Home › Leadership

Five Steps for Improved Performance Management

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To maximize returns on IT investments, it is critical for CIOs and IT leaders to manage the performance of current IT assets in the organization's portfolio. Therefore, they must possess the answers to questions such as: What IT assets does the organization own? Which IT systems and projects are mission critical? What is the cost to manage these assets? How extensively are these assets utilized across the company? How is the overall IT portfolio performing vs. company objectives and common best practices? Answers to these and other core questions will help define the direction that the organization takes to optimize the value of its IT portfolio.

The Importance of a Performance Management Framework

Many companies and government agencies have a large and dispersed IT infrastructure. This typically means that IT projects and systems operate in silos,

often with duplicative or overlapping functionality. As such, there is limited systematic, end-to-end performance analysis of IT projects and their impact on the overall organization. A comprehensive performance management review will allow the organization to properly and objectively assess the strengths and weaknesses embedded in the organization's current IT portfolio. This increased visibility will enable management to:

·   Classify IT programs by key dimensions (e.g., type, size, spend, criticality, scope, duration)

·   Analyze IT programs and assess their status, performance and alignment with overall strategic objectives

·   Highlight potential problems in project performance before they can produce a negative impact

·   Identify projects and programs that provide minimal value and have limited or no impact on the overall delivery of information and services

·   Make intelligent investment decisions from this information in order to strengthen and optimize its portfolio of IT assets.

Launching a Performance Management Program

Here's a five-step methodology that CIOs and IT leaders can use to launch a performance management program:

1.   **Define Performance Metrics and Baselines.** In order to measure the performance of IT assets and systems, the performance metrics must be defined. While there are common themes across various IT organizations, precise classification structures and performance metrics will depend on the nature of the

IT environment. For example, a manufacturing company might place a premium on performance metrics that enable increased employee productivity. A service-oriented organization may be more focused on metrics tied to customer satisfaction. It is critical that the organization carefully define and prioritize which metrics are most suitable for their organization. It is also very important that the performance metrics be data driven, readily available and designed to enable decisions by executive leadership.

Here are some examples of performance metrics that could be used at a broad level to evaluate the overall IT portfolio performance:

· For project planning and implementation, the key question is "How well are IT projects implemented vs. the original plan?" Performance metrics would measure the percent of IT projects with an approved business case, that achieved their original requirements, and were delivered on time and on budget.

· In the case of service levels, the key question is "How well are IT assets performing vs. defined best practices?" Performance metrics would measure the percent of IT assets meeting or exceeding system availability targets, response time targets, and error avoidance targets and error resolution targets.

· For asset utilization, the key question is "How extensively are IT assets being utilized across the organization?" Performance metrics would measure the percent of IT assets meeting or exceeding user adoption targets and customer satisfaction targets.

· In terms of value contribution, the key question is "What tangible benefits are the IT assets providing to the organization?" Measurable benefits would include employee productivity gains, cost savings and revenue generation.

For this first step, it will be necessary for the team to define the performance

baselines for each metric and for each IT asset type. Note that some baselines will vary depending on the type and functionality of the IT asset. The team should leverage several independent sources in order to establish the performance baselines, including:

- Historical performance

- Industry best practices

- Contractual agreements

- Business case documents

- Feedback from key stakeholders

2. **Assemble IT Asset Inventory.** For this step, the team should identify all IT assets within the desired scope, such as hardware, software, development projects, enterprise systems and other IT resources, and categorize these assets accordingly. This will help organize IT assets into associated buckets for better comparison and evaluation. This activity may require substantial time and effort to complete across the entire organization, so a more limited, pilot approach may be more appropriate in the short term. To confirm that the performance metrics identified in step 1 are adequate, we recommend IT leadership identify a smaller portion of its portfolio– such as within a sub-department or region or within a specific IT asset type, such as software–to focus the team's initial efforts. This can be accomplished through interviews and workshops with IT project managers and senior information officers. Where available, the performance metrics defined in the first step should be collected and confirmed for each IT asset under review. When this exercise is completed, a pilot IT asset inventory with sample performance metrics can be assembled for review with the company's leadership.

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