and Nordea IT the conference covered issues around measuring, managing and improving the performance of IT services in today's organizations.

This white paper is intended to give an overview of some of the major conclusions that can be derived from the conference. It is a reflection of the statements made by presenters and participants during the conference and is not intended to be a complete guideline.

## ***The IT 'Right of existence'***

It is clear that the expectations of organizations towards their internal IT suppliers have changed dramatically over the last decade. More and more IT managers are confronted with challenging questions around the actual value their IT services provide for their companies. Successful IT managers succeed in making the shift from an internal supplier of networks and services to a partner delivering 'tailor made' solutions for internal customers.

Seen the majority of the benefits they provide for the organization are so called 'intangibles', IT managers need to redirect their strategy and performance management to a more customer oriented approach, in order to be able to proof the value of their existence. Making the shift from a technical perception to a solution and customer oriented one demands for a different kind of performance management.

Building a partnership with internal customers and displaying accountability starts with focussing on added value and investigating all stakeholders' expectations. Agreed Service Level Agreements allow for the development of a pro-active strategy and aligned processes. Based on this strategy, defining the vital few indicators to measure and manage IT performance provides the IT manager with a solid base to increase the satisfaction of the customer.

However, building and implementing an IT scorecard puts three major issues up front which we will address in the next chapters of this document.

## Which framework to choose?

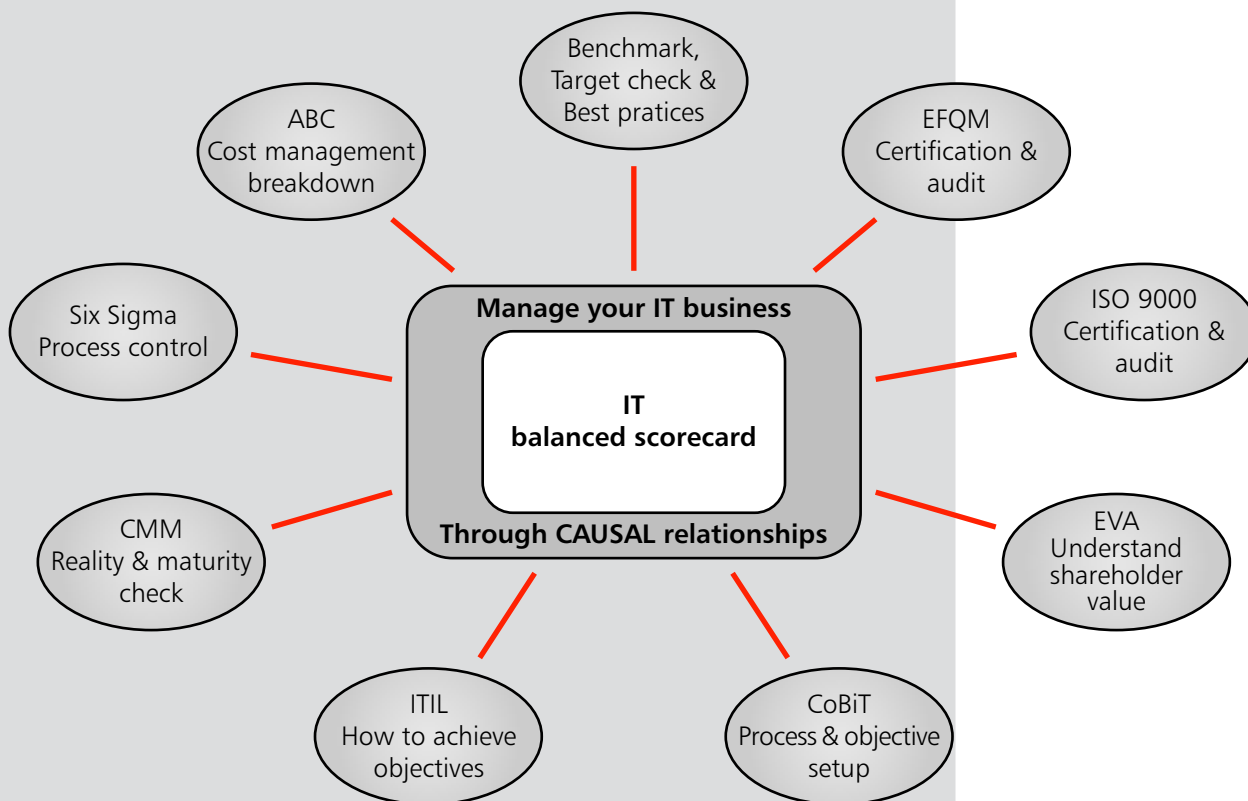
In most of the cases, the multitude of available frameworks for quality and performance in our business environment simply adds to the overall confusion. Many managers have difficulties identifying the right framework for their performance management.

