

Integrated IT Performance Management



Kenneth Bainey

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Integrated IT Performance Management

I thank these reviewers for their valuable suggestions and contributing remarks. Their encouraging words are very much appreciated.

I am impressed with Ken Bainey's approach to integrated IT performance management. His practical approach to accountability for results by aligning strategy to execution using a performance measurement dashboard is revealing and insightful. This book provides that understanding of how to apply results-based management and results-based budgeting to transform your IT organization into a culture of performance excellence.

Ken Maharaj

Former CIO, Bishop's University, Sherbrooke, Canada

This book is well written by a respected IT professional. It could serve as a textbook or an easy read for any professional. Although this book is written from an IT perspective, there is something in it that would appeal to professionals in any field of performance. More specifically, it could very easily be applied to project management world especially team performance. This book appeals to both new and experienced managers and project managers.

Sami Fahmy

Adjunct Professor, University of Alberta-Engineering, Alberta, Canada

An excellent body of knowledge on integrated IT performance management that integrates strategic management, IT operational management and performance management. The readers will understand how IT strategic directives align with the outputs, outcomes and performance measures in the IT performance measurement dashboard. This understanding via practical applicability will be of tremendous value to IT and business decision makers in managing, measuring and monitoring the delivery of IT services.

Qing Tan

*Associate Professor, PhD, School of Computing and Information Systems,
Athabasca University, Alberta, Canada*

Already a published author, Ken has produced an amazing comprehensive collection of his experiences in IT leadership, represented by an integrated IT performance management framework-body of knowledge. His logical approach with practical "real-life" scenarios and dashboard implementation provides clarity to this complex discipline of performance management, which is perceived quite differently in practice and academic research. I believe that this framework can be used in the design and implementation of performance management systems or the start of a new body of knowledge-Performance Excellence Body of Knowledge (PEBOK).

Eugene Sears

Former Vice-President, Information Technology Services, Ontario, Canada

Ken has created the first IT performance management body of knowledge, from my research and awareness. The ideas, strategies, and processes covered in this book are very well articulated, with innovative and practical insights into the alignment and integration of performance measurement results-accountability for results, processes, and tools. His integrated IT performance management framework provides a clear, consistent, and complete picture with key insight suitable for the academic, private, and business sectors. I believe this framework will inspire many IT leaders to assess and transform their performance management practices.

Stanley Boodram

Professor, DSc, American Military University, Pittsburgh, Pennsylvania

Ken's book is a thoughtful collection of his extensive experiences and research to integrating performance measurement and management practices. He is an author with "hands-on" IT leadership and consulting experiences. This book is a must-read for those responsible for managing the performance of their IT organization.

Ashvaneer Bisoonth

IT Director, Government of Alberta, Canada

Writing a book about concepts such as performance management that is perceived quite differently in practice requires experience, research, and wisdom. Assembling experience, research, and wisdom into an integrated performance management framework of clarity, consistency, and completeness is even more challenging and daunting. Ken has developed a logic model to bridge strategies with practical IT operational execution, represented as an integrated IT performance management framework (IPMF-IT), with discussion of positive and negative views. I am sure you will reflect on your own views and experiences for improvements after reading this book.

Myles Diamond

Senior Performance Manager, Edgeware Inc., Alberta, Canada

IT projects are notorious for cost overruns, delays, and failure to deliver value. Ken Bainey has gifted the IT industry with a valuable compendium of models and insights for delivering outstanding returns on investments in IT.

Touraj Nasseri

Professor and IT Director, Government of Alberta, Canada

This is one of the best books on performance management that I have ever read. Ken Bainey has done an excellent job of illustrating accountability for results-based management, linking strategy with IT operational execution using an integrated IT performance measurement dashboard, and transforming an IT organization to a culture of performance excellence. His discussions are logical, his scenarios are real, his graphical representations are practical, and his writing is inspirational.

Edson Roopnarine

Specialist, IT Governance, Government of Alberta, Canada

This is a must-read for business and IT leaders who are serious about improving their understanding of performance management integration, accountability, transparency, sustainability, and transformational change, in order to optimize the utilization of IT resources and to enable and support organizational excellence.

Michael Frenette

Senior Partner, Sierra Systems Consultant, Nova Scotia, Canada

Almost fifty percent of major IT projects fail because of significant cost overruns, much longer delivery time, or because they do not meet their original objectives. One of the reasons for this is a lack of adequate performance management protocol, poor coordination, and integration during the project life cycle, and failure to implement appropriate monitoring and reporting systems. Far too often we have text books written by authors who do not have enough hands-on experience regarding the subject matter. Ken Bainey, however, has done a marvelous job presenting his over 35 years of proven practical experience and expertise in *Integrated IT Performance Management Framework*, which provides a blueprint to enable the delivery of value-based IT services by linking strategic and operational management with outcomes-driven performance management. This book will not only benefit university students but also serve as an excellent reference guide for practicing IT and engineering professionals.

Jay G. Ramotar

Deputy Minister (retired), Government of Alberta, Canada

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Kenneth Baine



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To my wife, Carol Baine, who has been a partner in life since 1974, my two wonderful sons, Kevin and Kristian, and my brothers and sisters, whose encouragement, emotional support, and suggestions made this a much better book than it otherwise would have been. My deceased parents would have been proud of this accomplishment.

