

CIO Business-Value Metrics and KPIs

Todd Tucker | General Manager, TBM Council

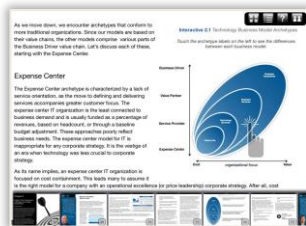


- Share and discuss the CIO metrics research of the TBM Council
- Demonstrate the measurable outcomes that are made possible by the TBM Framework
- Encourage participation in the metrics research with TBM Council, Academic Advisor (Westerman) and Technical Advisor (Apptio)

Educating the Next Generation



TBM Framework



TBM Book

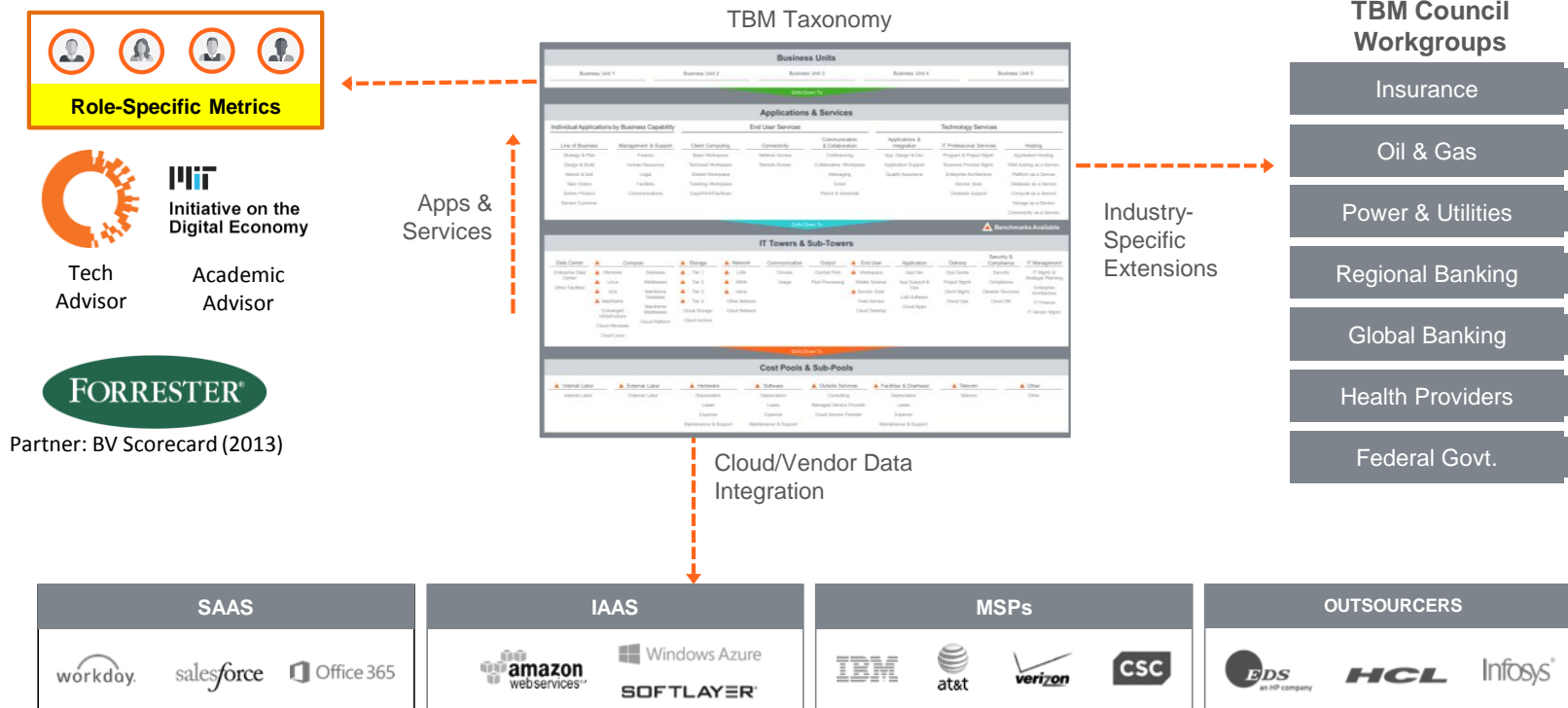


TBM Index

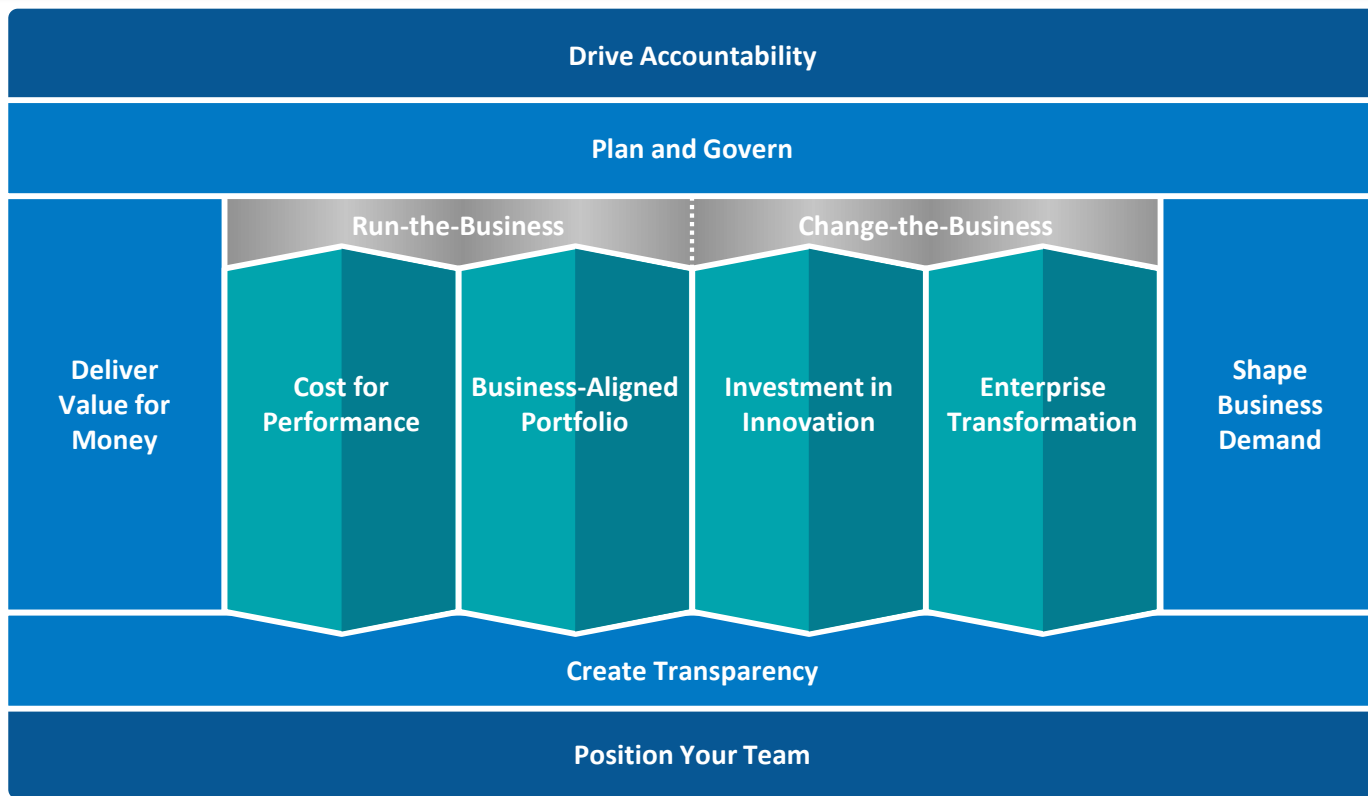


TBM Taxonomy

TBM Standards Research



