

# Benchmark Against Best Practice Service Delivery Metrics



**Featuring:**

**Julie Giera, Forrester**

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**Host:**

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# Internal Service Delivery

*The average company spends between 3 percent and 15 percent of its total revenue delivering services to internal departments*

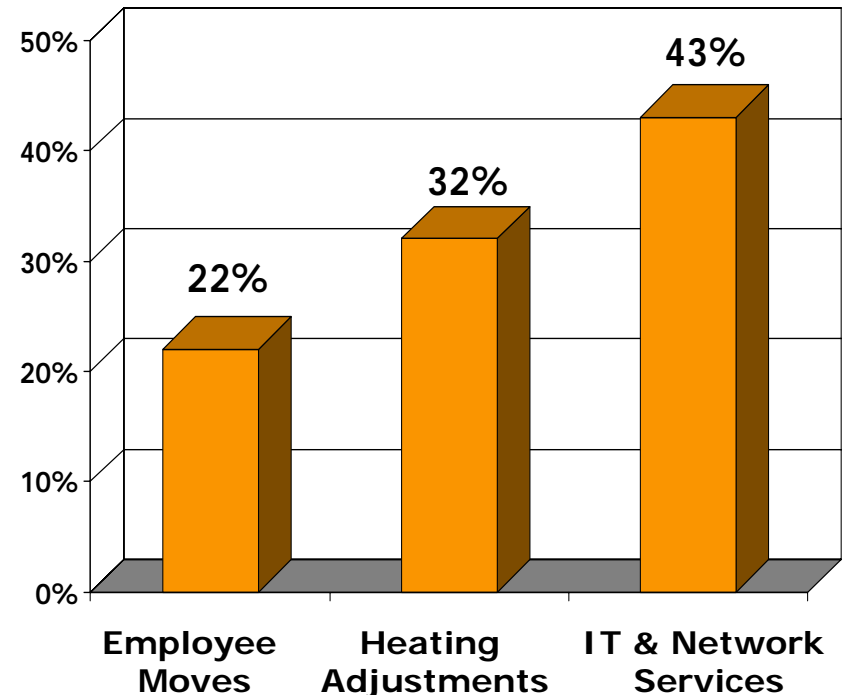
Service Organization	Example Services
IT	<ul style="list-style-type: none"><li>• Desktop setup</li><li>• Application access &amp; hosting</li></ul>
Telecom	<ul style="list-style-type: none"><li>• Cell phones</li><li>• Home office connectivity</li></ul>
Facilities	<ul style="list-style-type: none"><li>• Office/Furniture moves</li><li>• HVAC maintenance</li></ul>
Security	<ul style="list-style-type: none"><li>• Building access control</li><li>• Pre-employment screening</li></ul>

# 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)

% of National Survey Respondents Unhappy with Internal Services



Source: TNS National Omnibus Survey (9/03)

