Performance Management in the Agile Enterprise

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Develop Value Aligned KPIs

ISG™ imagine your future®

Today's Presenters

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Achieving Stability and Agility

DevOps = Increase flow of work while increasing stability and resilience.

Agility
Create a global organization that consistently delivers with high quality and tight timelines, with changing requirements, localization, enhanced capabilities – and all at reduced costs.

Secure and Scalable Operations
Provide a secure and compliant environment for customers and internal users.

High-performing IT organizations deploy **46x** more frequently with **440x** shorter lead times; they have **5x** fewer failures and recover **96x** faster*.

* From a study over 20000 Enterprises - Puppet Labs State of DevOps 2017.

Traditional View on Performance Management

Traditional performance management systems do not meet the requirements for a DevOps enabled environment.

- Focus on individual system level only
- Separate development (projects) and operations (services)
- Use few end-to-end measurements
- Reveal green SLAs while end users are unhappy
- Focus on stability rather than on agility

Dispelling the Myth of Business Outcome SLAs

Measuring a Business Outcome can only be coupled with end-to-end responsibility.

- A support organization (e.g. IT) or Service Provider, can not truly be held responsible for 'business outcomes'
  - Example of outcomes is research on drug effectiveness, or building engines, or surveying oil fields, the result is owned by the business.
    - This can even be dangerous. Other forces may drive metric success/failure not related to the supporting organizations.
- The Business must remain responsible for the overall success of the services they delivery, IT clearly plays a role in success by **enabling** business outcomes. It is the enablement that needs to be measured.

Enterprise Agility Impact On Performance Management

Classical technology performance management has to shift focus to two Enterprise Agility cornerstones of equal importance:

Throughput and Stability.

- The application of Enterprise Agility forces the organization to treat IT as a value chain.
- The automation of the value chain is an indispensable prerequisite for achieving the challenging performance goals that come with Enterprise Agility.
- Measurements are needed that cover the entire value chain, from customer demand to operating a system in production.
- Measurement boundaries between the individual components of a value chain must be removed.

Measuring the Enablement of Business Outcomes

The focus should instead shift to measuring the **enablement** of business outcomes.

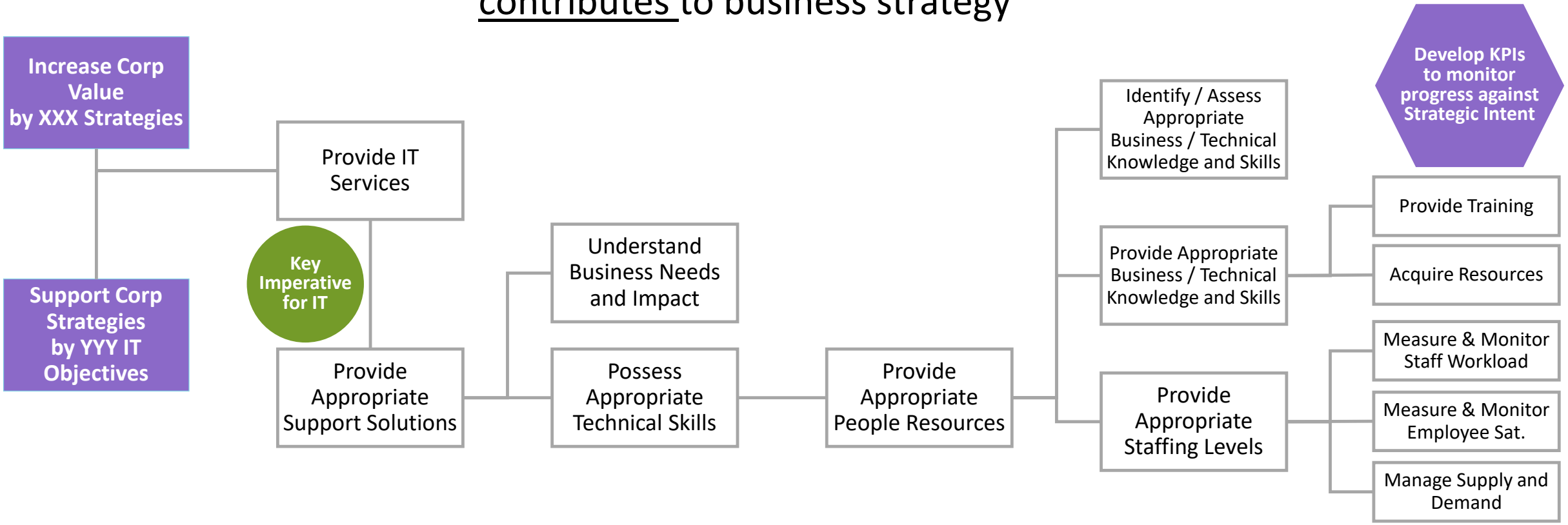
- Shift the focus to 'enabling business outcomes'
  - Changing the focus to 'enablement' makes responsibility easier to define for any individual support organization and will fall more naturally into their area of expertise.
- This requires agreement that
  - **Business Owners** are responsible for a business outcome and have a strong, informed voice in what, at a consolidated level, truly enables them to deliver their own responsibilities.
  - **Support organizations** should consolidate their view of what success is, aligning to what they are enabling. 'This app is up 24/7' becomes 'these three services are always available to the business'.
- **Implementation** will mean detailed strategy and planning at key operational levels, significant reshaping of SLAs realignment of internal support responsibilities, changes in pricing, new baselining activity, and contract change requests.

Goal: Move from **technology-centered measures of success** (the server is up) to **enabling measures** (the order fill process time at the IT Service Automated Prescription Dispensary is less than 2 minutes 99.99% of the time).