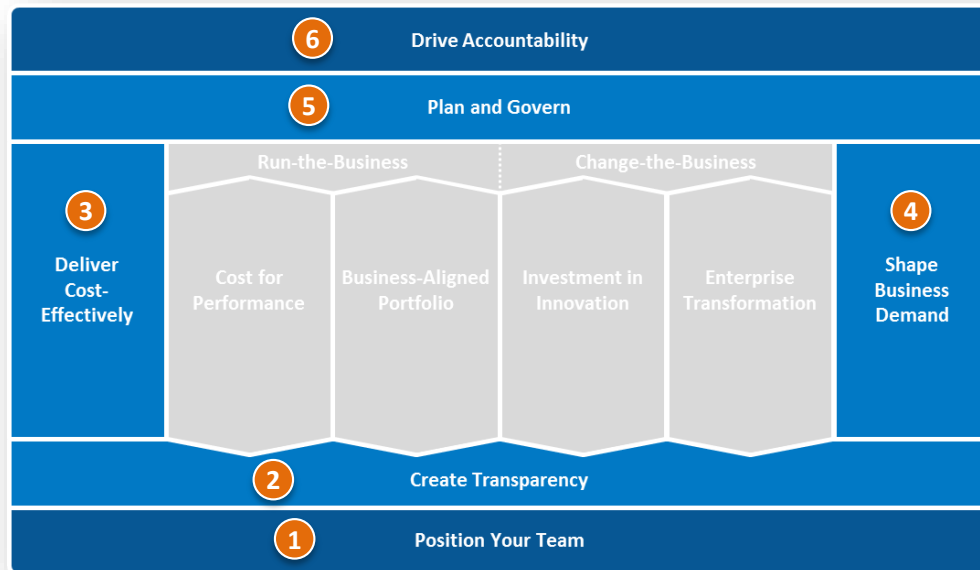
TBM Framework v2 (draft)



5 How can we confidently translate business expectations into an accurate technology plan, and then manage execution over time, to get the most value from our spending?

6 How do I create and sustain a performance-driven culture that continuously improves value delivery?

3 How can we deliver the right quality of technologies and services at the best possible cost – without assuming too much risk?



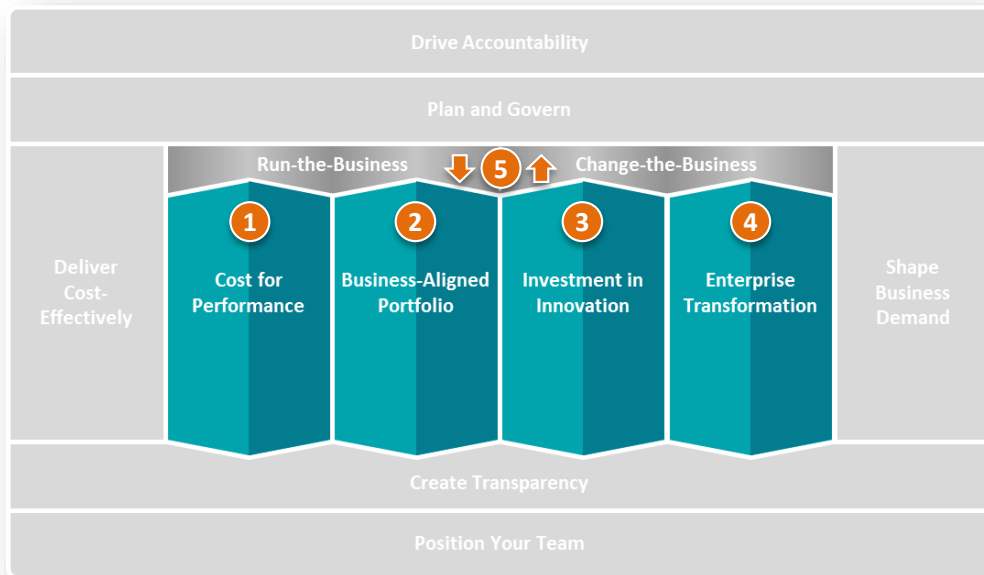
4 How can we communicate the costs that our business units drive and the quality of what we deliver to drive informed trade-off decisions with our business partners?

1 What adjustments can we make to our organization to more effectively manage the supply and demand of our services?

2 How can translate our costs, investments, consumption, capacity and performance into meaningful perspectives for decision makers?

TBM Value Conversations

5 OVERARCHING GOAL: Optimize run-the-business costs and deliver change-the-business outcomes.



1 How can we continuously improve the unit cost of our technologies and services while keeping cost and quality in proper balance?

