Letter to Pipeline:

OSS Measurements are Important, but they Need Context

From Alan Wilson, Account Manager, Micromuse Inc.

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Pipeline:

I enjoyed your August issue that discussed how we can better measure the value of OSS. This issue made me realize just how many, and how often, critical aspects of IT success are left out of OSS projects. Often, those responsible for delivering OSS projects don't define business goals or plan projects in increments that can actually be delivered. This makes it difficult to put any potential measurements into a context that reveals success or failure. So, while measurements are critical to demonstrating value and ROI, they are only useful in the context of a clear set of business goals and a well planned, orchestrated and measured deployment.

Determining the value of an OSS - or any other software that impacts a critical business function - depends on a defined "information model" that determines what information is most critical to the success of the business. An information model should describe how an enterprise does business and what information is needed for that business to be done. The more critical the information it handles, the more valuable an OSS is likely to be.

To determine how an OSS' information capabilities are used in an organization, it helps to map out a typical day, such as in the Network Operations Center (NOC). This map has to include all of the departments and subsidiary groups that interface with the NOC as well – that's how the business runs. Start, for example, by examining current processes for problem resolution and how information is captured and distributed. Then look at the information capabilities the OSS provides and how well the process utilizes them. Because the overall OSS environment involves a variety of components, it is also critical to understand how the various components interrelate, where they do and do not facilitate processes, and where they incur costs.

For example, service-providers business functions include provisioning circuits, billing for services and managing to service level agreements. To fulfill these functions, they need information including everything from service features and CPE availability to the logistics involved in a truck roll. What they also need, but often overlook, are the costs involved in each field service activity. Costs such as those in the Central Office (CO) associated with providing circuits, data center floor space, racks, HVAC and power consumption, so forth.

In addition to physical costs are the costs to monitor and manage a service, including repair and preventative maintenance. All of these costs needed to be captured in a

systematic way and translated directly into the cost for each circuit or each unit of bandwidth provided to a customer. If a service provider doesn't measure and know all of these cost elements, it can't determine its margin or know if it is pricing its services profitably. There are plenty of examples of service providers that have seen glorious order volumes around a new pricing scheme, only to find they were losing money with every new order.

Similarly, organizations need to understand what it will cost them it they fail to provide certain business functions over a period of time. What is the cost in lost productivity and loss in revenue for each major area? Many companies do not measure these opportunity costs, and thus take no action to avoid them. For example, one top-five U.S.-based wireless operator reportedly cost itself $100 million when its CRM system crashed during an upgrade, leaving all customer service agents without access.

Every time an OSS or an OSS function is deployed it should be measured to ensure the company is seeing real business benefits and how OSS impacts its bottom line. Standardizing the ROI process for IT is a good idea. There are many methods to determine ROI, from simple NPV calculations to Total Cost of Ownership and beyond. Whatever the method, it needs to be the standard against which all IT projects will be measured. It will include standardized assumptions such as company revenue growth, cost of capital, R&D expense, etc. so that apples to apples evaluations can take place from project to project.

ROI should be measured on an ongoing basis, and the method used to determine ROI should always be examined for accuracy and relevance. Managers often fail to break projects into sub-projects with a defined, expected ROI for each and an understanding of the real costs involved if things go wrong. In the end, while common measurements are necessary to define, it is also necessary to define how these measurements can be applied across organizations to help managers set scope, deliver projects and demonstrate the value of the OSSs they deploy.

About the Author:
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