IDC PeerScape

IDC PeerScape: Practices for Using KPIs to Drive IT and Business Performance

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IDC PEERSCAPE FIGURE

FIGURE 1

Executive Snapshot: KPIs — Practices to Drive IT and Business Performance

Voice of Your Peer

"KPIs have to be actionable. People have to understand what KPIs are and how they can affect them — all the way from the management layer to the individual contributor." — Cynthia Stoddard, CIO, Adobe

Your Challenges	Peer Insights
Defining the "Right" Performance Objectives What are the best performance objectives to drive digital transformation?	**Practice 1** Clarify the new business and IT goals that drive performance.
Defining the "Right" Set of KPIs What are the best KPIs to support modern performance objectives?	**Practice 2** Design KPIs around business outcomes, personas, and actions.
Envisioning a Future Data-Driven Organization How should we structure our data-driven operating model?	**Practice 3** Use KPIs to create an insight- and data-driven organization.

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EXECUTIVE SUMMARY

With the massive growth of data from all corners of both IT and business performance, the art and science of employing KPIs to drive performance is entering a renaissance. The "art" aspect of KPI design is stimulated by the need to measure things that were never measured before: How satisfying is a customer's experience? How should we measure cloud adoption? How do we track benefit realization? The "science" aspect revolves around what is needed to become a data-driven organization that can seamlessly create, track, report, and generate KPI insights, decisions, and actions across the enterprise with little intervention from IT.

This IDC PeerScape explores two organizations that are focused on exploiting next-generation KPIs and becoming more data-driven organizations. One is a cloud-based SaaS business whose KPIs are focused on creating world-class cloud-based software products and improving customer experiences; the other is a more traditional internal IT function whose KPIs are focused on contributing value to the company's internal and external customers. This study describes three KPI best practices that can be applied to the challenges of measuring IT as a software business and measuring IT's contribution to its customers' business. Best practices that will help the reader design and implement a modern set of next-generation KPIs include the following:

- Clarify the new business and IT goals that drive performance.
- Design KPIs around business outcomes, personas, and actions.
- Use KPIs to create an insight- and data-driven organization.

Readers will gain insights on how two companies are designing next-generation KPIs from the perspectives of a SaaS business and an internal IT department.

"The CIOs featured in this document have successfully developed a next-generation approach to designing and delivering KPIs that are driving important insights and actionable performance improvements," says Bob Multhaup, adjunct analyst with IDC's IT Executive Programs (IEP).

PEER INSIGHTS

Practice 1: Clarify the New Business and IT Goals That Drive Performance

Challenge

The challenge of KPIs has always been to develop a well-crafted set of KPIs that collectively drive the desired organizational behavior that, in turn, drives the desired performance objectives. In the pre-digital transformation era, the commonly understood rubric of what makes a good KPI — simple, measurable, actionable, timely, and visible — was applied to traditional IT functions to measure back-office and on-premise performance objectives such as downtime, service levels, cost as a percentage of revenue, and general operational efficiency.

Now, the digital transformation of the business is expanding the scope and reach of the IT performance objectives themselves. These new KPI objectives are much more business and customer driven and more cloud and AI driven and, in general, are designed to steer the entire organization to become a more data- and insight-driven enterprise with easy-to-use applications that are crafted for millennial-type personas. Therefore, the challenge and first step in KPI design is to clarify the "right" set of IT performance objectives that will reflect an entirely new vision of IT — not as a back-office on-

premise technology provider but rather as the enabler of the digital transformation of the business itself.

Examples

Adobe: Cynthia Stoddard is senior vice president and chief information officer (CIO) of Adobe Systems Inc., a $9.03 billion software company. As CIO, she is responsible not only for all IT internal systems but also for the Cloud Operations organization, which is the primary cloud-based delivery platform of the company's Creative Cloud and Document Cloud SaaS services.

When Stoddard arrived at Adobe, it was by no means a "broken" IT organization. It had made the fundamental technology jump to operate in the cloud, and services were generally running smoothly. But there was a lack of mission and objectives that didn't reflect Stoddard's vision for the future of a world-class SaaS business. Her vision was influenced by the realization that the models for excellence for both internal and external systems are the big cloud vendors that have mastered the customer experience of self-service, ease of use, and powerful, scalable, resilient, and on-demand technologies. She wanted these modern cloud characteristics to be infused into the Adobe IT & Cloud Operations strategy; the tagline that emerged was "we need to have 'cloudlike' characteristics in our DNA."

