

Chapter 2

Strategic Planning of IT

Do today what others will not think until tomorrow – because nothing endures but change

Heraclitus, 450 B.C.

Against a backdrop of globalisation, mergers & acquisitions, mounting competition and accelerating innovation and product lifecycles, organisations are being forced to review and adjust their business models more frequently than ever before. With IT that is in gear with their business requirements, organisations are far better positioned to beat their competitors to market with innovative products and chart a pathway into new domains.

Strategic planning of IT has a key role to play here. The objective of planning IT strategically is to align it with overarching corporate goals and business requirements and make it agile enough to deal with constant change in the company and its environment. By creating a holistic understanding of the business model, corporate strategy, strategic positioning of IT and IT itself, strategic planning of IT codifies the planning assumptions and precepts on which IT decisions are based (see Fig. 2.1).

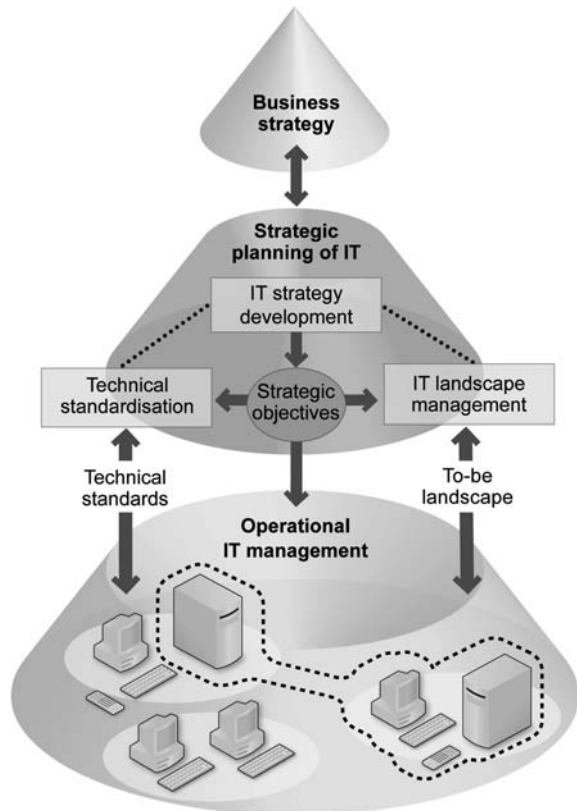
Key to strategic planning of IT is the process of developing the IT strategy (see Sect. 2.5). This process stakes out general directions and purposes, defines technical standards and the target (“to-be”) picture of the landscape, creating the signposts in the overall roadmap for IT development (see Fig. 2.1). IT strategy development makes use of IT landscape management (see Chapter 4) to define the landscape toward which the enterprise is working. The technical standardisation process (see Chapter 5) serves to define the technical standards – technology and also bought-in products such as databases – that will best fulfil the strategic objectives of the IT strategy roadmap.

Questions answered in this chapter:

- What is the difference between strategic and operational planning of IT?
- How do I find out how IT is currently positioned in my enterprise? How do I determine the present performance potential?

- How do corporate goals translate into goals for IT?
- What principles and strategies are appropriate for me?
- How do I define the future standing of IT and its future performance potential?
- What's in an IT strategy? What does an IT strategy document look like?
- How do I arrive at an appropriate IT strategy?

Fig. 2.1 Scope of strategic planning of IT



2.1 Scope and Definition

In planning IT strategically, you align it in strategic terms with your business model, and lay down an authoritative framework to guide and inform how IT is managed at the operating level. You also decide on technical standards and medium-term and long-term target views of the enterprise architecture. This provides a basic set

