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Manage Your Technology Finances
with Agility |
IT Budgeting / IT Planning Approaches
and Tools

Your Guides: Doug Greer and Ben Barrow

Introductions

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



Today's Objectives...

What is Annual Planning?

Are you spending 3-6 months developing an annual budget that is outdated before you even finish?

What are the common challenges in the planning cycle?

What are the leading approaches to shorten your budget cycle, align resources to business needs, and plan resources into future years?

What IT Planning tools are available in the marketplace?

Agenda

- IT Planning Essentials
- Common Practices & Challenges
- Leading IT Planning Approaches
- Process & Tool Approaches to Improve IT Planning
- How IT Planning Tools Enhance an Organization's Investment in PPM / Agile Tools
- Wrap up / Questions

IT Planning Essentials

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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.

Typical Fiscal Calendar/ Planning Calendar

New Fiscal Year

Begins with **hiring resources, kicking off projects, and staffing new initiatives**

Updated Forecasts

Monthly and/or Quarterly forecasts are completed along with **variance analysis** and presentations to leadership – typically a manual process

End of Fiscal Year

Focus is on **shortfalls** (cut or shift to next year), **carryover, surplus** (spend it or lose it), as well as **explaining the variance** from plan and approved budget

Q1

Q2

Q3

Q4

Lessons Learned

Time spent understanding **why last year's planning process took so long**. Define new templates, processes, and governance to shorten time for next year

Planning Season

Late Q2 kick off through end of fiscal year spent setting targets, **creating detailed budgets, updating and consolidation of data** (or tool extracts), and developing presentations for leadership. **Multiple passes to “get it right”** before submission to Finance

Annual Planning Reality



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IT Planning Common Challenges & Practices

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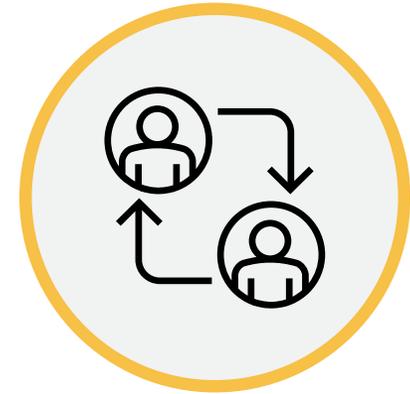
Digital Business Enablers Drive Complexity



VENDOR
Tactical to Strategic



CLOUD
On-Premises to Hybrid IT



AGILE & PROJECT
Product & Project Delivery

There is a shift from Waterfall to “Agile at Scale”

Business Value Alignment

- Delivers incremental value based on customer needs
- Ongoing re-prioritization ensures right focus
- Rapid iteration with customer improves value alignment

Time to Market

- Focus on MVP
- More rapid release cycles
- Continuous delivery of incremental value