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Preface

*Before you start some work,
always ask yourself three questions –
Why am I doing it, What the results might be and
Will I be successful.
Only when you think deeply and
find satisfactory answers to these questions, go ahead.*

—Chanakya

This book is a compilation of my extensive information technology (IT) management, performance management, project management, enterprise architecture and applications development knowledge, skills, and industry experiences gained over more than 35 years as an IT professional in the private, public, and academic sectors in Canada and the United States. It is *not* intended to be another theoretical book on human resources performance management, as there are many excellent books on this topic, some of which are mentioned in the “Recommended Readings” section at the end of each chapter. If you are in search of a book on human resources performance management, then this may not be the book that will interest you. The focus is within the context of a *results-driven* performance measurement and accountability framework that is *outcomes-based*. This book assumes a certain level of understanding of basic IT performance management concepts and theory.

However, if you are in search of real-world practical scenarios of IT performance management practices, with a desire to obtain examples of strategic directives, accountabilities, outcomes, and performance measures for managing IT services, with an interest toward how performance management integrates with strategic and operational management, then this book may be the magical solution for your performance management knowledge needs. The objective of this book is to provide an Integrated IT Performance Management Framework (IPMF-IT)[™] that integrates strategic, IT operational, and performance management components based on a *results-driven* performance measurement and accountability framework. This book also demonstrates the applicability of this framework, within the context of the entire IT services delivery life cycle, using a *model-centric* approach. A unique and innovative approach of this model is the alignment of *outcomes measures with outputs measures*, which focuses on the effectiveness and efficiencies of output measures to the management, measurement, and delivery of IT services.

During my 35 years as an IT professional, I have had the opportunity of experiencing both high excellence and less desirable practices in performance management, according to the Capability Maturity Model Integration (CMMI)[®] of the Software Engineering Institute, Carnegie Mellon University. Certainly, performance management requires human resource management skills, but these skills alone are definitely not sufficient for IT organizational excellence. The Balanced

Scorecard (BSC) framework, originally created by Kaplan and Norton in their book *The Balanced Scorecard*, published by Harvard Business School Press, identifies human resource–employee management as one of the four major areas of measurements required for effective and efficient organizational excellence. Some senior managers strongly believe that human resource management talent is the only solution to performance management excellence to resolve the integration, communications, accountability, and transformation change problems internal and external to organizational excellence. This view that human resource management talent is the only skill requirement of managers is often expressed by executives and senior management staff who may have limited knowledge, skills, and experiences in integrated performance management processes. Managers who do not demonstrate the confidence and ability to apply or objectively challenge executive management directives and provide valuable suggestions or recommendations usually lack the required performance management knowledge, skills, and processes, as defined by Six Sigma®, *The Balanced Scorecard*, or similar performance measurement frameworks.

The effective applications of modern performance management principles in this technologically advancing world require professional managers with generalized strategic integration, specialized performance measurement risk management, quality improvement, and excellent transformational change management skills. By measuring success through the achievement of outcomes rather than counting human resources efforts and activities, we will be further ahead in determining how outputs are aligned with outcomes to delivering the desired result. We need to shift from performance measures that are primarily focused on accountability for effort and activities to accountability for results and outcomes. We may look busy but may be producing the “wrong” results.

The key to solving the problems of integration, communications, accountability, and transformational change, internal and external to an organization, is the establishment and deployment of consistent performance measurement processes that focus on measuring results, outputs, and outcomes, rather than only measuring human resources efforts and activities. Employing an integrated performance measurement dashboard to align strategy formulation with operations execution using outputs, outcomes, and performance measures will provide a framework for resolving integration and accountability issues. Effective transformational change requires an understanding of people/culture, politics, process, and performance, with actions for improvements. It is not only about communications, but it is also about improving performance.

As a result of these real-world experiences, I decided to compile, in a single volume, the performance management problems and challenges that I have experienced in both the highly excellent and less desirable performance management practices and to provide a set of real-world solutions, with an emphasis on the integration of strategic, IT operational, and performance management processes.

The real-world solutions presented in this book demonstrate a results-driven performance measurement and accountability framework to managing IT services that focus on the three major modern performance management skills requirements of strategic integration, quality improvement, and transformational change, as discussed in William A. Howatt’s book *9 Elements for Integrated Performance Management*.

In order to progress in this dynamically changing information technology industry, we need to apply modern performance management talent in managing IT services using strategic integration, quality improvement, and transformational change management skills, rather than the traditional performance management skills based on measuring human resources efforts and activities and financials. These traditional performance measures are normally applied by human resource managers, financial auditors, sales executives, and business management specialists. There is no

widely adopted performance management body of knowledge for information technology management. The Project Management Institute (PMI®) may consider adding a performance management knowledge area to their Project Management Body of Knowledge (PMBOK®) framework. To start transitioning performance management in your organization, you need to

- Establish and implement an IPMF-IT to enable accountability for achieving the results of IT services, to optimize resource utilization efficiency, and to ensure that IT services are aligned with the goals and objectives of the business while improving performance, demonstrating value, and implementing transformational change effectiveness.
- Employ professional managers with strategic value integration, performance improvement, and transformation change management skills who can achieve the four major performance management goals of accountability, transparency, transformational change, and service excellence, while optimizing the utilization of IT resources—people, process, financials, and technology—and ensuring accountability for results.
- Educate senior and executive management on performance management integration principles to assist them in making logical and accurate evidence-based decisions.
- Demonstrate to senior and executive management the value of performance management by showing them how the integration of strategic management, IT operational management, and performance management is essential in enabling strategic and operational performance improvements—organizational excellence.

The lack of standards and an integrated body of knowledge for performance management leave room for interpretations, flawed assumptions, and confusion. The concept of performance management is perceived quite differently in practice and academic research. It is still in the formation stages with no unified body of knowledge outlining its structure, results, processes, and boundaries.

