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Making Service Levels Work for the Business

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ISG White Paper

INTRODUCTION

IT organizations are under constant pressure from their customers in the business to measure and report on IT services in a way that has meaning to business leaders.

Most executives rely on a key report or set of reports delivered on a weekly basis to keep their finger on the pulse of the business. The weekly report is a highly visible deliverable, and, if the package is late, the CIO's telephone will ring. Such a report package generally depends on many corporate systems functioning properly throughout the week, with each system or team passing data to the next, processing the raw data so it comes out as helpful information for those running the company. This report is a good control point for measurement; the expectation is that either the aggregation process succeeds – or it fails. Few executives are interested in why it may have failed; it is the ability to deliver the report that is important. In the end, the party responsible for late delivery of the report is deemed to have failed its service-level commitment.

Measuring a final deliverable like a key report requires negotiation between each of the contributing parties, but it doesn't require spending money on additional hardware, software or services. The parties must simply document each element of the service chain and agree to its performance parameters.

The benefit of this type of measurement is twofold: 1) it is inexpensive to implement, and 2) it ensures everyone is focused on the business deliverable. The deliverable to the business is the "value" everyone expects IT to deliver, and it represents human-readable value, not abstract statistics that often mask significant failures in the delivery of business expectations.

IT organizations are under constant pressure from their customers in the business to measure and report on IT services in a way that has meaning to business leaders. The latest version of the Information Technology Infrastructure Library (ITIL V3) highlights this issue by breaking service level measurement into three components:

- Service to the business by IT
- Service between different parts of the same corporation (without IT involvement)
- Service received from an external third-party provider

People do what they know, and — because they are human — IT managers measure what they know. This often results in the use of many dozens of metrics for each outsourcing relationship, few of which accurately reflect the overall quality of the service received by the company. Outsourcing relationships often show metrics that are "green" – or on target – but the service still isn't meeting the customer's minimum expectations. This means either the wrong metrics are being reported, or the customer has purchased the wrong service. It is usually the former.

Can IT Professionals Learn from Other Industries?

In the 1960s, the food preparation industry developed the Hazard Analysis Critical Control Point (HACCP, pronounced "hassip") methodology. In a nutshell, HACCP identifies specific hazards (for example, harmful bacteria in a food product) and associated "control points" in the chain of production where the hazard may be eliminated, as well as where the measurement of a particular factor may be used to verify elimination of the hazard (for example, heating chicken above 165 degrees Fahrenheit for 15 seconds).

The first step in measuring IT performance with a business metric is understanding what is important to the business.

The HACCP approach is built on the idea that monitoring specific control points can prompt appropriate corrective action. The keys to the success of a HACCP program are a small number of control points and an objective and straightforward way to monitor.

Here's an example. Those who serve prepared hot food are responsible for preventing and eliminating pathogens in the food waiting to be served. Though it would be difficult to test hot soup for pathogens, it is easy to monitor the temperature of the soup to ensure it remains above 165 degrees Fahrenheit, a temperate that has been proven to prevent and eliminate pathogens. If the temperature falls below 165 F, corrective action must be taken. In this way, a complex risk is mitigated through simple means.

In the 1990s, Dr. Temple Grandin applied the HACCP concepts to animal welfare. The following examples are from Dr. Grandin's work for the United States Department of Agriculture:

- Dr. Grandin observed that animals are terrified of falling down, so it is important for the animals' welfare that the floors be dry and not slippery. While it may be difficult for a layman to assess slipperiness in any particular part of a processing facility's floor, it is possible to count the number of cattle that fall down. A simple goal, therefore, is to have no more than one fall per 100 cattle. This prevents the need to monitor moisture on the floor, the floor's construction material or other factors. If cattle fall down, something is wrong, and the plant fails the audit.
- Lameness in chickens is a problem for the poultry industry. If a chick isn't given at least four hours of darkness each night, it grows so rapidly that its legs can collapse under the weight of its body, causing lameness. It is not practical for an auditor to visit farms at 3:00 a.m. to ensure the lights are off or to audit records kept by farms. But an auditor can easily observe chickens. If chickens are unable to walk, something is wrong, and the farm fails the audit.

In both these examples, the auditor need only observe the result, not the cause. Instead of a 100-point checklist of causes to audit, there is a single, objective measurement.

Could Dr. Grandin's application of the HACCP methodology in a new context provide a way for IT professionals to think outside the IT box? Examples from Dr. Grandin's work in animal welfare – along with examples from sourcing buyers – can provide food for thought in the pursuit of establishing a means to measure service levels and **reporting that is meaningful to the business being served**.

Measuring IT Performance with a Business Metric

The first step in measuring IT performance with a business metric is understanding what is important to the business. The IT service provider for a large food manufacturer, for example, is intimately involved in making sure the company's bakeries receive just-in-time raw materials and ship finished products according to a tight schedule. The watchword at the company's IT service desk is "trucks are waiting." Any incident that keeps trucks from unloading raw material or from loading and departing with finished goods is escalated to the highest levels of management and continuously worked until resolved. "Trucks waiting" incidents are deemed more severe than issues with invoicing or payment processing.

In these real-world examples, the number of trucks waiting or number of train delays is the only meaningful number to the business.

Consumers can buy products only when they are on store shelves; when the company's products are missing from shelves, consumers purchase a competitor's product. Thus, when that food manufacturer migrated its data center, it had one objective: No trucks waiting. It seemed obvious, then, that the one metric needed to measure the IT service provider's migration performance was number of trucks waiting. The company made it clear to the provider that it would have to pay penalties if it caused trucks to wait. All the details needed for success were included in this one business-focused outcome measure.

In another example, a transportation enterprise that monitors and analyzes train delays wants to measure business outcomes in place of the underlying IT system. This is why it assesses train delays caused by an IT failure – say an outage in an application that schedules train service – as service-level failures by the IT service provider. At the same time, it assesses train delays caused by a data network outage as service-level failures by the telecom service provider, which results in performance credits accumulating for the service provider that caused the delay.

In these real-world examples, the number of trucks waiting or number of train delays is the only meaningful number to the business. Although IT may need to monitor its performance in a more granular manner for internal purposes, the business wants to know the metric that best speaks to its goals.

Of course, end-to-end service monitoring is the Holy Grail of service-level measurement. Unfortunately, true end-to-end measurement of a system is very expensive, and implementation of all the necessary hardware probes and software changes needed to support this kind of monitoring is beyond the reach of most firms — especially for legacy applications. Judicious selection of a measurement point, as demonstrated in the examples above, provides a cost-effective way to meaningfully measure service performance without extensive monitoring and reporting of details.

Conclusion

To keep up with the rapidly changing world, IT must look beyond itself and its typical sources of information for inspiration. It must find ways to show value to the business – in a way the business will understand. Measurement of a business outcome in place of measuring underlying IT metrics is less expensive and more meaningful to IT's customers.

ABOUT THE AUTHORS

MAKING SERVICE LEVELS WORK FOR THE BUSINESS

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Christopher has more than 30 years of outsourcing and consulting experience with special expertise in sourcing design and execution, contract negotiation and transition of outsourced IT services. He has helped global firms save costs and improve service delivery models, conduct renegotiations or restructure their outsourcing contracts, coach management teams on outsourcing governance practices and benchmark client IT services and outsourcing arrangements. Christopher's industry experience includes work in life sciences, government, healthcare, entertainment, insurance, manufacturing and telecommunications. Christopher is ITIL Foundations-certified in v2 and v3.

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