

# Strategic IT Planning

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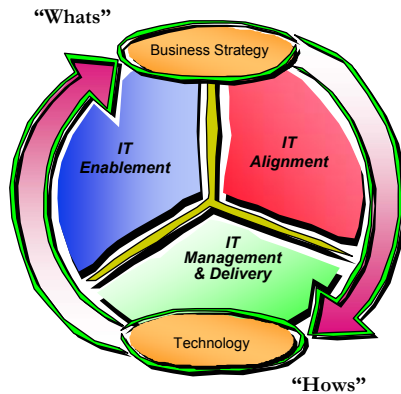
## Objective

**To understand how to develop an  
IT Plan for an organization -  
the issues and considerations**



# Introduction

Why do strategic IT planning ?



- IT is now one of the key enablers of business success in both the public & private sectors
- Understanding the capabilities that IT can offer an organisation, can help shape the business strategy
- Development of a sound Information Technology infrastructure assists the organisation in driving out the benefits of the business strategy in a cost-effective & predictable manner



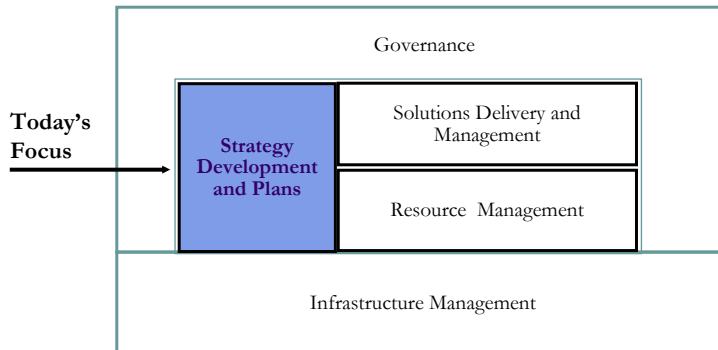
# Agenda

- Introduction
- Methodology
- Financial Considerations for IT Investment
- Key Success Factors
- Case study
- Open discussion



# Introduction

An IT organization and capabilities should be described by a set of world-class IT characteristics.



# Introduction

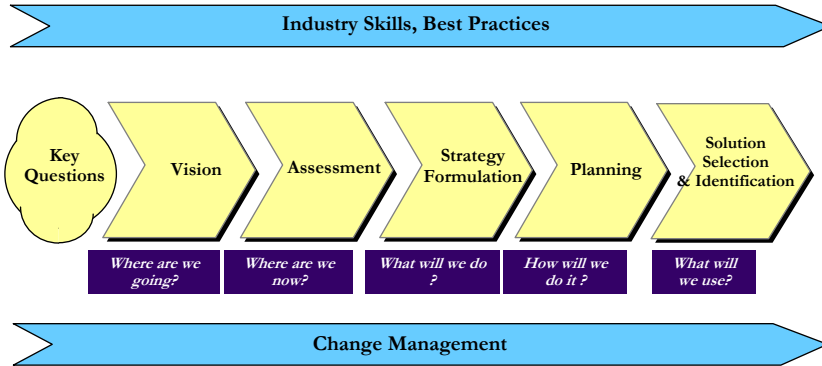
Across the world, Government organizations are being asked to do more for less.

They must find new ways and better ways of meeting increasing customer demands, within ever tightening financial constraints.

Governments across the globe are responding in remarkably similar ways :

- Performance Driven (I.e., Results Based Management)
- Citizen Centered Government
- Public, Private Sector Partnerships
- Value Based Focus
- Alternative Financing
- Leading Edge Technology