This book provides that body of knowledge from the perspectives of integrating strategic, IT operational, and performance management results—outputs, outcomes, and processes. It uses a logic model to enhance performance through outcomes accountability, relationships among strategic directives, accountability for results, outcomes, process flows, and performance measures that are guided by the interrogatives: input (What is invested?), output (What is achieved?), and outcome, that is, impact (What is the result and what difference are we making?).

I hope that this book will provide valuable insights to functional and executive managers (business and IT) in their search for the elusive or magical “silver-bullet” solution to performance management. To readers who may view the contents as very advanced and did not gain any immediate value, which is unlikely, I do hope you appreciate the *what, why, when, where, who,* and *how* of performance management presented in this book and that the readings at least create some revealing, “thought-provoking” ideas. In this book, the way I attempt to make clear or create objectivity from subjective or confusing performance management themes is through the use of these English language interrogatives.

*I keep six honest serving-men
(They taught me all I knew)
Their names are What and Why and When
And How and Where and Who*

—Rudyard Kipling

Purpose of This Book—Why

Widely published IT statistics in performance management reveal the following:

- Only 43% rated their organizational performance management systems as effective.
- There was 30% improvement in companies that chose quarterly goals in performance management over “traditional” annual reviews (2013 Bersin survey).
- “We use 2% of what we measure—the rest is CYA” (Michael Hammer).
- High performers are 44% more effective in “cascading” accountability and achieving overall strategic and operational objectives (PwC–2012).
- Two thirds (66%) of organizations are planning to evaluate new technologies for business intelligence and performance management (Ventana Research, 2013).
- On average, more than 80% of companies think their performance management processes need improvement—planning, budgeting, and forecasting processes seem to be especially problematic (BARC, BI Survey-2014).

These real-world statistics confirm the need to

- Provide accountability for achieving the results of IT services
- Optimize the allocation and utilization of IT resources
- Ensure that IT services are aligned with the goals and objectives of the business
- Improve performance, demonstrate value, and implement transformational change
- Improve decision making using evidence-based methods, measured by output and outcomes

The KPI Institute’s research “Performance Management in 2014” perceives integration as a necessary and essential performance management strategy for organizational excellence.

The purpose of this book is to provide my view, from an IT industry perspective, on how to address these performance management issues and integration imperatives by providing a results-driven performance measures and accountability framework of outputs, outcomes, performance measures, processes, practices, and real-world scenarios based on my 35 years as an IT professional in Canada and the United States. I compiled these practical experiences with the hope that professionals (IT and business) involved in performance management practices will understand and use the components of this integrated performance management framework as a valuable reference guide during the management and delivery of IT services.

In this book, you will

- Learn what the key results areas of an IPMF-IT™ are and how to integrate these results areas vertically and horizontally for strategic, IT operational, and performance management alignment.
- Learn how to manage, monitor, and measure IT performance results that focus on strategic alignment with IT operational execution using accountability for results: results-based management (RBM) and results-based-budgeting (RBB), with an integrated IT performance measurement dashboard and predictive performance analytics tools and technologies.
- Learn how to improve communications and enable integration, accountability, and effective change management, both internal and external to organizational excellence, by applying simple, flexible, and consistent processes using a model that integrates strategic, IT operational, and performance management practices.

- Learn how to transform from the traditional, antiquated change management practices to a transformation change model of people, politics, process, and performance, as suggested in this performance management framework.
- Develop an appreciation for performance management best practices that I have provided by means of real-world examples of accountability for results-integrating strategic directives with outputs, outcomes, processes, and performance measures.
- Learn how strategic directives are linked with the integrated IT performance measurement dashboard, using the KPI Management Framework from The KPI Institute® and Kaplan and Norton's Balanced Scorecard (BSC)® measurement framework.
- Understand real-world issues of performance management problems that have caused stressful situations to managers and executives (business and IT), and develop an appreciation for the recommended solutions, using real-world scenarios.
- Understand the goals of accountability, transparency, and change management in enabling a results-driven performance measures and accountability framework, within the context of the entire IT service delivery life cycle, by integrating strategic, IT operational, and performance management. This understanding will provide the needed guidance in determining accountability for results—transforming toward measuring results rather than tracking resources, financials, and activities, and transforming toward measuring outcomes and outputs rather than tracking inputs and activities.
- Obtain a comprehensive set of real-world strategic directives definitions for each functional area of the IT service delivery life cycle, with practical illustrations of how these strategic directives (strategy formulation) align with the integrated IT performance measurement dashboard (IT operational execution), using outputs, outcomes, performance measures, and Microsoft® Excel spreadsheets.
- Learn the key components of specific Industry Best Practices: COBIT®—Control Objectives for Information and Related Technology, ITIL®—Information Technology Infrastructure Library, CMMI®—Capability Maturity Model Integration, Six Sigma®—Process Performance Management, PMI-PMBOK®—Project Management, The KPI Institute®, and Kaplan and Norton's Balanced Scorecard® performance measurement frameworks. You will also learn how to align and apply these frameworks with IPMF-IT during the management and delivery of the IT services using the IT delivery life cycle process.

Who Should Read This Book

First and foremost, this book is intended as a reference source for practicing managers and executives (IT and business), whose interest is toward understanding performance management from a results-driven performance measurement and accountability perspective. These practicing managers will gain an appreciation for the value of integrating strategic, operational, and performance management in implementing accountability for results to achieve organizational excellence. It is also intended to serve as a performance management reference for managers, enterprise architects, and executive managers (in IT and business) involved in making evidence-based performance management decisions. This book can serve as a reference to various performance management stakeholders: service providers, consultants, performance managers, software application developers, business analysts, and systems architects involved in performance planning and execution and who wish to expand their knowledge of integrated IT performance management processes. Finally, this book can be used by academics and researchers in information technology management

courses to bridge the intellectual gap between theory and practice. The framework can be used as the fundamental structure in the design and implementation of performance management software systems or the start of a new performance management body of knowledge—Performance Excellence Body of Knowledge (PEBOK®).

