

The NetScout Community's Take on the Value of Performance Management



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Introduction

In last month's IT Impact Brief I discussed my thoughts on what I believe to be a critical topic for all of us – demonstrating the value of performance management. In that brief I mentioned that I would be running a session entitled "ROI Examined" at the NetScout User Forum (NUF) in Miami, FL. I also previewed a brief survey given to the members of the NetScout community that were planning to attend NUF. The goal of that survey was to better understand how the NetScout community approached demonstrating the value of performance management.

I am going to use this IT Impact Brief to review the results of that survey and will include some more of my thoughts on the topic. Also, as part of my presentation at NUF I had the pleasure of interviewing a Director of IT Services from a large, nationwide insurance company on how his organization approaches performance management. His input was truly insightful and I will include some of it in this brief.

The Need to Cost-Justify Purchases

Given the constraints on IT budgets, it wasn't surprising that almost 75% of the survey respondents indicated that they have had to cost justify their *nGenius* System purchase. The IT Services Director commented that at one time his organization could justify an investment in management tools just based on their intuition that the tool would pay for itself. That is no longer the case. In fact, his organization now has a very formal process for evaluating return on investment (ROI). The IT Director added that the depth of the analysis management expects depends in part on the cost and scope of the project. He



pointed out that as part of the analysis they typically have to answer questions such as "If you buy this tool, what tool or tools will be retired?" "What is the decommissioning cost?" "What staff costs and productivity enhancements can be anticipated?" "What are the related maintenance and training costs?"

Sixty percent of the survey respondents indicated that they undertook the cost justification of the *nGenius* Solution prior to purchase. Another thirty-five percent indicated that they had to cost justify the investment both before and after implementing the solution. The IT Services Director commented that his organization has to cost-justify a solution prior to purchasing it and then go back after implementation and quantify the actual impact of the solution. He stated that this process has the affect of increasing the credibility of the IT organization.

We asked the survey respondents to indicate which of eight metrics they have used in an ROI analysis to justify acquiring an *nGenius* Solution and encouraged them to "check all that apply". As shown in Figure 1, the survey respondents had used each of the eight metrics. That is interesting in part because of the metrics covered a wide range of criteria, including multiple forms of productivity enhancements, reduced revenue loss, as well as multiple techniques to reduce WAN costs. In addition, a number of the survey respondents wrote in that they had used reducing the mean time to repair as part of their ROI analysis. The input from the survey respondents supports the assertion that I made in the last IT Impact Brief as well as in my presentation at NUF that it is not possible to identify an approach to cost justifying performance management that works in all corporate environments.

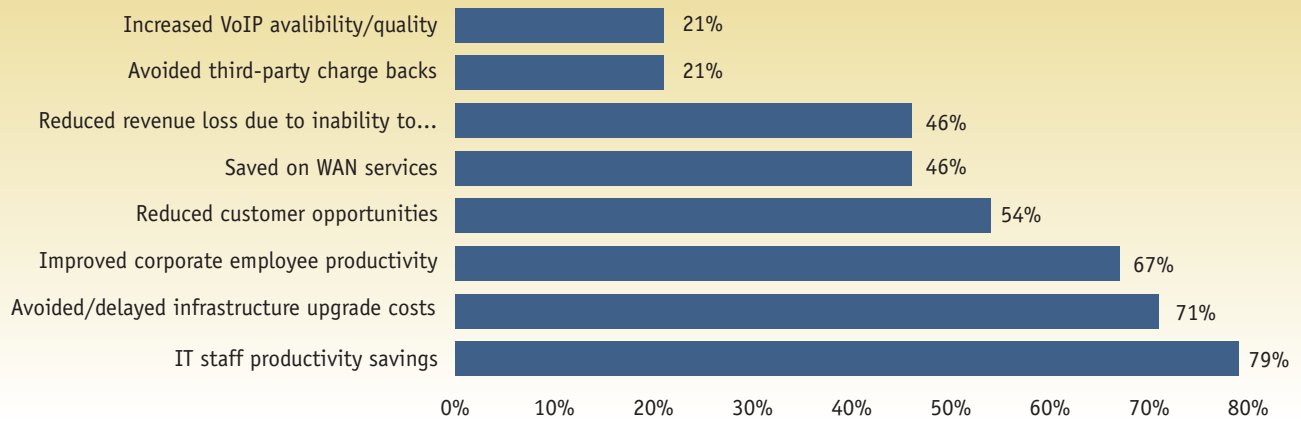


Figure 1: Metrics Used in an ROI Analysis

Drilling Down

As shown in Figure 1, the most common metric that the survey respondents have used as part of an ROI analysis is IT staff productivity savings. However, only about one in five of the survey respondents indicated that their company has a standard IT staff productivity rate. When available, the most common answer was around \$100/hour or \$200,000 per year.