# Methodology

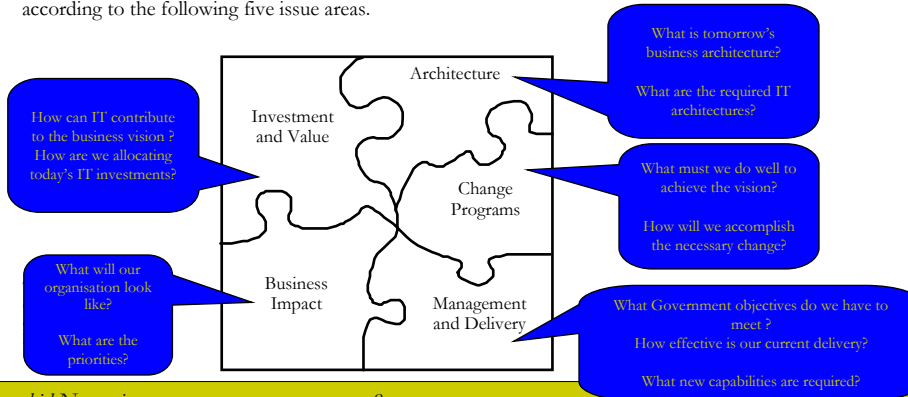


# Methodology

## Key Questions

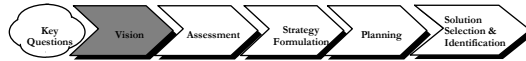


The key questions and issues that emerge from workshops and interviews may be grouped according to the following five issue areas.

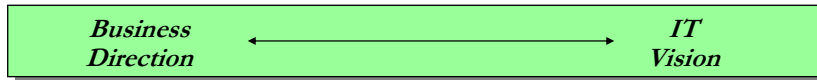


# Methodology

## Vision



An IT Vision builds on the organisation visioning (captured in Key Questions) and establishes the foundation for the IT strategy.



- What is the vision of how the organization will compete in the future?
- What will the business need to grow and flourish?
- What potential contributions can I/T make to enable the achievement of our business objectives?
- What are the likely business and technology conditions that will affect the industry and the company, and what should we be thinking and doing about them?

# Methodology

## Vision



An IT Vision builds on the organisation visioning (captured in Key Questions) and establishes the foundation for the IT strategy.



### Example IT Vision (ITSA, DSS UK)

“ITSA enables the DSS to set its IT direction. ITSA will be a fast-moving, customer focused organisation, ensuring value for money and getting results through well motivated staff. ITSA people will be empowered to secure effective and exceptionally responsive IT services and systems

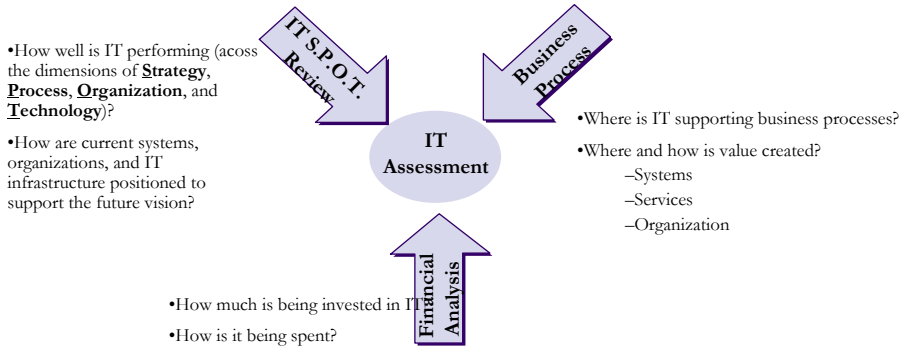


# Methodology

## Assessment



An IT Assessment is a snapshot of IT efficiency and effectiveness in the enterprise today.

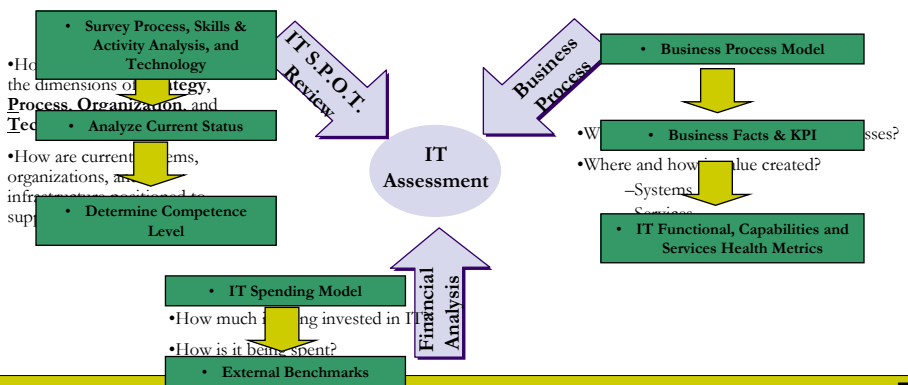


# Methodology

## Assessment



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# Methodology



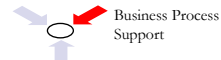
## Assessment (Example)

