Benchmark Against Best Practice
Service Delivery Metrics

Featuring:
Julie Giera, Forrester
Pierre Champigneulle, BearingPoint

Host:
Jason Schroedl, newScale
The average company spends between 3 percent and 15 percent of its total revenue delivering services to internal departments.

<table>
<thead>
<tr>
<th>Service Organization</th>
<th>Example Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT</td>
<td>• Desktop setup</td>
</tr>
<tr>
<td></td>
<td>• Application access &amp; hosting</td>
</tr>
<tr>
<td>Telecom</td>
<td>• Cell phones</td>
</tr>
<tr>
<td></td>
<td>• Home office connectivity</td>
</tr>
<tr>
<td>Facilities</td>
<td>• Office/Furniture moves</td>
</tr>
<tr>
<td></td>
<td>• HVAC maintenance</td>
</tr>
<tr>
<td>Security</td>
<td>• Building access control</td>
</tr>
<tr>
<td></td>
<td>• Pre-employment screening</td>
</tr>
</tbody>
</table>
Today’s Service Delivery Landscape Requires New Approach

**Market Factors**

- Increase in Outsourcing
- Economic Pressures
- IT Credibility at Risk
- Cost Reduction Imperatives
- User Frustration
- Business/IT Alignment
- Maturation of Technologies
- Catalysts (M&A)

![Bar Chart](Image)

% of National Survey Respondents Unhappy with Internal Services

- Employee Moves: 22%
- Heating Adjustments: 32%
- IT & Network Services: 43%

Source: TNS National Omnibus Survey (9/03)
Benchmark Against Best Practice
Service Delivery Metrics

Julie Giera
Vice President
Forrester Research
Benchmarking is increasingly being used by best practice organizations to gauge their effectiveness, manage their service provider relationships, and align spending to business outcome.
Agenda

• What is Benchmarking?
• Trends in Service Delivery Management
• Benchmarking Methods, Pros/Cons
• Benchmarking for Competitive Advantage
• Metrics and Measurements
• Evolution of Benchmarking – It’s all about the Business
Benchmarking Definition

- **Benchmark**: A standard by which something can be measured or judged.

- **Benchmarking**: To measure (a rival's product or service) according to specified standards in order to compare it with and improve one's own product (or service).
Trends in Service Delivery Management

• Increases in benchmarking external and internal services, due to:
  – Continued emphasis on cost savings
  – Increases in outsourcing, length of agreements
  – Pay for Performance as a financial schema
  – Increased emphasis on business impact of services
  – Desire to align spending with outcome
Polling Question 1

• Does your internal services organization have a benchmarking program?
  – No, not yet
  – We are evaluating benchmarking programs
  – We engage in periodic, ad-hoc benchmarking projects
  – We have a formal and comprehensive benchmarking program for service delivery
Benchmarking Methods

• Benchmarking initiatives are often driven by pressure from CFOs and CEOs

• Example benchmarking methods:
  – RFI, RFP to external providers
  – Benchmarking projects – Compass, IDC, etc.
  – Benchmarking organizations
  – Analyst firms
  – Management consultancies – efficiency studies
  – Ongoing internal component of service delivery
Few Internal Service Teams Measure Value

My Organization Has a Defined Program to Measure the Value of Internal Service Delivery:

- True
- False

Chart showing percentage of True and False responses over the years 2001, 2002, and 2003.
What are you measuring?

• Few companies measure value of IT
• Most firms concentrate exclusively on technical metrics (availability, response time)
• Few companies know full cost of services they deliver
• Even fewer (less than 2%) can consistently tie service delivery to business value
• Benchmarking studies give ‘averages’
• Benchmarking is historical

Average IT spend in 2004 is 3.4% of revenue. If you are spending 4% - are you better or worse than your peers?
Business Focus Changes the Relationship

“The IT Budget is going up by 7% next year”

The IT Department enabled:
- A 10% gain in sales
- Time to market improvements of 30%
- 20% more orders/hour
- 2% reduction in SG&A expense
Metrics and Measurements