Improved Productivity

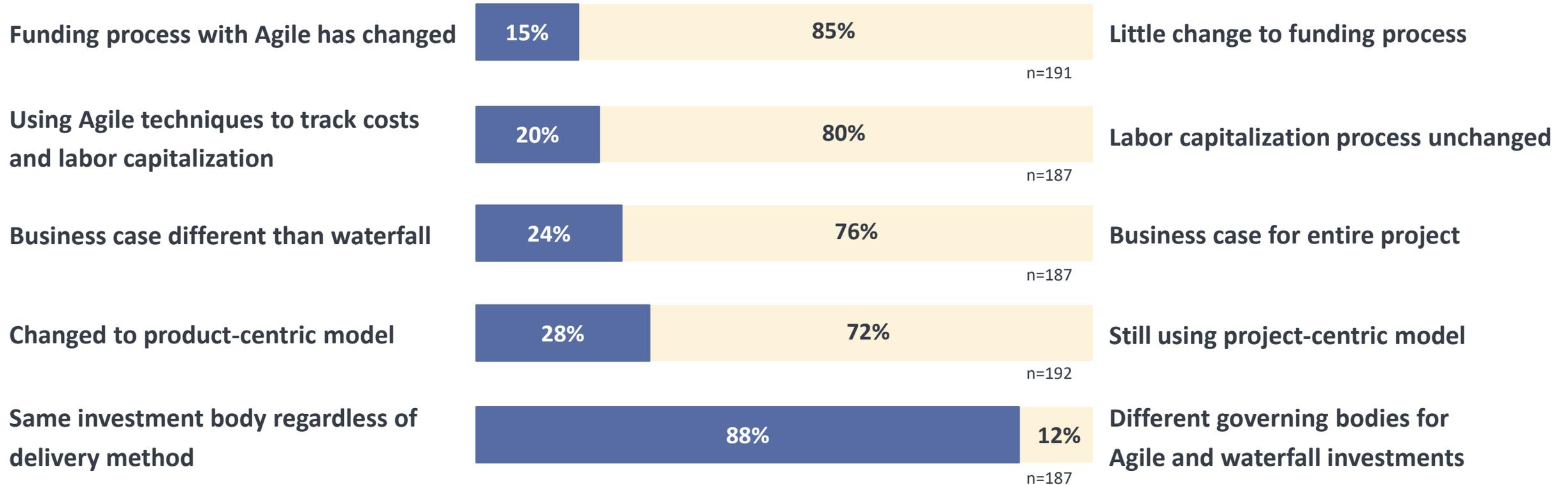
- Merges App Dev and operational processes
- Focus on prioritized backlog
- Quality issues addressed on ongoing basis



... but Financial Governance is in Transition

AGILE IMPACT ON FINANCIAL GOVERNANCE

Percentage of Respondents



**“70% of IT executives
struggle to foster collaboration between
project & finance stakeholders”**

Challenges with Annual Planning

- Weak links to strategy
- Very time-consuming process
- Stimulates unethical behavior
- Assumptions quickly outdated
- Provides illusion of control
- Decisions are made too early
- Decisions are made too high up
- Often prevents right things from getting done
- Often leads to wrong things from being done
- The world ends on December 31st (or whenever your FY ends)
- A language ill-suited for performance evaluation

Source: Implementing Beyond Budgeting by Bjarte Bogsnes, 2016

Why change what you are doing today?

1

Time Consuming & Outdated Budgets

Are you spending large portions of your days for 3-6 months developing an annual budget that is outdated before you even finish?

2

Plans Deliver Limited Value

Are you executing on plans that no longer add or at least optimize value as the world and your organization changes?

3

Inaccurate Variances

Do you spend a considerable time every month explaining variances to plans that were not very accurate in the first place?

4

Not Doing the Right Things

Does the organization reward the team for being “on budget” but not necessarily doing the right projects the best way possible?

Leading IT Planning Approaches

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What are leading IT Planning Approaches?

IT Planning looks at the entire organization's spend...

Investment Budgets + Operational Budgets

Frequently the approach is based on the organization's maturity...

