



*rego*University 2017

# Annual Planning | Challenges and Opportunities for the Modern IT Organization

Your Guide: Eric Van Blarcum



# Introductions

- Take 5 Minutes
- Turn to a Person Near You
- Introduce Yourself



# Agenda

- What is Annual Planning
- Annual Planning Inhibitors and Best Practices
- Annual Planning Relationships
- Automation Assistance
- Summary
- APPENDIX: Case Study

# What is Annual Planning?

- The broad definition of Annual Planning is more often associated to the enterprise strategic mandate as an installment of the long-range planning, tempered by market, technology, and company impacts.
- ***IT Annual Planning is technology enablement of that enterprise vision, while retiring technical debt, maintaining and improving operations, and exposing opportunity to business partners.***

# Annual Planning – Reality?



© 2001 United Feature Syndicate, Inc.

# Silent Inventory – Is This You?

- Are you tool or spreadsheet driven?
- How often do you feel the numbers SWAGs rather than vetted estimates?
- What % of your budget is really discretionary?
- How much do you trust the process to select the most business/strategy aligned initiatives?
- How often do you push beyond the corporate dates to submit or get within the targets set?
- How squeezed do you feel by technical debt, application sprawl, and/or resource enablement?
- Do you struggle to get sponsorship from the business, finance, or the C-Suite?
- Are your mandates competing and potentially conflicting?

# Let's Learn From Each Other

- How happy are you with your current IT Annual Planning Process?
- What is not working? Why?
- What is working? Why?

# Annual Planning Inhibitors

- Data everywhere
- Technologists, not Financial Analysts
- Dysfunctional relationships with the Business
- Too much accumulated technical debt
- Unhelpful or no IT-centric financial analysis/views
- Peak periods of M&A assimilation complicate planning
- Overly complexity of governance, audit, and regulatory compliance
- Translating to Finance
- IT delivers technology for the enterprise, but can be slow to adopt technology for itself



# Bad Practices in Annual Planning

- Mandating across the board cuts or locking in on a fixed number (X% of revenue)
- Requiring too much/little financial detail
- Using Spreadsheets (compliance, data loss, ease of manipulating, etc.)
- Varying Budget processes between departments
- Not Understanding the Cost Drivers to Increase/Decrease Projections
- Waiting on breakage to replace or maintain (not retiring technical debt)
- Ignoring emerging technologies
- Omitting/cutting training
- Understating true costs



"Everyone agreed the old way of budgeting took too long."

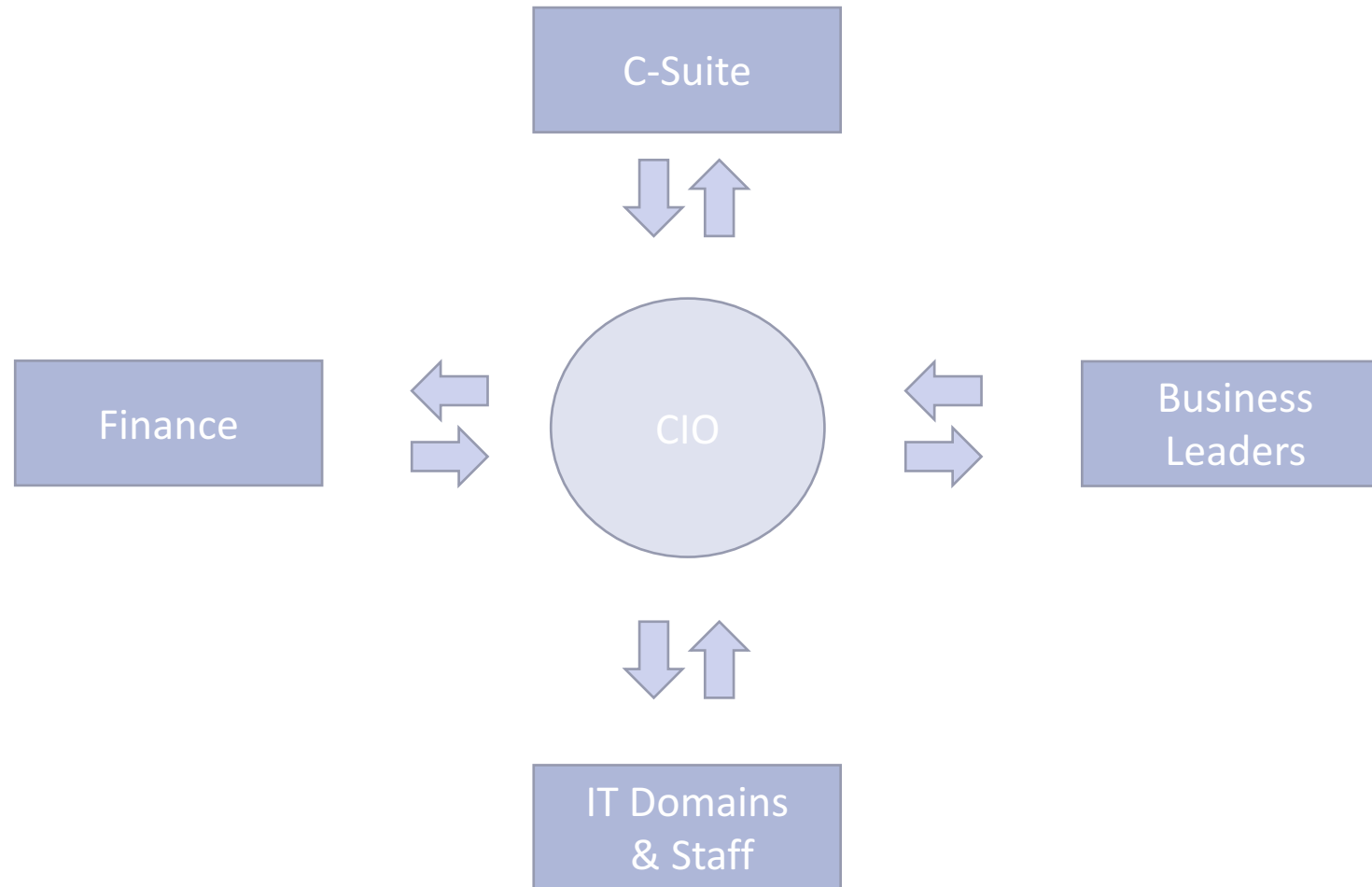
--CIO Habitat: Rebuilding the IT Budgeting Process, Thornton May.