To become more "cloudlike," the company had to expand and refocus IT's performance objectives around a new framework. This framework would not only encompass the traditional operational excellence goals of IT but also include the extended reach of IT operational excellence in migrating to the cloud, measuring customer experience, optimizing internal business platforms, and reaching the goal to become a data-driven enterprise. This new and expanded framework of IT performance objectives were outlined in the "four pillars" for business outcomes as follows:

- Operational Excellence
- Customer Experience
- Data-Driven Operating Model (DDOM)
- Business Platform

Stoddard recounts how the framework organically took shape: "When we established the four pillars, especially with our tagline that we need to have cloudlike characteristics in our DNA to tie it all together, the concept resonated with the IT organization. Our first thought was, 'cloudlike' does not mean just moving applications to the cloud. And when we started talking about how you can be cloudlike in everything that you do, how you can measure it, and how you apply the principles, it really took off."

QEP Resources: Jamie Cutler is the CIO of QEP Resources, a Denver-based independent crude oil and natural gas exploration and production company. Cutler sees, like other CIOs in charge of internal IT functions, that his company is experiencing rapidly expanding performance objectives as digital transformation opens new opportunities to compete. He observes that these internal IT organizations may not necessarily need to be the best cloud software developers in the world, but their performance objectives should focus on becoming the best at applying IT innovations to the specific strategic goals of their unique customer base.

To meet his company goals, Cutler says, "We care about digital solutions that improve our operational performance or allow us to see things differently." Each initiative must have a financial return on investment and a net present value, but of equal importance, KPIs are designed around the real

tangible and intangible benefits that the company expects to realize. These benefits are prioritized around the strategic goals of the company.

To explain how goal alignment works, Cutler says, "To drive performance, whether it's internal or external, you've got to have clear and common goals across the organization. When I look at my department, I have my goals yearly, and we measure against those KPIs and goals. Some are internal department goals and some department goals are company facing that are aligned strategically. We have goals, such as security goals, for individual groups, and every project we do has to have some end result that provides a measurable difference in some way, shape, or form — or you don't do it." These aligned goals become the targets of their performance objectives and KPI design.

Cutler comments on the IT performance objectives that have contributed most to the success of QEP's customers: "Part of the job of everybody who works for me is to educate and be an advocate for the digital transformation capabilities that exist out in the world." In this role, his team members are constantly bringing technology opportunities to their peers to see if IT can improve whatever they do.

Cutler has discovered that improved business performance is not always found in some breakthrough digital transformation application but rather in massively facilitating the capabilities of the knowledge workers in the organization to better process and interact with all the data that abounds in the industry. These new digital transformation capabilities that impact faster and better decision making are often hard to measure as purely financial KPIs. He says, "The most important metric that we have been able to cocreate with a lot of our operations folks is to enable better access to see performance results, and with this metric, it has reduced the time to react, make decisions, and steer business performance."

An important metric that is not always typical of IT, customer contacts and communications, sits at the top of Cutler's performance objectives. "We do all the normal metrics of uptimes and IT efficiency, and I think those are baseline metrics," he says. "But we talk frequently about the level of communications happening throughout the business. I insist on regular communications, steering committees, updates about change, and updates about anything that's going on within the organization to ensure we understand our customers' needs." And then, Cutler's team tracks these customer contacts and communications as a key performance objective, as with a CRM system.

Guidance

The following summarizes the best practices that can be incorporated from the Adobe and QEP examples by a company that needs to better clarify its business and IT goals and performance objectives:

- The IT organization should review its performance objectives and determine if they reflect a modern vision of the digital transformation of the business.
- Although every business cannot be run as a full SaaS business like Adobe, the basic principles of becoming more cloudlike and implementing the "four pillars" are good modern goals for the IT function.
- IT and the business should first align their goals to drive common performance objectives.
- Important new goals to emphasize are to become advocates of digital transformation capabilities to the customer, improve customers' speed of decision-making solutions, and promote and measure extensive communications with the customer.

Practice 2: Design KPIs Around Business Outcomes, Personas, and Actions

Challenge

Once the new performance objectives are in place, the challenge is to design KPIs that have three critical characteristics:

- KPIs drive the desired business outcomes.
- KPIs are targeted to meet the needs of specific audiences and/or personas.
- KPIs are focused on key decision areas and are actionable to effect real change.

In traditional IT KPIs, metrics such as downtime improvements were standard, but the complaint from the user was typically that "IT achieved its 99.99% uptime metric, but we were really annoyed when it went down at the absolute worst time." So, in the next generation of performance measurement, the challenge is to craft a new set of KPIs that will fully satisfy customer expectations.