Process Areas	Current Status					Comments/ Opportunities
	1 <small>Needs Overhaul</small>	2 <small>Needs Improvement</small>	3 <small>OK As Is</small>	4 <small>Good</small>	5 <small>Very Good</small>	
1. Release Mgmt & Change Control	4 . 4					<ul style="list-style-type: none"> <li>• Good use of personal business plan</li> <li>• Formal training plan for IT associates</li> <li>• Enhance support of business-based resources</li> <li>• Enhance protection for end-user applications &amp; data</li> <li>• Government -wide standards</li> </ul>
2. Systems Development Processes	4 . 1					
3. User Involvement	3 . 6					
4. Measurements & Tracking	4 . 2					
5. Systems Documentation	3 . 2					
6. Adequacy of IT Training	2 . 9					
7. Support of Systems Res. Outside/ IT	1 . 0					
8. Infrastructure and Production	3 . 8					
Systems Support	2 . 8					
9. End-User Computing Support	3 . 9					
10. Protection of Data Assets	3 . 9					
11. Standards Setting	3 . 5					
12. Communication Processes						

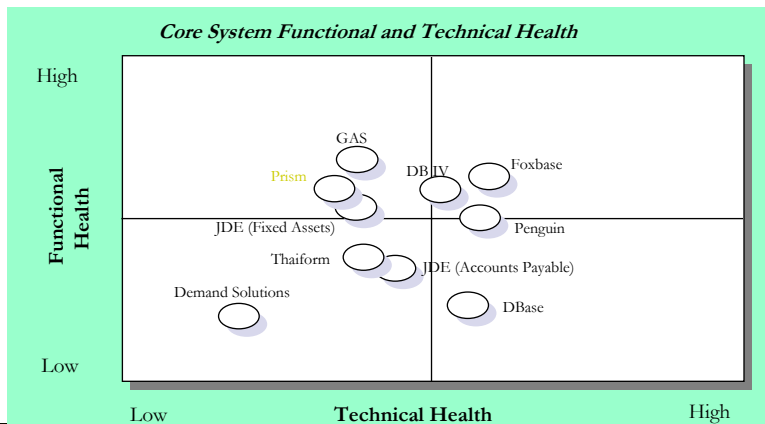
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# Methodology



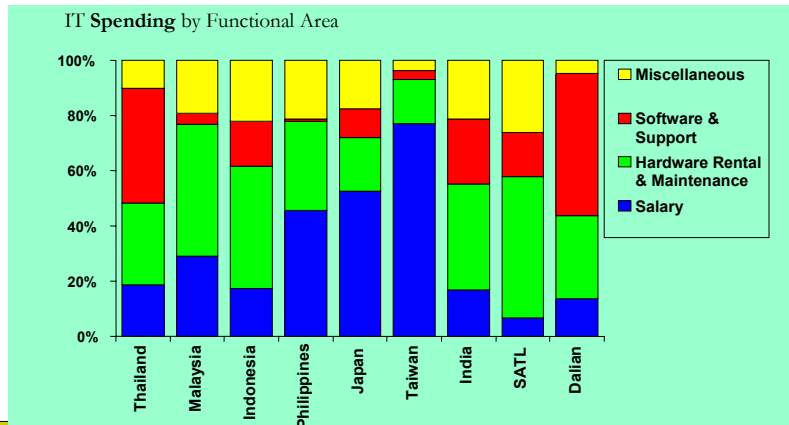
## Assessment (Example)



# Methodology



## Assessment (Example)



# Methodology



## Strategy Formulation



Strategy formulation is a process to develop an IT strategy blueprint based upon assessment and gap-analysis.

A successful IT strategy will:

