Since the mid-1960s, senior managers and executives have embraced corporate strategic planning as a vehicle to devise strategies aimed at enhancing competitiveness; usually these strategies encompass growing market share, penetrating new markets and introducing new products and services.

But often, strategic planning falls short of expectations. That could be because the process itself needs improvement, the execution of the plan is weak, companies do not have the means or the wherewithal to measure success against the plan, or because the plan does not allow the flexibility to change course as market needs dictate. Too frequently, a combination of all these factors works perilously against organizations as they try to evolve and grow.

In the 1994 book “The Rise and fall of Strategic Planning,” author Henry Mintzberg opines, “strategy-making is not an isolated process. It does not happen just because a meeting is held with that label. To the contrary, strategy making is a process interwoven with all that it takes to manage an organization.”

Indeed, strategies (plans of action for attaining a goal) aren’t worth the paper they’re printed on if the tactics (method of applying the strategy to attain the objective) don’t include all stakeholders and use all tools available.

Since Mintzberg’s words were written 15 years ago, IT has become infinitely more important to the management of an organization. So why isn’t IT more involved in the strategic planning process? What can IT executives do to demonstrate the benefits of IT to the process? For that matter, what are the benefits of planning and IT’s involvement, and what exactly should IT’s role be?
Strategic Planning:
The Challenges for IT

IDG Research Services and CFO Magazine surveyed IT and financial executives in November 2009 to explore their views on the systems, tools and types of information available at their companies for strategic planning.

It may be no surprise that finance and IT executives have differing views on their roles in the planning process; IT wants more involvement while the majority of finance executives think IT’s involvement should stay the same or lessen. However both constituencies are in agreement that the process is in need of improvement, and that’s a big step in the right direction. Why? CIOs can provide the technology that not only helps analyze the past and present but helps companies predict and prepare for unknowable occurrences in the future. And really, isn’t that what a strategic plan is all about?

Stephen Fugale is the CIO and a vice president at Villanova University. He calls himself fortunate that he’s had such an integral role in strategic planning for the institution. But as his experience shows, even the best-laid plans can run off track when the unexpected inevitably occurs.

“We know the demographics in the U.S. are changing,” he says. “We know that technology is being disruptive in the world of higher education. Early in our strategic planning work we just didn’t project the magnitude and severity of the economic downturn very well. None of our financial models projected an economic situation that was as dramatic and immediate and now as potentially as sustained as what we’ve experienced. It has really caused us to rethink how much we could invest in the near and immediate term.”

As Mintzberg writes, corporate strategies should include everything and everyone that it takes to manage an organization. That includes both finance and IT. But according to IDG Research, that is simply not happening. Despite the perceived need shared by both sides to automate and streamline the process — respondents give low marks to companies’ use of technology in this regard — the majority of finance executives do not believe that IT should play more than a supporting role in the strategic planning process.

This simply flies in the face of the role that CIOs have in the planning process. This is evidenced by the research, which shows that CIOs are the ones making the investment decisions about the IT systems that support the planning process.

The majority of respondents, 89 percent, say they most often rely on spreadsheets to assess market opportunities and business models. This would suggest room for improvement in the sophistication of the technology used for strategic planning, as well as in the collaboration among those involved in the process.

One of the biggest challenges for IT is demonstrating the benefit of their involvement and the application of technology to the strategic planning process.

The Role of Technology

The companies most effective with strategic planning are those that embrace technology to support strategic planning. This gives them the ability to make better decisions that ultimately improve business performance.

The majority of survey respondents, 58 percent, say they rely on information from financial reporting systems to review and update company strategy. Nearly one-third of respondents say that while not in use currently, predictive modeling tools would improve assessment of market opportunities and other critical business issues.
Predictive analytics enables companies to identify and evaluate risk in the strategic planning process. When integrated with financial reporting systems, predictive modeling lets users create models and simulations and change business assumptions on the fly. In short, this helps users to see around corners, and the benefit of that is incalculable.

“We do predictive modeling and business intelligence,” says Mike O’Dell, CIO of Pacific Coast Building Products, a $1 billion manufacturer. “That’s the key to strategic planning for IT. We’re good at taking advantage of opportunities that arise. For example, if we were to buy a distribution company with 15 locations, we could have that company purchased and in our system within three weeks.”

To perform effective modeling and analysis, the quality of information provided to all executives needs to be improved, because only the best information will help determine the impact of expected results. According to the survey, only half of respondents rate the overall quality of information available for strategic planning as “good” or “very good.” Forty-eight percent rate their information as “fair” or “poor.”

Structured processes are therefore needed to collect information from internal stakeholders, customers, suppliers, and channel partners. Enterprise Performance Management systems encompass various techniques for doing this, including business activity monitoring, strategy mapping, rolling forecasting, scenario analysis, competitive intelligence and sustainability reporting to help improve visibility into all business activity and improve outcomes.

