1-02-55 The IS Executive's Role in Strategic Planning

Philip N. James

Payoff

The corporate agility necessary in today's climate of rapid change, global competition, and reliance on information requires continuous planning based on constant awareness of the outside world. The most-effective planning is accomplished through a team-based process that integrates strategic IS planning with business planning. Preparing colleagues to understand the role of information as a resource and to recognize information opportunities is one of the most important of the several tasks CIOs or senior IS executives perform as full partners on the executive team.

Problems Addressed

In today's world, there is no longer any steady state between rounds of change--change is the steady state. Individuals and businesses need to be nimble amid this constant change, but many forces in people and their environments resist nimbleness. Hierarchical organizations are ponderous, hard-won education and experience often urge people to seek a stable environment, and many individuals still have difficulty accepting that communication around the globe is in seconds not months and no longer prohibitively expensive.

Nimbleness alone is not enough, however. Individuals and organizations must be able to move in directions that are productive and strategic. Accommodating change does not mean succumbing to it. It means accepting change, anticipating change, and taking charge of change--predicting the future by creating it, as Apple fellow Alan Kay has said.

Today's mandate to create the future underscores both the need for effective, continuous planning and the vital role information plays in today's businesses and their planning processes. Business and IT planning allow corporations to achieve the nimbleness necessary for competitive advantage. They also provide people and organizations with an anchor or center that conveys a much-needed sense of stability amid constant change.

Creating the future is also about megatrends, as John Naisbitt asserts. These megatrends need to be found and used as the basis for integrated planning. Business megatrends, for example, indicate that worldwide competition will grow, the products that best meet customer wants will succeed, and no company is likely to be able to sustain a competitive advantage for long. IT megatrends indicate that computer power will continue to go up and price and size will continue to go down. Organizations that do not develop strategies consistent with these megatrends will fail.

Most business professionals are familiar with these broad megatrends. The key to gaining competitive advantage is to find the trends specific to an organization's products and customers--trends that competitors might overlook. Arie de Geus, former director of strategic planning for Royal Dutch Shell, said, “I have come to believe that the only sustainable competitive advantage may be the ability to learn faster than [one's] competitors.”

This article reviews the integrated IS and business planning process and the role of the chief information officer (CIO) or senior IS executive in it. Article 1-02-60 examines how the products of the IS planning process help ensure strategic and effective management of the information resource.
Strategic Business Planning: the Basis For Strategic IS Planning

Responsibility for the future well-being of a company rests with the CEO and his or her executive team. Each member of the team, including the CIO or senior IS executive, should be fluent in modern strategic planning: its concepts, methodologies, and tools. These include SWOT analysis, Porter's contributions (e.g., five market forces, three generic strategies, and value chain analysis), portfolio analysis (e.g., the Boston Consulting Group's growth/share matrix), and Critical Success Factor analysis.

The executive team should possess thorough knowledge of the business--its marketplace, customers and prospects, and competitors. Although the CEO has earned the right to pick the strategic vision, every member of the team must work at articulating it in a way that can be unanimously supported and will drive every decision in the company.

Strategic planning is most effective when it is never far from immediate concerns. It should keep the strategic vision alive to compel day-to-day decisions that build the company's success. This constant awareness of the futurity of current decisions is the essence of a good planning process.

Although each member of the executive team applies strategic thinking from the perspective of his or her function and the resources managed through that function, each must also apply it from the perspective of the company as a whole, considering and integrating all six organizational resources to create a dynamic future. Most executives are used to thinking about three such resources--money, people, and things; but only a few consider information, time, and relationships as important resources as well. It is particularly important that the CIOs or senior IS executive prepare colleagues to understand the role of information as a resource and to be able to recognize information opportunities for the company.

Many of the best-performing companies have made planning a part of their corporate culture. If every employee shares the company vision, is committed to it, and uses it as a touchstone for his or her efforts, then every employee contributes to the company's success.

Elements of Strategic Business Planning

The Planning Process

Organizations that plan successfully and outperform their competitors view planning as a process and a way of life. Their line managers keep the strategic vision, the planning issues, and the megatrends in mind constantly as a background for even the most routine daily operational decisions. They meet frequently to refine their understanding of changes in the business environment and the implications of those changes for current strategies. Such an organization is fine-tuned to respond effectively to change; its strategic plan serves as a compass that guides its responses.

Strategic Planning Retreats

Because it is difficult for even the most-effective planning organizations to remain focused on the future in the face of day-to-day problems, the executive team should occasionally isolate itself from its usual environment to renew and refine its focus. These retreats, generally lasting two or three days, provide opportunities to explore concerns that
may be suppressed in the regular business environment and to reinforce team members’ relationships with one another.