# Benchmark Against Best Practice Service Delivery Metrics



*Julie Giera*  
*Vice President*  
*Forrester Research*



# Theme

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

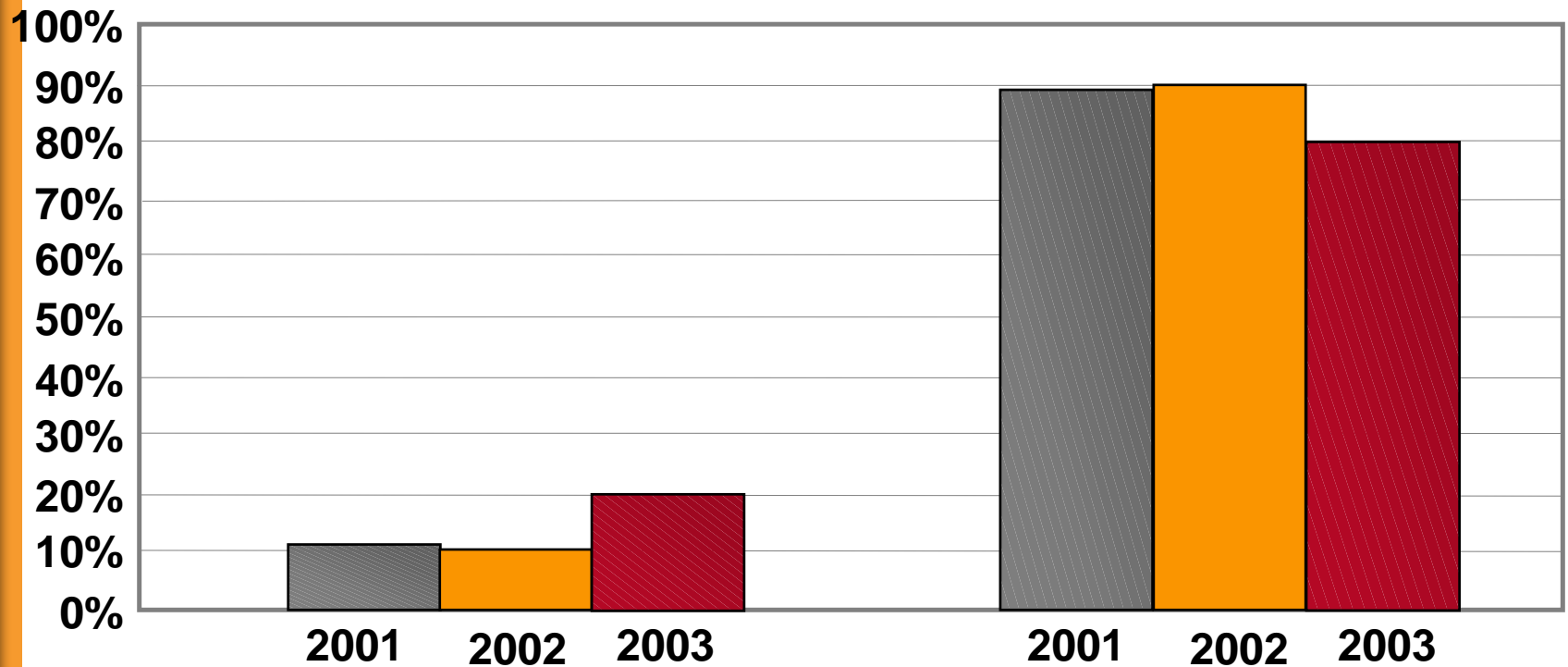
- Does your internal services organization have a benchmarking program?
  - No, not yet
  - We are evaluating benchmarking programs
  - We engage in periodic, ad-hoc benchmarking projects
  - We have a formal and comprehensive benchmarking program for service delivery

# 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



# What are you measuring?

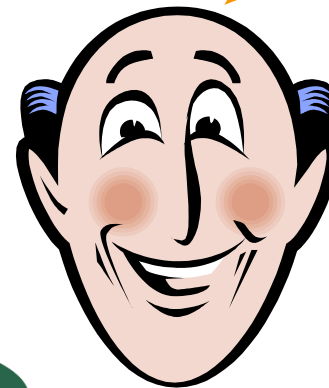
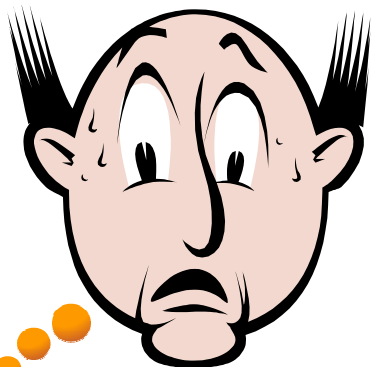
- Few companies measure value of IT
  - Most firms concentrate exclusively on technical metrics (availability, response time)
  - Few companies know full cost of services they deliver
  - Even fewer (less than 2%) can consistently tie service delivery to business value
  - Benchmarking studies give 'averages'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

## User orientation

*How should IT appear to the users?*

Mission: To be the supplier of choice for all information services

Objectives:

- User satisfaction
- IT business partnership
- Service-level performance
- Responsiveness to business needs

## Operational excellence

*Which services and processes must IT excel in to satisfy the users?*

Mission: To deliver timely and effective IT services at or under budget and SLAs

Objectives:

- Process excellence
- Responsiveness
- Project management
- Security

## IT value

*How should IT appear to senior management to be considered a significant contributor to company success?*

Mission: To enable and contribute to the attainment of business strategies through the effective application of IT

Objectives:

- Strategy contribution
- Synergy
- Business value of IT projects
- Stewardship of IT investment

## Future orientation

*How will IT develop the ability to change and improve to better achieve the IT and company strategy?*

