

Getting Started With an Effective IT Strategic Planning Process

Ellen Kitzis, Michael Gerrard

An IT strategy is a critical planning element for all IT organizations. It is a key communication mechanism with major stakeholders, in particular all levels of business management and IT staff. It ensures that the business and IT are integrated in their view of, and planning for, the future, and it provides the ongoing "guardrails" that will keep the IT organization, and the technology it furnishes, positioned to offer the most value and support to the business. However, many IT management teams struggle with developing an effective IT strategy. They are often confused about what the goals and components of an IT strategy are, what input is required from the business and how to get it, and how they can develop a strategy that will continue to evolve over a long-term planning horizon.

Key Findings

- Most IT organizations can't develop a business-strategy-driven IT strategic plan because they have started the planning process by asking business units only the bottom-up question — "What projects do you need?" — instead of integrating the IT team into the upfront, top-down business planning processes of the organization.
- Strategy is viewed as a "theoretical activity" rather than an operational planning process. Strategy can only be made real if it is directly linked to how the organization will make day-to-day investment and prioritization processes.
- Strategy is not something that can be done once and then executed over a five-year period. Strategy needs to take the long-term view, with the recognition that annual events will require the business and IT to make adjustments to new market conditions or accepted events. It must be continually tested and validated over the planning period.
- Many CIOs have difficulty in getting business input to their IT strategy initiatives because the business doesn't have a clearly articulated business strategy or because the CIO doesn't know how to plan for, and respond to, multiple business requirements from multiple shared-service business customers.

Recommendations

- Ensure that the organization develops a strategic planning process that is iterative and takes into account a multiple-year view.
- As an IT leader, engage the business at the early stages of the strategy creation process. If IT is only viewed as a delivery component, the IT organization will miss out

on the opportunity for shaping and influencing the strategic opportunities of the enterprise.

- To be fully effective, ensure that IT leaders are seen as adding value to the business strategic planning process, focusing on how IT can help the business succeed, not narrowly focused on "listening in" to get input to internal IT planning.

TABLE OF CONTENTS

| | |
|--|----|
| Analysis | 4 |
| 1.0 Introduction | 4 |
| 1.1 "Strategy" Defined | 4 |
| 2.0 The Importance of Strategic Planning | 4 |
| 2.1 A Road Map Ensures Success..... | 4 |
| 3.0 The Difficulties Involved With Developing an IT Strategy | 5 |
| 4.0 Strategy Is Not a One-Time Event | 6 |
| 5.0 Developing an Effective Strategic Planning Process | 7 |
| 5.1 Business Strategy Creation | 11 |
| 5.2 Business Goal and Strategic Intent | 12 |
| 5.3 Business Principles | 13 |
| 5.4 Business Planning | 13 |
| 5.4.1 IT Business Support Planning | 14 |
| 5.4.2 IT Strategy/Operating Model Development..... | 14 |
| 5.4.3 IT Migration Plan | 16 |
| 5.5 Develop the Annual Operating Plan | 16 |
| 5.6 Adjustments to the IT Operating Model..... | 17 |
| 5.6.1 Execution of the Annual Operating Plan | 18 |
| 6.0 Change Management — Communicating the Plan..... | 18 |
| 7.0 Conclusions | 19 |
| 8.0 Recommendations..... | 20 |
| Recommended Reading | 20 |

LIST OF FIGURES

| | |
|--|----|
| Figure 1. The Components of Strategy Span Multiple Time Frames | 7 |
| Figure 2. Generic Strategic Planning Process | 8 |
| Figure 3. Overview of the Strategic Planning Process | 10 |

1.0 Introduction

Developing an IT strategy that is integrated with the business strategy is not easy and often requires substantial resources as well as focus from the IT and business organizations. A fundamental flaw in thinking is to confuse strategic planning with budgeting or project planning — they are not the same. Strategic planning is about setting long-term goals, establishing the directions and constraints that will guide the tactical achievement of these goals, and identifying the assets and capabilities that the IT organization must acquire, to execute the plan. Budget planning is about prioritizing investments in the context of a strategic plan. Operational and project planning is about executing against the goals.

1.1 "Strategy" Defined

Strategy, defined simply, is how to deploy resources to generate maximum value for stakeholders. It is about doing the right things. Unfortunately, most enterprises and IS organizations are very strong on managing operational processes, but not very strong on managing the strategic processes. This research is the first in a series on how to effectively integrate IT and business strategy. It introduces a new framework for strategic planning. It addresses three key questions:

1. Why is strategic planning important?
2. What makes developing a strategy so difficult?
3. What is the strategy development process?