Retreats are often held when a significant opportunity or threat is perceived; they give the team a chance to remold the company to respond effectively. Rarely held more often than two or three times a year, retreats nevertheless play a key role in keeping a company effective.

The Products of Planning

The most valuable products of the strategic planning process are intangible: sounder decisions, a more-cohesive executive team, a comfortable sense of knowing where the company is going and how to get there. The most-visible tangible products are the plans, which should include a mission and vision, an information architecture, and an information infrastructure.

Importance of Producing a Written Plan.

Regardless of its size, a company is a complex collection of resources, configured in a particular way. It is impossible for anyone to keep all aspects of this complex in mind. A written plan that describes the complex and how it is expected to change over time provides guidance for people at all levels in carrying out their work.

A written plan is most valuable when opportunities or threats arise. Responses to these changes require the reallocation of resources. Because the written plan reminds everyone how resources are allocated at the time of the change, reassessment of priorities and reallocation become reasonable tasks. To expect executives to be able to assess the enterprisewide consequences of any particular reallocation in the absence of a written plan is unreasonable.

Need for a Continuous Planning and Review Process.

Plans are obsolete as soon as they are published. Successful planning organizations recognize that future results are conceived through the process, which enables everyone to keep abreast of the organization's direction and commit to support it. The written plans are snapshots of the process at a point in time that provide interim guidelines only and must be constantly reviewed.

The way plans are treated provides clues of the effectiveness of the planning process. People who do not like to plan prefer to downplay the value of a written plan. Unfortunately, their attitude is often supported by the use made of written plans. All too often, after much energy and resources have been invested in the plans, they are put on a shelf and forgotten. The usual reason given is that the business changed so much that the plan became irrelevant.

If that fate befalls a plan, it is not only the plan that is irrelevant, but the planning process as well. Too many companies begin the planning task with great enthusiasm but abandon it when it reaches a meaningful stage. This is one of the primary reasons why a continuous planning process supported by all employees involved is the most effective kind of planning.

In addition to plans, the planning process yields action plans for specific activities by specific units or individuals and allocates resources to them. The priorities of these activities and allocations should be reviewed with some frequency, usually more often than once a year.
Role of the CIO or IS Executive

To become or remain a full partner on the executive team, the CIO or senior IS executive needs to perform several tasks.

Building Personal Relationships

Strategic planning is now more than ever a process that depends on good relationships. However, the CIOs or senior IS executive is often a newcomer to the key executive group and not always accepted as a full member of the team. When this is the case, the IS executive receives the output from the planning process (if he or she is lucky) and has to adapt to it. On the other hand, as a full member of the team, the IS executive influences the output to optimize the role of information in furthering the company's success. The following two strategies help the CIOs or senior IS executive become a full member of the team:

· Building a record of contributions to the business that demonstrates thorough understanding of the business.

· Developing relationships with colleagues that evidence their respect for the IS executive as a business person, an executive, and a colleague.

The relationship between the senior IS executive and the CEO can be crucial. If it is excellent, it helps create the relationship with the rest of the senior executive team. More important, it helps the CIOs develop the critical ability to understand how the CEO thinks and how information can further the CEO's ideas. The American Airlines SABRE system would not have been built if Bob Crandall and Max Hopper had not had this kind of relationship.

A similar relationship contributed to the making of the Rothschild fortune two centuries ago. Mr. Rothschild said, “If only I could know the value of money in the capitals of Europe, I could make a fortune.” Mr. Rothschild's CIOs said, “I know how to get you that information. We'll set up a communications network of semaphore signalers on the mountaintops of Europe.” The rest is history.

This story has valuable lessons:

· The CIOs was there when Mr. Rothschild said, “If only . . .”. In today's world, a CEO might voice such a vision in such informal settings as a golf course or cocktail party. The unlikelihood of a CIOs or senior IS executive hearing of such a vision in a formal strategic planning session underscores the importance of the relationship with the CEO.

· The CIOs was fluently versed in the information technology of the day and in the business, and he was able to match a solution to the problem.

Educating the Executive Team

The most effective planning for the strategic use of the information resource occurs when every member of the executive team recognizes information opportunities. If the relationships between the senior IS executive and his or her colleagues are solid enough, the IS executive will be able to educate them, usually informally, to understand the role of information as a resource.
Unfortunately, many executives resist learning things they do not feel they need to know, particularly from people whom they do not regard as their equals. They will, however, learn from a friend and colleague, particularly if the education is provided subtly and in small doses.