Mission: To develop internal capabilities to learn and innovate to exploit future opportunities

Objectives:

- Service capability improvement
- Staff effectiveness
- Enterprise architecture evolution
- Emerging technology research

# Sample User Orientation Perspective

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



# 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

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

# 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 for Competitive Advantage

- 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

# Summary

- 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*



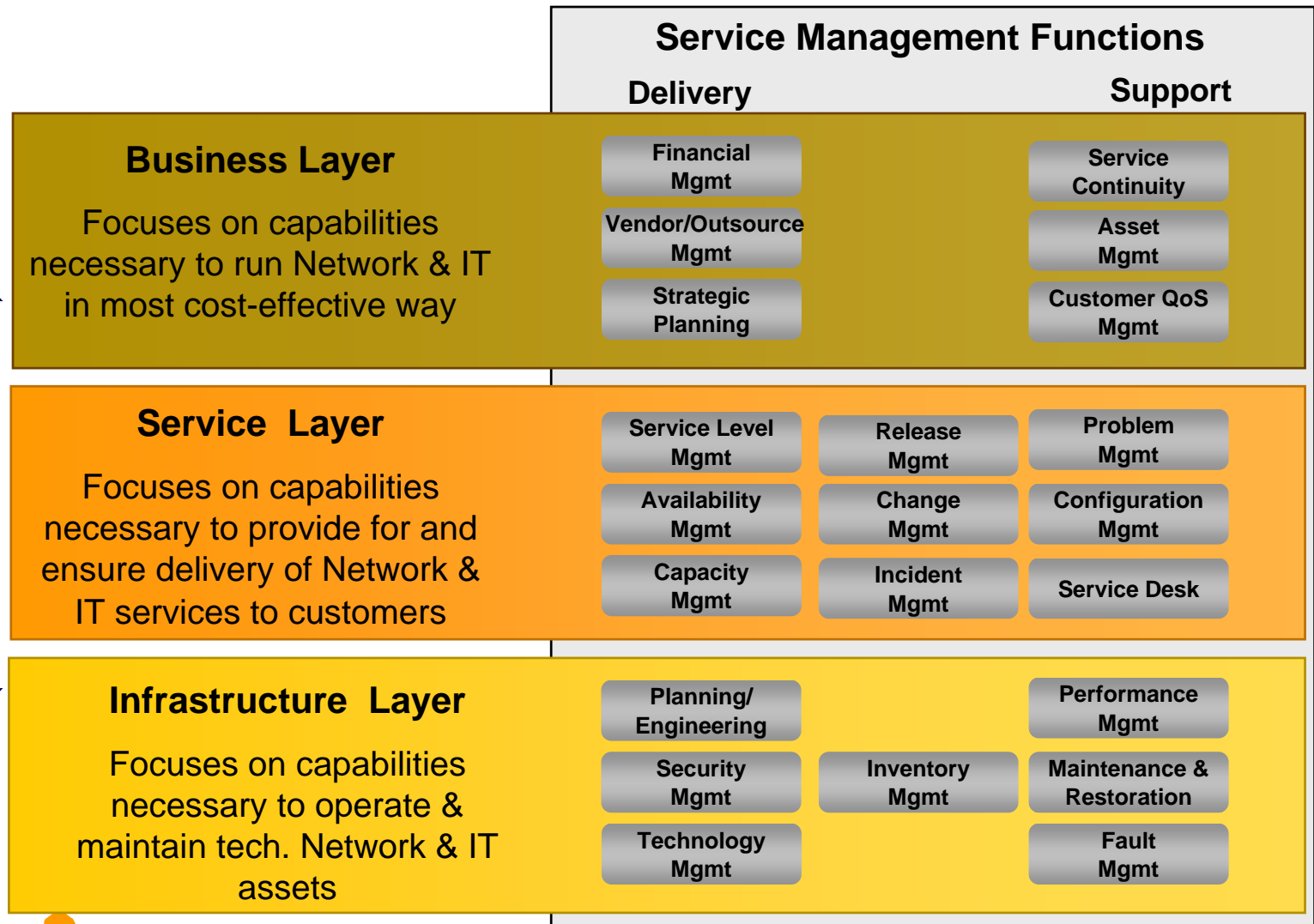
# Introduction

- **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

# Services Management Best Practices Benefits

Business Drivers	Best Practices Benefits
<b>Changes in the Business Environment</b>	<ul style="list-style-type: none"><li>• Provide reference to set direction and roadmap</li><li>• Guidelines to satisfy regulation &amp; security req's</li><li>• Facilitate M&amp;A &amp; alignment across regions</li></ul>