How to Use This Book

Managers and executives (IT and business) who are involved or interested in understanding results-driven performance measurement and accountability practices at organizations and who have adopted the performance management integration philosophy, in whole or part, should read this book sequentially. The chapters have been organized logically based on the components of the IPMF-IT.

Executive managers and senior managers can limit their readings to Chapters 1 and 2, which provide an introduction to the output (what) and outcomes (why, impact), processes (how), and people resources (who) involved in implementing the IPMF-IT model. These chapters provide some real-world scenarios of the value of integration, accountability for results, and transformational change management for organization-wide performance management excellence, which executives and senior managers will appreciate. Some may perceive the information as being quite insightful in their elusive search for the secret of success to organizational excellence to managing and delivering IT services.

Performance managers, consultants, academics, and researchers should read this book sequentially in order to develop a complete understanding on the *what*, *why*, *how*, and *who* of implementing a results-driven performance measurement and accountability framework, by integrating strategic, IT operational, and performance management components. They may have to tailor the IPMF-IT framework model to fit the context of their existing organization. Chapter 6 and Appendices A through F will appeal to chief information officers (CIOs) and IT leaders/managers who are searching for a real-world implementation of a client-centric outsourced model that links strategic directives with IT operational execution using an integrated IT performance measurement dashboard.

Architects (IT and business), methodologists, and business analysts can limit their readings to Chapters 2, 6, and 7. Chapter 2 provides an introduction to the IPMF-IT model, Chapter 6 shows how this model can be applied during the entire IT service delivery life cycle (SDLC), and Chapter 7 provides guidelines on how this IPMF-IT framework integrates with COBIT®, ITIL®, CMMI, Six Sigma®, PMBOK®, KPI Institute and Kaplan and Norton's Balanced Scorecard to enable organizational excellence using the IPMF-IT framework.

Organization of This Book

Integrated IT Performance Management provides a results-driven performance measurement and accountability framework that is based on a specific set of strategic management, IT operational management, and performance management results areas that form the basis of the integrated (horizontal and vertical) solution. At the end of each chapter, there is a "Summary" section that highlights the key results-driven performance measurement concepts discussed in that chapter, an "Endnotes" section that further explains the meaning and context of each numbered term, and a "Questions to Think About: Performance Perspectives" section that provides some questions for the readers to objectively determine the level of performance management maturity at their company. At the end of each chapter, there are also multiple-choice questions to assist the reader in

determining the basic understanding of the integrated IT performance management framework. At times, the reader may find texts or diagrams replicated throughout this book. This is intentional in order to provide the reader the necessary continuous and logical flow of information to enable a more comprehensive understanding of the foundation principles and real-world applicability.

Chapter 1, Introduction to Integrated IT Performance Management, introduces the components of integrated IT performance management, discusses real-world problems, and provides real-world solutions during the management, measurement, and delivery of IT services. Guidelines for gaining executive management support that challenge performance management myths are also presented to provide some helpful hints and useful insights for practising managers, especially those whose interests focus on achieving organizational excellence.

Chapter 2, Integrated IT Performance Management Framework, introduces the integrated IT performance management framework and discusses strategic management, IT operational management, and performance management components. The key accountabilities of the performance delivery manager are provided to demonstrate the strategic performance integration decisions required during the management, measurement, and delivery of IT services.

Chapter 3, Strategic Management Model, expands on the strategic management model introduced in Chapter 2, discusses the results areas of the model, and provides the purpose, strategic directives, accountabilities, outputs (what), outcomes (why), process flows (how), performance model, and performance measures/metrics (dashboard) for each of the results areas. The accountabilities of the performance delivery manager discussed in Chapter 2 are further expanded to include the accountabilities of the executive performance manager (sponsor), the performance delivery manager, and the performance measurement team. These roles and accountabilities demonstrate the nature of *strategic management integration* with executive sponsors, performance delivery managers, and the performance measurement team, during the management, measurement, and delivery of IT services.

Chapter 4, Performance Management Model, expands on the performance management model introduced in Chapter 2, discusses the results areas of the model, and provides the purpose, strategic directives, accountabilities, outputs (what), outcomes (why), process flows (how), performance models, and performance measures/metrics (dashboard) for each of the results areas. The accountabilities of the performance delivery manager discussed in Chapter 2 are further expanded to include the roles and accountabilities of the executive performance manager (sponsor), the performance delivery manager, and the performance measurement team. These roles and accountabilities demonstrate the nature of *performance management integration* with executive sponsors, performance delivery managers, and the performance measurement team during the management, measurement, and delivery of IT services.

Chapter 5, Information Technology Operational Management Model, expands on the IT operational management model introduced in Chapter 2, discusses the results areas of the model, and provides the purpose, strategic directives, accountabilities, outputs (what), outcomes (why), process flows (how), performance model, and performance measures/metrics (dashboard) for each of the results areas. The accountabilities of the performance delivery manager discussed in Chapter 2 are further expanded to include the roles and accountabilities of the executive performance manager (sponsor), the performance delivery manager, and the performance measurement team. These roles and accountabilities demonstrate the nature of *IT operational management integration* with executive sponsors, performance delivery managers, and the performance measurement team during the management, measurement, and delivery of IT services.

Chapter 6, Integrated IT Service Delivery Life Cycle Performance Model, expands on the IT service delivery life cycle model introduced in Chapter 2, provides the strategic directives, discusses the outputs and performance measures for each of the IT functional areas within the IT

service delivery model, and provides the alignment or horizontal integration of the results areas with strategic management, performance management, and IT operational management using RACI charts. For each of the IT functional areas, the alignment of the strategic directives end results with the outputs and performance measures in the performance measurement dashboard is illustrated using matrix representations.