**Developing the Information Vision**

Functional or program executives are each responsible for developing a vision for their individual functions and the resources it manages that is based on the company's strategic vision. The CIOs or IS executive is no different.

The current focus on the reengineering of business processes acknowledges the newly recognized importance of the information resource. Because most business processes are stable over time--more stable than organizational units--IS development is based on business processes rather than on organizational units, as is the case, for example, with IBM's Business Systems Planning methodology.

At the same time, businesses are recognizing that their stable business processes were developed in an era when paper was the primary medium for managing information. The evolution of information technology has provided new ways to manage information, and business processes must be brought current to take advantage of them.

Knowing which business processes to reengineer first requires a vision of how information is used by the organization. This information vision is a high-level, conceptual framework and philosophy that governs the management of information in the company. It forms the superstructure on which the enterprisewide information architecture is developed. It also defines relationships among various kinds of information and the responsibilities of the various executives and managers who are engaged in the task of managing information.

**Finding Information Megatrends**

Information megatrends are important to the strategic planning process because, among other things, they help determine the structure of the information vision. Following are examples of the better-known information megatrends:

- **Power, size, cost.** Information technology hardware is growing in capability and power while shrinking in cost and size. There is little evidence that this trend will level off in the foreseeable future.

- **Application availability and ease of use.** Software and applications are becoming easier to use, and more applications for many common business processes are becoming readily available as off-the-shelf items.

- **Growing sophistication of information management.** As software becomes more readily available and easier to use, the complexity of the support infrastructure and the technical sophistication needed to serve the growing applications portfolio has burgeoned.

- **Communications capacity.** The speed and capacity of public and private communications networks are growing, increasing the ability of businesses to deliver information anywhere, anytime, any way.
Each line of business has information megatrends specific to it. The IS executive should keep abreast of these megatrends through many channels, including reading the trade and research literature, participating in trade and professional organizations, attending seminars, and studying the uses of information technology by customers and competitors.

**Making Strategic IS Decisions**

Senior IS executives should be aware of the many kinds of strategic decisions they may be called on to make—or that may be made for them by circumstances or by the CEO. Among the most important strategic decisions are those that help the company capitalize on information opportunities.

Other strategic information management decisions common in business today concern the following areas:

- **Reengineering.** What technologies can help a business process improve its relationships with customers?

- **Outsourcing.** What aspects of information management could be done better by another company that specializes in a particular aspect? How does the organization develop the right kinds of relationships with outsourcing vendors?

- **Legacy systems.** How can current technologies be applied to better manage the information now managed by legacy systems?

- **Client/server.** Where, how, and when should information management be moved to distributed client/server architectures?

- **Groupware.** How can groupware improve communication and the use of information for competitive advantage?

- **Systems integration.** How does one make sure that information systems throughout the company work well together?

- **The Internet.** What kind of Internet presence would improve the business? Should the company implement an intranet? What kind of firewalls are needed?

- **Emerging technologies.** Where and when does an organization apply such technologies as data warehousing, electronic data interchange (EDI), object-oriented approaches, new applications development tools, and multimedia to improve pockets of information management? How does the organization learn to migrate useful technologies throughout the company where appropriate?

**Leading the Delivery of Information Services**

Traditionally, the role of the senior information executive was to direct the delivery of information services. He or she was the chief executive of the data processing department, whatever the position and department were called. In the early days, all of the company's computer technology was in the IS shop. Later, pockets of technology developed in user areas as departmental minicomputers, personal computers, and local area networks (LANs) proliferated. Responsibility for the delivery of information services is becoming
increasingly decentralized, and information executive positions are being created in major business units.

Often the CIOs or senior IS executive has been caught between the CEO's desire to keep the costs of information technology down and the users' desire for more service. Today that squeeze is felt more and more by the ancillary information executives. Still, top management looks to the CIOs or most-senior IS executive to ensure the effective companywide use of information technology.

The role of the senior IS executive increasingly lies in the development of a strategic information infrastructure that is matched to the way the company does business and uses information. Parts of the infrastructure include building the enterprisewide information architecture, enforcing open systems and other standards enterprisewide, and implementing a backbone communications network with sufficient capacity to meet today's needs and sufficient flexibility to add capacity as needs grow. Ancillary information executives report to the chief executives of their divisions, but they bear a dotted-line relationship to the CIOs or senior IS executive, who oversees their activities in the context of the enterprisewide situation and exercises control through leadership. Even so, the senior IS executive retains residual responsibility to ensure that the company is using information technology effectively, that its costs are not excessive, and that the company can respond with agility to new opportunities without being hindered by rigid applications.