The best way to get through this multitude of frameworks is to assess their individual purpose, their strengths and weaknesses, consequently combining those elements of different frameworks that suit your needs best.

For instance, you can use the IT Balanced Scorecard to incorporate the management of causal relationships between performance drivers and outcome measures, combine it with Activity Based Costing to manage the cost breakdown of your processes and use the Economic Value Added model to visualize the true business contribution of your IT services.

Likewise, CoBit can be integrated with the IT scorecard to get a better grip on governance, process control and audit of your IT environment.

The following graphic lists some of the existing frameworks and methodologies for performance and quality management that can be combined with or integrated into the IT scorecard.



***The most important message however, is that the framework you use should be a clear translation of your IT performance strategy, and uses causal relations to focus on all stakeholders' expectations.***

## Can the IT scorecard co-exist with audit and accreditation?

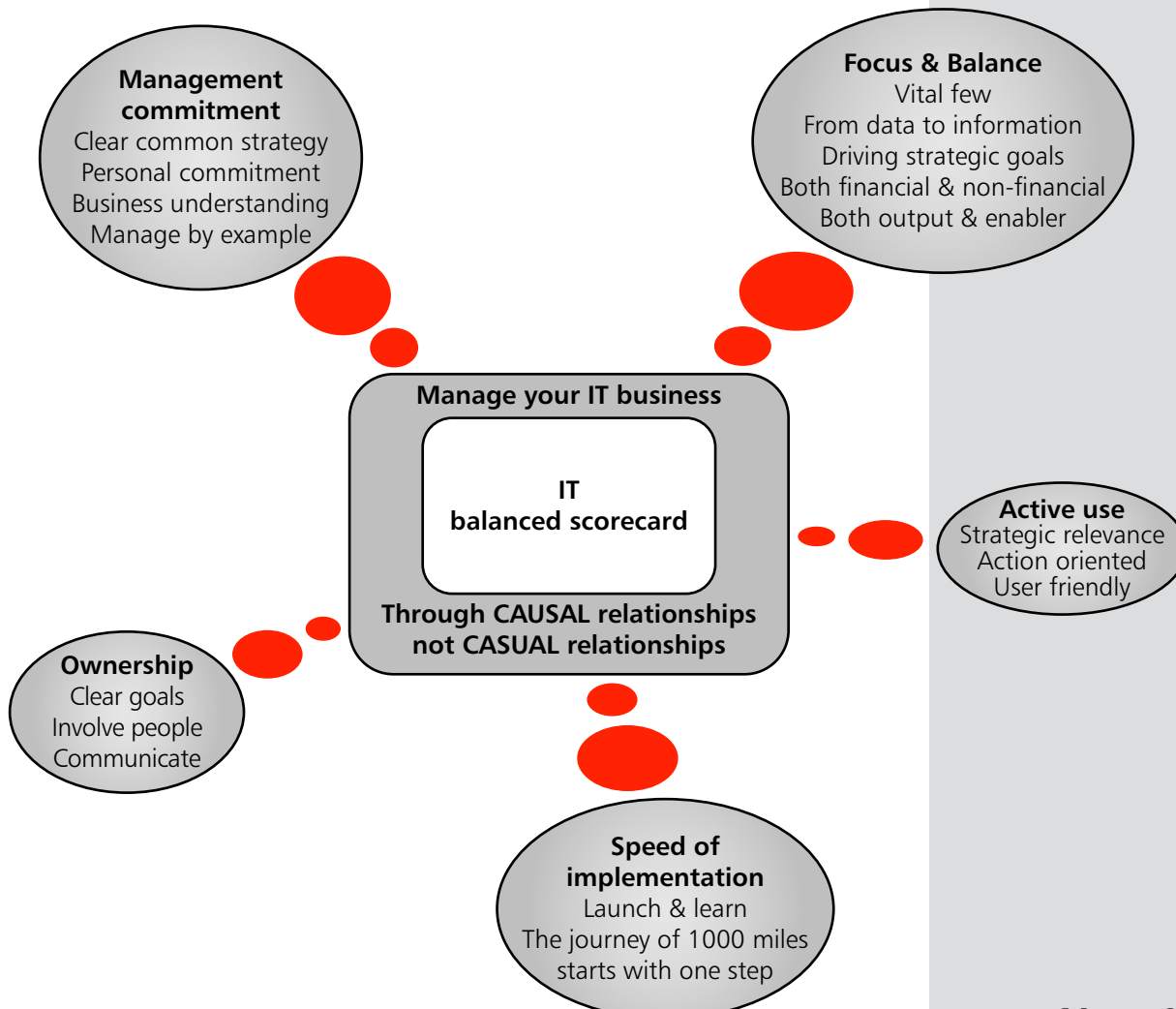
The answer is clearly yes, since both entities cover a different need. While the IT scorecard has a strategic focus, is owned by the IT management and functions as a 'daily' management tool, audit and accreditation provide periodic snapshots of the performance road you are driving on. The latter ones are also usually owned by audit departments or even external service providers and are often rather tactical oriented.

