Executive summary

For information technology (IT) organizations, optimizing cost and improving service delivery are perennial objectives. A primary focus for achieving these goals is rationalizing resources: how many people are required to support or deliver specific services to meet service objectives? Once that question is answered, CIOs can then address the issue of return on investment: can we improve the value delivered to the business by augmenting the number of resources assigned to our highest-value services and processes?

IT leaders often turn to external benchmarks for resource allocation to find answers. Their goal is to gain a holistic view of the distribution of resources when mapped against a leading practices service model. While these numbers offer useful insight into what other companies are doing, the many contributing factors that go into shaping these figures – a company’s business strategy, the installed base of technology, and even how well companies are able to track what work individuals are doing – typically make external benchmarks unsuited to robust decision support for chief information officers (CIOs) seeking to move the performance needle.

Often benchmark data are mapped against frameworks such as Control Objectives for Information and Related Technology (COBIT) to simplify data collection. Unfortunately, this tends to render the information too high-level to identify meaningful resource deployment patterns. There may also be an overemphasis on IT “products” – like networking, service desk, or end-user computing – rather than service-oriented processes, like incident management, that more accurately reflect what IT groups actually do. Only when IT leaders have clear visibility into the
resources required to effectively deliver services can they make confident decisions about optimizing their operating models and identifying new value-creation opportunities.

Adding process-based benchmarks to product-based benchmarks is the way to gain this visibility. Beyond simple cost and headcount comparisons to their peers, IT leaders can gain clearer insight into their return on investments in the services delivered. The value for IT leaders lies not just in the static measure of where an organization is today, but rather in the clarity and prioritization of where adjustments to the operational model and transformation efforts can — and should — begin. IT organizations are moving from traditional product-centric models to service-centric ones; an effective resource optimization model is critical to the success of this transformation. Process-based benchmarking can enable a shift towards an optimized model for service delivery.

The limits of current benchmarking

IT organizations have long looked for objective measures to validate their overall performance and, in particular, the soundness of their operating models. Benchmarking data takes many forms and comes from a range of sources, including industry associations, industry analysts and boutique shops offering highly focused studies. Such external data can be useful in providing a baseline understanding of how a given IT organization compares to a group of self-selecting peers.

However, it is important to recognize the limits of the most common models. For instance, there is no standardized framework against which each benchmark can be verified. Different benchmarking studies use different criteria or varying interpretations of COBIT in assigning costs or resource counts. External resources (like those from managed services providers) may or may not be accounted for, and specific industries may be overrepresented (or underrepresented) in the study. Thus, an organization attempting to apply multiple external benchmarks in an aggregated model is likely to encounter an “apples-and-oranges” problem.

While benchmarks can be rolled up into the five COBIT domains (governance, plan, build, run/operate and monitor) to compare one benchmark against the other, domain-level benchmarks are not sufficiently granular for CIOs seeking to rationalize resource allocation for specific services. To truly identify who is doing what work, studies would need to further decompose each of the benchmarks at the process level (e.g., the processes defined in the Information Technology Infrastructure Library [ITIL] framework).

Similarly, benchmarks offered by analyst groups or large buyers of IT services focus on the number of IT resources that are required by IT to deliver products like mainframe support, networking or end-user computing. These benchmarks lack alignment to actual processes or services delivered within the product domain — specifically, how many full-time equivalent (FTEs) within a specific product population are required to install, maintain or operate the product?

New technologies and industry trends that are changing the IT landscape also make benchmarking more difficult. Examples of these include:

- What is the cost to support bring-your-own-device (BYOD) services?
- How many resources are required to support business-critical multichannel services such as online banking?
- Do you maintain services and skills do you maintain in-house as you move to buy more capability “as a service” through the cloud?

The impact of these technologies will change as adoption increases and support capability matures.