2.0 The Importance of Strategic Planning

In highly competitive markets, leaders seek to make their enterprises more agile and more cost competitive — taking advantage of market opportunities as they present themselves and leveraging their enterprises' strengths. Business and IT leaders often justify the lack of a formal planning process as a need for speed; formal planning processes, in their minds, just slow things down. Their basic business strategies may only change infrequently ("Why keep documenting something that we all understand and doesn't change?"). While this approach may lead to some effective approaches, it usually fails to harness all the creative energies, resources and perspectives available in the enterprise to determine what the strategy and business performance could be, and is difficult to sustain with consistent success over longer periods of time. In the worst case, in times of change, of opportunity and threats, a lack of strategic thinking and subsequent execution can have a devastating effect on a business.

2.1 A Road Map Ensures Success

The objective of a more-integrated business and IT strategy and strategic planning process is to put in place a road map that ensures that the direction of the business and IT is driven by the organization's business plans and strategies. The plan must be compelling and, at the same time, practical, encompassing the capabilities of IT to deliver and the organization's capacity to absorb change. The benefits of developing an integrated strategic plan and a planning process include:

- The creation of a consensus road map for exploiting technology that integrates business and IT directions

- The establishment of a sound decision-making and governance process that ensures that the organization realizes the expected benefits from technology, exploits the full value of the enterprise's investment in technology and achieves competitive advantage
- The integration and execution of IT and business plans and thus fewer projects that fail to deliver, on time and budget, what the business needs
- The identification of gaps in IT capabilities and internal strategies, and the determination of how these gaps will be filled

A good business strategy should clearly define the characteristics of the end-state organization, a set of realistic goals and objectives that are consistent with that mission, achieved in a defined time frame within the organization's capacity for successful execution. This requires a clear linkage between business behaviors and supportive IT behaviors, and how they will be measured relative to their contribution. If properly articulated, it should make it easy to decide what the organization will and will not work on, and how investment decisions will be made and by whom.

3.0 The Difficulties Involved With Developing an IT Strategy

Most IT organizations fail to develop an effective IT strategy. Many have lost faith in effective creation and use of IT strategies. In failing to drive change or create new behaviors, organizations reuse what they did last time, or they fall back to tactical planning activities. Key reasons why they fail include:

- **IT is not customer-driven.** IT organizations that support multiple business units fail to recognize that each business unit's strategies must be individually considered to determine how IT must support that business unit. IT management must then step back and consider the most responsive and cost-effective way of providing all the support that all the business units require to be successful. One size rarely fits all.
- **The business strategy is not clearly articulated.** Business strategy is discussed and understood by the business's executive committee but not documented and maintained for wider distribution. Often, the business strategy must be derived or inferred through observation and discussion with business management.
- **Corporate is the wrong place to look.** IT usually supports operating strategies (as opposed to, for example, balance sheet strategies). Often, the CIO looks to corporate to provide the business strategy. In many organizations, there are mainly financial roll-ups and analysis at the corporate level. The actual descriptions of the operating strategies to be employed to achieve these results are only found at the business unit or line-of-business level. This requires that a strategic planning discovery and planning process be conducted with each line of business or business unit and then aggregated as the sum of requirements to be met by the IT organization.
- **Strategies gather dust on the shelf.** Strategies that fall victim to this fate are often laborious explanations of what exists today rather than what the future needs to look like; they became an archive, rather than a living document. They failed to gain buy-in during the development process and thus became shelfware.
- **Plans are not realistic.** They are developed without proper regard to funding or business principles; they don't express how the business will be successful. They are not practical and often require skills or competencies that are not consistent with the genetic code of the enterprise.

- **Plans don't impact the day-to-day operation of the business.** No attempt is made to link the strategy to clear business or IT operating principles or plans. The plan doesn't fit with the operating model of the enterprise. There is an uncomfortable tension between the strengths of the operating model and the strategic direction.
- **Plans keep changing.** The process employed is often faulty. Strategic plans are developed in isolation or they are not strategic plans, but rather tactical plans. In either case, they do not reflect the dynamic aspects of the business or the business context that drives change, and reactive adjustment becomes the operating behavior rather than consistent focus and direction.
- **A new boss arrives.** The strategy isn't at fault; the business direction has changed. Strategy is the vehicle through which the organization can demonstrate how IT can and will adapt. Frequently, new leaders are brought in to specifically alter the direction of the business. IT and business leaders need to be able to quickly and efficiently rethink the strategy based on a new mission.
- **There is no risk management process.** Strategies must show contingencies for events that might trigger adaptations. These should be identified as part of the process of validating assumptions between IT and the business, and regularly updated.

4.0 Strategy Is Not a One-Time Event

Strategic planning is a competence that often differentiates companies that can stay the distance and others that fall by the wayside. While occasional "lucky" decisions propel companies for a period of time, it is the inconsistent focus on the longer-term view that leaves many companies rudderless and floundering when others flourish. The second major flaw is the inability to synchronize planning and execution efforts. Strategic planning and systematic planning of business operations are often disparate activities. To be truly successful, both efforts must be integrated within the strategic planning process.