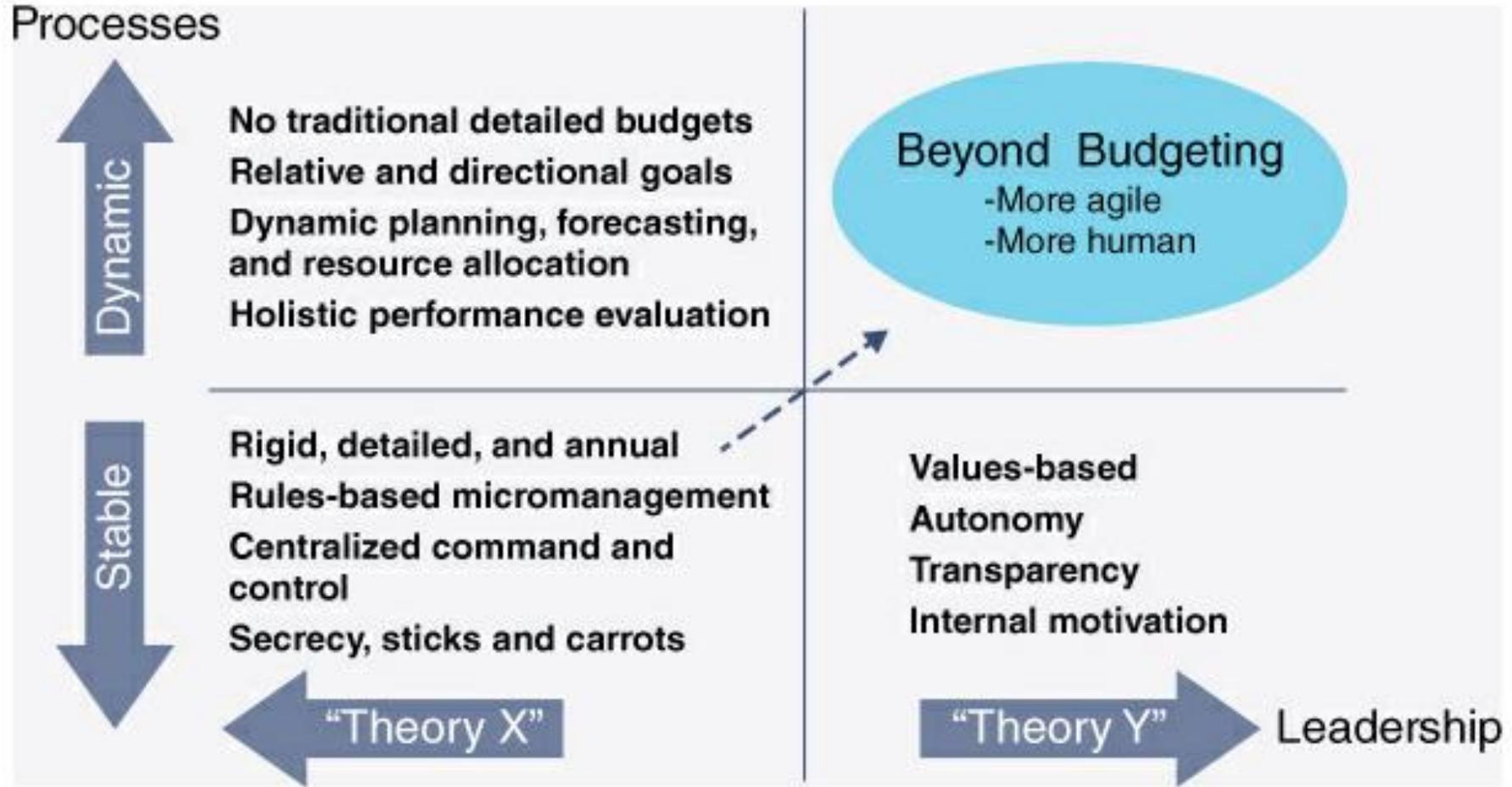
Annual

Hybrid

Continuous

Organizational Maturity

The Goal



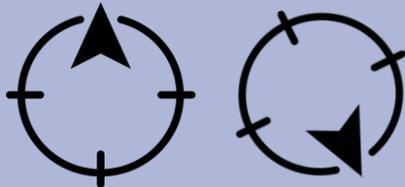
Source: *Implementing Beyond Budgeting* by Bjarte Bogsnes, 2016

Strategic Alignment

Annual Planning

Weak Links to Strategy

- ▶ Tell me everything you plan to do next year
- ▶ Provide me with the costs and timings for each of those things



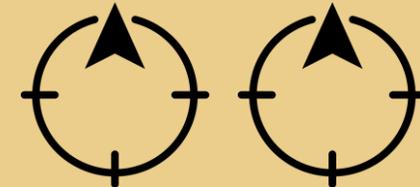
Corporate
Strategy

Annual
Budget

Continuous Planning

Aligned with Strategy

- ▶ What strategic objective does your demand/project align to?
- ▶ Investments aligned with strategy through the Portfolio Management process



Corporate
Strategy

Project
Plans

Process Efficiency

Annual Planning

Time-consuming process

- ▶ 3-6 months for creation
- ▶ Numerous resources
- ▶ Details gathered for initiatives that do not make the cut
- ▶ Critical time of year for performance objectives
- ▶ Monthly variance explanations due to inaccuracy of original plan



