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NASHVILLE • 2022

# Manage Your Technology Finances with Agility

**Your Guides:**

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# Introductions

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

# Agenda

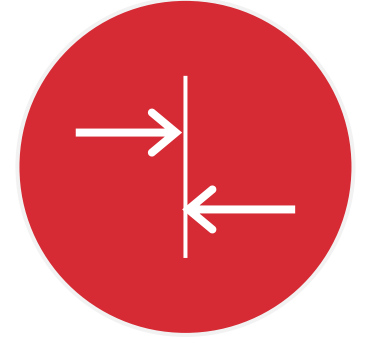
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- IT Planning Essentials
- Common Practices & Challenges
- Leading IT Planning Approaches
- Continuous Planning vs Annual Planning
- Wrap up / Questions

# IT Planning Essentials



# What we've Learned about IT Financial Planning



Budgeting Process  
Long, Inaccurate

Forecasts Lag the  
Business

No Unified Run  
and Change plans

Services Misaligned  
with Demand

# 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



# Discussion

- What challenges do you face with your current IT Planning process?
- Have you seen different challenges or shifts in thinking in recent years?



# 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 31<sup>st</sup> (or whenever your FY ends)
- A language ill-suited for performance evaluation

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

# 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

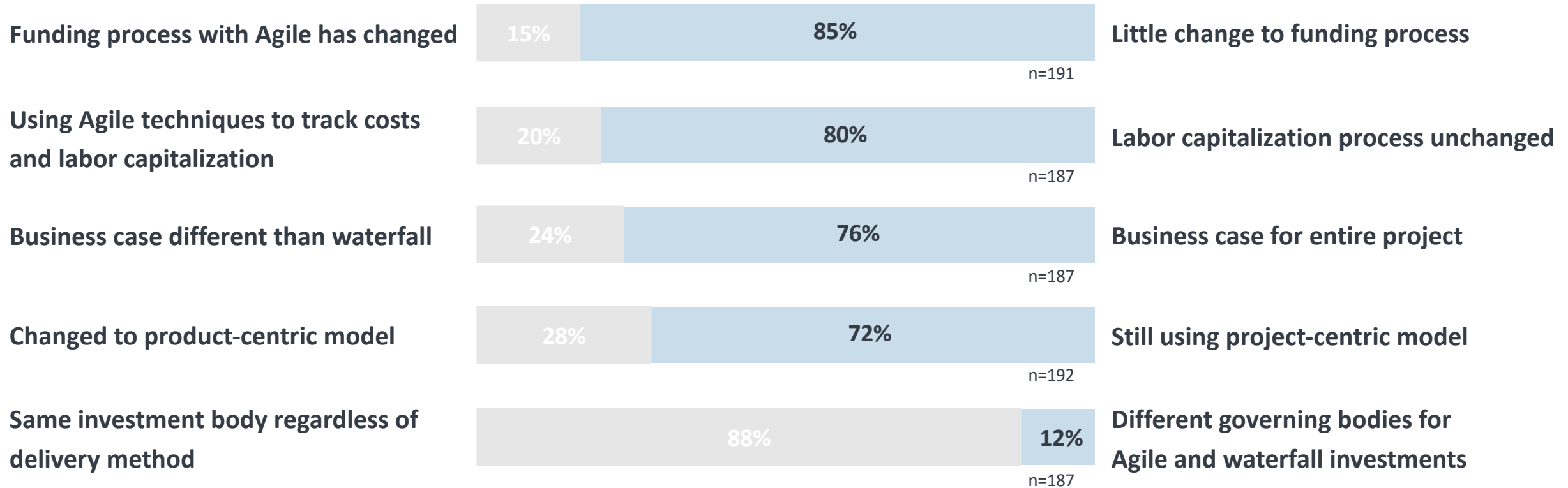
- Merges App Dev and operational processes
- Focus on prioritized backlog
- Quality issues addressed on ongoing basis