• Several kinds of value
  – Direct vs. Indirect
  – Anticipated vs. Unanticipated

• Several kinds of metrics:
  – Commitment Metrics (contract or SLA)
  – Bonus Metrics (qualify for incentives)
  – Improvement Metrics (early warnings, diagnostics)
## The Four IT Perspectives

<table>
<thead>
<tr>
<th>User orientation</th>
<th>IT value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>How should IT appear to the users?</strong></td>
<td><strong>How should IT appear to senior management to be considered a significant contributor to company success?</strong></td>
</tr>
<tr>
<td>Mission: To be the supplier of choice for all information services</td>
<td>Mission: To enable and contribute to the attainment of business strategies through the effective application of IT</td>
</tr>
<tr>
<td><strong>Objectives:</strong></td>
<td><strong>Objectives:</strong></td>
</tr>
<tr>
<td>• User satisfaction</td>
<td>• Strategy contribution</td>
</tr>
<tr>
<td>• IT business partnership</td>
<td>• Synergy</td>
</tr>
<tr>
<td>• Service-level performance</td>
<td>• Business value of IT projects</td>
</tr>
<tr>
<td>• Responsiveness to business needs</td>
<td>• Stewardship of IT investment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operational excellence</th>
<th>Future orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Which services and processes must IT excel in to satisfy the users?</strong></td>
<td><strong>How will IT develop the ability to change and improve to better achieve the IT and company strategy?</strong></td>
</tr>
<tr>
<td>Mission: To deliver timely and effective IT services at or under budget and SLAs</td>
<td>Mission: To develop internal capabilities to learn and innovate to exploit future opportunities</td>
</tr>
<tr>
<td><strong>Objectives:</strong></td>
<td><strong>Objectives:</strong></td>
</tr>
<tr>
<td>• Process excellence</td>
<td>• Service capability improvement</td>
</tr>
<tr>
<td>• Responsiveness</td>
<td>• Staff effectiveness</td>
</tr>
<tr>
<td>• Project management</td>
<td>• Enterprise architecture evolution</td>
</tr>
<tr>
<td>• Security</td>
<td>• Emerging technology research</td>
</tr>
</tbody>
</table>
## Sample User Orientation Perspective

<table>
<thead>
<tr>
<th>Objective</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>U1 User satisfaction</td>
<td>Score on annual user survey</td>
</tr>
<tr>
<td>U2 User satisfaction</td>
<td>Interview with key user management</td>
</tr>
<tr>
<td>U3 User satisfaction</td>
<td>Focus groups with users</td>
</tr>
<tr>
<td>U4 IT/business partnership</td>
<td>Frequency of IT steering committee meetings</td>
</tr>
<tr>
<td>U5 IT/business partnership</td>
<td>Index of IT involvement in generation new strategic applications</td>
</tr>
<tr>
<td>U6 IT/business partnership</td>
<td>Index of business unit involvement in applications development</td>
</tr>
<tr>
<td>U7 Applications development performance</td>
<td>Quality index</td>
</tr>
<tr>
<td>U8 Applications development performance</td>
<td>Budget index</td>
</tr>
<tr>
<td>U9 Applications development performance</td>
<td>Schedule index</td>
</tr>
<tr>
<td>U10 Service delivery performance</td>
<td>Weighted percentage of applications and services meeting SLAs</td>
</tr>
</tbody>
</table>
Polling Question #2

- Does your organization have a program to measure customer (employee) satisfaction with service delivery?
  - No formal customer feedback mechanisms
  - Yes, we have an annual survey/program
  - Yes, we have surveys on a quarterly basis
  - Yes, we have an on-going program to regularly solicit customer feedback and incorporate feedback into improving processes
## Sample Operational Excellence Perspective