Continuous Planning

Time spent at “right” time

- ▶ Effort spread out over time
- ▶ Fewer centralized resources
- ▶ Resources only consumed as needed
- ▶ Time spent only on approved ideas

Ethical Impact

Annual Planning

Stimulates unethical behavior

- ▶ Looking out for #1
- ▶ Gaming



Continuous Planning

Less opportunity for unethical behaviors

- ▶ Only measurement is on actual performance of KPIs

Planning Assumptions

Annual Planning

Assumptions quickly outdated

- ▶ The world and your organization are continuously evolving



Continuous Planning

Outdated assumption updated real-time

- ▶ The world and your organization are continuously evolving – AND THAT IS OK

Controls

Annual Planning

Provides illusions of control

- ▶ Ceiling
- ▶ Floor
- ▶ Detailed plans
- ▶ Precise amounts
- ▶ More time spend monthly looking backward than forward



Continuous Planning

Control is tied to performance-based KPIs and corporate values

- ▶ Trust
- ▶ Transparency
 - Learn from one another
 - Question one another
- ▶ Concern for every penny spent as to value added

Decision Timing

Annual Planning

Decisions are made too early

- ▶ Up to 18 months prior to actual expenditure
- ▶ Budget is fixed based on these decisions
- ▶ Swags become the target
- ▶ Project not fully scoped yet



Continuous Planning

Decisions are made when the time is right

- ▶ Constant reevaluation against portfolio
- ▶ Decisions can be changed/other options exercised

Employee Engagement

Annual Planning

Decisions are made too high up

- ▶ Senior management typically does not have the whole story
- ▶ Decisions made with limited information



Continuous Planning

Leadership Provides Strategy

- ▶ Leadership provides direction via strategy
- ▶ Frontline makes decisions within the guidelines provided
- ▶ Commander's intent

Prioritization – What falls out?

Annual Planning

Prevents focus on the right things

- ▶ Often prevents the right things from getting done
- ▶ “Not in the budget. Sorry!”



Continuous Planning

Flexibility to adjust budget as needed

- ▶ As environment changes, flexibility exists to adjust budget to do the “right” things
- ▶ Swap out for better projects

Prioritization – What gets in?

Annual Planning

Focus on the wrong things being done

- ▶ Often leads to the wrong things being done
- ▶ “Spend it or lose it!”



Continuous Planning

Ability to fund new opportunities

- ▶ Money not spent remains in portfolio to fund other value-added opportunities
- ▶ Can't lose what was not yours to begin with
- ▶ Best way to ensure the right things can be affordable is to not do the wrong things

Planning Horizon

Annual Planning

World ends on December 31 / end of FY

- ▶ Little or no visibility of impact of current year plan on out years
- ▶ Accordion effect – forecast periods shorter and shorter until next planning season begins



Continuous Planning

Plans are aligned to project life cycle

- ▶ Natural business rhythm
- ▶ Includes impact on on-going operational plans
- ▶ Rolling forecasts provide visibility into out years

Performance Evaluation

Annual Planning

Ill-suited for performance evaluation

- ▶ Focus is on hitting budget
- ▶ “My budget”
- ▶ Hitting the budget may not be what is best for the organization



Continuous Planning

Performance is king

- ▶ Focus is on optimizing value
- ▶ KPIs selected based on performance objectives
- ▶ Performance of organization becomes the focus
- ▶ If you have capacity, good cost is something you want since it adds value

Impact of Continuous Planning

Less waste

Free up significant resources consumed to create the annual budget and **reduce time** consumed explaining variances

High Performance Teams

Right things done at the right time for the right reasons translating into lower stress overall and happy, engaged teams

Efficient / Effective Process

More efficient and effective process since **planning occurs continuously** and up to date information is available

Continuous Planning Process

Time efficiencies

Spend time creating plans and forecasts that are more accurate when better info is available

Value Added Time

- No time spent on initiatives that did not make the ideation cut
- Starting point for future plans making analysts more efficient so they can find opportunities that optimize value

