

CIO ROADMAP

April 10, 2007

The IT Strategic Plan Step-By-Step

Deliver An Actionable Plan In A Reasonable Timeframe

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EXECUTIVE SUMMARY

It's April and you are four months into your organization's fiscal year. You know that within six months you'll need to have your operating plan for the upcoming year in fairly solid shape. You also know that creating an operating plan without a longer-range strategic view is like driving a car looking only at the stripes in the road immediately in front of you. But developing or updating your IT strategic plan, avoiding thrashing, and creating a plan that drives action requires that you have a roadmap and a schedule.

TARGET AUDIENCE

Chief information officer

STRATEGIC PLAN MUST BE CURRENT, OR IT WILL SUFFER FROM LACK OF DIRECTION

Increasing IT-business alignment, improving IT governance, boosting IT value, and prioritizing IT investments are the top four CIO concerns for 2007.¹ CIOs know that they can't attack these concerns in an unplanned, totally opportunistic manner if they want to make progress. This is why an IT strategic plan that addresses both the "what" and "how" of these priorities is essential.² An effective strategic plan should embody a number of attributes, from relevance to stakeholders to being just ambitious enough (see Figure 1).

THE FIVE PHASES OF YOUR STRATEGIC PLAN DEVELOPMENT PROJECT

Creating your strategic plan should be a project with a plan and a timeline of its own, and should be viewed as iterative. The plan is just that, a plan, and is subject to revision as the business changes. Like any IT project, your strategic plan development should pass through five phases, with their distinct activities, followed by the ongoing activities of monitoring and governing and reviewing results following roll-out (see Figure 2).

Phase One: Define Your Plan's Purpose

A clear purpose for your strategic plan enables you to focus your work, which favorably influences the amount of effort you put into its development, its length (a focused plan will be shorter than an un-focused one), and your audience's understanding of the plan (more will be gained from a shorter, focused plan than from a longer one). This phase will involve the following activities:



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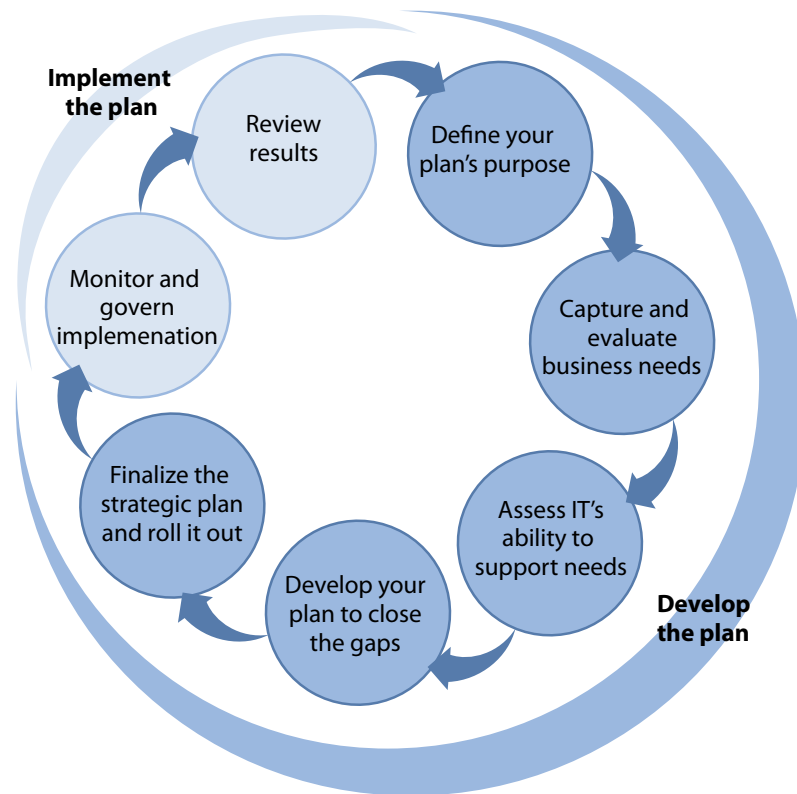
Figure 1 Attributes Of Effective Strategic Plans

Relevant to stakeholders	✓
Efficient — covers just what is needed	✓
Traceable — from performance measures back to business needs and drivers	✓
Documents assumptions and rationale	✓
Fits IT governance (decision-making, oversight) model	✓
Broadly communicated	✓
Has a direct impact on group and individual objectives	✓
Creation and maintenance is a process, not a project	✓
Document is living — regular review and update	✓
“Tells a clear story”	✓
“Just ambitious enough”	✓

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Source: Forrester Research, Inc.