The survey respondents also frequently mentioned improving corporate employee productivity as a way that they have justified an investment in an *nGenius* Solution. However, half of the survey respondents did not know if there was a standard corporate employee productivity rate that could be used in an ROI analysis. Of those respondents who indicated that there was a standard corporate employee productivity rate it tended to be around \$300,000 per year.

We asked the survey respondents about the cost of various forms of downtime and their answers varied widely. For example, when asked what it costs the organization if the network is down for an hour, the responses ranged from hundreds of thousands of dollars to tens of millions of dollars. When asked what it costs the organization if a key business application was not available for one hour, the responses ranged from one hundred and fifty thousand dollars to ten million dollars.

The wide range of responses was not a surprise. It was also not a surprise that many of the respondents indicated that the cost of downtime depended on a variety of factors including which office or offices are impacted and the time of day of the outage. I say that these answers do not surprise me because of my experience while working for Digital Equipment Corporation (DEC). As I wrote in the last IT Impact Brief, when I was at DEC, if we lost communications with one of our just-in-time manufacturing plants it was widely accepted that the cost to DEC was roughly one million dollars an hour. While losing communications to one of DEC's administrative buildings was considered a major inconvenience, it was not seen as a situation that resulted in the company losing revenue. Based on this experience, when I am asked to quantify the cost of downtime, my usual response is that it depends on a number of factors.

Case Studies

We asked the survey respondents if they would provide an example of when their *nGenius* Solution helped them or their team to see a performance problem that made them say, "That just paid for itself". We received a number of interesting responses. As is often the case, some of the respondents cannot be publicly quoted by name or company. One respondent who works in a financial services company stated, "The most useful benefit we have gained from NetScout so far has been bandwidth and application usage forecasting. Our company's outbound Internet bandwidth usage varies greatly with stock market volatility and key financial events such as prime rate changes and earnings reports. It is at these times that our customers execute the most transactions and are most interested in monitoring their portfolios. Prior to deploying NetScout, we had limited ways to quantify the extent of impact these events had on our systems. Now, with NetScout installed on our Internet Edge links we observed that the October 18th Federal announcement of the 1/2 point decrease on the prime rate increased our outbound bandwidth usage by 300% in less than one minute and we were able to discern with great detail exactly which of our several trading platforms were being most utilized. This knowledge is allowing our network and applications team to plan for and focus on providing adequate capacity where it is needed before it becomes a problem."

Another survey respondent with a global service provider stated, "We have a Nortel VoIP solution that was deployed without instrumentation for diagnosing problems. There was an issue in the first week of deployment where the customers were reporting poor voice quality and one-way speech. After two weeks of ongoing investigation an issue was identified in the firewalls protecting the VoIP platform. The investigation involved 20 people over that two-week period. AFMon's were installed into the central VoIP system. Two months after the AFMon deployment the customer again started to complain about poor voice quality issues. Because of the AFMon deployment we were very quickly (within an hour) able to identify

where the issue was occurring. By that evening an emergency change request had been raised and implemented. Due to the issue being identified so quickly the normal escalation procedures hadn't needed to be instigated, which meant that instead of 20+ people being involved, only 5 were. This had three benefits. One was reduced resolution time. A second was significantly reduced costs. A third benefit, which has been harder to quantify, was the customer's renewed confidence in our ability to identify and resolve issues quickly."

Summary and Conclusions

Seventy-five percent of the NUF survey respondents indicated that they had to cost justify their *nGenius* System purchase. This highlights the fact that demonstrating the value of performance management is an important topic for the NetScout community. However, that does not mean that it is an easy task.

One of the fascinating results of the survey was the wide range of metrics that are used to create an ROI analysis for performance management. I draw two conclusions from this. The first is that no one approach to justifying performance management will work for all organizations, nor will one approach work all the time for a given organization. The second is that

the IT professionals who create the ROI analysis must be well plugged into the type of justification that their senior management is receptive to for the particular project. For example, as part of creating the justification for performance management, IT professionals have to know if they will be able to make the case based just on productivity improvements, and if so, what hourly productivity rate is acceptable to management?

In addition to the challenge of creating a cost justification prior to purchasing a performance management solution, many IT organizations also have to go back after implementation and quantify the impact of the deployment. This creates a whole new set of challenges in part because the initial cost-justification was based on a set of assumptions – some of which were probably off by a small amount. Another challenge is that by the time the initial cost justification is performed and the post-implementation analysis is complete, the environment has changed. Hence, the post-implementation analysis is measuring different parameters than the initial cost-justification analysis estimated.

I believe that demonstrating the value of performance management is an important topic for all of us and I look forward to ongoing discussions with you about what you have done to overcome some of the challenges associated with it.



NetScout Systems, through its *nGenius*® Performance Management System, offers large organizations cohesive views into application services delivered over today's complex, global networks, helping IT professionals optimize network and application performance and prevent misuse of critical enterprise resources. Based on granular, flow-based

performance information gathered across the enterprise, the *nGenius* System delivers key performance management functions, including application and network monitoring, capacity planning, troubleshooting, and user experience assurance, in a single integrated solution.

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