# Annual Planning Relationships

*rego*University 2017

# Key Annual Planning Relationships

- Annual Planning done right understands and optimizes the needs of key stakeholders in the enterprise.



## C-Suite Challenges

- Maintaining a short, medium, and long term plan for value and winning
- Rapid responses required to changing market and competitive forces
- “Street” expectation for business performance
- Accountability to Board of Directors
- IT poor forecasting swings company KPIs



## IT Opportunities

- **Have tradeoff discussions** of speed vs. cost management, innovation vs. maintenance and find out where they need IT to be now, soon, and long-term. Set expectations on timing to get there.
- **Get better at forecasting.** Cascade impacts of delayed projects drive shifts in capitalization the create problems for earnings or street ratios on Selling, General & Administration costs (SG&A). IT is the tail that, many times, wags the dog.
- **Manage the “magic wand” moments.** Directives are all well and good, but staying plugged in to the horizon planning, communicating regularly on critical success factors for enabling, and guiding early can help you steer senior leadership.



## Finance Challenges

- Complexity of pulling together enterprise planning
- Wide variation in how all divisions approach budgeting, with IT being one of the most challenging
- Must hit dates in order to keep the machinery working
- Hired for their financial expertise, not technical
- Frustrated by the lack of precision; don't understand the complexity of IT
- Ultimately responsible to provide C-Suite with a plan that meets all the stakeholders expectations



## Opportunities

- **Build/Improve your IT Financial Management team.** Internalize the complexity of IT budgeting and provide finance-friendly translations with a financially strong IT finance capability. *Make sure it is staffed for supporting IT, not just turning in reports to finance.*
- **Showing business alignment.** Connect IT investment to strategic interests, helping Finance defend and support IT budgets.
- **Invest in a little training.** Middle management competency is the preventative investment that keeps financial processes from creating bottlenecks and escalations with finance.
- **Train Finance on IT.** (or at least the IT-facing parts) Helping Finance understand how IT has to view things through different perspectives (beyond cost center/ GL Account) like Services, Outsourcing/Cloud usage, End of Life, M&A assimilation and consolidation, and others all drive complexity.