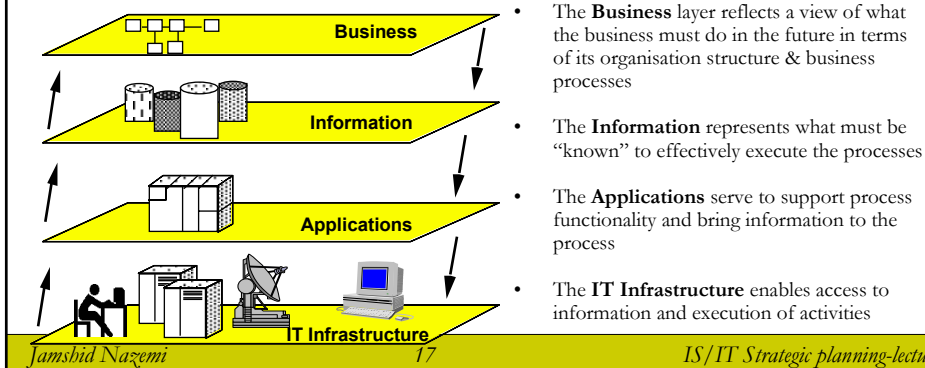
- Define challenges & opportunities (defined by the gap between Vision and Reality)
- Identify strategic options to best meet these challenges
- Identify evaluation criteria and analysis techniques to select from options
- Identify the best options and their implications
- Determine changes necessary to architectures and organization to support the strategy

# Methodology

## Strategy Formulation



A four-layer framework provides an overall understanding of the relationships between the components of an IT blueprint.

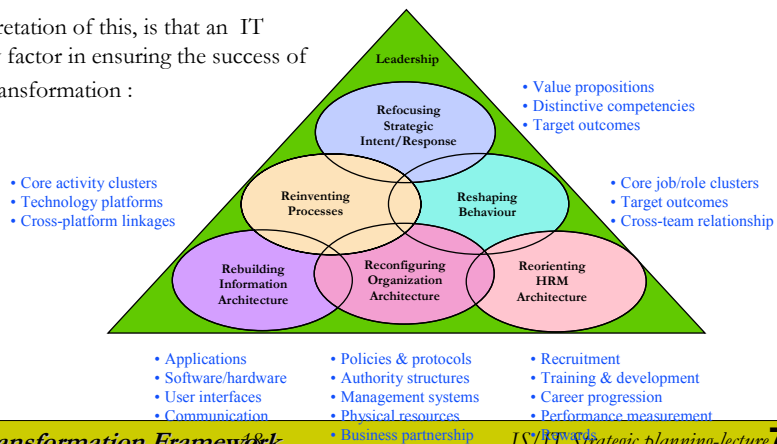


# Methodology

## Strategy Formulation

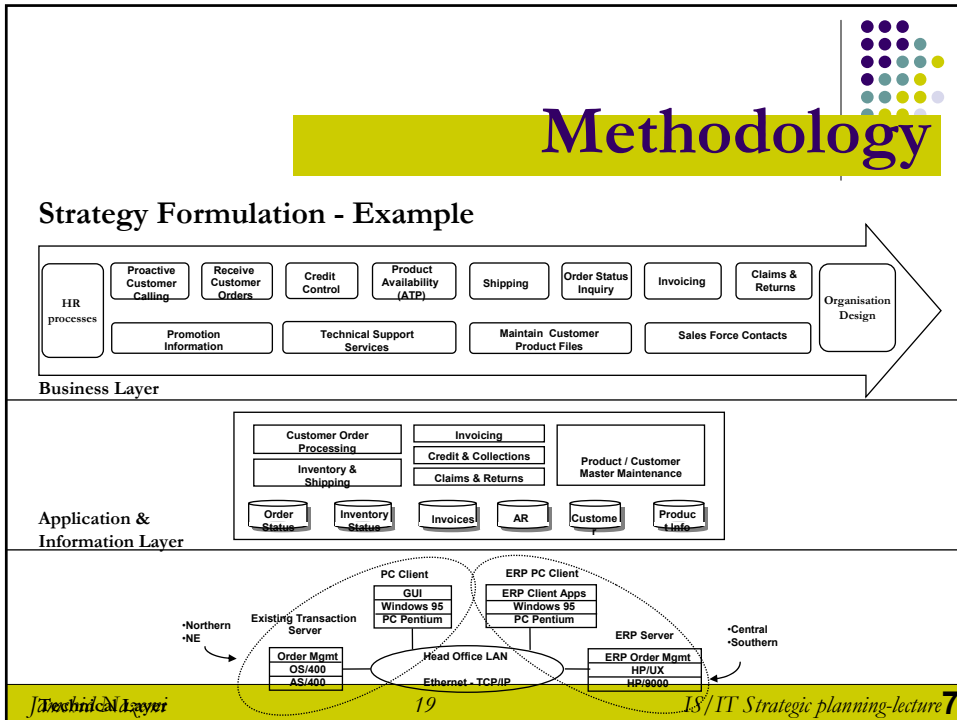


Another interpretation of this, is that an IT strategy is a key factor in ensuring the success of an enterprise transformation :



# Methodology

## Strategy Formulation - Example



# Methodology

## Strategy Formulation - Organization



The new IT organization model is defined to enable economies of skill and departmental standards, while providing responsiveness to business unit needs.