Examples

Adobe: As mentioned previously, the Adobe IT & Cloud Operations KPIs are designed around the framework of what the organization terms its "four pillars" for business outcomes; within that framework, there is the ubiquitous principle to become more "cloudlike" in everything that the company does. The innate characteristics of the cloud — on demand, ubiquitous access, resiliency, multitenancy, elasticity, location independence, and measured usage — are expected to be applied to all solutions.

To provide an example of how Adobe's cloudlike KPI framework best practice works in almost everything the company does, Stoddard recounts that the company had a 10-year-old on-premise application that was used as a front end: one surface to all the tools that customer support and customer experience agents use to do their work with external customers. This area had to be highly reliable. She says, "We measure our application performance and uptime against four-nines, 99.99%, availability. This group, working with our architecture group, reworked the application and employed the cloudlike principles. Now, it's up all the time, and during maintenance time, the business users can still use the application. And now, if we have any glitches in infrastructure, it automatically fails over." The "cloudlike" KPIs for this application are now measured by its resiliency, by the uptime (Operational Excellence pillar), and by the user experience (Customer Experience pillar).

As for metrics Stoddard uses to measure the IT department, she says, "Within IT itself is where you begin looking at metrics. We start tracking our metrics using the run-grow-transform model. We have to be cognizant to make sure that we're keeping the business running and achieving our 'four-nines.'" She ensures that IT is allocating enough money for day-to-day maintenance, for supporting business growth, and also for investing in the forward-looking business transformation. And when she delved into some of the run numbers, she found areas of improvement that could be rationalized. That money was reallocated and moved into the grow and transform initiatives.

Her philosophy about managing through KPIs is as follows: "KPIs have to be actionable. People have to understand them, and they have to understand how they can affect them, all the way down from the management layer to the individual contributor. I try to create the stories of how you tie KPIs to actions. In meetings with my teams, we create the desired messaging and use examples to communicate."

Following is a list of focus areas of some of Adobe's key KPI review meetings:

- Revolving deep-dive analysis of the KPIs and improvement opportunities of one chosen area each month, either infrastructure, applications, or data
- A review and rebalancing of the cloud ops investment portfolio
- A full review of the IT portfolio performance metrics of open and active initiatives
- Critical KPIs that are boiled up and presented to the executive committee

Stoddard explains other best practices that Adobe has embraced to measure performance: "We've actually moved to a products and services mindset in our organization because we look at the products and services and their life cycle. I would encourage every organization to look at the performance of products and services and see whether or not they make sense."

The company looked at contracts, maintenance costs, and the life of different equipment against rationalization KPIs to perform general contract hygiene and cleanup. Adobe used business outcome and actionable KPIs to consolidate much of the external workforce into the preferred supplier program, which brought significant benefits to the organization.

The final measure of performance management is the organization's reward program. Now Adobe IT & Cloud Operations gives awards at its quarterly all hands meetings to people and teams who demonstrate the attributes and behaviors of being cloudlike. Stoddard also highlights projects that have measurable business impact across the four pillars of business outcomes on a quarterly basis.

QEP Resources: Cutler's emphasis on performance objectives that promote fast decision making and ubiquitous communications enables KPIs to be designed around these business outcomes, personas, and actions. About fast decision making, "Instead of taking months, we reduced it to days," he says. "That was the most important metric that we have impacted in the last two years; we were really able to effect change."

It can be difficult to measure some of these new KPIs, like fast decision making, that don't directly impact the bottom line but that are still extremely important to the business. As a surrogate for hard financial KPIs, Cutler emphasizes the testimonials of the customer professionals and decision makers that used to spend hours and days rerunning and working the data. "Now they can see it on-demand in real time every day." And, in his view, this makes a good measurable KPI.

To put measurable KPIs around QEP's goal of an abundance of communications between IT and the business, Cutler has implemented a ubiquitous communications program that is designed and measured in a similar manner as the CRM system of a sales organization. Cutler and his team discuss business communications throughout the organization on a regular basis through all sorts of venues, such as steering committees, with updates about anything that's going on within the enterprise and markets. They also report, on a quarterly basis, the number of contacts they've had.

For example, Cutler's personal KPIs heavily reflect his goal as a leader to promote communications throughout the organization. His KPIs measure if he is doing his job as a CIO — with similar metrics that he holds his own staff accountable for. As a CIO he measures, "Am I meeting with executives often enough? Do I understand what their operational priorities are? Am I keeping on plan? Am I meeting regularly with my direct reports to help them work through their issues? Am I meeting regularly with my peers across the company, to understand what their pressure points are?" And he reports all those metrics at the same quarterly meetings that his staff does.