## Business Challenges

- Short term, near term objectives typical for business users, with strong incentives to hit them
- Speed to market the “make or break” factor in market success
- Balancing quality with speed is challenging, and the emphasis can change quickly
- After objectives announced, business units are publically accountable for hitting them.
- IT often struggles with absentee business owners, who shrug off partnering and tell IT to “handle it”.
- Business rarely works in common toolsets with IT

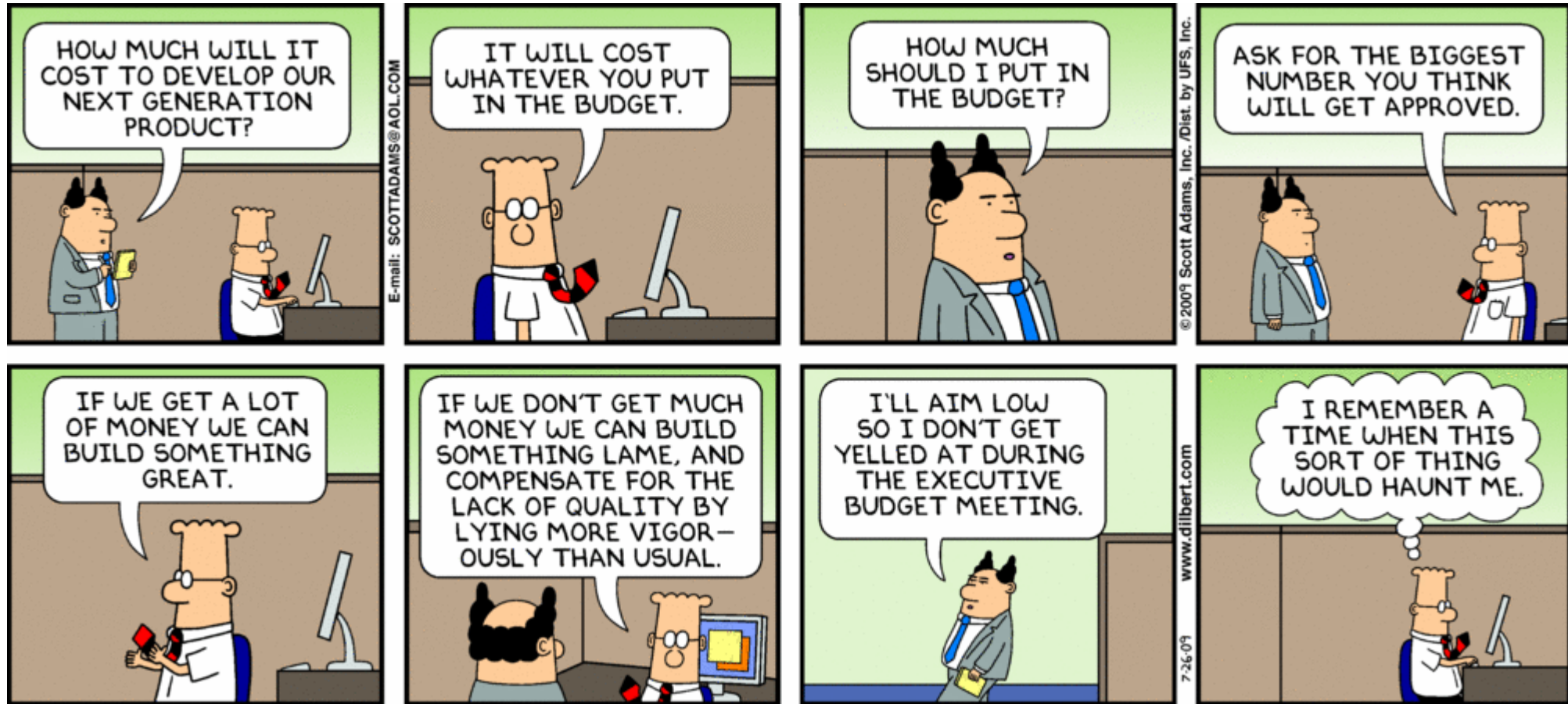
## Opportunities

- **Really Partner**. Real Partnering starts with joint ideation, prioritization, funding, and status. Close the loop with the business with common toolsets and transparent governance.
- **Provide Visibility**. Use the IT roadmap, annual planning, and regular forecasts as vehicles to check in and communicate with business owners. This relationships can be shared, but not delegated.

Monday, December 7, 2009



# IT Domains & Staff



## IT Challenges

- Lack of financial understanding
- “Gold plating” mentality (stereotype)
- Business blocking (also stereotype)
- Gaming (hiding funds, resource swaps, capitalization padding, etc.)
- Staying current on technology
- Knowing the market; being able to bring solutions to the business proactively
- Analysis paralysis
- Struggles to manage technical complexity, mitigating business impact

## IT Opportunities

- Develop a baseline budget prior to material changes
- Use zero-based budgeting where it makes sense
- Create detailed opex and capex budgets
- Ensure all known IT costs are budgeted
- Benchmark your IT spending and staffing
- Provide effective transparency via multiple views
- Drive a common view of value with the business
- Enlist the business stakeholder
- Budget by business services
- Understand the politics



# Automation Assistance

*regoUniversity* 2017

# Tools to Help With Annual Planning?

- What are You Using? Show of Hands...