Process and Tool Approaches to Improve IT Planning

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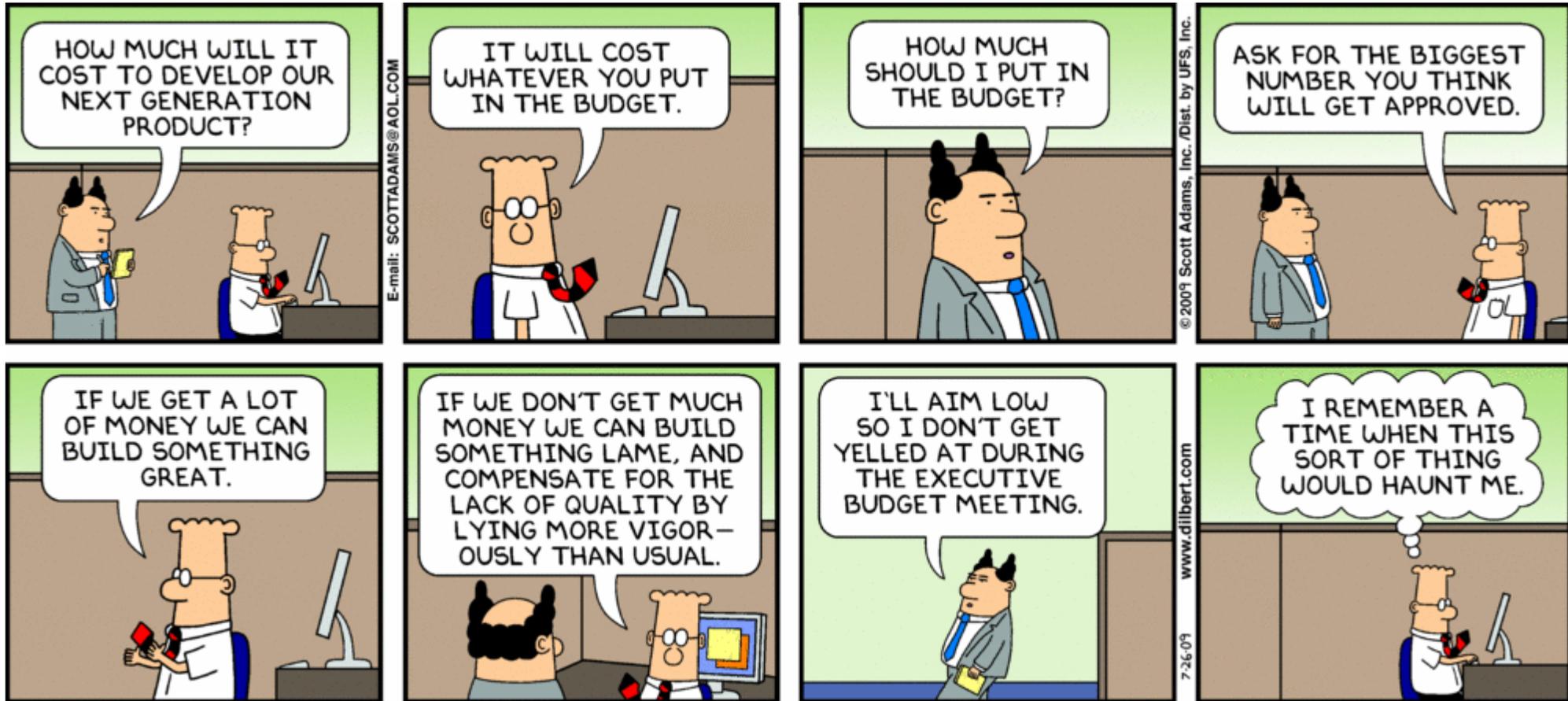
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What Tools do you use today for Planning?