Guidance

Both Adobe and QEP provide good examples of best practices to design KPIs that impact business outcomes, are persona focused, and effect real action and change:

- New KPIs need to be developed to push "cloudlike" solutions and digital transformation.
- Management must connect the KPIs into "stories" that explain why they are important.
- The final assessment of KPI achievement lies in the testimonials of the customers.
- Customer communications can be measured in a similar manner as an IT CRM concept.

Practice 3: Use KPIs to Create an Insight- and Data-Driven Organization

Challenge

The long-term challenge for measuring performance with KPIs is how to make the data easy to access and able to perform sophisticated analytics and generate KPI insights as a self-service that does not require IT intervention. Currently, in most IT organizations, doing the type of KPI work described in this document requires a dedicated team of business intelligence staffers to clean, stage, mash, and report KPIs in a prescribed dashboard on an ongoing basis. This process becomes even more challenging when AI, IoT data, Big Data, and social media are brought into the mix.

Example

Adobe: Stoddard and Adobe have a unique vision for creating a Data-Driven Operating Model, which will dramatically change how users work with KPIs without having IT be a roadblock in the process. "Just like our cloudlike push, we are promoting self-service as part of our tagline," Stoddard says. The general DDOM concept revolves around achieving an advanced level of data governance, which enables internal business users to interact with the information they need in a self-service manner with little interference from IT. Some of the principles that drive Adobe's Data-Driven Operating Model are as follows:

- An underlying data governance model underpins the enterprise with a data architecture that enables commonality and consistency of data and KPIs.
- Self-service is the primary method to deliver KPIs to a persona.
- Actionable KPIs are delivered as insights.
- Users can pull data sets from the unified data infrastructure, process them, and republish their results as a new KPI data point.
- Automated data analytics enable self-healing KPIs, robotic process automation KPIs, and real-time self-service KPIs.

To initiate and expand the DDOM, "we started very small with the group of people who were the first set of business users that we were working with on our data-driven operating model," says Stoddard. "Then we looked at the information and saw that we needed to achieve some commonality and consistencies — and it had to be the business owners who define that consistency. Also, the data needs to be cleansed. If we have satellite databases, they should be deposited into the IT organization's DDOM."

They worked with this small group and saw the power of clean, actionable data and how it could be converted to insights. She recounts, "It became viral. We had people coming to us saying, 'We want to get on the DDOM governance bandwagon because we want to also participate and get the rich data insights.'"

Beyond just receiving self-service insights, she explains, "We allow people to publish back to the main source of information. So, if I'm in the marketing organization, I extract the data and I'm going to create a report or some insights that will tell me how productive a certain campaign is performing. We allow them to publish that code that reports back to our unified data architecture. And then others can use it. It becomes kind of a source of record." Adobe established what the company thinks of as an internal data development community, allowing people to work in an open source environment, where they can pull data sets out, work on them, and publish them back, thus creating a dynamically rich pool of KPI insights.

For product teams, DDOM tracks customer experience data and product KPI metrics. This includes doing analysis — on adoption, how things are working, responsiveness, and customer experience — which then goes into their product development cycles. They also measure external customer satisfaction with little IT intervention.

Enabling self-service KPIs is a fundamental principle of Adobe's DDOM: for example, the company offers a simple IT catalog where individuals can order a laptop that is automatically configured around the individual's persona; as another example, a self-service user can pull KPI data and manipulate it and publish it back with the user's new insights for other self-service users to see.

One of the far-reaching impacts of the DDOM is having IT initially become very good as a data-driven organization and then transferring these learnings to the entire enterprise. Stoddard believes this Data-Driven Operating Model will revolutionize the process of managing performance with KPIs by establishing a common and consistent data model of the entire enterprise and then enabling automatic and self-service KPIs and insights to measure business outcomes and drive decisions and actions.

Stoddard foresees this future: "IT can have a couple of roles: It can continually reinvent itself and show how it's changing and morphing with the business. And IT can also take the ideas that it has mastered and use that energy to help the business transform how it uses data and KPIs to leverage and exploit these IT strategic capabilities to become a data-driven organization."

Guidance

The ideas, concepts, and working model of the Adobe Data-Driven Operating Model can be viewed as a strategic template for where and how KPIs and insights can be generated in the future from a common and consistent data architecture. Following are some best practices to get started:

- Start small, with an enthusiastic team with a need.
- Work with the business to achieve commonality and consistency of data.
- Design around a self-service process where customers can check out and then publish data.
- Build KPIs to generate alerts and actionable insights.

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