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>OE1 Process excellence</td>
<td>Percentage of utilization increase across servers</td>
</tr>
<tr>
<td>OE2 Process excellence</td>
<td>Percentage of utilization increase across storage</td>
</tr>
<tr>
<td>OE3 Process excellence</td>
<td>Application failure rate</td>
</tr>
<tr>
<td>OE4 Responsiveness</td>
<td>Time to initiate project from first request</td>
</tr>
<tr>
<td>OE5 Responsiveness</td>
<td>Time to order, configure, and install PC</td>
</tr>
<tr>
<td>OE6 Project management</td>
<td>Number of completed projects</td>
</tr>
<tr>
<td>OE7 Project management</td>
<td>Percentage of budget variance</td>
</tr>
<tr>
<td>OE8 Security</td>
<td>Number of incidents responded to by priority/business impact</td>
</tr>
</tbody>
</table>
Benchmarking for Competitive Advantage

- Benchmarking is NOT exclusively about cost
- Understand the context of your unique service delivery situation
- Benchmarking can assist with:
  - Prioritizing investments and services
  - Aligning service delivery with business value
  - Identifying problems
  - Making outsourcing decisions
Benchmarking is about:

- Service quality, service Level
- Customer satisfaction
- Cost vs. value (profit/employee, customer retention, market share, DSO reductions)
- Process (responsiveness, security)
- Time (request to fulfillment, problem resolution time)
Benchmarking for Competitive Advantage

• Best Practices
  – Estimate a baseline (based on data from commercial services providers, analyst firms, benchmarking organizations, etc.)
  – Measure cost, effectiveness, quality, impact of services
  – Estimate diagnostic metrics, early warnings
  – Don’t boil the ocean, 80/20 rule, focus on 3-5 metrics/category
  – Use as ongoing business tool to track your metrics, not a once-a-year price snapshot
Benchmarking for Competitive Advantage

- Use benchmarking for external partners
  - Use benchmarking clauses in contracts – but get baselines!
  - Pricing trends in the market
  - Trends in SLA standards
  - Productivity (tech’s per server, calls/help desk expert)
  - Emerging technology impact
  - Provide incentives for partners to improve
Recommendations

• Change Focus of Your Service Org (Cost vs. Value)
• Use benchmarking and metrics as part of:
  – Ongoing service delivery processes
  – Project selection/justification/optimization
  – Vendor selection/mgmt/sourcing decisions
• Establish accountability for all metrics
• Limit total commitment/bonus metrics
• Incorporate metrics early in process, work with business to establish
• Automate collection/reporting of metrics
• Start small, build skills and credibility
• Avoid retroactively determining value, start with a baseline & go forward
• Benchmarking can be useful, but is often abused
• Metrics are more than cost
• Great service delivery organizations tie services to outcome
• Automated tools to track your metrics save time/money, & serve as diagnostics
• Benchmarking results must be viewed in context of your unique organization
Benchmark Against Best Practice
Service Delivery Metrics

Pierre Champigneulle
Managing Director
BearingPoint
Introduction

- **Benchmarking** – Process of improving performance by continuously identifying, understanding, & adapting outstanding practices & processes found inside & outside organization.

- This presentation looks at services mgmt benchmarking from a **best practices** standpoint.
<table>
<thead>
<tr>
<th>Business Drivers</th>
<th>Best Practices Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in the Business Environment</td>
<td>• Provide reference to set direction and roadmap</td>
</tr>
<tr>
<td></td>
<td>• Guidelines to satisfy regulation &amp; security req’s</td>
</tr>
<tr>
<td></td>
<td>• Facilitate M&amp;A &amp; alignment across regions</td>
</tr>
<tr>
<td>Increased Business Expectations</td>
<td>• Set expectations, agree to performance/cost ratio</td>
</tr>
<tr>
<td>New Business Initiatives</td>
<td>• Help plan &amp; implement necessary capabilities</td>
</tr>
<tr>
<td>Profitability Pressures</td>
<td>• Increase automation &amp; reduce inefficiencies</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>• Measure Customer QoS via end-to-end SLM</td>
</tr>
<tr>
<td></td>
<td>• Align service portfolio &amp; service levels to business needs of each potential customer</td>
</tr>
<tr>
<td>Sourcing</td>
<td>• Develop best-in-class Service Level Management (SLM) capabilities to enforce SLAs</td>
</tr>
<tr>
<td></td>
<td>• Develop control &amp; audit capabilities for key mgmt functions</td>
</tr>
</tbody>
</table>
What Services Management Functions to Benchmark

