

When you are faced with a decision, the best thing is to do the right thing, the next best is to do the wrong thing and the worst thing to do is nothing. Roger Enrico, CEO of PepsiCo

Now that you have identified the gap between where you are and where you want to be, the next step involves making some recommendations and determining a course of action.

Translating your strategy into some tactical and operational goals is the objective of this section. We have divided it up into five steps. Each step builds on the previous. By the time you have completed this section, you will have a prioritized list of projects that your department will be undertaking in the upcoming year.

These are the steps in this section:

1. Goals and Measurement
2. Budgeting.
3. Identify Your Options.
4. Prioritize Your Projects.

This is the last step in creating your IT Strategic Plan. Once you have finished this section you will have a plan that establishes the direction for the IT department for the upcoming year and clearly explains how you will achieve your objectives.

Goals and Measurement

Begin the process of turning your strategy into action by setting some clear goals for the IT department. This takes the work you did in Section 3 – Set Your IT Strategy – and turns it into some actionable objectives for the upcoming year.

On the next few pages we have given you some tips on how to set effective goals and some suggested areas where you should be setting goals. Setting goals is critical for the ongoing success of any IT department. However, 58% of IT managers either don't set goals or don't measure their performance towards goals.

To be a successful IT manager, you must set goals, measure your performance towards these goals, and translate the goals into documents like budgets and job descriptions.

Setting Goals: The SMART Technique

The SMART technique for goal setting is fairly well known. While not all goals fit into the SMART formula, it's an excellent starting point that addresses the key characteristics most goals should hold. Use these SMART criteria to help you establish departmental goals.

Specific: The goal must be clear, understandable, and state the expected result. Give each goal a clear start and end point, and limit your number of goals to four to seven. Focus is critical to achievement.

Measurable: The goal must stipulate quantitative and/or qualitative measures to help you determine if the goal has been achieved. Build in milestones to help break goal achievement into manageable tasks and help you identify problems earlier. Be sure to include goal review and revision in your milestones.

Attainable: The goal should move you beyond your comfort zone into new growth areas, but still be realistic and within your departmental or organizational capabilities.

Relevant: The goal must be clearly derived from, and harmonized with, organizational strategic goals. Prioritize your goals against organizational objectives before creating plans for accomplishing them. Plan execution of your highest ranked goal first – this way, you can ensure that sufficient resources are allocated to your most important target.

Timely: The goal must be tied to deadlines and put into a timetable in order to prevent delay of activity. Remember that many IT projects can run well over a year in length, which effectively overshoots most goal-setting timelines. Make sure senior management is committed to supporting stated IT goals beyond the current year.

Beware of These Goal-Setting Pitfalls

Knowing how to set SMART goals is only the first step. The goal-setting process itself contains a few traps of its own. Here are some common pitfalls to avoid.

- **Do not set goals for others.** Much of the work done in IT is in support of other departments. Know their business. Only set goals after you have discussed priorities and implications with those that they affect, including your staff.
- **Aiming for perfect goals can paralyze you.** Not all goals can be made specific, measurable, and time-bound. Set your sights on being reasonable, not perfect.
- **Remember that you can always make changes.** In fact, changing, deleting, and adding elements to your goals is often the responsible thing to do. Relax.
- **Avoid rigidity.** Overly strict adherence to goals can inhibit adaptability and learning. Stay away from goal attainment at the expense of flexibility and growth.

Aligning IT and Business Goals

We've all heard horror stories about IT projects that were successful from a technical perspective but failed to meet certain basic requirements. To avoid these situations, IT goals and business goals must be continuously aligned and realigned.

This point should be abundantly clear to you by now, based on the work you have completed to this point. Below is a quick reiteration of some of the key points you should remember to ensure that your department's goals fit squarely with the overall direction of the company.

How to Align IT and Business Goals

Follow these steps to make sure your business goals will be supported by IT goals:

1. **Make sure the business goals are clear.** Transferring high-level goals down to operational IT goals can be a lot like playing the children's game of whispering a message to the person sitting next to you in a circle (i.e. when the message gets back to where it started, it is completely garbled). Get the latest information about business goals from business managers and ask if you don't understand something.
2. **Communicate business goals to all IT staff.** After business goals have been finalized or changed, you need to communicate them to your IT staff. Meetings, phone calls, and e-mail are good ways to communicate this information. Asking questions about the business goals is a good way to test if the information has been communicated effectively. Remember that business goals don't usually translate directly into IT goals, but IT staff should keep this information in mind when doing their jobs.
3. **Earn the trust of senior non-technical management.** This isn't easy, but is critical for the success of projects that span multiple years (e.g. e-commerce) and high-profile projects (e.g. management reporting). Trust can't be won immediately, but must be built up over a period of time.