Planning in the Absence of a Formal Procedure

In an effective planning process, IS planning and business planning are both part of a single process. As a respected full partner on the executive team, the CIOs or senior IS executive is an influential participant in this integrated process.

But what if the CIOs is not a respected full partner? How is planning integrated then? In the worst case, there is no recognizable planning process, and the senior IS executive must discover or invent the business plan.

This approach creates a loose integration between business and IS planning that is less effective than the tight integration of the single-process approach. Loose integration fails to facilitate full use of the information resource and often leaves both the company's business executives and the CIOs frustrated. Information plays only a small role in helping to ensure the company's success, information opportunities are overlooked, and goals and objectives may be difficult to support because they were formulated without input about information needs. Furthermore, the attitudes of the executives about information and information professionals may adversely affect attitudes about information technology throughout the company.

Benefits of Integrated IS and Business Planning

A CEO once said, “If you can't articulate it, you can't do it.” A planning process encourages managers to articulate their objectives, priorities, and action plans. When these are developed together as a team, they work like a well-oiled machine. Under these circumstances, information technology, for example, plays a major role in helping the company achieve its business goals and objectives.

Beyond this, an integrated IS planning process provides a company with the following benefits:

- A faster route to more valuable information when and where it's needed, in a form in which it can be used.
Sounder reasons for supporting IT projects and assurance that resources will be available when needed.

More effective use of the money spent on information technology.

A complex information technology environment in which the parts fit or work well together, just as they should in any other engineering structure.

Less waste of money supporting an unplanned IT environment.

Reduction of costly maintenance and corrective work.

Identification of cost-saving and cost-sharing opportunities in distributed environments.

More effective responses to unexpected changes in the business environment, thereby reducing the need for crisis management.

Pitfalls of Integrated Is and Business Planning

Obviously, the worst-case scenario is the absence of integrated planning and the need for the CIO or senior IS executive to discover the business plan.

Even when integrated planning does take place, it still has several potential pitfalls (some of which were suggested by George A. Steiner of UCLA). These include:

Lukewarm CEO support of the process renders the process less than fully effective.

Differences among executives on the planning team that are too great to be overcome lead to a dysfunctional company or to changes in the executive team.

Insufficient information about the business environment leads to bad decisions and a loss of competitive position. The CIOs or senior IS executive can help here by pointing out unused sources of information.

Unrealistic assumptions about the future also lead to bad decisions.

Executives unwilling to identify and work with the company's weaknesses leave the company vulnerable to actions by competitors who do their homework.

The planning work is delegated to planners, who provide significant support to the planning effort but cannot compensate for the direct involvement and commitment of the executive team and line management that is critical to successful planning.

Executives worried about volatility in the business environment avoid planning, which is the opposite approach needed. The more volatility, the more important is the planning that ensures competitive agility.

In contrast to best practice, the planning process is separate from the entire management process. Comprehensive and effective planning is integrated within the context of day-to-day management.

Executives ignore the fact that planning is and should be a learning process.
A planning process that is too formal, rigid, and complex stifles creativity. At the strategic level, simplicity should liberate the creative process.

Recommended Course of Action

Strategic planning is a difficult process, and it is easy to succumb to opportunities to simplify it or reduce the work involved, thus weakening the process. The following recommendations are designed to help CIO and senior IS executives ensure the success of integrated planning:

- **Build relationships.** IS executives should cement their relationships with the company’s senior executives, especially the CEO. They should also strive to ensure that all of the information professionals and business executives understand the importance of these relationships and do everything they can to further them.

- **Stay strategic.** IS executives need to remain focused at the vision level regarding both the business and information systems. They should hire well and delegate effectively, and remind themselves that no one else can do their job.

- **Maintain the quality of information services.** Although senior IS executives must remain strategic, effective use of information technology ultimately rests at their doorstep. They cannot ignore operations, but they should not be dragged down by them. Leadership is the key word here.

- **Seek the IT megatrends.** Half the battle of staying strategic involves linking strategies to what’s really going to happen. IT megatrends help senior IS executives make educated guesses.

- **Keep a business focus.** CIOs and senior IS executives should manage, but not ignore, their fascination with exciting emerging technologies.

- **Keep a weather eye outside the company.** IS executives must ensure that they know what is occurring in the external business and technology arenas. Too intense a focus on internal company information can result in blind siding.

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**Author Biographies**

Philip N. James

Philip N. James is president of Strategic Management Services in Northridge CA, a research and consulting firm in information management, strategic planning, organizational transformation, and executive support services. He is also a faculty member at California State University, Long Beach. He can be reached at pjames@csulb.edu.