4 How can we change the way we deliver and use technology in order to “pivot” more quickly to address new opportunities or threats?

2 How can we better focus our time and resources on the services, applications, technologies and vendors that drive the most value?

3 How can my business partners and I be sure that we’re getting the most from our projects and services?

- Using facts and analytics, TBM helps IT leaders and their business partners improve value by:
 - improving and demonstrating cost for performance (efficiency),
 - shifting resources to the most valuable needs of the business,
 - funding and governing innovation investments, and
 - transforming the way the business exploits technology to be more agile.
- These outcomes sit at the center of the TBM Framework.
- The TBM KPIs are focused on what IT leaders can manage directly, but only by collaborating with BU partners on tradeoffs.

The following KPIs are still draft and in review. This is provided for feedback only.

Cost for Performance KPIs

KPI	Description	Implications for Value
Unit Cost Actuals vs. Targets for IT Towers	Per unit cost targets for towers should be set annually during planning based on budgets, expected units consumed (from capacity planning), and industry benchmarks (where available). Actual cost per unit should be compared monthly or quarterly. These should represent a majority of your tower spending.	With infrastructure consuming approximately 60% to 70% of overall IT spending, this holds tower owners responsible for cost efficiency.
Unit Cost Actuals vs. Targets for Business-Facing IT Services or Apps	Per unit cost targets for services or apps (inclusive of towers that support them) should be set annually during planning based on budgets, expected units consumed (from capacity planning), and industry benchmarks (where available). Actual costs per unit should be compared monthly or quarterly.	Business leaders only understand costs in terms of the services or applications they consume, not towers or infrastructure technologies.
Business-Facing IT Services or Apps Meeting SLAs	Based on total cost of the portfolio, this percentage reveals how much of your applications or services that are delivered to business unit customers are meeting service-level agreements.	Performance against SLAs that are agreed-upon with your business partners is essential. Delivering cheaply is only half the battle; you must demonstrate adequate quality of services.
Customer Satisfaction Scores for Business-Facing Services	This measure reflects the outcome of surveys of the users of business-facing services. This may include Net Promoter Score or other mechanisms, but should not be limited to the service or help desk. Instead, all major services should be included in the survey.	Performance should be viewed from the perspective of the business users. While SLA attainment is an important, subjective measurements of performance can be very useful.

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Business-Aligned Portfolio KPIs

KPI	Description	Implications for Value
TCO by Corporate Outcomes (or Categories)	A portfolio-based view of TCO (OpEx and CapEx, including projects) by corporate business outcomes (e.g., capabilities, service lines, lines of business) should be produced monthly or quarterly for executive steering committee or governance reviews.	Since IT is usually a (mostly) shared resource, facilitating governance conversations with corporate executives is important to ensure business alignment. These conversations should drive top-level mandates for change, such as reductions or increases in investments or operating expenditures for specific areas of the business.
TCO by Business-Facing Services or Apps	A portfolio-based view of TCO (CapEx, including projects, and OpEx) by the services and/or apps that the lines of business consumes should be produced monthly or quarterly and presented to the LOB owners.	In concert with top-level mandates, LOB-level discussions about spending provides additional insights about where consumption and costs can be optimized or additional investment is needed.
TCO by TIME	A view of app and/or service TCO (CapEx and OpEx) by TIME (tolerate, invest, migrate and elimination) or another rationalization model should be produced quarterly. This should include trends (up or down from prior period) to identify anomalies from the model.	Having a plan for rationalizing applications or services is vital to simplifying the IT estate. However, it must be governed by carefully monitoring resources (via dollars) against each category.
TCO by Vendor Category	A view of CapEx and OpEx by vendor category (e.g., strategic, preferred, transactional) should be produced quarterly. This should include trends (up or down from prior period) to identify anomalies from the model.	The right vendors can bring tremendous value to your business. Therefore it's important to ensure spending is being focused on the right mix and priorities.