Planners who assume they can plan once and deliver over a long-term period will fail. A strategy starts with setting the overall strategic direction for the enterprise and evolves into more-specific strategic initiatives and funded projects over time. The strategy may lay out a three-, five- or even 10-year journey the enterprise will take to achieve a desired end state. Strategic planning is the process that tries to make explicit the current and the future state, as well as the critical changes that need to be made between these two points. Most importantly, strategy planning does not equate to a strategy document. Too often, IT leaders fall into the trap of thinking strategy is the "document." Strategic planning is a process that yields a variety of information, analysis, programs and, eventually, specific project initiatives for the business and IT. The process of developing a strategy creates a "repository of information" during the course of the planning process. Throughout this journey, the organization needs to strive to eventually link the strategic goals with tactical execution and expected benefits. As we grow nearer to the immediate planning horizon, the benefits should become more explicit and measurable, rather than implicit or subjective (see Figure 1).

Figure 1. The Components of Strategy Span Multiple Time Frames



Source: Gartner (May 2008)

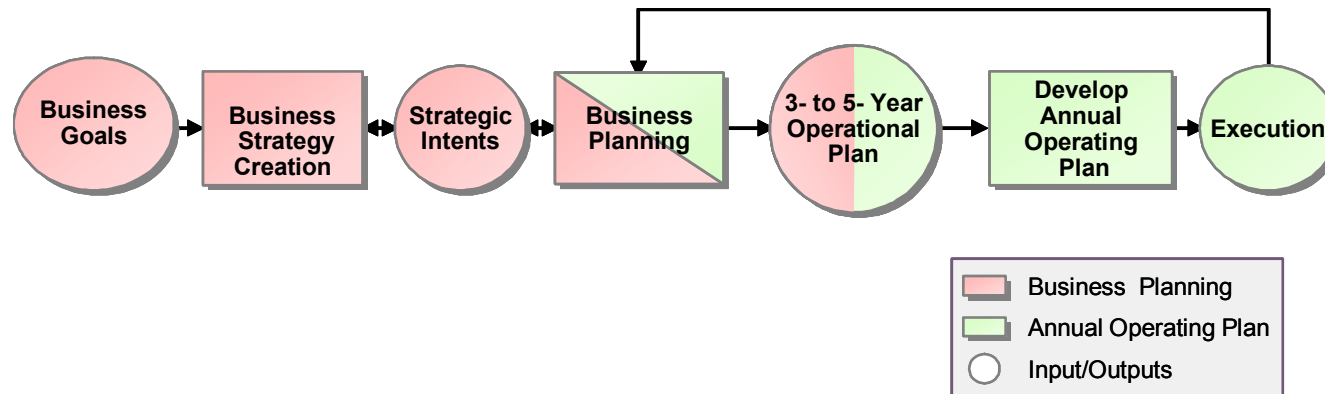
We would be foolish, however, to believe that the end-state view we create today will be identical to the one we deliver three to five years hence. It will be modified over time by subtle market changes, business intelligence, sense-and-respond behaviors, and some totally unpredictable events. However, what can be predictable is that it will be continually refined; it will be operationalized into specific components that can be scoped on an annual basis and eventually delivered via projects that are approved, funded and resourced.

5.0 Developing an Effective Strategic Planning Process

As noted, most IT organizations focus on producing a strategic plan or document. From our review of hundreds of planning documents, it is clear that the weakest link in most plans is the relationship between specific business objectives and the plan. Many strategic plans are nothing more than a compilation of projects aggregated for the upcoming year. A good IT plan should make clear the links between the business goals, the proposed IT investments and how the IT organization will close the gaps in performance capabilities required for execution. Most IT organizations can't do this because they have started the planning process by asking business units only the bottom-up question ("What projects do you need?"), instead of integrating the IT team into the upfront, top-down business planning processes of the organization.

Figure 2 shows a generic planning process. It shows the path from the statement of business goals to the execution of a plan. The key challenge is how to integrate critical IT capabilities into the strategy creation process. It is important to note that this is not a unique problem for IT organizations. HR, finance, manufacturing and logistics organizations all face the same challenge.