A successful IT organization model will:

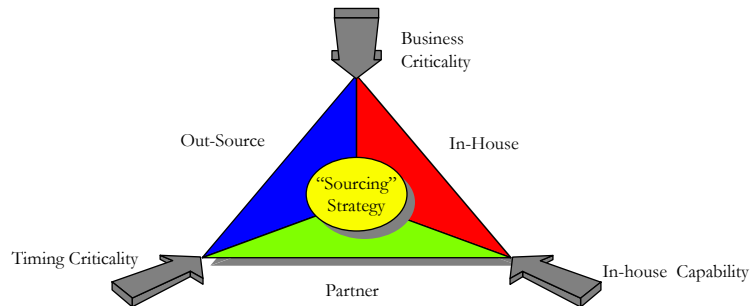
- ❑ Define the measure performance to maximize the effectiveness as well as efficiency of IT
- ❑ Demonstrate how IT services should be coordinated and organized to effectively support business objectives
- ❑ Provide the future IT Management Processes and “Sourcing” strategies
- ❑ Present skills and staffing levels required and where gaps exist between current capabilities and those required to implement and support the new IT structure and service delivery mechanism

# Methodology

## Strategy Formulation - Sourcing Strategy



A number of factors need to be addressed to determine which IT processes to be outsourced, which to be retained “in house”, or which to be partnered .

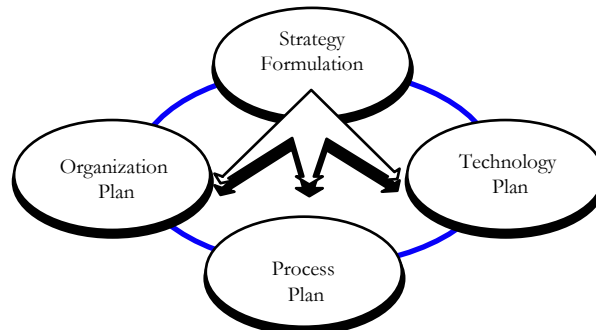


# Methodology

## Planning



Plans derived from the strategy must address the necessary fusion of strategy, people, process, and technology, as defined in the Enterprise Transformation Model.



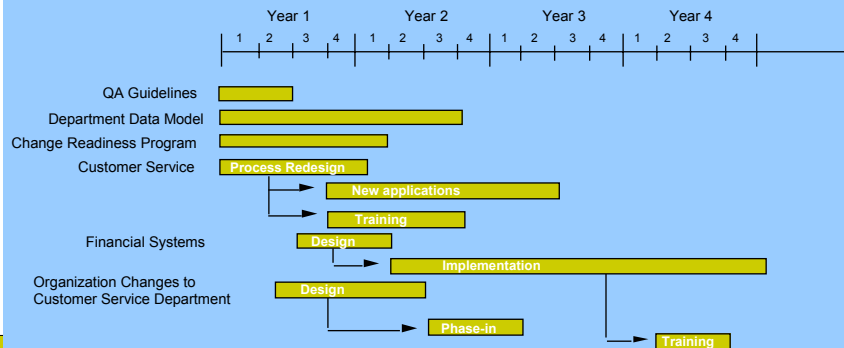
# Methodology

## Planning



Based on the strategy, action plans including detailed project plans for each department are developed.

### Example Action Plans



# Methodology

## Planning - Project Prioritization



Government today has more opportunities than resources. They need to put things into priority sequence.