<b>Increased Business Expectations</b>	<ul style="list-style-type: none"><li>• Set expectations, agree to performance/cost ratio</li></ul>
<b>New Business Initiatives</b>	<ul style="list-style-type: none"><li>• Help plan &amp; implement necessary capabilities</li></ul>
<b>Profitability Pressures</b>	<ul style="list-style-type: none"><li>• Increase automation &amp; reduce inefficiencies</li></ul>
<b>Customer Satisfaction</b>	<ul style="list-style-type: none"><li>• Measure Customer QoS via end-to-end SLM</li><li>• Align service portfolio &amp; service levels to business needs of each potential customer</li></ul>
<b>Sourcing</b>	<ul style="list-style-type: none"><li>• Develop best-in-class Service Level Management (SLM) capabilities to enforce SLAs</li><li>• Develop control &amp; audit capabilities for key mgmt functions</li></ul>

# What Services Management Functions to Benchmark



# 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

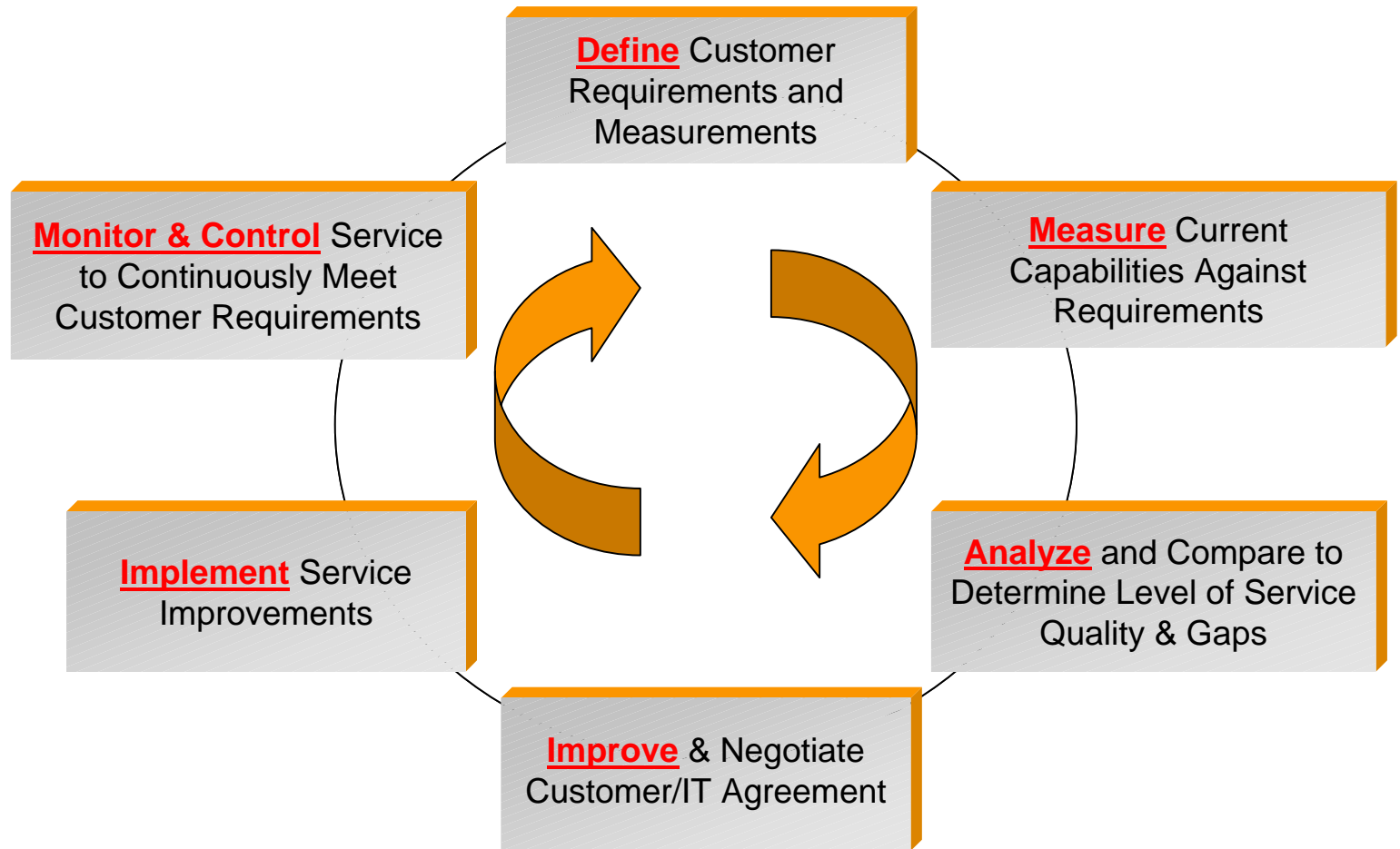
Reporting structure, roles & resp., inter-/intra-departmental relationships, vendor mgmt, skills, & culture in operations, administration, & engineering.