Chapter 7, Aligning IPMF-IT Framework with Industry Best Practices, provides insight into how IPMF-IT aligns with COBIT®, Six Sigma®, PMBOK®, ITIL®, CMMI®, The KPI Institute, and Kaplan and Norton's Balanced Scorecard to show the integrative nature of these performance measurement frameworks. The strategic, IT operational, and performance management results areas of IPMF-IT framework are integrated with the IT functional areas or stages of IT service delivery life cycle using industry best practices methods and tools. The integration of the measurement results areas with the integrated IT performance measurement dashboard is shown using a matrix representation. The functions of the performance measurement office (PMO) in providing process, standards, and technical support for integration of industry practices are discussed. Suggestions for transforming performance management in your organization, using the transformation change model—people, politics, process, and performance—will provide very useful, applicable, and sustainable real-life scenarios. Finally, suggestions for CIOs and IT leaders for transforming to a performance management culture to enable and support IT organizational excellence will provide some exciting insights, especially to those who are ready for the transformation.

The Appendices include Microsoft® Excel implementations of the integrated IT performance measurement dashboard for the six (6) functional areas of the IT service delivery life cycle in a real-life scenario. I am sure you will find the structure and analytics for evidence-based decision making practical, informative, and insightful.

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Recommended Readings

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Author

Kenneth R. Bainey is a retired chief information officer (CIO). He is a senior information technology (IT) professional, including 10 years as a CIO with 35 years of industry experience, and 10 years as a consultant, performing leadership roles in performance management and implementation of numerous business application systems in private, public, and academic sectors in Canada and the United States. As a CIO, senior performance manager, senior project/program manager, senior systems/data architect, and IT management consultant, he has acquired excellent specialized skills in strategic management, operational management, and performance management in information technology with alignment to business management areas.

His senior-level accountabilities include 9 years as a CIO with the Government of Alberta, 10 years in telecommunications, 5 years in oil and gas, and 7 years in the transportation and utilities business, where he directed and performed “hands-on” leadership roles in the management, measurement, and delivery of IT services, using “in-sourcing” and “out-sourcing” IT service delivery models. He performed the roles of CIO, senior performance manager, enterprise/systems architect, and IT management consultant at many organizations in Canada and the United States, where he implemented various components of this “results-driven performance measurement and accountability framework”—integrated IT performance management (IPMF-IT)TM.

His academic qualifications include an MBA (Edinburgh Business School), BSc (University of Alberta), and professional designations—PMP (PMI Institute), PMgr, CIM (Canadian Institute of Management), and CCP (Institute for Certification of Computer Professional). He served on the executive committee of the Institute for Certification of Computer Professionals (ICCP-USA), the academic advisory of Athabasca University, VP-Professional Development-PMINAC, and was a public member of the Alberta Government, College of Alberta Psychologists (CAP) Council.

Bainey is the owner of an IT consulting company, speaker, lecturer, researcher, and author of an IT textbook titled *Integrated IT Project Management—A Model Centric Approach*, published by Artech House Publishers (London and Boston), publishers of engineering management books. He has also published technical articles with Auerbach publishers and in the *Journal of Systems Management*.

Chapter 1

Introduction to Integrated IT Performance Management

1.1 Introduction

Not everything that counts can be counted, and not everything that can be counted counts.

William Bruce Cameran
Sociologist

Integrated Information Technology (IT) Performance Management as defined in this book is the process of integrating the components of strategic management, IT operational management, and performance management during the management, measurement, and delivery of IT services. The objective of this integrated process is to optimize the utilization of IT resources—people, process, financials, and technology, using a *results-driven*¹ performance measurement and accountability framework. Figure 1.1 is a conceptual representation of the three major components of this framework that are discussed in further details throughout this book. The main focus is toward measuring outcomes and results rather than only measuring efforts, financials, and activities by counting inputs and outputs. This results-driven performance management and accountability framework is a set of practical strategic directives, accountabilities, outcomes, process flows, and performance measures, which demonstrate the integrated nature of strategic, IT operational, and performance management components. The unique difference of this framework is the *model-centric*² approach, based on outcomes and results, rather than the traditional activity-oriented method. This model-centric approach to results-driven performance measures and accountability framework discussed in this book is a unique innovative solution that can be readily applied during the management, measurement, and delivery of IT services. It effectively addresses the root causes of performance management major challenges—integration, communications, transformational change, and accountability problems internal and external to organizational excellence.

During my 35 years of experience in IT at various large companies in the private, public, and academic sectors, across Canada and United States, I have had the opportunity of working with

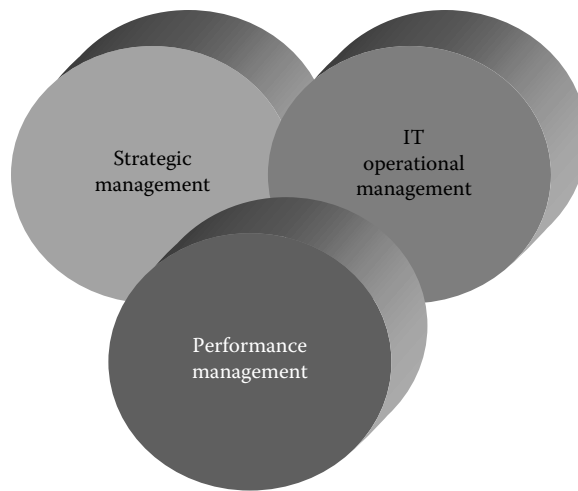


Figure 1.1 Integrated IT performance management framework—conceptual view.

senior and executive managers (IT and business) who, rightly so, stress the importance of the four famous performance management objectives:

1. Effort allocations and utilizations (effort)
2. Financial allocations and utilizations (financial)
3. Work allocations and utilizations (activity)
4. Performance measurement (KPI—Key Performance Indicators)

However, some of these senior and executive managers seem to measure performance based on these four famous performance management objectives, without any knowledge or consideration for strategic, operational, and performance management integration. In the majority of cases, these managers published performance metrics to demonstrate organizational successes, using the criteria of successfully meeting approved effort, financial, and activity objectives, with little regard for outcomes, results, and quality objectives. There was no consideration for integration, engagement, alignment, accountability, measurement, and improvement.