**Business Layer**
- Focuses on capabilities necessary to run Network & IT in most cost-effective way
- Financial Mgmt
- Vendor/Outsource Mgmt
- Strategic Planning

**Service Layer**
- Focuses on capabilities necessary to provide for and ensure delivery of Network & IT services to customers
- Service Level Mgmt
- Availability Mgmt
- Capacity Mgmt
- Service Desk
- Release Mgmt
- Change Mgmt
- Incident Mgmt

**Infrastructure Layer**
- Focuses on capabilities necessary to operate & maintain tech. Network & IT assets
- Planning/Engineering
- Security Mgmt
- Technology Mgmt
- Performance Mgmt
- Inventory Mgmt
- Maintenance & Restoration
- Fault Mgmt
Benchmarking Scope

**Business Layer**

**Financials**

Fiduciary obligations: controlling budgets, developing financial/cost allocation models, measurement processes, financial reporting. ROI analysis & Cost Take Out.

**Service Layer**

**Services**

Catalog of services & capabilities offered to customers/users, including services received from vendors. Also includes SLAs & measurement of operational performance levels.

**Infrastructure Layer**

**Facilities**

Operations centers, help desk, competence centers, other centers (DC, CO/POP, Customer Premises) and infrastructure. Processes & daily operational policies, procedures, practices used to operate, administer & maintain services.

**Processes**

**Organization**

Reporting structure, roles & resp., inter-/intra-departmental relationships, vendor mgmt, skills, & culture in operations, administration, & engineering.

**Technology**

Mgmt framework, tools, support systems & integration. Includes technology being managed (network, servers, desktops, applications…).
Benchmarking needs to be part of a broader approach—e.g., 6Sigma DMAIC

- **Define** Customer Requirements and Measurements
- **Measure** Current Capabilities Against Requirements
- **Analyze** and Compare to Determine Level of Service Quality & Gaps
- **Improve** & Negotiate Customer/IT Agreement
- **Implement** Service Improvements
- **Monitor & Control** Service to Continuously Meet Customer Requirements
Application Server Provisioning Scenario

- Request submitted
- Approvals routed
- Server requested from inventory
- Server available
- Server info passed to provisioning to install
- Install confirmed
- Server info passed to monitoring to install agents
- Monitoring confirms install
- App & monitoring info passed to config mgmt
- Config mgmt confirms update
- Service level monitoring set up via reporting
- Reports on provisioning service SLA
Application Server Provisioning – Sample Metrics

- **Financial Metrics**
  - Cost per server provisioned
  - Cost of providing service by functional area
  - Profitability of Server Hosting service

- **Service Metrics**
  - Turnaround time for server provisioning
  - Service Availability achieved

- **Process Metrics**
  - Turnaround time per provisioning activity
  - Accuracy in provisioning (% defect rate)
  - Server Build accuracy

- **Organization Metrics**
  - Average Skill levels
  - Technology certifications
  - Average wages per job category

- **Technology Metrics**
  - Percentage process automation
  - Automated provisioning performance

- **Facilities Metrics**
  - Data center usage utilization (sqf, % of HVACS, etc.)
  - Security & Recoverability ratings
Polling Question #3

• Do you have an automated process to measure and improve service delivery key performance indicators?
  – No process
  – Variety of tools to track, limited data
  – Manual process, data tracked on ad-hoc basis
  – Automated process, extensive operational metrics
  – Automated process, operational & business metrics
Case Study – Business Impact Management

- Telco service provider performed benchmark on service unavailability by user & determined revenue/cost impact
- BearingPoint developed business case for & implemented Business Impact Mgmt solution based on ITIL best practices
  - IT Assets ➔ IT Services ➔ Business Processes
  - On-going measurement of bus impact of outages & performance degradation
  - Reduced MTTR (incident isolation)
- $20M savings in 1st year
Other Best Practices

- **ITIL**
  - Services Delivery and Support Processes Best Practices
  - Services Management Metrics