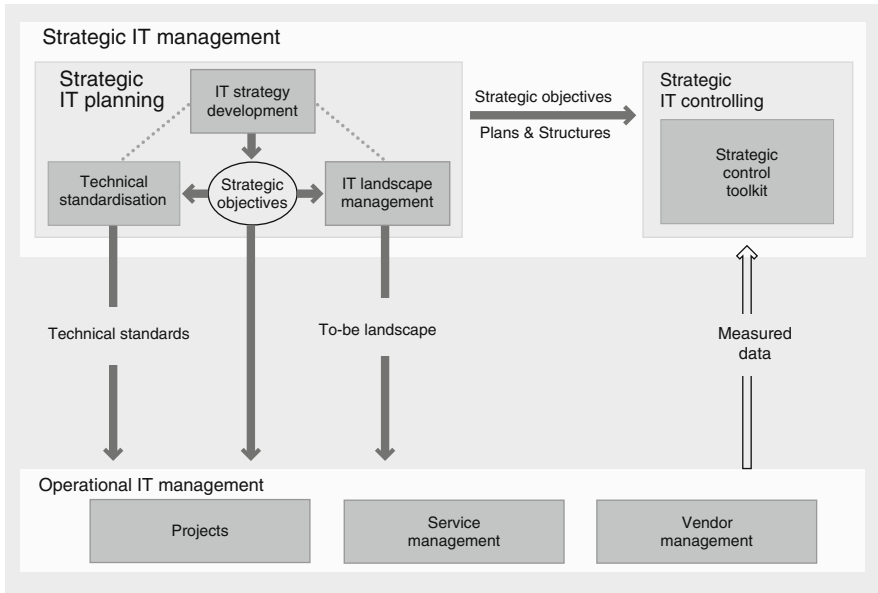


Fig. 2.2 Strategic and operational IT management

of metrics for projects and for service management and vendor management (see Fig. 2.2).

Over time, the strategic parameters are fleshed out (for instance during projects or maintenance activities) until they are detailed enough to form a basis for implementation. It may be more appropriate at operating level to deviate from these basic parameters. By benchmarking real-life values from operational-level IT management against the outcomes you originally planned, you can keep tabs on any discrepancies. Such benchmarking is part of the strategic control toolkit (see Sect. 6.3).

Compared to what is used at operating level, the information and indicators in strategic-level IT management are very coarse-grained. However, drilled down to operating level, the information is far more detailed. Table 2.1 illustrates the various granularities.

Important:

- Be sure to create clear links between strategic-level information and the more detailed information from operational IT management. Without a clear view on how the goals cascade down, you will not be able to benchmark current “front-line” values against the strategic targets you have set for relevant indicators.

Table 2.1 Examples of different granularities

Strategic IT management	Operational IT management
Process map and business processes on value chain level	Business processes on activity level (EPCs) and detailed process descriptions
Business objects such as customers or contracts	Data models Entities and attributes
Big-picture view of IT landscape	Details on all IT systems and their interaction Requirements in terms of business operation, e.g. detailed SLAs
Applications, e.g. SAP	Deployment packages, class diagrams, configuration items (CMDB)
Coarse-grained operating infrastructures such as vendor integration infrastructure	Components of IT systems, hardware units such as servers and network components, their interaction and topology Configuration items (CMDB)
Effectiveness indicators – “doing the right things” e.g. strategy and added-value contribution, business criticality, compliance with standards, strategic alignment	Efficiency indicators – “doing things right”, e.g. SLA fulfilment, including availability, response times and reliability for the various IT systems
–	Scores on operating indicators and current values compared with targets

Derived from corporate goals and business requirements, the strategic direction is an overarching concept and also scopes and guides individual projects. The scope clearly stakes out the leeways for projects and maintenance activities (see Fig. 2.3). These strategic parameters are defined in IT strategy development. Usually the strategy is rolled forward annually, but major projects may also require parameters to be reviewed more frequently.

Fact file:

- The overarching strategic direction, technical standards and vision of the future IT landscape creates an authoritative scope to guide and inform the actions of IT management.
- Be sure to use appropriate granularity at each planning level. Strategic planning of IT requires a big-picture view. If you amass too much detail, you won’t be able to see the wood for the trees!
- Changes – the practical interventions that enact the strategy – are usually implemented through projects and maintenance activities. Projects can take various forms, for example organisational, software engineering and infrastructure projects.

- Establish a strategic control toolkit to measure progress toward targets and compare as-is with to-be values (see Sect. 6.3).
You won't know where you stand unless you can identify the gaps between the current situation and your strategic targets