# ... but Financial Governance is not keeping pace

## AGILE IMPACT ON FINANCIAL GOVERNANCE

Percentage of Respondents



# 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

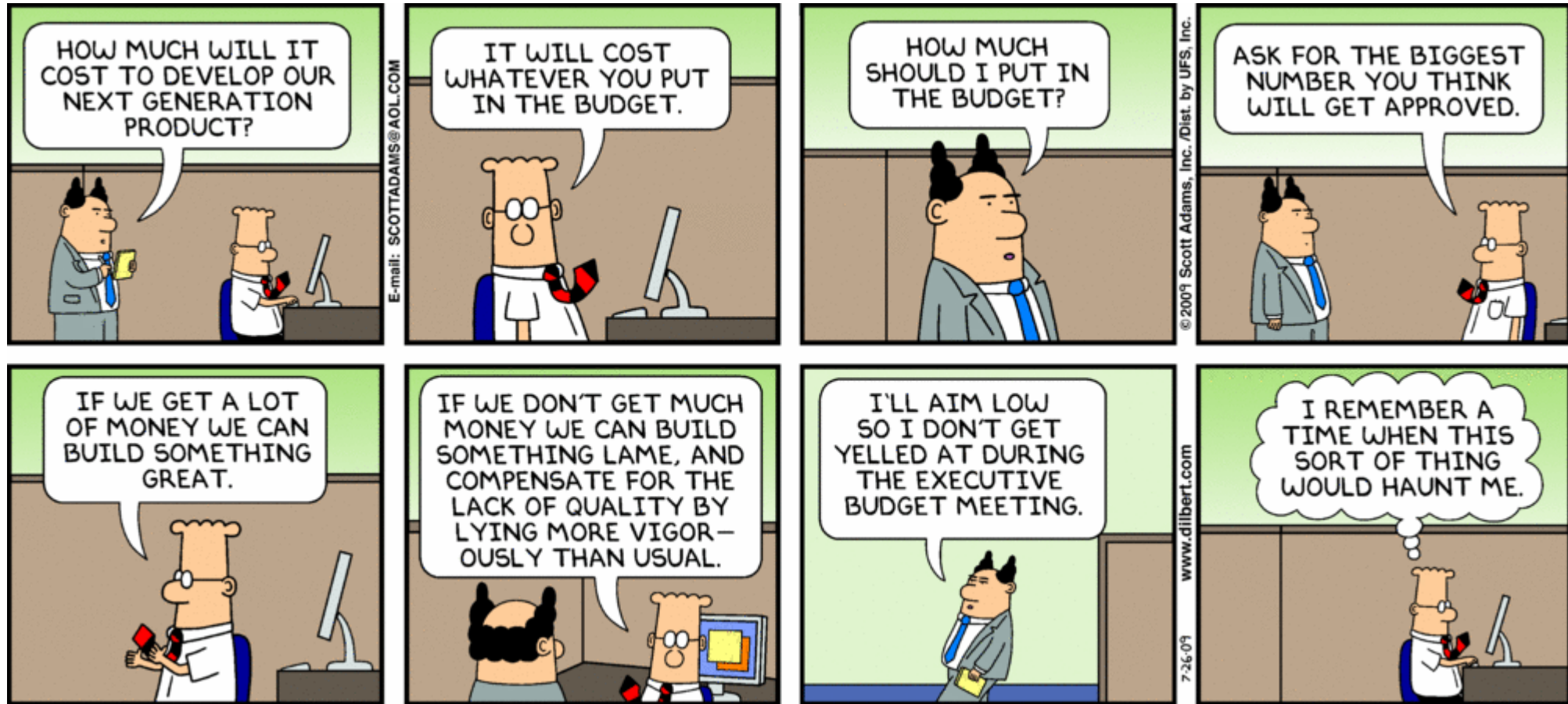
## **Not Doing the Right Things**

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



# Is This the BEST IT Planning Approach?





# Discussion

- What would you change about your IT planning process if you could?



# 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*

# Best Practices and Trends in IT Planning



## **Ability to do Rolling forecasts / Continuous planning a must have today**

Weekly/Monthly planning of IT budgets now common place since Covid 19

On-going access/updates in real-time instead of a small open window where changes are allowed

Revision control and what-if scenarios mandatory today, drives forecasting accuracy

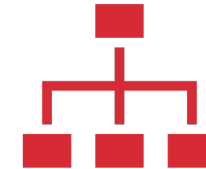


## **Agile / Product funding models**

The ability to capture and ingest data from the multitude of dispirit systems in use today

Labor planning around Agile Application Development and Services provided by IT

Auto-generated budget consolidation, OPEX and CAPEX line items, depreciation and amortization



## **Holistic approach to IT planning – not compartmentalizing PPM, Agile, ITSM, and IT Finance.**

Delivers faster time to IT business value

More accurate IT budgets and forecasts

Better decision making around IT investments and operating spend

# Discussion

- What benefits would you see in a more agile IT planning or continuous planning process?



# Continuous Planning vs Annual Planning

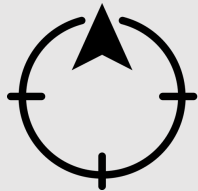


# Strategic Alignment

## 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



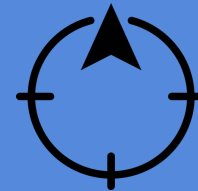
## Continuous Planning

### *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

# Questions?



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