### Typical Prioritization Approach

- Focus on Subjective Criteria
- Alignment with Historic Strategy
- Stand-Alone Project Evaluation *or* Project Ranking
- Minimal Risk Consideration
- Technical Alternatives Considered
- Application Focus Ignores Infrastructure

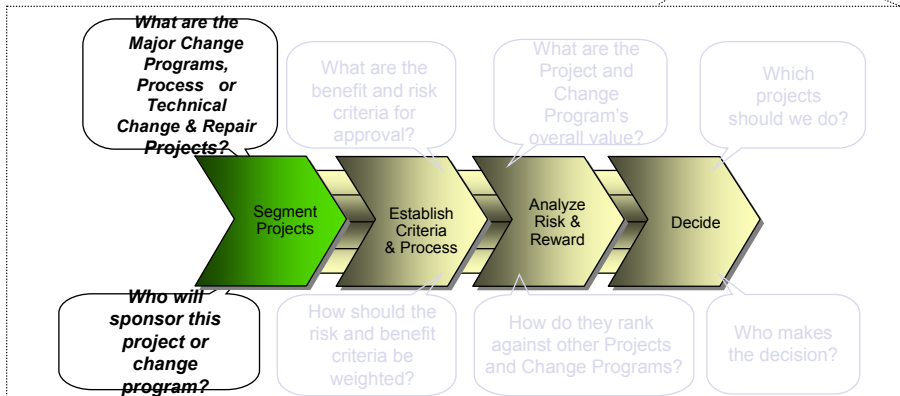
### New Prioritization Approach

- Balanced Hard & Soft Criteria
- Alignment with Future Strategy
- Integrated Business Change Evaluation
- Broad Risk Analysis
- Business Scenarios Considered
- Integration Includes Infrastructure