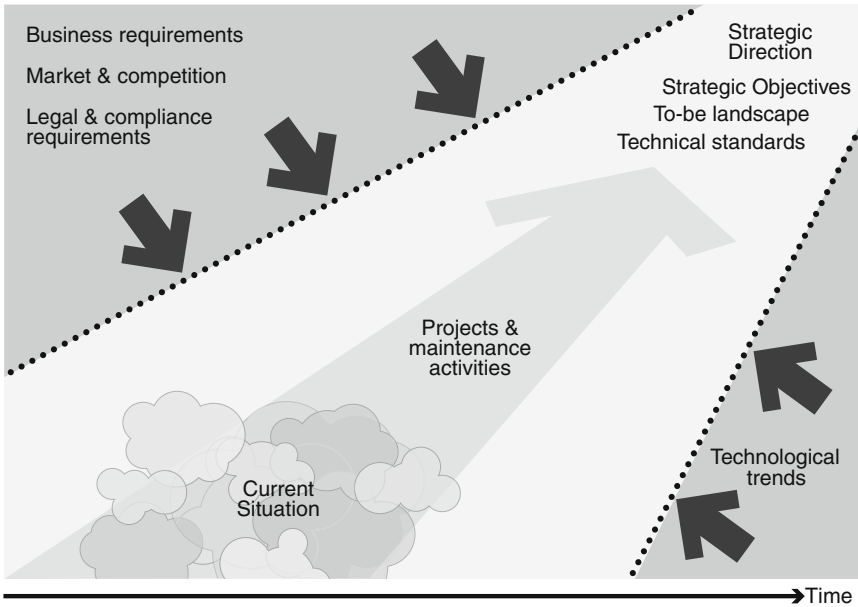


Fig. 2.3 Strategic alignment of IT

2.2 Role of IT in the Organisation

To set realistic targets, strategic planning of IT has to use the real-life situation in the enterprise as its starting point. You can determine the standing of IT – how it is positioned in your company – by asking “What part does your IT play in the enterprise?” and “What is the current performance potential of IT?”

What Part Does Your IT Play in the Enterprise?

The standing of IT can be described in terms of four levels of significance (see Fig. 2.4 and [Her06]):

- **IT is a cost factor:** IT is merely an internal provider of IT commodity products – for instance, it is seen as a provider of peripheral equipment. Alongside other

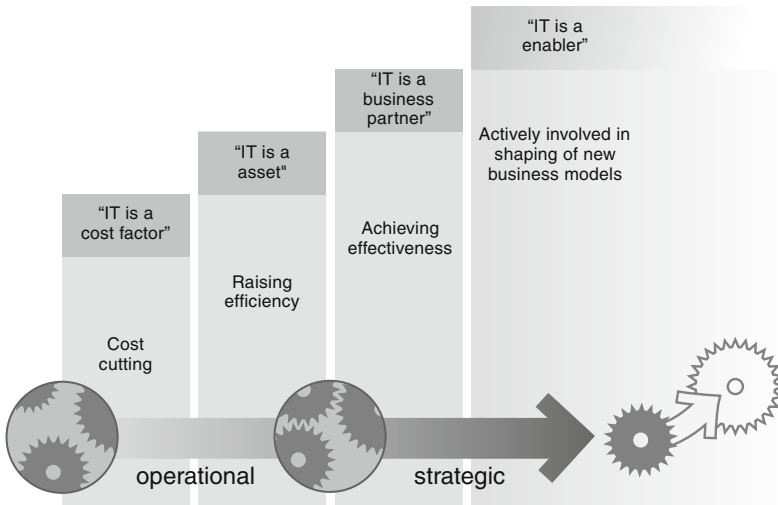


Fig. 2.4 Standing of IT

internal service providers like finance accounting, IT is seen as a necessary evil, with considerable nuisance value, and should be as cheap as possible. IT has no impact on the business.

- **IT is an asset:** IT solutions are regarded as integral to core business processes and essential for enacting security and compliance requirements mandated by law. The target for IT is to deliver operational excellence, and the focus is on raising efficiency and quality in the business and IT by enhancing business processes and decision-making. IT must provide a reliable, cost-efficient operating base, and can advise the business on ways to step up efficiency. This is IT's contribution to value proposition of the company.
- **IT is a business partner:** IT is perceived by the business as a contributor not only to value proposition but also to the enterprise strategy. As well as enabling reliable, cost-effective business operation, IT makes a key contribution to effectiveness by helping the enterprise enact its strategy. IT is expected to deliver valuable input for business decisions and to raise operational effectiveness (e.g. through standardising IT business process support). Part of IT's role is to render explicit the impact and interdependencies that exist between ideas in business and in IT. Business requirements have to be actioned swiftly and cost-effectively on the basis of IT structures which can be flexed forward into the future and sustain the enterprise on its chosen path.

