Ticks, Clicks and Transactions — The New Metrics of Business Computing

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For most of us in the IT community, computing (a.k.a, data/information/transaction/business processing) objects been hardware, software, networking, and other tangible assets that have been selected, acquired and deployed to achieve enterprise objectives. There were many units of computing that were employed to allow customers and suppliers to communicate during the procurement process, including:

- For servers: MIPS, number of processors, speed of processors, amount of cache, speed and capacity of backplane, number and kinds of slots and ports, etc.
- For storage: total and usable capacity, amount of cache, average read and write times, etc.
- For networking: total bandwidth, number and kinds of ports, etc.

For each, there were qualitative measures as well, including number of nines of availability, failover and recovery capabilities, workload balancing, etc. For more than forty years, these have been the metrics of our acquisitions. (Yes, there are others, but read on.)

Once we techies and managers figured out what we needed, the objects would be competitively acquired, if possible, and someone else in the enterprise would figure out how to pay for it. The equipment might be paid with enterprise funds, or money might be borrowed from a financial organization (such as a bank or the vendor's credit organization/partner), or it might be purchased by a third party and leased back to the enterprise for a multi-year period of time (typically 3 years). There were many possible arrangements (terms and conditions), but they were all based on buying a list of items for use in enterprise computing for a fixed period of time. **It was up to the enterprise to determine what to buy and to ensure that there was adequate capacity for the enterprise's uses.** There have been other ways to acquire the computing needed (think of time sharing in the 1970s), but most have relied on the traditional metrics of the "cycles" and "capacity". Even many of those most willing to outsource, such as state and local governments, have been buying chucks of computing capacity to do their work, rather than paying for transactions by the "drink". (Again, there are many exceptions.)

So here we are, at the beginning of the 21st century, worn down by the slow economy and increasing IT demands, and we are asking whether there might be a better way, or at least an interesting alternative. The magic words have been spoken before: **"Why don't you let me provide all of that for you and charge you on a meaningful business paradigm, say, by the transaction?"** An intriguing thought, but what is a transaction? Is it a web page accessed, an application completed, an order entered, a product shipped, a check paid, etc.? Even if I could define and quantify my enterprise's transactional needs, how do I know what I should pay per transaction? How can I ever convince my management that this is not a runaway train in waiting?

One thing is sure, the only reason that you would go in this direction is if you could do it for less than other means, mostly of the do-it-all-in-house variety. This is where most of the xSPs had it wrong in the 1990s. They thought that for the privilege of doing it for you, they could charge a hefty premium, and that you would still jump at the opportunity of unloading the responsibility. Well, they were wrong when the economy was strong, and now the focus is clearly on doing it for less, whatever it is. **Anyone who wants your business ought to show you how to do it for less, or why you can't (continue) to do it on your own.** Now you need to be fair, and look at all of your costs, including personnel including administration and management, energy and floor spaced consumed, etc.

Recently the magic words were heard again, most recently from IBM, who said "Anything that can be metered, we are willing to bid on, including outsourcing, hosting, and personnel. Let us worry about supply the capacities needed to make it happen." **If it makes sense to count by the inquiry, the order processed, or the claim adjusted and paid, the time to completion, then a new set of metrics is upon us, one that is defined in your own business terms.** Are you ready for this? Most of us are not thinking along these lines … yet. You had better start thinking about the brave new world measured in ticks, clicks and transactions, even if you are delivering the services in-house. **Measurable work is the new currency of business computing.**

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About the Author

Mike Kahn **is Managing Director and a cofounder of The Clipper Group.** A thirty-year veteran of the computer industry, including the last ten at Clipper's helm, Mr. Kahn is a long-time advocate for quantifying the business value of information technology. For the vendor community, Mr. Kahn specializes on strategic marketing issues, especially for new and costly technologies and services, competitive analysis, and sales training. For the end-user community, he focuses on strategic planning and procurement of enterprise IT infrastructure. Prior positions held by Mr. Kahn include: at International Data Corporation — Director of the Competitive Resource Center, Director of Consulting for the Software Research Group, and Director of the Systems Integration Program; President of Power Factor Corporation, a Boston-based electronics firm; at Honeywell Bull — Director of International Marketing and Support; at Honeywell Information Systems — Director of Marketing and Director of Strategy, Technology and Research; with Arthur D. Little, Inc. — a consultant specializing in database management systems and information resource management; and, for Intel Corporation, Mr. Kahn served in a variety of field and home office marketing management positions. Earlier, he founded and managed PRISM Associates of Ann Arbor, Michigan, a systems consulting firm specializing in data management products and applications. Mr. Kahn also managed a relational DBMS development group at The University of Michigan, where he earned B.S.E. and M.S.E. degrees in industrial engineering.

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