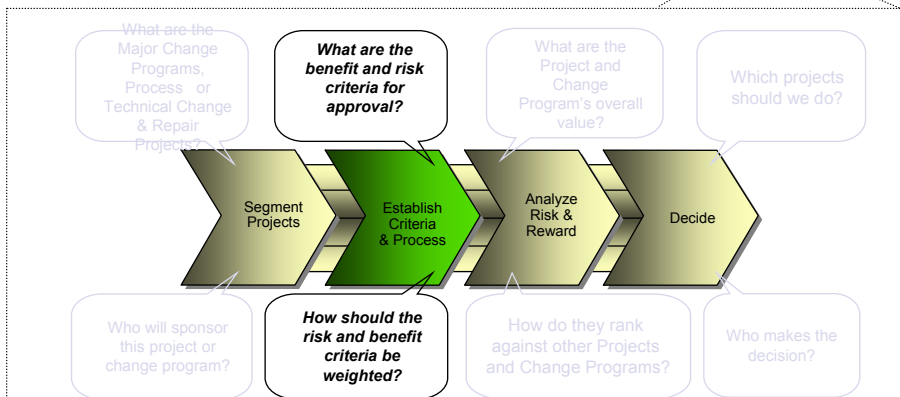
# Methodology

## Planning - Project Prioritization



# Methodology

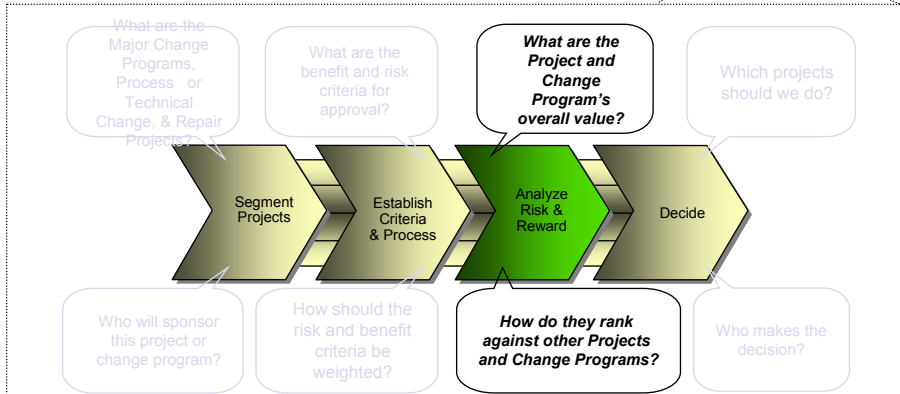
## Planning - Project Prioritization





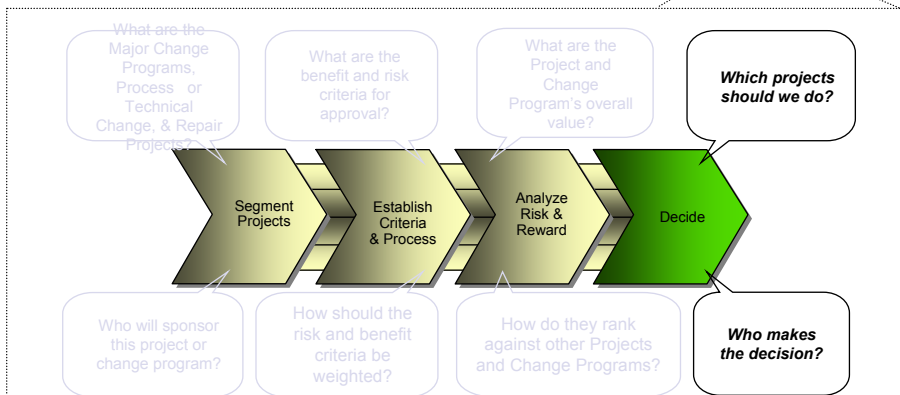
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## Planning - Project Prioritization



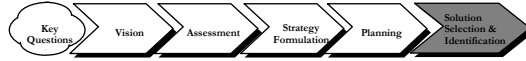
# Methodology

## Planning - Project Prioritization



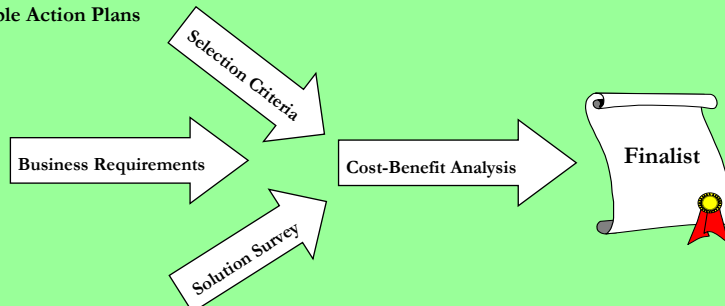
# Methodology

## Solution Selection & Identification



Based on the business requirements, this phase involves setting up solution selection criteria, preparing short lists, conducting cost and benefit analysis, and performing final selection.

### Example Action Plans

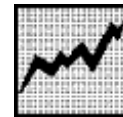


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## Financial Consideration for IT Investment

### IT Financial Analysis



The IT Financial Analysis offers insights into the dynamics of IT investments, e.g.:

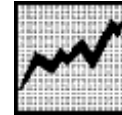
- Rate of growth of IT expenditures
- IT as a percentage of budget
- Nature and distribution of IT expenditure
- Discretionary vs. non-discretionary spending, where appropriate

# Financial Consideration for IT Investment



## IT Financial Analysis

The Financial Analysis seeks to answer “How effective is IT expenditure?”



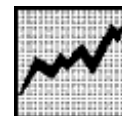
Sub-questions	Assessment Tools
<ul style="list-style-type: none"> <li>• How much is being spent on IT?</li> <li>• How do costs compare with other countries ?</li> <li>• Are we spending in the right areas?</li> <li>• What are the implications for future costs?</li> </ul>	<ul style="list-style-type: none"> <li>• IT Spending Model To capture current IT spending and project future spending patterns</li> <li>• External Benchmarks To benchmark IT spending against similar organizations in other countries</li> </ul>

# Financial Consideration for IT Investment



## IT Financial Analysis

To better understand the effectiveness of investment in IT, total IT spending can be divided into two categories: ‘discretionary’ and ‘non-discretionary’.



Discretionary Spending	Non-Discretionary Spending
<p><b>New Development</b></p> <ul style="list-style-type: none"> <li>• Development of new applications (not required by legislation)</li> </ul> <p><b>IT Reengineering</b></p> <ul style="list-style-type: none"> <li>• Investments geared to enhancing IT productivity or reducing IT infrastructure costs</li> </ul> <p><b>Enhancements</b></p> <ul style="list-style-type: none"> <li>• Modifications to business applications to enhance functionality</li> </ul>	<p><b>New Development</b></p> <ul style="list-style-type: none"> <li>• software to support new legislation</li> </ul> <p><b>Maintenance</b></p> <ul style="list-style-type: none"> <li>• Application and software maintenance costs or technical upgrades to the infrastructure</li> </ul> <p><b>Technology Support</b></p> <ul style="list-style-type: none"> <li>• Operations support, database administration, user support</li> </ul> <p><b>Infrastructure</b></p> <ul style="list-style-type: none"> <li>• Processing (hardware and software costs)</li> <li>• Communications &amp; network</li> <li>• Other (facility costs, supplies)</li> </ul>

## Financial Consideration for IT Investment



### Developing the Business Case

The overall business case for the change program identified in the IT Strategy will generate an IRR = %, with NPV = \$ MM (after tax).