Types of Goals IT Should Set

Here are the five major types of goals you should consider setting. Each has different sub-types, metrics, and management issues.

1. Financial
2. Organizational
3. Technology Operations
4. Customer Service
5. IT Governance

1. Financial Goals

Financial goals relate to dollars and cents technology expenditures. These are easily measured and frequently have goals set by your boss or the CEO. Enterprising IT managers will create and beat their own internal financial goals. Here are a few examples of the different sub-types of financial goals:

Total Cost of Ownership (TCO)

Total cost of ownership (TCO) is a measurement of all the costs of purchasing and using a technology. These costs include both direct (e.g. the purchase price) and indirect (e.g. other system resources that will be used). TCO is a major issue for IT managers, especially in the current environment of cost cutting and budget control. You can set TCO goals such as reducing you network TCO to \$25 per user, or reducing overall TCO by 10%.

Budgeting

There are two kinds of budgeting IT managers perform: capital and expenditure. Capital budgeting is for projects and assets that will last over a long period of time, such as more than one year. IT managers can set budgetary goals such as reducing the capital budget 25%, reducing the toner cartridge budget 20%, or reducing the total expense budget to \$1,000,000.

Purchasing

Purchasing involves selecting vendors and products that meet corporate requirements. Many vendors also require long-term management and strategies (e.g. Microsoft). IT managers can set a large variety of purchasing-related goals, such as reducing the number of PC suppliers from five to one, increasing the dollar amount of purchases from a strategic vendor by \$500,000, reducing total purchasing expense by 10%, and so on.

Outsourcing/Insourcing

IT departments need to outsource many routine and non-strategic activities (e.g. help desk support). However, IT departments sometimes also need to develop new competencies in new technologies (e.g. Java). IT managers can set goals for both outsourcing (e.g. all five locations will have outsourced help desk support by December 31) and insourcing (e.g. by December 31 the company will have hired five Java programmers and written 1,000 lines of Java code).

2. Organizational Goals

In addition to financial goals, companies can set organizational goals for their IT department. Organizational goals relate to the people working in the IT department and how they work. Here are some examples of organizational goals:

Staffing

When more than a few people are in an IT department, its manager must create an organizational structure with specific roles and responsibilities. As companies grow, you can see where new staff will be needed in the future and plan for the changes necessary in the organizational structure. For example, your company may be integrating systems with dozens of new customers, which is increasing the demands for customer system support. You can set a staffing goal of having three full-time people to handle all your customers' system issues at the end of December. You can also set a goal of creating a new department for customer system support at the same time.

Another staffing goal you can set is related to productivity. If some of your current staff is under-worked, you can assign more work to increase productivity. If you measure their output (e.g. lines of code, number of hours worked) before this change, (e.g. 100 lines of code per week, 30 hours worked per week), you can set a productivity improvement goal (e.g. 200 lines of code per week, 40 hours worked per week). Similarly, if you have staff not working as hard as you think they should, you can measure their output and set productivity improvement goals. Remember to agree on the consequences of not meeting the goals with your staff before starting to measure performance.

Training

Because technology changes so quickly, skills become obsolete very rapidly. Keeping IT staff current with the latest technologies is a necessary investment to keep your technology functioning optimally. However, training also costs money, and financial budgets need to be set.

You can set training goals of having all your Windows NT 4.0 certified staff upgrade their certification to Windows XP certification by June 30, or reducing the training budget from \$10,000 to \$8,000.

Management/Reviews

Having subordinates means that you must review their performance and manage them through problems. Although many large organizations require semi-annual or annual performance reviews of all employees, smaller companies often don't have these requirements. You can set management and review goals for doing performance reviews for all your employees by the end of the current quarter. In addition, you can set management goals for coaching employees with poor reviews. An example of this type of goal would be to improve a specific employee's evaluation from "Poor" to "Good" by the next review through coaching.

Technical Skills Inventory

In larger organizations, the IT manager often doesn't know every member of the department personally or what their skills are. These companies make inventories of their employees' skills to match their skills with the projects they have to do. You can set a technical skills inventory goal of creating the inventory by December 31, or adding "years of experience" to the database by the end of April.

Application Development Productivity

Programming output is a very difficult activity to measure, but managing this is critical to the success of your IT organization and the overall company. You can set an application development productivity goal of 1000 lines of code per quarter per employee, or no more than 10% of the initial programming time spent on debugging afterwards.

Efficiency and Effectiveness

Efficiency and effectiveness are related concepts that are critically important to any activity. Efficiency measures whether you are doing things right, and effectiveness measures whether you are doing the right things.