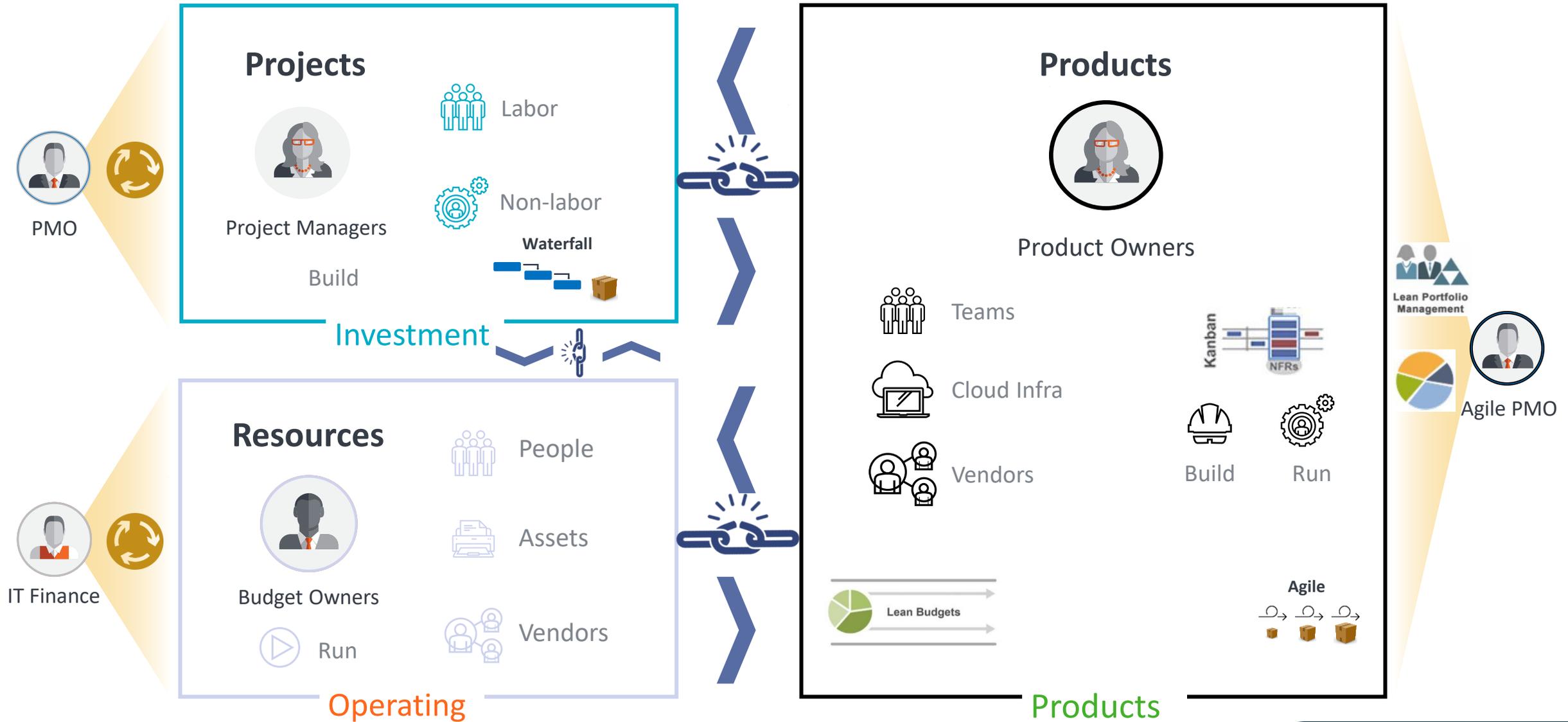
- Excel?
- PPM System with Excel extracts?
- Homegrown?
- Paper and pencil?



Is this your IT Planning Reality?



Disconnect between Investment / Operating Budgets



Typical Pain Points for PPM/Finance Ecosystem

Pain Point	Description
Disconnect between PPM / Finance System level of detail	Limited alignment between level of detail in PPM and level of detail in financial systems
Lack of Taxonomy Alignment	Differences in what costs are called in PPM vs. financial system including how reported
Limited insight into Run the Business / Operational costs post project implementation	Project costs not being delegated to departments post-implementation to understand Run costs
Data misalignment	Inability to join data across systems (such as resource allocations, timesheets, and actual costs)

PPM Financial Challenges

- ▶ **Complicated Processes & Reporting:** PPM systems with financial capabilities unnecessarily pull PMs into financial planning duties, and complicate processes for both PM and IT Finance teams
- ▶ **Limitations for Project Accounting:** Lack of system for true project accounting (Depreciation/amortization, vendors, cost centers, contracts, assets, GL accounts, etc)
- ▶ **Limits for Run the Business Planning:** Cannot plan out-year operational phase of projects, leaving PMO blind to realities of the full financial lifecycle of new initiatives.