Cost ( 2001 - 2004)		Quantified Benefit ( 2001 - 2004)	
\$ MM	Manufacturing IT	\$ MM	Manufacturing (Waste, TPD, Internal Cost)
\$ MM	ERP Solution	\$ MM	Cost Avoidance
\$ MM	Roll-out ERP Solution	\$ MM	Working Capital Reduction
\$ MM	Human Resources IT	\$ MM	Staffing Reduction (Finance & HR)
\$ MM	Telecommunications		
\$ MM	Decision Support		
\$ MM	Internal Resources		
\$ MM	<b>TOTAL</b>	\$ MM	<b>TOTAL</b>

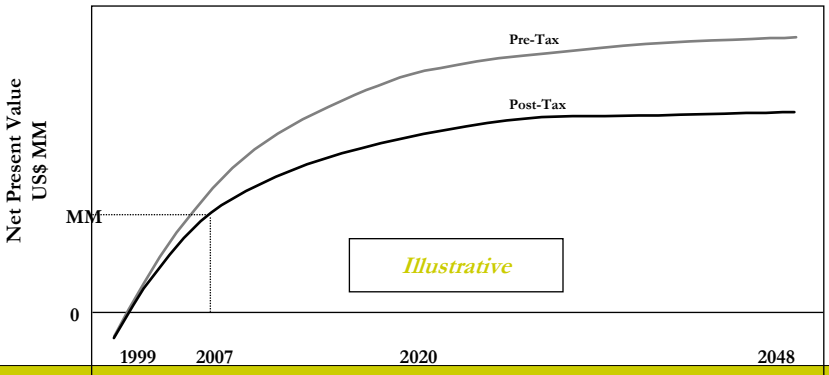
*Illustrative*

## Financial Consideration for IT Investment



### Developing the Business Case

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*Illustrative*



# Key Success Factors

## Key Success Factors

### Management Commitment

- Management Steering Committee
- Project Sponsorship
- Communication Strategy
- Political Support for Large Scale Change

### Project Management

- Methodology
- Design Aids
- Project Control System
- Project Organization

### User Involvement

- Active User Participation
- "Buy In"
- Well-defined User Requirement
- Clear Picture of How IT will Support the End Business

### Change Management

- Business Process Change Analysis
- Change Impact Determination (organization, jobs, individuals)
- Technology Assimilation
- Skill Transfer
- Ensure the Business Case is Delivered



# Case Study

## Case Study - State Enterprise

### Company Profile :

- Employ over 10,000 people at various sites around the country
- Faced with business and organization changes

### Business Challenges :

- Lack of system integration
- Need to improve efficiency, reliability, and timeliness in all aspects of operations
- IT resources redundancy across business units
- Prepare the organization to be ready for future changes

### Solutions :

- Developed an IT plan consisting of data, application, and technology architectures with the flexibility to dynamically support the business objectives
- Developed organizational structure, manpower planning and resource management in order to optimize effectiveness and efficiency
- Promote a concept of one enterprise integrated system
- Submit the necessary high level business case to support IT expenditures

### Benefits Areas :

- Cost reduction in unnecessary processing elimination in financial and material management
- Reduction of order lead time and improved warehouse asset utilization
- Human resource productivity improvement
- Standardized IT methods across business units
- Timely and more accurate operation reports due to one integrated system



# Case Study

## Continuous Improvement

We would like to share some “lessons learned” from recent, significant IT Strategy & Planning projects with a number of different clients from across the Asian region . . .

1. The Methodology works !
2. Spend time up-front to plan and understand context
3. Perform balanced Visioning - a mix of workshops & best practices
4. A comprehensive on-site Assessment is worth the effort !
5. Spend time to understand the gap between your Vision and Assessment results
6. Use the IT Blueprint 4 Layer model
7. Iterate through Strategy Formulation and Planning on a project-by-project basis
8. A Business Case is worth the effort !
9. Understand that different audiences have different expectations regarding the output from the project
10. Take time to communicate / socialize the IT Strategy