With IT planning and business planning so tightly intermeshed, managers can be certain that IT investment decisions will be taken in terms of value to the business, and deliver business-oriented IT products with SLAs designed to support the company's various functions adequately.

- **IT is an enabler:** IT is seen as an enabler when business managers perceive IT as actively involved in shaping new business models. Strong business orientation and an ability to anticipate future demands give the business fresh impetus through new technology, and flexible, sustainable IT structures give the enterprise the agility it needs to adapt quickly to change. IT has to see itself as integral to the business, able to generate new business ideas through skilful application of existing and innovative technologies.

If your IT is regarded as little more than an internal service provider for commodities (a box-provider), its influence within the company will be minimal. Services could just as easily be sourced from an external provider. IT is a cost factor, and related decisions are taken solely with cost targets in mind. In this situation, you're likely to see IT budgets being pared down with every year that passes. Nonetheless, IT is expected to offer services at prices that match market benchmarks. If cost metrics are all that matters, the influence of IT and its creative freedom will inevitably shrink. Over the long term, IT is likely to lose its ability to innovate altogether.

If this is the position you're in, you have to break the vicious circle. To increase the standing of IT, be sure to get the people from business departments round the table with you when you're planning IT solutions and projects. This is the only way you're going to change the way other people think about your IT.

Raising the standing of IT will be a long process of change in the enterprise. You will have to stay committed and tenacious as you edge forward with changes. IT has to be close to customers, learn to speak their language, be familiar with customers' problems and know what they want. IT teams can keep a constant lookout for opportunities to enhance business processes and feed ideas back into the business. Major value can be added by simplifying and standardising business processes, for instance: just by documenting business processes and their IT support, you can identify startpoints for change.

Only if people perceive your IT is closely aligned with the business – and has proved itself valuable – will IT be able to assume a more active role. IT has to deliver a demonstrable contribution to the company's value-added.

The greater its standing, the more influence IT will have. The more useful it is, the more opportunity it will have to shape the direction of the business. For example, IT can assist decision-making by providing valuable input on outcome scenarios (for business and IT), perhaps even take part in business planning as a partner or “shaper” of the business.

Before embarking on the change process, first make an accurate appraisal of where you are right now. Senior management buy-in is essential for any change: they have to agree with and communicate your appraisal of the situation. Table 2.2 lists typical indicators of the various levels, helping you determine what standing IT has in your company.

Table 2.2 Determining the standing of IT

IT is ...			
Cost factor	Asset	Business partner	Enabler
<i>Product and service portfolio</i>			
Commodity IT, such as provision of peripheral equipment and operating standard software	Securing business operation through reliable, cost-effective basic IT Fulfilment of security and compliance requirements	Business-relevant IT products e.g. focused on business processes or the enterprise's products Reliable, cost-effective basic IT	Impetus for business through new technologies and business-relevant IT products Reliable, cost-effective basic IT
<i>IT planning focuses mainly on...</i>			
Reactive planning	Operational IT planning based on business planning	Business planning and IT planning intermeshed	Business planning and IT planning intermeshed
Decision on outsourcing or in-sourcing	Transparency of IT landscape Technical standardisation	Strategic planning of IT landscape	Anticipatory planning, e.g. future scenarios
Efficiency in IT; no risky projects	Efficiency in business through IT	Efficiency and effectiveness	Effectiveness, sustainability and efficiency
<i>IT controlling focuses mainly on...</i>			
Cost reduction	Cost/benefit and operational excellence Benchmarks	Contribution to value-added and cost/benefit	Contribution to value-added and strategy, and cost/benefit
<i>IT organisation</i>			
Stand-alone service provider or profit centre	Department or business unit in the company Benchmarkable Service-IT IT consulting and advisory services	Department or business unit in the company Organised into business IT and service IT; Business-IT is organised to reflect the business Corporate functions for strategic planning of IT	Business unit in the company Organised into business IT and service IT. Business IT is organised to reflect the business Corporate functions for strategic planning of IT and innovation management integrated into business planning
<i>Position within organisational hierarchy</i>			
–	IT manager reports to member of executive board	IT manager on executive board	IT manager on executive board
IT cost accounting			
Entire IT costs redistributed as flat-rate contribution	Systems for internal service charging Cost centres and in part cost units	Systems for internal service charging Cost units, e.g. projects	Systems for internal service charging Cost units, e.g. projects

What is the Current Performance Potential of IT?