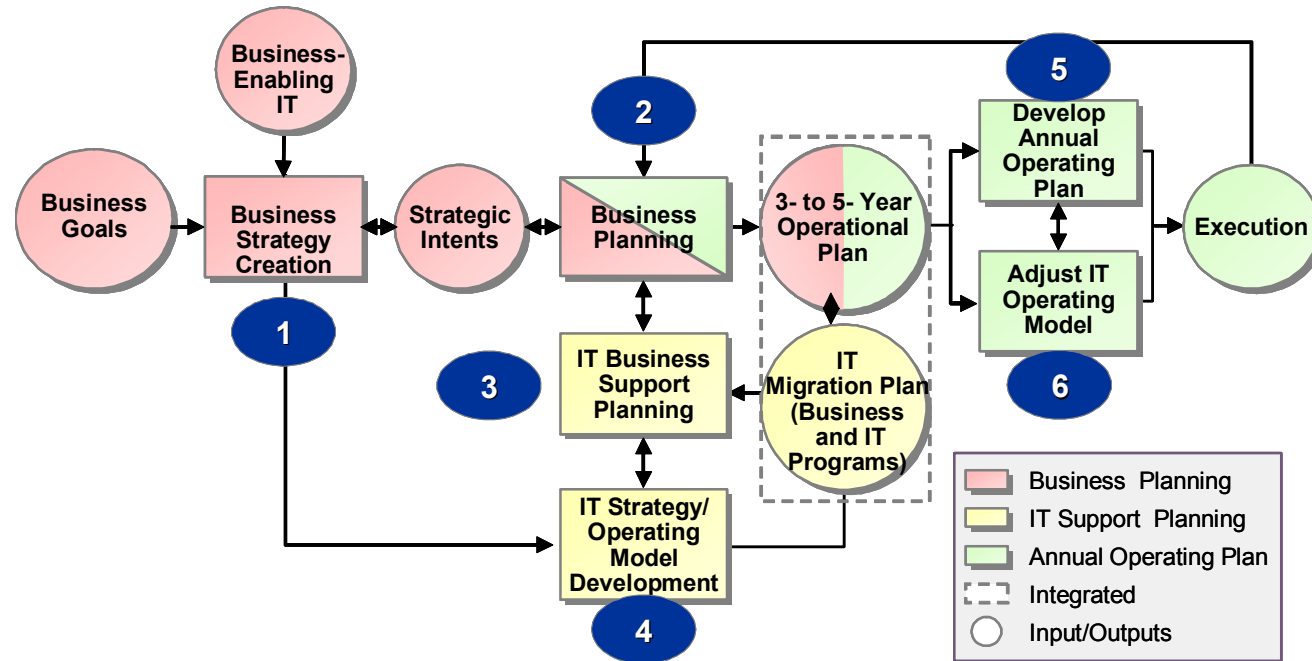
Figure 2. Generic Strategic Planning Process



Source: Gartner (May 2008)

Figure 3 depicts a planning process that should ensure that the IT planning processes are fully integrated with the business planning process over a long-term planning period. The notion of a "static" plan is replaced by a "dynamic" view of continuous update and refinement to the planning repository and a clear sense of what the "operating plan" looks like today.

Figure 3. Overview of the Strategic Planning Process



Source: Gartner (May 2008)

Fundamentally, the overall planning process should answer three questions?

1. What are the business priorities?
2. How will IT contribute?
3. How will IT execute with the business?

The process model we propose is designed around these principles:

- Provide multiple opportunities for IT input and business feedback. IT participation is critical in all phases of the business planning process, from concept through execution.
- Ensure collaboration among IT and business functions or groups. There are critical dependencies between IT and the business throughout the planning process.
- Allow for updates and refinement. There is ample opportunity to link back to earlier phases if business timing or resources change.
- Address the needs of multiple stakeholders. Elements of the plan ultimately must be shared with a variety of stakeholders. Creating one complete version will exceed the information needs of some stakeholders and provide too little detail for others.
- View the results of strategic planning as a repository. Strategic plans must be customized so that the appropriate elements can be drawn to service different stakeholder needs for tactical planning or communication.

5.1 Business Strategy Creation

This first phase focuses on developing the overall business needs or demands during the planning period. While some organizations don't look far beyond the current year, mature organizations typically develop three- to five-year plans. The time frame should be the relevant strategic horizon for the individual enterprise. While this may vary from enterprise to enterprise, the intent is to take a view beyond the current fiscal year through, at least, the life cycle of planned investments. As illustrated in Figure 3, the business-side process has four key components:

1. Setting business goals
2. Identifying business-enabling IT
3. Developing the business strategy
4. Setting the strategic intents, or the specific strategies the business will pursue

The process typically includes the refinement of the business mission, vision and goals. Organizations employ a variety of strategies to reach a consensus on corporate and business-unit goals. Ideally, it should emphasize enterprise-level goals and goals that are truly unique to specific business units. The enterprise goals should emphasize the dependencies and opportunities for leverage across the enterprise. But basically, the process needs to address some key questions. How these questions are answered will depend on the methodologies strategic planners prefer:

- What business are we in?
- How will the business make money?

- On what basis do we want to compete?

While businesses may have the same goals, the strategies or tactics they use to achieve them varies significantly. Business strategy creation is the process by which enterprises consider a variety of alternatives to achieving their goals. Organizations use many different methodologies to test and validate alternative approaches, but all of these typically require the integration and synthesis of customer and competitive information combined with the enterprise's assessment of its key competencies.