Given the current state of benchmarking data, it is extremely difficult for CIOs to confidently offer data-driven answers to such important questions.
Moving to service-oriented benchmarks

IT leaders want benchmark data that is aligned to their own industries and is sufficiently robust to make fact-based decisions about staffing and cost-of-delivery objectives. A useful way forward is to map resources to a common process framework so that the outputs can be used by all IT teams to better understand their own resource distribution. From that level of visibility, it becomes possible to identify and prioritize opportunities for both resource rationalization and performance improvement. However, CIOs seeking to undertake the journey to this level of insight need to recognize that it’s a multi-step and evolutionary process.

Put simply, it is a matter of drilling down and then rolling up. A COBIT-based benchmark is necessary and instructive, but not sufficient. By layering a process-based benchmark over COBIT-based or other types of benchmarks, organizations can begin to improve their operating models through more intelligent resource allocations. A COBIT-based benchmark model provides the overall framework, with detailed models for ITIL processes supporting it. For most organizations, incident and problem management are the first processes selected for analysis because of their impact on meeting committed service levels. These are followed closely by change and configuration management.

Existing benchmark data – including aggregated results from multiple studies – can be put to use, provided that the parameters and biases of each study are accounted for. Further, external data must be refined for specific teams across IT in a way that reflects the unique organizational structure of the company. Typically, deep-dive review and validation sessions within individual IT teams are necessary to accomplish this.

To determine alignment of staff to an operating model, you need an operating model that clearly defines roles and functions. It is worth asking how granular or detailed the data around roles should be. How many different roles can an individual employee play? Is there a meaningful distinction between defining “network monitoring” as a role versus “problem management for routers at the network operations center”? The answers will depend on where an IT organization is today in terms of its resource mapping, as well as its specific project goals and overall maturity level. For example, if an organization does not have a clearly defined operating model, resources may not distinguish between the multiple roles they perform. However, if an operating model including functions and processes is clearly defined and established, resources will be in a better position to distinguish between various roles.

Once the appropriate level of role granularity is determined, the next analytical step is to identify benchmark variances across the organization, incorporating counts of external resources from third-party providers. By mapping full population data across all process areas in the process framework and comparing it against aggregate benchmarks, organizations will be able to more accurately identify benchmark variances. Distribution tolerances of several percentage points can help account for organizational mapping errors, though these margins can be expected to shrink over time through maturity. Potential cost reduction can now be calculated for each domain, both in the aggregate and at the level of specific processes.

Ultimately, the goal should be to leverage process-based benchmarks and IT operations metrics such as incident ticket volume and change volumes to determine the true staffing and value drivers for an organization. A word of caution, however: even the best custom benchmarks are only reflective of the conditions at the time they were collected. Staffing considerations must take into account any significant changes in business or technology complexity or other matters that can meaningfully influence resource demand, such as new regulatory requirements or acquisitions.

It’s important to remember that the “right” answers are relative; that is, the models make clear where the percentage distributions reside, not necessarily which resources are superfluous or which areas are over-resourced. For instance, a model might outline that an optimum distribution would assign 5% of resources to the governance domain in COBIT and 25% to run, but not a specific number of resources should be allocated to one domain or another. IT leaders should leverage this data along with process and technology maturity to make the right decisions for their organization. In other words, this is a directional model, from which decisions can be made, not a prescriptive recipe for structuring an IT organization.

Lastly, it’s important to note that process-based benchmarking is not a one-time activity. It needs to be repeated multiple times as part of an organization’s continual service improvement program. Through each iteration, the quality of data collected should improve, thereby reducing the error tolerances and number of assumptions required to perform the benchmarking activity.

The bottom line

Because the work of IT continues to evolve, the practice of measuring IT costs and performance must also change. By layering a process-based benchmark over product-based benchmark, organizations can begin to optimize their operating models through more intelligent resource allocations.

For CIOs, this is not just a matter of counting heads, but rather defining the path forward to reach a target-state operating model. By establishing the requirements for an optimized service strategy or service portfolio design, CIOs can leverage process-based insights as a kind of capability map for the organization. As such, a process orientation can be used as a basis for major transformation initiatives and, once operationalized, a guide for future, continuous improvement.
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