Using audit and accreditation models, next to your IT scorecard, provides you with an excellent set up to avoid tunnel vision, touch base with best practices and to perform a reality check of your IT scorecard at regular intervals.

## What are the most common enablers and pitfalls for implementing the IT scorecard?

Building and implementing an IT scorecard are two dramatically different issues. In those cases where IT managers succeed building an excellent framework for performance, the most common challenge is usually to get the IT scorecard accepted and supported in the organization.

Concerning the change management element, five different areas of enablers and pitfalls for successful implementation of the IT scorecard were identified.



The first and most important component for success is a solid management commitment. The executive management needs to have and display a commitment on the companies IT strategy, based on an in depth business understanding. To achieve this the IT manager might very well need to educate the CEO and other operational managers on the latest available IT technologies and areas to deploy them.

Being personally committed as a manager does not necessarily mean that your people recognize this commitment. In order to make your commitment visual you will need to manage by example and accept the consequences of your IT strategy based decisions.

The second enabler for success is clear ownership. Involving people by communicating frequently around the IT scorecard implementation and usage and by spreading ownership of the key performance indicators throughout the company is paramount to guarantee an optimal acceptance of your IT scorecard and its results.

Your IT scorecard should reflect a focused and balanced view on your performance. This means in the first place translating data into information through a thorough selection of the 'vital few' indicators. Only those indicators that actually help you to improve your IT performance should be retained, measuring is a means and not a goal in itself. One should also take care of incorporating performance drivers and outcome measures as well as both financial and non-financial indicators.

Successfully implementing an IT scorecard can be strongly facilitated by maintaining a high pace of building and integrating. There is no such thing like a perfect plan, hence it is better to design a good plan in a short time frame, launch it and then learn from using it. Designing and implementing your first IT scorecard should be a matter of weeks, rather than months. Once implemented and actively used you can improve along the way.

The degree, to which your IT scorecard gets used actively, depends on many criteria. Some of the more important ones are the strategic relevance of your IT scorecard, the connection to the actual improvement actions that drive change and the user friendliness of the medium in which you operate your IT scorecard.