Agile Financial Challenges

- ▶ **Investment Prioritization:** How are investments evaluated and prioritized in moving from waterfall to Agile or hybrid- Waterfall/ Agile environment?
- ▶ **Resource Optimization:** Where do we optimize resources to for new innovation, maintenance, and quality efforts?
- ▶ **Value Tracking:** How to we track the \$ value of product delivered based on the investments made and resources allocated?
- ▶ **Labor Capitalization:** How do we shift from traditional capitalized labor tracking and accounting to an Agile one, considering that time is no longer based on timesheet process?

Change the IT Planning Conversation to Value...

From...

...To

Cut the budget by 5%...

How do we optimize our spend and reduce together

Spreadsheets and Data Consolidation...

Integrated ecosystem

Separate department / cost center budgeting exercise...

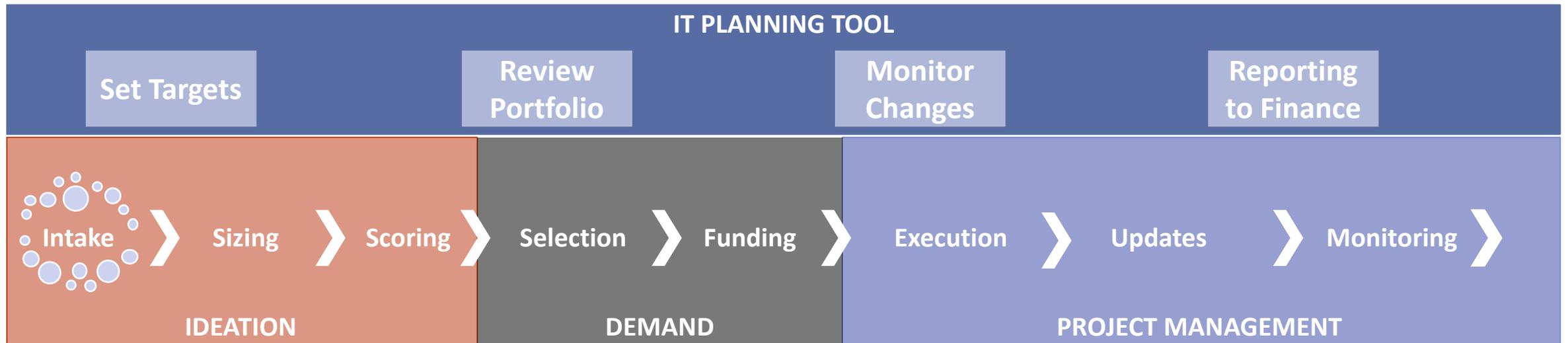
Holistic system to capture and report on Investment and Operational Budgets

IT Planning Model

1. Select Strategically Aligned Investments

3. Allocate Budget to Projects and Demands

5. Track Business Impact of the Project Portfolio



2. Set Budgets at the Portfolio Level

4. Continuously Review Projects and Demands

6. Model Scenarios & Reporting for Finance

How IT Planning Tools Enhance an Organization's Investment in PPM / Agile Tools

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IT Planning Tools Compliment PPM

- Purpose built applications designed to aggregate all IT spend and consumption data from disparate systems of record
- Cost models to allocate that data designed to provide appropriate transparency into IT spending (e.g., connect project spend to application and service costs)
- Ability to pull in investment, time, and resource data from PPM and Agile ALM systems to provide more detailed labor / non-labor allocations

PPM / Agile data is essential for IT Planning Tools!

IT Planning tools include, at minimum

- Analytics to support strategic decision making
- Financial planning / budget justification
- Capture Contract and Asset information
- Purpose-built metrics, analytics, and reports
- Approval workflows for IT Planning
- Setting targets / allocations by group (BU or Portfolio)
- Capture of operational planned spend (run the business / departments) and post project implementation spend



Questions?



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