It is sometimes a common directive by senior and executive management who have limited exposure to the fundamental principles of integrated performance management to emphasize the human resource and personal systems aspects of performance management. They have little or no concern for what, why, or how outcomes or results are produced to support organizational excellence. Managers when confronted by executive management about the desire for consistent, integrated, and effective performance management practices across the organization, manage to recommend and convince executive management that the solution is a business process modeling or business reengineering initiative, using an activity-based performance management process. After closer assessments of this recommended solution, it is evident that some managers' perception of performance management is based on activity-driven financial measures, rather than results-driven measures. The view of integration to optimizing the utilization of IT resources while improving on performance and enabling effective transformation change seems to be limited. There was no mention for strategic, operational, and performance management integration. In my view, we have just compounded the problems rather than solving the root causes of performance

management major challenges—communications, integration, accountability, and change management problems internal and external to organizational excellence.

In a majority of such cases, another business process modeling or business reengineering initiative is justified with new activity-based performance measures. There are different key performance indicators for reducing or increasing human resource capacity, to sound impressive, and promote political attractiveness. The value of performance measures to generate efficiencies for organizational excellence through alignment to strategic and operational outcomes seem to be an ignored or unfamiliar concept. The end result of these performance measurement initiatives is to either reduce or increase human resources capacity to satisfy certain senior or executive managers' ego, status, and political agenda, with the political logic to justify their decisions, using complex human resources policies. This is a typical case of illusions of efficiencies with nonproductive time, effort, and costs being applied to ineffective or wrong performance measures. The objective to optimize the utilization of people, process, financials, and technology resources for organizational excellence seems to be heading in a different direction.

The problems of the following continue to resurface, resulting in the elusive search for the magical “silver-bullet” solution:

- Accountability for Results
- Transparency
- Change Management
- Performance Improvement (Sustainability)
- Strategic Value Integration
- Redundant and Duplicated Efforts

Executive management perception of the causes for lack of meaningful performance measures, blame the rigid activity-based method—too heavy emphasis on policies and processes and too little emphasis on people and finance. This new directive from executive management to focus on people and financial aspects without alignment to outcomes or results normally evolves into a chaotic organizational environment with unclear outcomes, meaningless measures, confusing targets, and inconsistent processes. Managers having no documented accountability, transparency, and performance measures—some managers' favorite working environment. Lack of performance measurement systems encourages intuitive or emotional decision-making culture. The cycle in search for the “silver-bullet” performance solution continues, with presentations to executive management for more people and financial resources to support the existing complex policies and processes.

There is no “silver-bullet” solution. These performance management problems continue to resurface because of the lack of strategic, operational, and performance management integration framework. Structure measures organizational capability (people culture, facilities, and technology), finance measures how much services costs, process measures how services are performed, and outcomes measure results. This integration is necessary and essential to resolving the root causes of performance management challenges—integration, communications, accountability, sustainability, and transformational change problems, internal and external to organizational excellence and IT services delivery.

There is no silver bullet.

Fred Brooks

1.2 Performance Problems: Management of IT Services

The common performance problems that managers experience during the management, measurement, and delivery of IT services, as identified in Section 1.1, are further elaborated. The objective is to demonstrate why an integrated framework is necessary and essential to solving the root causes of performance management major challenges—integration, accountability, sustainability, and change management problems, internal and external to organizational excellence.

- Accountability for Results
 - Lack of key outcome measures, metrics, and indicators
 - Lack of reward and recognition for performance improvements
 - Activity-based not outcomes-based or results-driven culture
- Transparency
 - Complex dashboards, scorecards, and benchmarking tools
 - Lack of trust and credibility (secrecy style leadership-crisis management)
 - Lack of effective feedback and follow-up
- Change Management
 - Lack of understanding and communications of transformational change
 - Lack of clear vision of desired outcomes or disagreement of what is important
 - Lack of transformational change leadership
- Performance Improvement (Sustainability)
 - Performance measures for decision making lacks trust and credibility
 - Lack of consistent and integrated performance improvement strategies and plans
 - Inconsistent understanding of measurable targets and interpretation of results
- Strategic Value Integration
 - No alignment of performance measures to strategic and operational goals
 - Poor communications of how IT delivers value to business areas
 - Lack of adequate performance reporting for IT services delivery
- Redundant and duplicated efforts
 - Measuring resources and activities rather than measuring outcomes and results
 - Unclear accountabilities and responsibilities
 - Inconsistent use of tools, techniques, and processes among managers

The root causes of most common performance management problems presented before focus on the need for a consistent and integrated results-driven performance management framework. To drive consistency and effective performance across an organization, the best efforts and processes must come together in an integrated performance management framework. Performance management is about transforming established strategies into operational delivery of outputs, outcomes, and results. The objective is to optimize the utilization of people, process, technology, and financial resources. This will improve integration, communications, accountability, sustainability, and change management to external and internal stakeholders for organizational excellence. In order to effectively apply this framework, professional managers must execute these guiding principles during the management, measurement, and delivery of IT services, using sound *strategic value integration, performance measurement, and transformational change management skills*.³

There's nothing so useless as doing efficiently that which should not be done at all.