5.2 Business Goal and Strategic Intent

Business goals define a desired end state and should be clearly linked to the organization's vision and value statement. A goal is specifically a target or objective the organization wishes to achieve within a time period. There are benefits to long-range and short-term goal setting. Most organizations have significant challenges responding to goals that "churn" rapidly. While it may produce better butter, it rarely helps companies sustain a competitive advantage. Long-term goal setting enables an enterprise to leverage its full energies, resources and capabilities. Many of the companies we most admire (such as Apple and GE) have managed to a defined set of long-term goals during the past five years. Apple's focus on innovation, for example, has given it a sustainable advantage in the consumer marketplace.

To be most effective, goals should be tangible, specific and realistic, and have a time targeted for completion. There must be realistic plans to achieve the intended goal. For example, setting a goal to go to the moon by the end of the decade in the 1960s gave NASA a 10-year definable objective around which specific strategies were created.

Some rules of thumb about goal setting include:

- **Consistency:** Does it fit with the vision, mission and value basis of the enterprise? Are they consistent with each other?
- **Stretch:** Does it push the enterprise to an end state that is ambitious?
- **Clarity:** Is it easy to understand? Can it be shared with multiple constituencies?
- **Unambiguous:** Does it define what needs to be achieved for the business to be successful?
- **Flexibility:** Can it be adapted and changed as needed?
- **Measurable:** What will happen and when?

Strategic intents are the first step in articulating how the organization will achieve its business goals based on the value proposition. We often confuse strategic intents with specific strategies. As previously stated, strategies specifically define how the businesses will execute on the intent and are fundamental parts of the business planning process. Strategic intents suggest how the goals will be achieved, but leave it to the discretion of the business planning process to define the specific initiatives or programs that will be executed. If the organization has already been involved in helping define the enterprise's value proposition, then it is in a good position to become engaged in the process of establishing the enterprise's strategic intents.

Regardless of the technique an organization employs, a key component of the process should be to determine how the business can leverage IT capabilities to solve persistent business needs or support new business strategies. IT organizations that fail to participate in this creative and innovation-oriented part of the planning process will ultimately limit the extent to which the IT organization is perceived as capable of contributing to the organization's success. During this

phase, the IT organization should be asking: "What new capabilities or technologies will be available during the next few years that might enable or support different business strategies, and how would they be employed by the business?" By doing so, IT management can help to create options that the business alone might not consider so that IT management can deal early on with negatives that might limit the enterprise's options.

The outcome of the creation process is a documentation of strategic intents; a confirmation of the enterprise's vision, mission, goals and articulated strategies; and defined business principles and performance metrics.

5.3 Business Principles

Business principles should clearly articulate what the enterprise's competitive stance is, how it expects to leverage activities across the enterprise or business units, and where the business units will be encouraged to make independent decisions. From business principles, business and IT executives together identify IT principles that describe how to deploy IT across the enterprise and connect, share, and structure information and processing. Business principles typically address these areas:

- **Cost focus:** Drawing on the value discipline of operational excellence
- **Value differentiation as perceived by customers:** Drawing on the value discipline of customer intimacy
- **Flexibility and agility:** Drawing on the value discipline of product and service innovation
- **Growth:** How the base of the business will expand
- **HR:** What people policies are required
- **Management orientation:** Different aspects of business governance and decision making
- **Risk management:** How to manage regulatory, operational, managerial, technological and other relevant risks

At this stage, the organization will typically set high-level performance metrics that monitor progress toward the business objectives. We refer to this level of performance metrics as Level 1 indicators (see "How to Link IT Metrics to Business Value"). It is difficult at this point of the planning process to establish leading indicators of performance until specific three- to five-year business plans have been created. Once the business plans have been formalized, more-detailed leading indicators of performance should be defined (see "The Gartner Business Value Model: A Framework for Measuring Business Performance"). A framework and definition of nonfinancial metrics can be applied to help identify how business activities will affect financial performance. We believe that agreement with the business on nonfinancial performance metrics will enhance IT-to-business communication by enabling greater precision and meaning in addressing increasingly complex business issues.

5.4 Business Planning

Business planning is the process of turning strategies into specific tactical plans. Business planning integrates demand-side planning with IT supply-side considerations for the creation of final long-term operations plans, often referred to as the three- to five-year plan, as Figure 3 shows. The final long-term plan should include a description of the current and future business and supporting IT operation model, high-level programs and migration plans, and a schedule to

update the operating plan on an annual or ongoing basis. IT supply-side considerations have inputs into the business plan as well as the final operating plan. The IT organization's current capabilities and the acquisition of capabilities to meet future needs affect the pace of change and the ability of the enterprise to implement its long- term plan.