This yields better information to devise and execute sound strategic plans.

Many CIOs have already taken steps to implement technology that helps automate the planning process, which has enormous benefits.

Joe Lichtefeld, vice president of applications services and project management at ResCare, a $1.5 billion human services firm, says IT has become much more involved in his company’s planning process over the past few years, in large part because its then-new CEO made technology a priority for growth. Over the last two years, its project management office, which falls under IT, has taken a more active role in assisting the strategic teams with standards for documentation and methodologies for accomplishing the tasks.

“The top business benefit from additional IT involvement has been a reduction in processing time on many of our heavy volume transaction processes like payroll,” O’Dell says. “We’ve streamlined and implemented automated workflows to improve the process flow within the applications and are providing some of the same improvements with more customer-looking processes and are starting to see improvements in operations effectiveness in documentation.

“If you asked me two years ago how well our planning process works I would have responded by saying so-so as a new approach was started,” he says. “Now, on the continuum from very bad to very good, we’re good.”

On tap for 2010, ResCare will take the same approach by implementing business intelligence in order to deliver information to business executives for quicker for better and faster decision-making.

**Secrets of the Successful**

So what advice do successful IT executives have when it comes to IT’s involvement in strategic planning? How can you become one of the 14 percent of survey respondents who say they’re very satisfied with the process? In in-depth interviews with IT executives, the same factors came up again and again.

- **Be a business advocate:** As always, IT must be its own advocate. Colleagues may not understand or grasp the benefits of technology to aid in the process and execution of a strategic plan. It’s up to you to get your seat at the table and advocate for all of IT. Push upward. But even that is not enough. Doug Saunders, IT director at Republic Services, a $10 billion waste management company, says every IT staffer needs to be business-minded.

  “If you don’t understand how the business operates, you’re not really much of an asset to the company. From an IT perspective we need to be a business partner and a business analyst so that we know the pain points of the business so we can use technology to help improve efficiencies.”
“It’s always important for me to understand what’s driving decisions and what direction we are headed, and it gives you a chance to lay the groundwork with [business leaders] right away proactive and solution oriented versus being reactive and potentially less impactful down the road,” says Villanova’s Fugale.

Communication Enabled by Collaborative Tools: To successfully devise and execute a strategic plan, it is not enough to meet annually or quarterly. Many larger companies have multiple teams in different divisions working on strategies in isolation, never communicating with other teams. That’s a failure waiting to happen. Companies must embrace collaborative tools that allow everyone involved (finance, IT, etc.) to continually track, monitor and measure progress.

“We have multiple teams and there are activities constantly going on that impact other teams. In the strategic process there needs to be a high level vehicle visible to all team members all the time versus handing over a quarterly update and a PowerPoint presentation,” says Lichtefeld.

Complete Buy-in: There needs to be complete buy-in and complete commitment to the strategic plan on the part of the entire C-suite and all the people involved in the strategy. This helps infuse the strategy into the organization’s operational processes. As Villanova’s Fugale notes, “if the strategy sits on the shelf and you’re not aligning your spending, IT project slate, operational processes, resourcing decisions, etc., then the planning process and the strategy is a failure.”

Measure Success: It’s not enough to track individual projects contained in the strategic plan. You must track measures of success of the process. A CIO of a mid-size insurance fund says her company’s strategy planning process works pretty well, but acknowledges that “it’s possible we’re missing an opportunity to identify where we’ve gone off track. We might be doing a great job on the projects but maybe those aren’t even the right projects. We could use measurement devices to assess the success of our strategic planning process.”

Further, remember that execution trumps planning. A brilliant plan is not so brilliant if it’s not executed brilliantly.

“To a certain degree, strategic plans are a commodity,” says O’Dell. “You can get someone to write a strategic plan. I’m a military guy. My definition of strategy is moving your armies around; where you want your armies is strategy. Tactics are what happens when you come in contact with the enemy.”

Conclusion

Companies would benefit from more integrated strategic planning where finance and IT come together to analyze data from internal and external data sources to get a holistic view of their business and the market.

Of course, the best-laid plans won’t do much good if they’re not put into action. In his book, Mintzberg writes that “strategic planning, as it has been practiced, has really been about … the articulation and elaboration of strategies that already exist. When companies understand the difference between planning and strategic thinking, they can get back to what the strategy-making process should be: capturing what the manager learns from all sources (both the soft insights from personal experiences and the hard data from market research and the like) and then synthesizing that learning into a vision of the direction should pursue.”

Capturing, synthesizing and analyzing data to formulate and execute strategic plans is simply not possible without IT systems.

In your opinion, how involved should the finance and IT functions be in the strategic planning process at your company? (Percent of CFO respondents)

| IT function | 36% | 63% | 1% |
| Finance function | 32% | 67% | 1% |

- More involved
- Remain the same
- Less involved