Peter Drucker

1.3 The Increasing Demand for Performance Integration

In this advancing information economy where the interactions of strategic, operational, and performance management in IT and the business areas are increasingly changing, every area of IT service delivery will require some form of integration. However, some managers manage IT services without any consideration for performance measurement integration and consistency. No wonder we have so many IT managers who operate using the sound impressive and politically attractive mentality. They lack adequate performance measurement knowledge and skills for organizational excellence, because they usually align performance management to financial and human resource management, without any consideration for integrated outcomes-based management, managing for results. In certain situations, the transformational leader gets the brunt of the blame and the reactive decision makers with crisis-style management receive praises and rewards for excellence, “excellence for the wrong and misleading results.” Severe accountability and integration challenges continue to manifest itself within the organization. This ineffective performance management cycle continues, without any sound reasoning for the root causes of these performance management problems and without any real corrective action for performance improvements.

The KPI Institute™ for Performance Management has published performance management integration guidelines in their publication *Performance Management in 2013*, which is widely published internationally, within the performance management discipline. COBIT5®—Control Objectives for Information and related Technology— from ISACA®—IT Governance Institute has published a business framework for the governance and management of enterprise IT processes. Lean Six Sigma® is a set of tools and methods for process improvement, originally developed by Motorola. Carnegie Mellon University—Software Engineering Institute (SEI)³ has published the Capability Maturity Integrated Model (CMMI®) to improve IT development process, controls, and outcomes. ITIL®—Information Technology Infrastructure Library—from the UK Government has published ITIL framework to improve IT operational processes and controls, using an IT service management life cycle. PMI®—Project Management Institute—has published PMBOK to improve project management practices. However, there is no widely accepted published performance management framework that is *integrated, results-driven, outcomes-based, model-centric*,⁴ and which integrates strategic, operational, and performance management across the entire IT services delivery life cycle. This framework also provides real-world practical scenarios on what, why, and how these three major components—strategic, operational, and performance management integrate during the management, measurement, and delivery of IT services. It is based on outcomes, outputs, process flows, and accountabilities to improve strategic value alignment, evidence-based decision making, and to optimize resource utilization for organizational excellence.

Managing the delivery of IT services cannot be accomplished in isolation. It requires an integrated understanding of strategic, operational, and performance management components. We should understand how we are doing, how to measure, how to improve, and how successful we are in delivering our strategic and operational outcomes. We must provide value to internal and

external stakeholders to demonstrate organizational excellence. The requirements for performance management integration in this modern technologically advancing world cannot be met, with the crude integration methods of the early days of information technology. Innovative integration methods, such as the framework presented in this book, must be effectively applied and communicated. This will significantly improve the way strategic management is aligned with IT operational management and performance management, to ensure successful delivery of IT services during the entire IT services delivery life cycle.

Traditional Balanced Scorecard implementations often fail to deliver anticipated benefits because they are not integrated with performance management processes, particularly those executed at the strategic and operational level.

Gartner Inc.

1.4 Role of Executive Management

Effective integrated IT performance management requires many executive level management talents and skills. Integrated IT performance management is defined in this book as: “The process of integrating strategic management, IT operational management and performance management components during the management, measurement and delivery of IT services.” The objective is to optimize the utilization of IT resources—people, process, financial, and technology. Executive management will use the integrated performance measurement system for performance monitoring—optimizing the utilization of IT resources, strategic value integration, and evidence-based decisions making to improve organizational excellence. The accountabilities and decision-making structures of executive management for strategic, operational, and performance management must be established and communicated to drive integration and effective performance management using an integrated performance management framework.

- Executive Strategic Management (integrated strategic and operational programs)
 - Promote an organizational culture of results-based management
 - Define and adjust organization’s goals, strategic directives, and alignment with IT
 - Establish organization’s priorities, strategic value, and performance measures
 - Approve recommended performance management programs
 - Allocate performance management funding based on approved programs
 - Perform role as performance program executive sponsor and executive business sponsor, including overall accountability for performance improvement success
- Executive Operational Management (integrated strategic and operational programs)
 - Promote an IT culture of results-based management
 - Define and adjust IT goals, strategic directives, and alignment with business
 - Establish IT priorities, strategic value, and performance measures
 - Approve IT strategic directives and accountabilities for IT services delivery
 - Recommend appropriate funding levels to executive strategic management on funding allocations for delivering IT performance management program
 - Perform role as Executive IT sponsor, including accountability for optimizing the allocation of IT resources to align with business strategies

- Executive Performance Management (integrated strategic, operational, and performance management program)
 - Promote a performance culture of transparency, accountability, sustainability, improvements, and results-based management
 - Establish company's performance management (PM) objectives, strategies, priorities, and integration
 - Approve PM strategic directives, accountabilities, and performance measures
 - Recommend appropriate funding levels and program funding allocations for PM investments, to executive operational and strategic management
 - Obtain approval from executive operational and strategic management for recommended PM funding levels on approved programs
 - Perform role as executive PM sponsor to champion the performance management program, including accountability for performance management integration

Effective leadership is not about making speeches or being liked; leadership is defined by results not attributes.