Figure 2 Phases Of Strategic Plan Development And On-Going Review



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Source: Forrester Research, Inc.

- **Assess context: How does IT fit into the firm's strategy and operations?** Perform a quick, high-level, time-boxed assessment of IT's place in your firm's business strategy and operations, its context so to speak, to see where the greatest change is needed. To avoid setting unrealistic goals and overly optimistic expectations, strategic planners should assess IT in terms of its archetype, which is defined by business expectations regarding IT's role.³ For example, a firm that can only tolerate a Solid Utility IT organization will not be responsive to an IT strategic plan that includes substantial R&D investments.
- **Identify your stakeholders.** Identify key potential stakeholders in business and IT, as suggested by the earlier contextual assessment. For example, if the assessment uncovers potential gaps in IT's ability to support expanding business lines, look for business execs and IT execs who are closest to this challenge. You will want to enlist them to guide the development of the IT strategy in order to ensure that it addresses these gaps in ways that make sense to the respective organizations.

Consider the IT organization itself as one of the stakeholders. IT staff who don't understand direction aren't likely to "go the extra mile" to make sure the organization is successful.

- **Define the strategic plan's purpose.** Develop a straw man around the purpose of the strategic plan. Review this with an initial short list of stakeholders, asking, "will this be useful to you and your organization?" and refine the purpose until they say, "yes." For example, one large health insurance firm sets as its plan's purpose to re-architect information, thereby "enabling the firm to track diseases of family members, not just information about employee subscribers."
- **Develop a straw man to validate your start.** At this point, you might want to draft the overall outline and an executive summary for your strategic plan. Describe the business and IT context, how that drives the plan's purpose, who the plan is directed at, and what they should be able to do as a consequence of realizing the plan's strategic objectives.

Phase Two: Capture And Evaluate Business Needs

Because IT is part of the business or larger organization, the IT strategy has to be grounded in the needs of the business and IT's response to those needs. Activities within this phase include the following:

- **Identify what type of business input is relevant.** If your plan's purpose for this year is to improve the quality of service to specific business areas like product development and sales, then the specifics of the rest of the business strategy and SWOT are not relevant and can be a distraction. Use the plan's purpose to filter what you are looking for and how you will get it. Which business needs are documented might be a political issue (e.g., a business area expecting to see its needs covered in a particular way that doesn't fit with the purpose of the strategic plan).

If this is the case, your criteria for including and assessing needs has to be clear so that you can address different business area expectations, and identify which areas will be addressed in future iterations.

- **Identify your information sources.** Gain agreement early on the sources of information to be used, like IT customer surveys, previous plans and interviews, documentation, and other existing reports. For new interviews, plan what questions you'll ask and what information you'll share, as well as the answer to the inevitable question, "What's in it for me?" For example, using the health insurance company example, stakeholders responsible for disease and prevention monitoring and segmentation will have a vested interest in sharing the limitations of current systems.
- **Capture and organize business needs into patterns.** As you solicit input for the plan, think about common and area-specific themes or patterns. You might find that multiple business areas are struggling with content management issues, or that several business product groups will be changing how they work with functional groups like marketing, or that business areas have common complaints about the support from IT.

If you are fortunate enough to have a broadly defined business architecture or business capability framework, you might find it useful to use that architecture or framework to organize business needs.⁴ You might also want to capture relevant business metrics to go along with the needs being expressed. For example, if this is a year to focus on IT capability for product development, capture current time-to-market cycles as a baseline for improvement.

Phase Three: Assess IT's Ability To Support Validated Needs

Once you have identified business needs, you need to assess IT's current services and capabilities against the requirements validated by the stakeholders. Specifically, you will need to do the following:

- **Evaluate implications of the business needs.** Take the business needs and themes or framework into which they fit and examine their implications for current IT systems, technology, organization, processes, and staffing. For example, if stakeholders support shortening product development cycle times and the current IT systems and business processes that underpin new product development and introduction are fragmented, they will need to be changed. A method for bringing this assessment to a conclusion more rapidly is to re-state each need as: "To address the business need of <need>, IT would have the capability to <solution to need>, and currently has <problem or limitation in solving need>."
- **Develop IT "to be" state or vision.** This vision is the solution to the business needs identified earlier, and must be specific and relevant to those needs. This "to be" vision is used both as a point of reference for comparing IT's current state and as a communication tool. Make this "to

be” state short, easy to read, and easy for your stakeholders to see as the solution to the needs they see. A conceptual diagram is very useful if your “to be” state is based on the architecture of your systems.