IT organizations that have been highly integrated with the business planning process for several years are better positioned to respond to and interpret new requirements than those that have been excluded from the process or have languished over a longer time period. IT organizations with outdated technology as well as poor business, relationship, management and technology skills will clearly not be as ready to adapt as those that have been able to keep pace with changes during the prior planning period. This phase of the process requires an honest appraisal of what is possible. Failure to reveal key flaws or limitations in current systems, processes or people will become painfully apparent during the execution stage. This phase of the process is often thought of as developing the "IT strategic plan." In reality, it represents how IT can contribute to the business plan. There are three parts to the supply-side planning process: IT business support planning, the IT strategy/operating model development and the IT migration plan.

5.4.1 IT Business Support Planning

This phase of the process is the first step in ensuring full integration with the business planning process. Using the initial output of Step 2 (business planning), this step identifies the business initiatives that IT must support during the planning period. Simply put, it defines the work to be done. For IT organizations that are already working with the business, this should be part of an ongoing dialogue. In some cases, detailed business plans will be available, allowing a more in-depth review of business plans. The role of IT management at this stage is to enhance the plan from an IT perspective as well as to conduct a preliminary feasibility analysis of the proposed solutions. This should be conducted for programs planned at the enterprise and line-of-business levels. These should include the business measures that are expected to be affected (for example, cost per transaction or concept-to-product cycle time). All of IT planning from this point on, including designing the various management and governance processes, should be driven by a goal of successfully executing these plans. The major components are:

- **Feasibility analysis:** Feedback to the business on issues/challenges, opportunities, constraints, and ballpark timing and funding.
- **Portfolio analysis:** An integrated view of the long-term portfolio of initiatives. It should provide a sense of potential funding required and an assessment of the portfolio from a risk-and-return perspective.
- **Preliminary program and project planning:** A first-pass assessment of timing and key projects associated with major initiatives.
- **Resource assessments and gap analysis:** An assessment of what it will take to execute the plan against current resources, capabilities and IT assets.

5.4.2 IT Strategy/Operating Model Development

The operating model and migration plan can only be developed once the organization has a clear sense of what work IT must do to support the business plan, the output from Step 3 (IT business support planning). Major initiatives and their timelines should be plotted over the planning period. Enterprise architecture will be used to determine the "to be" state that will support the future business. The assets, skills and staffing requirements to support these projects will be compared with what is currently available by a gap analysis. Once that has been performed, investments and projects to fill the identified gaps will be plotted in the migration plan, identifying the major

deliverables and dependencies for projects and acquisition activities. The result should be a comprehensive picture of what needs to happen and when to deliver what the business needs. The service portfolio and catalog should be reviewed to ensure that services will meet the current and future needs of business and other IT users. Services that need to be developed will be included in the inventory of projects required as a result of the gap analysis.

Although many of these activities are part of the ongoing process of managing an IT organization, major IT operating model changes may have a substantial impact on run-rate assumptions, competencies and funding. At a minimum, IT operating model considerations should include:

- How relationship management will be conducted with business customer units.
- Review of IT principles and policies. The IT principles guide day-to-day IT decision making and IT governance, while clearly showing business executives how IT is embedding the contribution.
- IT architecture initiatives. The IT architecture serves as the bridge between the business strategy and the technology implementation, and is a key driver of the IT planning process, as well as defining the set of infrastructure and business applications and information available now and planned in the future. It defines the as-is and to-be application portfolio, as well as initiatives to improve the portfolio.
- Update of service delivery strategies. This part of the supply-side strategy defines how IT service will be delivered and made efficient, effective, reliable and repeatable.
- A sourcing strategy to determine, first, whether it is feasible to deliver all that is needed in the required time period and, second, how the necessary resources, capabilities, technologies, management competencies and so on will be sourced.
- A workforce assessment. This will likely include a high-level skill inventory and needs assessment based on the expected demand. It might also include approaches to recruitment and skill enhancement.
- A demand and supply governance strategy that will facilitate and enable the work to proceed smoothly and provide the necessary decision making, policy definition, oversight and problem resolution.
- IT funding and financial management options. It develops an approach to how the IS organization is operating as a cost center, profit center or investment center. It also explains how funds will be supplied to IT.
- A high-level IT risk management approach and how IT risk management and governance are linked to enterprisewide risk management.

As previously noted, deriving IT principles from business principles is critical because IT principles describe how an enterprise must deploy IT across the enterprise and connect, share, and structure information and processing. IT principles result from considering the information and technology implications of a firm's strategic context, business principles and persistent business needs. An example of an IT principle for a global telecommunications company might be: "Customer information must be kept in a consistent form and be accessible to both the customer and staff anytime and anywhere the customer interacts with the firm." This might sound simple enough, but it has profound implications for how customer information is gathered, processed, stored and made accessible.