Mgmt framework, tools, support systems & integration. Includes technology being managed (network, servers, desktops, applications...).

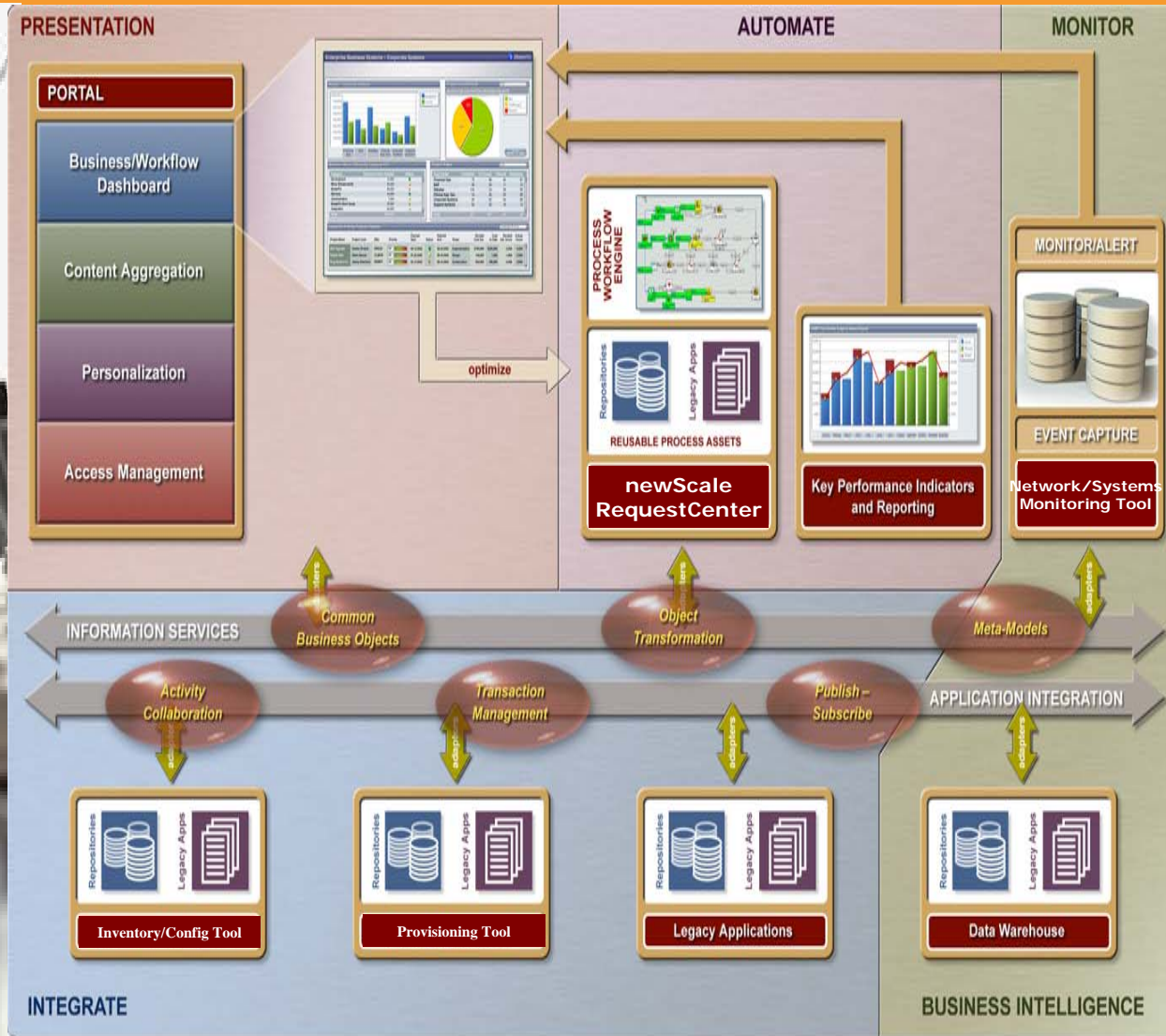
### Technology



# Benchmarking needs to be part of a broader approach— e.g., 6Sigma DMAIC



# 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

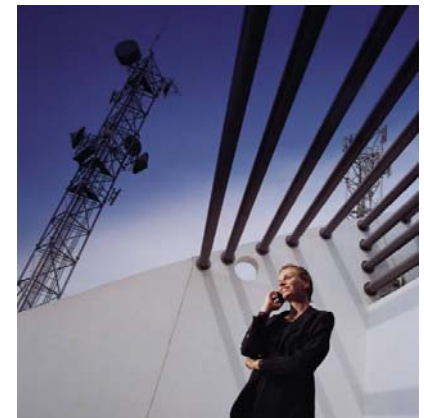