- **IT CMM**
  - Maturity Levels
  - Roadmap

- **Cobit**
  - Delivery and Support Core Area
  - Standard Control Objectives
  - Maturity Model
  - Key Goal Indicators
  - Key Performance Indicators
  - Audit Guidelines
Benchmark Against Best Practice
Service Delivery Metrics

Jason Schroedl
Director Corporate and Product Marketing
newScale
Running Internal Services Like a Business

1. Treat Users Like Customers
2. Create a Catalog of Standardized Best Practices
3. Implement Service Level Agreements
4. Start Pricing and Chargebacks
5. Begin Strategic Outsourcing
6. Report, Monitor, and Refine

FORRESTER

BEARINGPOINT
Step 6: Report, Monitor and Refine

- **Capture Service Performance Metrics**
  - Pre-Packaged Reports for Service Performance
  - Customer, Delivery Teams, SLAs, Cycle Times, Plan Accuracy Metrics for Optimized Service Delivery

- **Visibility and Control Across Entire Service Portfolio**
  - Detailed Service Delivery Analysis
  - Pre-Defined Data Cubes for Rapid Deployment

- **Continuous Learning & Optimization for Complete Order to Acceptance Process**
  - Facilitate Performance Improvements
  - Benchmark Against Best Practices
**Cycle Time Example**

**Before:**
- Average 2 week cycle time for new laptop requests
- 10 day commitment, 60% late

**After:**
- Average of 3 days cycle time
- 90% on-time

-50%  0%  25%  50%  75%

-75% -50% -25%  0%  25%  50%  75%

Reduced Cycle Time  Increased Productivity  Improved On-Time Performance

+50% +40%
A Strategic Roadmap For Getting Started

**Example Strategic Opportunity Assessment Project Plan**

<table>
<thead>
<tr>
<th>PHASE</th>
<th>PLAN DEFINED</th>
<th>DISCOVERY</th>
<th>ANALYSIS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOOLS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ Propose SOA</td>
<td>✓ Overview</td>
<td>✓ Validation</td>
<td></td>
</tr>
<tr>
<td>✓ Calendar of Events</td>
<td>✓ Interviews</td>
<td>✓ Follow ups</td>
<td></td>
</tr>
<tr>
<td>✓ Send Prep Docs</td>
<td>✓ Compile Results</td>
<td>✓ Deliverables</td>
<td></td>
</tr>
<tr>
<td>✓ Set Scope</td>
<td>✓ Analysis</td>
<td>✓ Exec Presentation</td>
<td></td>
</tr>
<tr>
<td>✓ Set Schedules</td>
<td>✓ Review Findings</td>
<td>✓ Next Steps</td>
<td></td>
</tr>
<tr>
<td>✓ Proposal</td>
<td>✓ Methodology</td>
<td>✓ Business Case Rpt</td>
<td></td>
</tr>
<tr>
<td>✓ Client Prep Docs</td>
<td>✓ Interview Scripts</td>
<td>✓ Financial Models</td>
<td></td>
</tr>
<tr>
<td>✓ Agenda</td>
<td>✓ Benchmark Data</td>
<td>✓ Exec Summary</td>
<td></td>
</tr>
<tr>
<td>✓ Stakeholder List</td>
<td>✓ TCO Model</td>
<td>✓ Sales Proposal</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>RESULTS</strong></th>
<th><strong>SUMMARY ANALYSIS</strong></th>
<th><strong>FINAL ASSESSMENT</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>FORRESTER®</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BearingPoint®</td>
</tr>
</tbody>
</table>
Questions & Additional Information

Contact information:
www.newScale.com or 866-639-7225
informationrequest@newscale.com

Following this webinar, you will receive an email with instructions to download the Forrester Research Note, “The Balanced Scorecard for IT: User Metrics”, download this presentation and to view replays of this webinar.

You can also access newScale RequestCenter 2004 data sheets and whitepapers at www.newscale.com in the Product Library.

➢ If we don’t have time to answer all of your questions during the seminar, please include your email in your request so that we can contact you with the appropriate information.

Thank you for participating!