IT principles express fundamental long-term goals and needs for IT and identify the ways an organization must:

- Lead or follow in the deployment of IT in its industry (such as the role of IT and the required level of investment relative to competitors)
- Process transactions
- Connect and share data sources, information and systems across different parts of the firm
- Connect and share data sources, information and systems across the extended enterprise, including customers, suppliers, regulators, strategic alliance partners and so on
- Maintain common IT architectures across the enterprise, including policies and standards
- Access, use and standardize different types of data (such as financial, product and customer data)
- Identify appropriate measures for assessing the business value of IT

As a reference, these are often referred to by Gartner in other research as "architectural principles." We mean the same thing, how IT will operate to support the business goals of the enterprise.

5.4.3 IT Migration Plan

Too often, IT is accused of being out of sync with the business. The time it takes for IT to execute is frequently inconsistent with business needs to achieve critical changes in processes, products or services. The support planning and operating model analysis ensures the proposed IT migration plan is synchronized with the business. Without doubt, the IT migration plan is a critical component of the business's long-term operating plan. As can be seen from the process diagram, this component of the planning process ensures that the business plan has a fully integrated IT operating plan as part of the enterprise's long-term strategy. In essence, it becomes the road map the IS organization will follow over the long-term planning period. The specific components of the plan may vary based on specific organizational requirements; however, at a minimum, it needs to explain the process for making investment decisions as well as:

- Project plans and budgets
- Dependencies between initiatives/projects and the critical path of execution
- All operating model updates (per the model development activities described here)
- Change management programs

The plan should lay out specific time frames or sequencing of specific initiatives, as well as the prioritization process and decision criteria. It should demonstrate how it "moves us closer" to the strategic end state. If the process operates as it should, the long-term plan is actually a rolling three-year operating plan rather than a once-every-three-years planning activity. High-level plans are often accompanied by visual road maps that help the enterprise understand the interdependencies among programs or projects at the enterprise and business-unit levels.

5.5 Develop the Annual Operating Plan

Unfortunately, plans can still diverge once we move past the overall high-level strategic planning exercise. IT begins to work on its time planning cycle and the business does the same. To truly be integrated we have to be synchronized with the business from planning and execution

perspectives. The annual plan represents what can be executed over a specific planning horizon — typically one year. It focuses on the specific things we will do and any specific business or resource changes required to deliver on the specific initiatives. The annual operating plan includes three parts: development of the annual plan in collaboration with the business, adjustments to the IT operating model and the final annual operating plan.

All businesses go through significant changes during the course of a year. There may be major market changes or specific actions of the firm that affect the strategy. Major mergers and acquisitions, or disengagement from a specific market or customer segment, may change the business goals. These should be identified during the development of the annual plan, or as they arise during the year, because they directly affect the business goals or performance expectations for that planning period. These changes to the strategy may stem from:

- **Changes or updates to business goals, mission, or business operating principles:** Any significant changes in direction, speed or investment prioritization should be disclosed. As such, it might represent a refinement to or an updated three- to five-year plan.
- **Detailed operating plans and budgets:** Project plans for each initiative should be well-defined with appropriate IT and business owners. The final budget may constrain spending in any given year or accelerate activities. The annual planning process adapts the implementation of the IT strategy based on the actual versus planned investment programs.
- **Project prioritization and portfolio overview:** New initiatives should be aligned to the key business goals for the annual planning period. The specific business initiatives for the year should be rationalized through the governance process. While all the key projects may not be visible, major initiatives should be defined and specifically described relative to how they support business programs and outcomes. Overall portfolio risk should also be reviewed to ensure that the final mix is realistic relative to the corporate risk profile.
- **Key performance metrics for the year:** There should be clear, measurable project and ongoing service-level performance criteria. The project criteria should be defined jointly with the business units and project champions. These should include targets for project completion, financial management and measurable business outcomes that are jointly owned by IT and the sponsoring business.

5.6 Adjustments to the IT Operating Model

This is a key opportunity for IT to revisit its initial assumptions and plans based on finalized projects and budgets. The expectation is that, unless there have been "major" changes, the model should only require minimal changes. The changes should be consistent with the IT principles and policies identified in the initial IT migration plan. The areas that are typically addressed are:

- **Sourcing options:** Changes are required to meet demands for specific projects. These may require adjustments to the mix of internal and external resources, or simply the scale of resources required.
- **Resource mix:** Specific projects or new R&D efforts may require unique competencies or skills. This is the opportunity to recalibrate the mix or accelerate hiring plans. This process should be driven off of a continuously updated skill inventory and hiring plan.

- **Organizational changes:** IT leaders routinely optimize their organizational structures to better align competencies or respond to organizational changes in other parts of the enterprise.
- **Funding and budget recommendations:** The changes to the operating plan may drive subsequent changes in funding. They may be driven by scope changes, terminations, or early launches of new initiatives and new requirements for service.