# Polling Question #3

- 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 1<sup>st</sup> 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

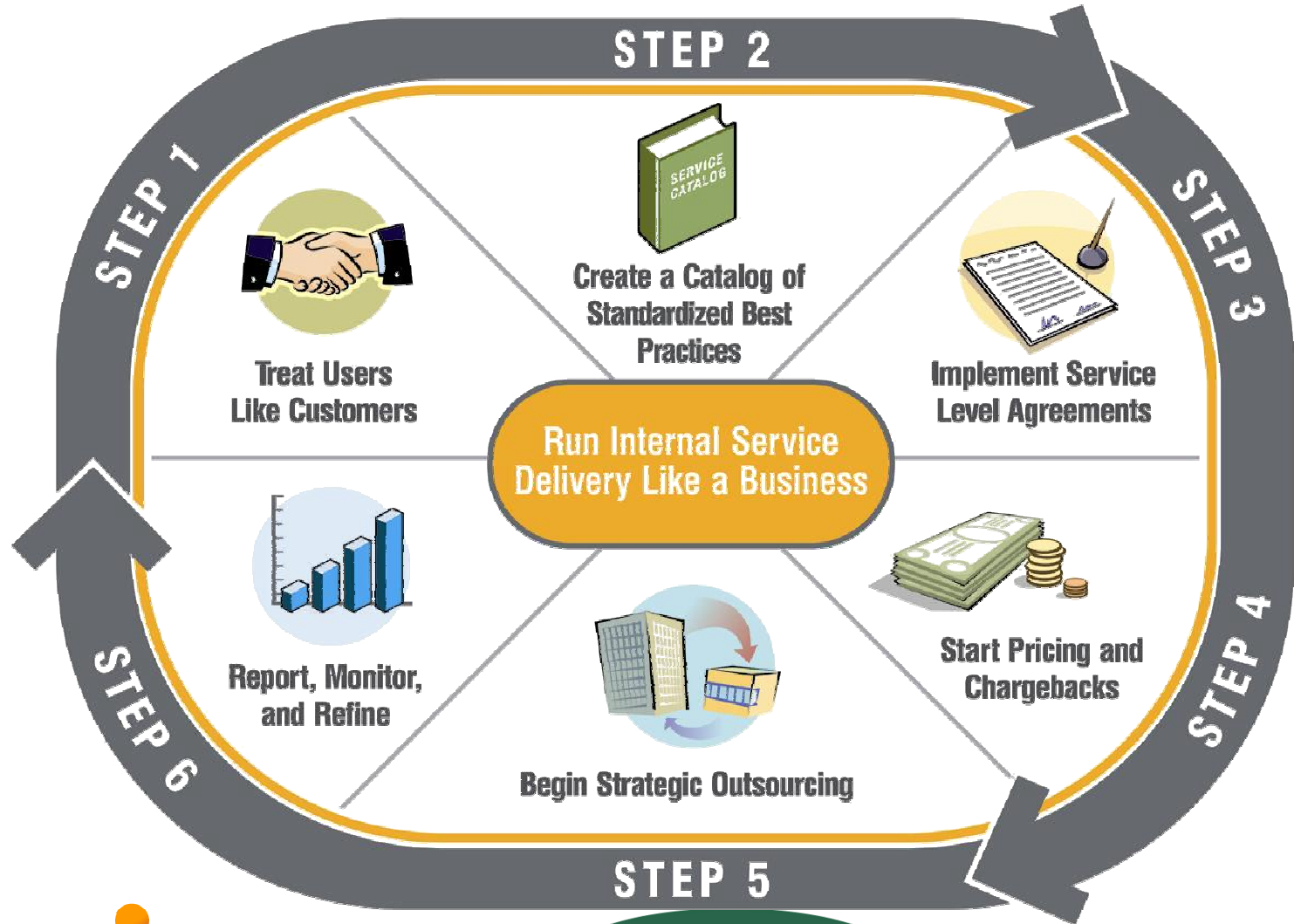
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*Director Corporate and*  
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*newScale*