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Investment in Innovation KPIs



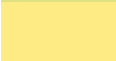

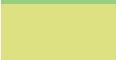




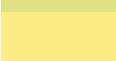
KPI	Description	Implications for Value
Run-the-Business vs. Change-the-Business	Run-the-business (RtB) spending includes both capital and operating expenditures needed to operate and sustain business operations. RtB activities are vital to your business but there is a tendency for them to increase year-over-year as previous change-the-business investments impact ongoing operations. RtB vs. Change-the-business (CtB) spending should be reported each quarter.	If cost for performance and business alignment are managed well, those efforts should help free up investment for innovation (change-the-business). Therefore, this KPI not only helps ensure RtB is being optimized, but it puts additional emphasis on the business managing its demand and understanding the tradeoff of existing consumption vs. new capabilities.
Investment by Value Category	A view of investments by category (replace, maintain, enhance, or new) or another model should be produced quarterly. This should include trends (up or down from prior period) to identify anomalies from the model.	This KPI helps IT and business executives understand the impact of technical debt or modernization requirements that might be crowding out new or better capabilities.
Projects On Time, On Budget, On Spec	A view of total project spending and headcount split by those that are tracking to scope, budget and deadline should be produced quarterly. It should be split by executive (BU) sponsors and reviewed during the quarterly business review.	This KPI demonstrates how well IT is delivering on its project-related commitments. By using dollar value of projects, as opposed to the raw number of projects, this KPI focuses the discussion on the larger projects that likely have a bigger impact on the business.

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Enterprise Transformation KPIs

KPI	Description	Implications for Value
IT Delivered by Cloud	This measures how much of IT (as a percent of Opex) is delivered as private or public cloud services to the business. Clear criteria for which services are designated cloud services are needed for this KPI to be meaningful.	Public and private cloud services are, by definition, rapidly elastic and on-demand, and its consumption is measured to provide a basis for allocating costs. Cloud enables the business to use IT services as needed, providing agility and connecting business consumption and the costs incurred.
Variable Cost Ratio by Business-Facing Service	This KPI measures how much of the business-facing IT costs (i.e., apps or services delivered to the business) are fixed (i.e., static regardless of consumption) or variable (i.e., vary in line with volumes of consumption).	A more variable cost structure is generally beneficial in situations where business volumes are falling or are expected to rise and fall. A variable cost structure helps match IT costs with business revenues. However, targets for variable costs should be set based on tradeoff considerations (e.g., in a fixed-cost environment, unit costs fall when volumes rise due to greater economies of scale).
IT OpEx Funded by BU Consumption	This measures how much of OpEx is funded (via chargeback, or nominally via showback) by consumption factors such as seats or usage.	When delivering IT as services for which the business can choose to consume (or not) means holding them accountable for their consumption. The greater the share of IT OpEx funded through consumption, the more IT is being delivered in this way.
Percent of Discretionary Project Spending	Discretionary projects are those designed to enhance services or introduce new ones, as opposed to mandatory investments such as compliance, capacity upgrades, reducing technical debt and maintenance.	When mandatory spending consumes a high percentage of project spending, the business has little ability to innovate or respond to new threats or opportunities. Greater discretionary spending as a percentage of the total indicates a greater capacity to innovate, as discretionary funds can be shifted around more easily.
TBM Data Quality Index	This measures the overall state of data quality for TBM. It measures missing data sets, gaps in data, breakage between data sets, and the use of assumptive data in driving allocations.	As IT leaders become data-driven in their decision making, better data quality for TBM means they can make better decisions for improving business value. Better data also improves operational maturity, making it possible to run more efficiently and reliably.

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Category	Metric	Votes	Frequency
Financial Foundation	IT Spend vs. Plan (OpEx & CapEx variance)		Mo / Qtr
	Application and Service TCO		Mo / Qtr
	Infrastructure Unit Costs vs. Target / Benchmarks		Mo / Qtr
Delivery	% of Projects On-Time, On-Budget, On Spec		Mo / Qtr
	% of Business-Facing Services Meeting SLAs		Mo / Qtr
Innovation & Agility	% of IT Spend On Run, Grow, Transform the Business		Mo / Qtr
	% of Project Spend On Customer Facing Initiatives		Mo / Qtr
Business Value	IT Spend By Business Unit		Mo / Qtr
	Customer Satisfaction Scores For Business-Facing Services		Annual
	% of IT Spend By Business Objective		Annual

* NOTE: Annual is typically twice per year, at budget time and year-end)

Scale:  Hgh   Low



Final Q&A/Discussion

Thank You!