5.6.1 Execution of the Annual Operating Plan

Following the development of the long-term operating plan, this is the final joint execution of the plan with the business. This should be the approved plan that IT will be operating under for the upcoming year. It should indicate any significant decisions that have been made as a result of reviewing the annual operating plan and the IT operating model. It should specifically define:

- **Business and IT plans:** A description of specific programs the business and IT will undertake with assigned project champions from the business and IT.
- **Project plans:** Detailed plans for projects that have been approved. They should include a detailed scope of work, schedules, key decisions and so on, covering IT and business activities.
- **Operating model and budget changes:** Specific changes to the IT operating model that will affect the delivery of projects, or influence budgets or funding.
- **Quarterly tracking and performance assessment:** This should include specific performance indicators for individual projects and any leading indicators of performance.
- **Risk management:** An overall assessment of risk relative to the portfolio of projects, as well as specific risks that might affect enterprise-level security or compliance.

6.0 Change Management — Communicating the Plan

Finally, we must address the problem of strategies that do not drive behavioral changes. To be successful, change must become real inside and throughout the enterprise. This requires continuous communication and reinforcement among peers and with the IT team. Key opportunities to ensure that the strategy remains front and center include:

- Engage business leaders early and often. IT leaders won't be effective using this approach if they have not actively engaged the business prior to embarking on the planning process. Simply put, this can't be the organization's first foray; it must be already actively talking with the business.
- Use business and IT principles. Ensure that the IT and business principles are repeated during key presentation and opportunity assessments.
- Create strategy moments. Use portfolio and project reviews to keep asking the questions: How will this help the company win? Does this conform to our IT strategic vision? What has changed?
- Embed strategy in benefit realization. Develop benefit realization measures that connect directly to the high-level strategy for new initiatives. Report them as part of the dashboard.
- Communicate the right thing, in the right way, to the right stakeholder. Take opportunities at meetings with the board, operating committees, individual line-of-

business managers, and teams to reinforce the strategy, the principles and the end-state vision. Understand how to communicate key parts of the strategy to different constituents. Different constituencies have different needs for information in terms of content and level of detail. Organizations should map their constituent bases and verify what they need to know:

- Boards of directors typically need to know the overall business strategy, its expected impact on business performance and shareholder responsibility, as well as potential areas of risk.
- Senior corporate managers tend to focus on capital performance, asset utilization, shareholder value, risk and regulatory compliance.
- Line-of-business managers are more concerned with business-unit performance, responsiveness, budgets, key programs and projects.
- Develop communication pieces that will specifically address what each constituency needs to know and what it is the organization wants them to take away or do after they have listened to or read the tailored communication. Use the planning repository accumulated during the planning processes to supply the particular information the audience needs to know.

Finally, the team will need project prioritization, workforce planning, a performance dashboard, feedback from user groups and a communication plan to participate relative to other stakeholders. Ultimately, the team needs to parse information in such a way that it is consumable by each group and meets the unique needs of those groups. The bottom line is to provide what people need, not simply what the organization could provide.

7.0 Conclusions

Executing an integrated IT and business planning process will be a critical success factor for organizations that truly want to maximize the contribution of IT. Committing to this process takes resources and time. If the organization currently has the view that planning can be someone's part-time job, the likelihood for success will be slim to none. Moreover, if the organization still believes that it's all about the planning document, it will further impede the positive benefits of the process. The key messages we want to convey are:

- Strategy isn't a theoretical activity; it needs to be tightly linked to day-to-day investment, decision-making and prioritization processes. (You wouldn't drive from New York to Los Angeles without: 1) knowing that was where you wanted to arrive; 2) having a road map or GPS system; and 3) having adequate resources to complete the journey.)
- Planning is a process that evolves during a planning period; it's not a "plan once and execute for five years" process.
- Resources must be dedicated to the process from the very early stages of business creation through the annual planning process. Anything short of this produces suboptimal results.

Organizations must ensure they have laid the groundwork with the business prior to implanting the planning process. They must develop a solid understanding of how the business competes and how IT can contribute to business success.

IT leaders have a significant opportunity to help deliver on the promises that technology and information can enhance business competitiveness, but they can only do so if the business and IT collaborate to achieve this objective.

8.0 Recommendations

- Ensure that the organization develops a strategic planning process that is iterative and takes into account a multiple-year view.
- As an IT leader, engage the business at the early stages of the strategy creation process. If IT is only viewed as a delivery component, the IT organization will miss out on the opportunity for shaping and influencing the strategic opportunities of the enterprise.
- To be fully effective, ensure that IT leaders are seen as adding value to the business strategic planning process, focusing on how IT can help the business succeed, not narrowly focused on "listening in" to get input to internal IT planning.

RECOMMENDED READING

"How to Link IT Metrics to Business Value"

"The Gartner Business Value Model: A Framework for Measuring Business Performance"

REGIONAL HEADQUARTERS

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters

Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters

Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

Latin America Headquarters

Gartner do Brazil
Av. das Nações Unidas, 12551
9º andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509