- **Evaluate the gaps.** Evaluate gaps between the “to be” state and the current state of the IT organization, processes, systems, technologies, and skills, and prioritize in terms of criticality the sequence of “gap closing” tasks. You might find it useful to do a lightweight benchmark of your IT organization to gain an understanding of how it compares to best practices used by other firms.⁵

Phase Four: Develop Your Plan To Close The Gaps

Your next step is to develop your action plan and a framework for closing the gaps.

- **Develop or revise your strategic IT principles.** You likely have some documented IT principles. Re-evaluate whether they are still useful in guiding IT decisions that have strategic implications. Consider strategic principles to be “statements of strategy.” Start them with the words: “We will <verb>.” An example principle stated this way is: “We will deliver business solutions that support rapid change of processes, products, services, or markets.” If you have concerns around the usefulness of a specific principle, take its opposite and ask yourself if there would ever be a situation in which you would adopt that opposite. If you wouldn’t ever, then the principle might be unnecessary.⁶
- **Identify gap-closing initiatives.** Initiatives could be architectural like implementing an enterprise service bus (ESB), or involve new systems development like creating a single view customer master database, or entail IT performance improvements like CMMI process standardization. Initiatives might become projects or the basis for multi-project programs. Initiatives that appear to be IT-centric must be mapped to recognizable and clearly described business impacts for stakeholders to grasp why they will be useful. For example, an ESB will enable IT software development cycle times to be reduced by X%, and accelerate order fulfillment with linked sales, and service customer apps.⁷
- **Determine key performance indicators (KPIs).** Initiatives should have metrics associated with them to enable IT management and stakeholders to see whether the initiatives, and thereby the strategic plan, are on track and delivering the desired results. These KPIs should answer your stakeholders’ questions as to whether the initiatives are providing the results they should (e.g., if an initiative is targeted at enhancing IT’s business innovation contribution, then the metrics could track whether resources are being applied or whether innovation ideas are being surfaced and evaluated).⁸
- **Build an integrated roadmap.** Build a roadmap that relates your “to be” state to initiatives and associated KPIs. Roadmaps for strategic plans, like the product roadmaps of technology

vendors, function both as communication tools that enhance stakeholders' and other audiences' understanding of the sequence of major changes they should anticipate, and as assessment tools for aggregating the impact on resources and timing.

Phase Five: Finalize The Strategic Plan And Roll It Out

When the strategic plan is complete and approved, the effort to turn it into results begins. The following steps will jump-start your implementation efforts.

- **Communicate broadly.** Lack of awareness is a primary cause of lack of impact. Develop a communication plan for your strategy that markets it to stakeholders across the firm. Consider the expectations you want to create and the audiences you want to have these expectations. Segment your stakeholder audiences into executive business management, IT staff “in the trenches,” and business unit department heads. Create different versions for different audiences, but keep the message and content consistent.⁹
- **Institute KPI tracking.** Begin tracking the plan's initiatives using their performance indicators. Select a few of the most indicative metrics from these initiatives and roll these up into a simple dashboard view of the strategy that you can present to your different stakeholder and audience segments. If you are not sure you have good metrics, consider using the goal-question-metric (GQM) technique to validate that they answer your stakeholders' questions.¹⁰
- **Schedule strategic plan reviews.** Make reviews of the progress and impact of the strategic plan and associated initiatives a scheduled activity like monthly status reviews and quarterly re-baselining of assumptions and initiatives. Use a standing agenda for these reviews. When you regularly review the strategic plan, you will find that maintaining it is easier and the annual aspect of the strategic plan goes more rapidly and requires less effort.

RECOMMENDATIONS

GROW YOUR STRATEGIC PLANNING EXPERTISE

Developing and revising your strategic plan should be a core management capability, and an annual activity. When you create one for the first time, you might find that it isn't as complete or as streamlined as you might like. Use each pass through the strategic planning process to capture learnings and apply them to the next revision.