- Intake/Demand/Request/Project/Portfolio Management



- Application Portfolio Management



- Financial Management



- Asset/Procurement/Contract/Vendor



# Summary

*regoUniversity* 2017

# Tactical Items for Improving Planning

- Create/Staff appropriately an IT financial team
- Invest in an IT wide planning tools (ops, project, agile, demand, intake, portfolio)
- Pre-load as much as possible
- Drive to real time accessible rollup of budgeting/forecasting/actuals
- Eliminate spreadsheets
- Bring the right training and change management to the table (“ounce of prevention is a pound of cure”)
- Make sure the roadmap stays focused on the endgame



# Strategies for Improving Planning (CIO)

CIOs should consider these points before beginning an IT budgeting initiative:

- Begin the annual IT budgeting process **BEFORE** the finance department issues budgeting templates.
- Drive the IT budget from the enterprise business strategy
- Involve key stakeholders in IT budget development to ensure the needs of the business are understood, and that the business understands how IT services affect business performance
- Make expectations around benefits explicit and measurable
- Strive to build a strategic relationship with the CFO, and work towards common goals

Analyze ➡ Benchmark/Model ➡ Develop Governance ➡ Monitor/Assess

--Gartner, IT Budgeting Key Initiative Overview, Jim McGittigan.

# Strategies for Improving Planning (IT Leaders)

IT leaders should consider these points before beginning an IT budget initiative:

- Become involved in the strategic planning process and understand how the business aims to win in the marketplace
- Work with your business counterparts to establish key assumptions about enterprise revenue growth, pricing, competition, and the overall economic activity affecting the enterprise during the budget period
- Ensure IT management is prepared to demonstrate their business knowledge of how IT expenses and investments affect business performance
- Evaluate your organization's current views of IT costs, and consider whether or not it supports the kind of decision making needed

# Questions?



*rego*University 2017

Let Rego be your guide.

# Thank You For Attending regoUniversity

## Instructions for PMI credits

- Access your account at pmi.org
- Click on **Certification**
- Click on **Maintain My Certification**
- Scroll down to **Report PDU's**
- Click on Course Training (or other appropriate category)
- Enter **Rego Consulting**
- Enter Activity- **Enter Name of Course**
- Enter **Description**
- Enter **Date Started**
- Enter **Date Completed**
- Provide Contact Person **Name of Person to Contact**
- Provide Contact E-Mail **E-Mail of Person to Contact**
- Enter Number of **PDU's Claimed** (1 PDU per course hour)
- Click on the **I agree this claim is accurate box**
- Click **Submit** button



Let us know how we can improve!  
Don't forget to fill out the class survey.



### Phone

888.813.0444



### Email

[info@regouniversity.com](mailto:info@regouniversity.com)



### Website

[www.regouniversity.com](http://www.regouniversity.com)



# Case Study

*regoUniversity* 2017

# Background & Problem

## Background

- Annual Budget: 650M Capital, 350M Expense
- IT Staff: 1100
- Supported Business Divisions: 11, including Corporate

## Problem Statement:

- Entire annual planning process done with spreadsheets
- Previous application modernization spiked depreciation – crowding out future investment
- All large non-project costs were centralized (1 CC) – no one had accountability
- Financial reporting couldn't provide the visibility to the spend and drivers

# Actions Taken

- Expanded their financial team to support budgeting at the portfolio level, in tool
- Reengineered the entire annual planning process
  - Rolled out Annual Planning, including pre-loaded salaries & benefits, depreciation, support & maintenance contracts, carry over reserves (with process to address pre-payments to pull forward into current year when invoices will delay into next year). The budget was 80% done before it opened for entry
  - Set targets in advance and exposed realistic budgeting expectations, based on specific views into each portfolio
  - Laid groundwork for application portfolio management (coming this summer)
- Implemented a tool based forecasting capability
  - Implemented a cost transparency program that produces a P&L tailored for IT (not finance) with drillable dashboard, transaction detail, and analysis
- Invested in financial training, annual planning training, and portfolio optimization assistance

# Outcomes

- Shortened budget entry cycles to two week intervals
- Reduced from 4-5 budget cycles down to 3
- CIO could see 80% of the budget before released for interaction
- Full budget visible in real time as estimates were entered/changing
- Portfolios aligned to Financial Analysts made financially tricky entries/decisions easier
- Eliminated spreadsheets (no overwrites, no rotations for entry, no consolidation)
- Cost transparency ready to calculate cost of unit activity, cost of a service, charge-back/show-back ready