# Running Internal Services Like a Business



# 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

# Benchmarking for Continuous Improvement

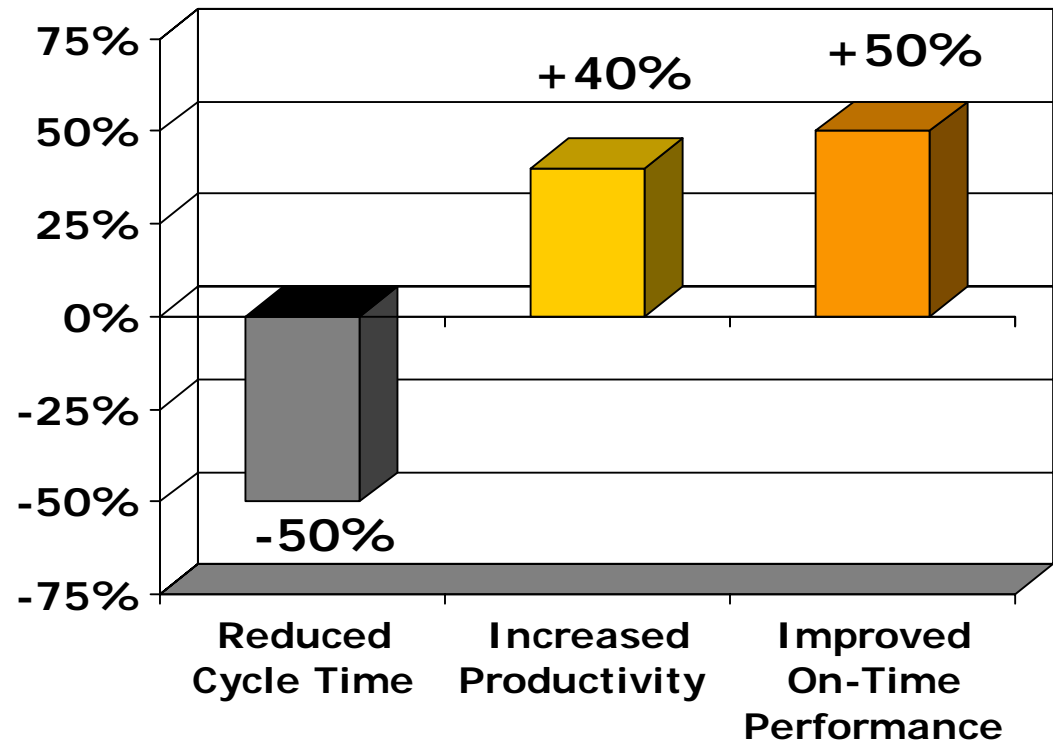
## Cycle Time Example

### 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



# A Strategic Roadmap For Getting Started

## Example Strategic Opportunity Assessment Project Plan

PHASE



TIMELINE



TOOLS



RESULTS

PLAN  
DEFINED

SUMMARY  
ANALYSIS

FINAL  
ASSESSMENT





# Questions & Additional Information

## Contact information:

[www.newScale.com](http://www.newScale.com) or 866-639-7225

[informationrequest@newscale.com](mailto:informationrequest@newscale.com)



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- 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!***