ENDNOTES

- ¹ Business relationships trump technology concerns for IT executives in 2007, despite unfinished or vexing technical tasks, based on a recent survey of 239 IT execs. These respondents picked the long-standing issues of alignment, governance, and communicating value as their top concerns. See the October 26, 2006, Trends “[IT Execs Boost Focus On Business In 2007](#).”

- ² IT's strategic plan is an essential tool for running IT like a business. The strategic plan for today's IT is different from the strategic plans that IT might have developed five years ago. It is purpose-driven and a complement to IT governance structures and processes. The structure and content are tailored to this purpose, avoiding the sprawling documents that tried to cover every possible input and aspect of IT strategy. And today's plan must be a living plan, with regular review and updating that provides long-term direction while maintaining relevancy. See the June 8, 2006, Best Practices "[Creating The Strategic Plan For Today's IT](#)."
- ³ From the outside looking in, all IT organizations appear to have the same reason for being. But CIOs must understand that there is no one type of IT organization right for all enterprises and all industries. Instead, there are three clear archetypes for successful IT organizations: Solid Utilities, Trusted Suppliers, and Partner Players. Understanding which is which helps a CIO to articulate IT strategy, dictate tradeoffs, and help IT to achieve its goal of running more like a business. Top management expectations dictate which type is right, but overall IT maturity constrains or enables performance within each archetype. See the March 22, 2006, Trends "[The Three Archetypes Of IT](#)."
- ⁴ CIOs in public and private sector organizations rely on enterprise architecture (EA) programs to align technology strategy with business goals. But as technology becomes an increasingly critical factor in enabling transformation and innovation, post facto alignment is not good enough. Business and technology subject matter experts must collaborate to develop optimal business architectures (BAs) that take best advantage of technology's capabilities. See the May 27, 2005, Best Practices "[Public And Private Sector Business Architecture](#)."
- ⁵ CIOs should strive to improve organizational effectiveness and value. One popular way to focus on IT performance improvement is to compare an IT organization's performance to that of other firms through benchmarking that focuses exclusively on IT costs. But benchmarking on cost is not sufficient and can be dangerous. Cost alone does not take into consideration firm-specific factors like business expectations or context, nor does it provide insight into how a firm achieves its numbers. A low-cost organization could simply do less with less. To drive performance improvement, CIOs must look at the practices that underlie costs, and they need to ensure that they are comparing themselves to CIOs at firms with similar demands and challenges. See the January 10, 2007, CIO Roadmap "[Comparing Your IT Shop To Others](#)."
- ⁶ Principles bring strategic guidance to IT decisions being made across IT and with business, and no strategy can specify the answer to every decision. Principles fill the gap, both by influencing the tactical decisions below the level of strategy and by providing guidance that is relevant across a greater timeframe. See the June 8, 2006, Best Practices "[Creating The Strategic Plan For Today's IT](#)."
- ⁷ To understand IT's ability to deliver business value to the enterprise, CEOs should focus on what Forrester describes as innovation capacity: the potential for the IT function to support new products, processes, and opportunities. Successful companies will grow their IT innovation capacity by focusing on how IT is sponsored, operated, and governed. See the August 3, 2005, Best Practices "[Memo To CEOs And CIOs: Measure Innovation Capacity, Not Spend](#)."
- ⁸ Forrester published a series of reports on the IT Balanced Scorecard and articulated key metrics for each of the four perspectives. However, these only represent a starting point; each organization will develop metrics

that are more specific to their strategic objectives, culture, industry, and other relevant criteria. See the December 28, 2004, Best Practices “[Where Do Metrics Come From?](#)”

- ⁹ IT organizations need to embrace the concepts, terminology, and process of marketing, creating marketing plans, executing campaigns, and boosting brand equity. The result will be delivery of the right projects for the right audiences, accelerated time to benefit, and increased trust of the IT organization. See the August 23, 2005, Best Practices “[The Marketing Of IT.](#)”
- ¹⁰ The GQM method has long been the industry standard for guiding managers in choosing appropriate metrics. Given the increased pressures that IT groups face to quantify the value they deliver, this technique must remain the cornerstone of any metrics program. See the August 1, 2005, Best Practices “[Goal-Question-Metric Method Is Still The Most Pragmatic Way To Develop Metrics.](#)”