ISG's Approach to KPI Development: Metric Alignment with Strategies via Value Driver Tree

Illustrative

Goal of the process is to develop measurements that reinforce how IT contributes to business strategy



Value drivers dictate decisions that need to be made and information needed to make them.

Attributes of Business KPIs – The Design Process

Business KPIs are aggregated from many sources and typically part of a balanced scorecard; every company does it a different way. However characteristics are consistent and must be consciously decided for every KPI.

Nature of the metric?

- ☐ Current (Past performance)
- ☐ Future Predictive

Category of the metric?

- ☐ Cost
- ☐ User Experience
- ☐ Operational Performance
- ☐ Process
- ☐ Innovation & Digital
- ☐ Operational Efficiency
- ☐ Security
- ☐ Projects
- ☐ Scalability & Agility
- ☐ Organizational

Audience for the metric?

- ☐ CEO & Chairman
- ☐ COO
- ☐ CFO
- ☐ CMO
- ☐ CIO
- ☐ CISO

Frequency of the metric?

- ☐ Monthly
- ☐ Quarterly
- ☐ Annually

Type of the metric?

- ☐ Performance
- ☐ Value

Data source and owner?

- ☐ Auto Generated - Repeatable?
- ☐ Manual?
- ☐ Single or Multi-source?

Measurement characteristic of the metric?

- ☐ Subjective – from a perception-type study
- ☐ Objective – Calculated from empirical data
- ☐ Combination of both (XLA)

Operational metric specifics

- ☐ Applications
- ☐ Databases
- ☐ Middleware
- ☐ Servers
- ☐ Storage/San
- ☐ Network
- ☐ CMDB
- ☐ Release & Deployment
- ☐ Incident & Problem Response & Resolution
- ☐ Downtime
- ☐ ETC.

Top Performing Organizations Consistently Compare Themselves to the Market to Learn and Drive On-going Success

Best in Class Metrics

Lead time from idea to production **60 days**

All builds are automated and take less than **1 hour**

Test cycles through automation **2-3 per day**

All config is maintained as code and is version controlled

More than **90%** of testing is automated

Baseline defects reduced **40%**

1-3 releases every quarter

Levers for Change

Architecture transformation	Organization and culture transformation	Automation enablement	Support process transformation
• Infrastructure enablement (XaaS, cloud) • Modernization approach for architecture • Configuration and version management • Microservices • Remote deployments • Market maturity of platforms	• Team organization by squads by features • IT engaged early in Delivery Lifecyle • DevOps and Agile principles and practices • Enable team empowerment and the learning organization – including job family architecture	• Automate the deployment pipeline (CI/CD) • Automated testing • Robotic process automation for repeatable tasks • Autonomation where appropriate	• Shift left and design for operate • Cloud movement and management • Intake process streamlining • Predictive operations w/analytics • Automated monitoring and reporting • Integrated Service Management • Knowledge management and training

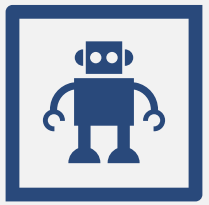
Measuring Performance with Business KPIs – Industry Trends

Industry trends, directions, and best practices for measuring business KPIs from IT operations

Sample business KPIs identified by category

Cloud

- Legacy application cloud readiness
- Legacy Spend vs Cloud
- Cloud Adoption Rate
- Ability of IT to scale with demand
- Provision speed
- Orchestration

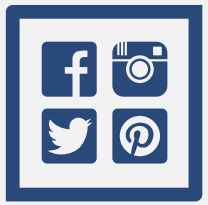


Automation

- % of automated processes escalated for non-performance or errors
- Improvements in run time
- Infrastructure incidents resolved by automation
- Productivity improvements from automation
- % requiring intervention

User Experience

- Customer Satisfaction – Net Promoter Score
- Improvement to Customer Experience
- Revenue and Customer Experience (CX) Index
- User Experience Index
- Business Relationship Monitor



Social Media

- Satisfaction
- Early Detection
- Engagement
- Influence
- Reach and Distribution
- Impact to revenue from Social Media Marketing/Support

DevOps

- Progress towards DevOps maturity
- New Products or Features Release Velocity
- Enabling new business capabilities
- Outages caused by deployment
- Lead time dev to deploy

Operational Performance

- Operational Efficiency
- Accuracy and speed of provisioning
- Mean Time to Repair (MTTR) – reductions in time spent remediating service outages
- IT Cost / Application or Business Unit
- Accurate Measurement of Resource Utilization

Ten Business KPI Lessons Learned

1. **Align** to business and IT objectives
2. Ensure they are **measurable & repeatable**
3. Provide a mechanism – **a tool** – for display and drill down
4. Tie KPIs to **performance commitments** (organization and personal)
5. **Limit** number of KPIs & **prioritize** – Avoid the pendulum effect
6. Details & definition are **critical**
7. Past, Present, and Future – **Trending** enables proactive behavior
8. Beware of **Watermelon Effect**
9. Leverage **Social Media**
10. Periodic **review** and **healthy churn**

Establish the Goal and Measure

Example from a Large Manufacturing Company

Simplify: Decommission Target: **153** applications
72 completed to date

Optimize: Drive **25%** productivity increase through agile adoption and initiatives to reduce our cost of change

Automate: Top **10** of most painful colleague journeys and **1/3rd** of the customer journeys by 2019

Control: **65%** of our RISK services using standard controls and tested to be effective

Digital: Develop a cohesive digital strategy & roadmap, create **133** restful APIs (first 30 in 2018)

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