Another key task is to determine the current performance potential of IT to underpin the appraisal of its standing in the enterprise. This is largely about estimating whether and to what extent IT is a competent service provider to the company's departments. One measure of this is the extent to which IT actively advises users and implements their business requirements with appropriate, cost-effective IT solutions in line with the strategic objectives. Ultimately, the objective is to ascertain how well IT fulfils the following core tasks:

- **Ensuring business operations stay up and running**
Is IT operation adequately reliable and secure? Does it enable problem-free operation? Can it deliver compliance with statutory and regulatory frameworks?
- **Appropriate, cost-effective IT support**
Is IT support adequate for enacting business requirements? Do benefits outweigh costs? Is IT support cost-effective compared to external providers?
- **Securing the future viability of the IT landscape**
Does strategic planning of the IT landscape take place, aligned with the corporate strategy? Have technological standards been defined to frame evolutionary development of the landscape? Are these appropriate to sustain the company along its chosen path (see Chapter 5)?
- **Optimising and enabling the business**
Is IT contributing to optimising business support? Does it deliver fresh impetus to the business through IT innovation?

Important:

The current performance potential should be appraised both by IT itself and by external stakeholders (users and management), to determine whether self-perception and external views match up. If they do not match-up, you will have to take a more active stance in marketing, and communicate more clearly the added value of IT.

The current performance potential of IT can be appraised on the basis of product/service portfolio and structure. The example in Fig. 2.5 shows the IT portfolio, mapping the importance of IT for the various business segments and the relative effort undertaken in IT. Also part of the portfolio are consulting services (e.g. for issues relating to security), IT operation, IT infrastructure provision, and support services (see also Sect. 2.5.3).

Analysing the significance of IT for business segments and their value chains can help stake out the product and service portfolio (see [Por85]). The elements in the portfolio can be grouped by organisational areas in IT, as Fig. 2.5 shows (see Sect. 6.2).

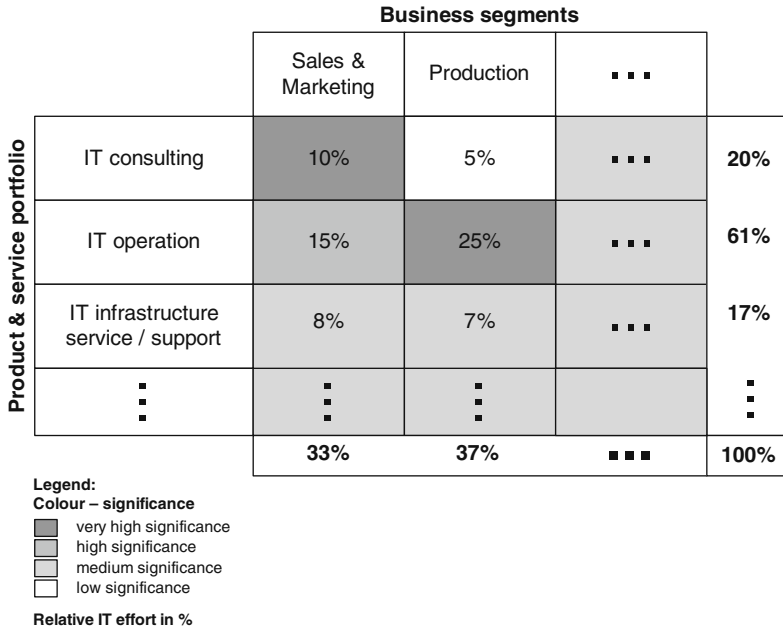


Fig. 2.5 Current performance potential of IT

To obtain a realistic estimate of potential performance, you have to appraise every IT service. It is advisable to use standardised models such as Cobit, ITIL or CMMI (see [Her06], [Joh07], [Foe08] and [Zin04]), since this will enable you to benchmark yourself against other enterprises – and you also gain a baseline for ongoing monitoring.

This product and service portfolio provides a basis for naming and also pricing IT services in the company (see [Küt06]).

Fact file:

The standing and potential performance of IT has to be appraised correctly, since this is the basis for its strategic positioning. You can use Table 2.2 as a guide for your appraisal. You should determine the potential performance on the basis of your product and service portfolio and use standardised models to help.