Peter Drucker

1.5 A Real-World Problem Scenario: Measuring Major IT Program

A senior business manager at a large company mentioned:

We seem to be experiencing several major challenges in understanding the value we are obtaining for the investments we are making towards the delivery of a major IT program. I hired a major outsourcing firm who spent extensive amount of dedicated efforts to documenting strategic and operational business process flows but cannot justify the value of such extensive documentation. They documented strategic and operational process flows, detailed plans and schedules at the activity level with measures and forecasts for financial and human resource efforts that are gradually becoming meaningless and misleading. Enormous amount of documentation was produced which looked impressive but lack integration and consistency, resulting in the demand for additional IT and business resources. We went through endless information technology performance iterations with unclear accountabilities and meaningless performance measures. The performance management process focused on counting inputs and outputs, with continuous justifications for adding more and more business and IT processes by several enthusiastic performance measurement teams. The reactive environment seems to be the normal mode of operations for this performance measurement team, with re-occurring requests for approvals appearing on my desk, for additional process managers and specialists in IT and business areas. Executive management needed proper justification on the continuous request for resources, and my frustration level seems to have reached that limiting point.

My heightened frustration resulted in a decision to sign a contract with an “expert” performance management consulting firm to assist executive management in understanding the strategic value of this major business-oriented IT program. The overall

goal was to optimize the utilization of strategic and operational business and IT resources. The result was to improve the performance management communications, integration, sustainability, accountability and change management challenges, internal and external to the organization. My search was for an integrated solution, with the hope that this IT consulting company will deliver a sustained solution to this performance management challenge.

This performance management consulting firm, over-excited with this opportunity, produced more extensive documentation based on their “self-proclaimed” unique performance management methodology. This resulted in additional consulting resources, regular daily non-productive meetings, and more detail disintegrated documentation. The performance team, over-excited about the new performance management methodology, adopted the consulting firm’s “fresh-start” approach with great respect and enthusiasm. The result was another set of similar financial performance measures, metrics and indicators that were activity-based rather than outcomes-based. The new performance management documentation was re-packaged with the consulting company’s logo. The consulting company’s confidentiality and copyrights terms appeared on the title page of each document.

The original problem of the lack of accountability, consistency and integration still prevails, with unclear linkages to understanding performance management, operational management, and strategic management integration. To add to this existing performance management chaos, the performance measures report now contain additional set of financial performance metrics and indicators at the detailed activity level, mainly to justify the need for five more senior consulting resources. This consulting firm seems to have re-packaged the inefficiencies of last year’s performance measures into their report, with historical financials and employees measures incorporated in a “Victorian-novel” style documentation.

A polished report from this consulting firm recommended a solution to the problems, which required an organizational and cultural change. This change recommended the establishment of two separate performance management groups. One group to support the strategic management function and the next group to support the operational management function. This recommendation suggested the utilization of additional business and IT resources that escalated the budget to a level that was difficult to justify to executive management.

The search for the elusive integrated solution continues, and my position seems to be in more severe trouble, with valid excuses to executive management becoming non-existent. The original performance questions relative to development of this IT program of: “How we are doing?”; “Are we doing the right things?” “Are we getting the right results?”; “Are we getting the value?”, still remain unanswered with more uncertainties and complexities. What should I do to get this major IT-business program back to an acceptable budget, accountability for results within the performance constraints level? What approach or technique should I apply?” These questions still remain unsolved. There are now additional resources and excessive complex performance measures, as a result of this desperate search for that elusive integrated solution.

I finally realized that there is no magical integrated solution, so decided to approach this performance management accountability, inconsistency and disintegration problems using the original internal performance team. The search for a senior program manager started. This individual must have experience with strategic management,

operational management and performance management integration skills. He/she must have expertise in strategic value integration—people, process, financials, technology and transformational change—people, politics, process, and performance. I decided to search for an individual solution, after considering many risk factors. I believe that the risk impact in this case is small, and eventually hope to address these performance management challenges with this senior program manager. My expectation is that this individual has attained extensive practical integration, transformational change, performance measurement and risk management skills, on similar business-IT programs.

This problem scenario, experienced at this organization, shows some major challenges to IT performance management that often occur, internal and external to this organization.

- Committing to financial performance measures, whether or not strategic, operational, and performance measures can be effectively integrated with risks and quality objectives.
- Establishment of separate performance management groups: one for strategic management and one for operational management, with each group reporting on financial and nonfinancial measures based on historical financial results rather than understanding how nonfinancial performance measures influence financial results, using predictive analytics.
- Strategic management is accountable for establishing the financial measures with little or no integration with the operational measures—internal processes, employees, and customers. Operational management is accountable for service delivery with little or no meaningful performance measures. Human resource managers get involved during the annual employee's performance appraisals. Accountants get involved during the annual budgeting process. Integration exists in some illusionary constructs at the start and ending of the annual budgeting and employee performance appraisals processes. This approach may work well for those “self-serving and egoistic” managers who strive on subjective measures to satisfy their political agendas. In most cases, accountability for results is rarely demonstrated, which increased the need for a more integrated approach to enable effective strategic value integration and transformational change, using sound risk and quality management processes.
- Assignment of a performance manager who lacks integration, transformational change, and performance measurement skills.
- Addressing the communications issue with excessive performance management “status meetings,” illusionary accountability, and secrecy style management.
- Meaningless and ambiguous measures and metrics with no baseline for improvements or how to interpret performance results.
- Disregard for the root causes of performance management challenges—communications, integration, sustainability, accountability, and transformation change.
- Performance managers disregard for measurable responsibilities and accountabilities for results, to show how the results of the performance team align with the goals and strategic directives.
- Performance measures, metrics, and indicators based on counting activities, inputs, and outputs, without regard for a *Performance Management Structure (PMS)*.⁵
- Ineffective utilization of performance management tools such as scoreboard or dashboard, even by the “so-called” expert performance management consulting firm.