Efficiency in the IT department can be measured by taking outputs (e.g. business value created) and comparing them to inputs (e.g. total departmental costs) over time. You can set a goal of improving the ratio of business value to IT department costs by 10%.

Effectiveness in the IT department can be measured by surveying users to determine how satisfied they are with the IT department's work. You can set a goal of an average customer satisfaction rating of 4 out of 5 (where 5 is high) and measure performance towards that goal by surveying users.

3. Technology Operations Goals

Ongoing operations may appear routine and boring to users and support staff, but measuring their performance is critical to managing the trade-off between costs and user satisfaction. There are several sub-types of technology operations goals you can set:

Help Desk

Most IT professionals and users are familiar with help desk operations. However, many IT departments do not measure help desk performance on attributes like average response time, percent of issues resolved, customer satisfaction, and so on. You can set goals for each of these metrics and offer performance guarantees (e.g. support staff will respond to each inquiry in 30 minutes, 95% of issues will

be resolved 30 days after the initial logging of the request, and users will have an average satisfaction rating of 4.5 out of 5).

Uptime

Uptime is a more technical measurement of IT operations, but is still critical to many users. Certain users require a great deal of system uptime (e.g. order entry), while others don't require as much (e.g. building maintenance).

You can set uptime goals for the overall company and/or specific departments and applications (e.g. the order entry application will be available 95% of the time Monday to Friday 8:00 – 6:00). You can also set uptime goals for specific days and times (e.g. during month-end, all financial systems will be up 99% of the time, and support staff will be available 24-7).

Security

Security goals are critical to protecting the company's reputation and assets.

Security goals can include having all extra-company data communications encrypted with 128-bit encryption, and having virus definitions updated every day instead of every week.

Disaster Planning/Business Continuity Planning

Business continuity planning is a critical issue for senior management today. IT managers need to be able to offer business continuity solutions that will let the company operate normally or almost normally very quickly. IT managers can set goals for business continuity planning of having real-time data available in the off-site location, or being able to restart operations in 24 hours after a major disaster.

Service Level Agreements (SLAs)

Service level agreements are critically important to managing external service providers, but are becoming more important at managing internal services. You can set internal SLA goals for responding to all help desk inquiries within 30 minutes, and providing 95% uptime to all network users.

Asset Management

Because companies are purchasing more and more equipment, managing it all is becoming a strategic imperative for IT managers. You can set asset management goals for doing your first asset inventory by the end of December, or auditing all PC assets by the end of June.

Policies

Users can do serious damage to systems in a variety of ways (e.g. hogging bandwidth with streaming media, spreading viruses). To prevent this, IT managers must make all users sign policies that describe what behavior is acceptable, what behavior is not acceptable, and what the consequences are for unacceptable behavior.

IT managers can set goals for getting users to sign existing policies (e.g. Internet use, e-mail use) or for writing new policies (e.g. handheld devices, wireless networking). For example, you can set a goal of getting everyone in the company to sign the Internet use policy by March 31, getting all new employees to sign all computer policies, or writing and distributing a wireless networking policy by September 30.

4. Customer Service Goals

Customer service goals are very important because your users have more day-to-day awareness of them relative to other goals. Here are some customer service goals:

User Services/Levels of Service

Many new services are possible with new technologies (e.g. Active Directory). You can set goals to deploy new services to your users (e.g. Active Directory to every sales employee) or higher levels of existing service to your users (e.g. higher bandwidth VPN access).

Customer Satisfaction

Customer satisfaction is probably the most important measurement of how good a job you're doing. Measuring customer satisfaction can be done informally by asking users what they think of your service or formally through surveys.

You can set customer satisfaction goals of having certain performance ratings (e.g. 4.5 out of 5) or improving existing poor performance (e.g. improving the 2 out of 5 rating in the shipping department to 4 out of 5 by August).

5. IT Governance Goals

IT governance refers to the high-level strategies and practices of IT management. Here are some sub-goals you can make in the IT governance category:

Project Approval Method/Process

If you don't have a standard methodology or tools for approving projects, you can set a goal of making one. You can also set a goal of creating standard tools for aiding this process.

Business/IT Alignment

Aligning IT with business goals is a critical issue for both business and IT managers. Measuring alignment can be difficult, but surveys of business and IT managers can be used to determine how aligned you are today and to set targets for future alignment.

Environmental Scanning

One of the most critical activities an IT manager performs is scanning the environment for critical technologies and issues that may affect the company in the future. You can set goals for how much time you spend scanning, which technologies you want to spend extra time scanning, or what you want to do with what you learn from scanning the environment.

Business Partnership

As business requirements change, you may need to develop expertise in a specific technology that is not yet mature. This will require a business partnership with vendor(s) to ensure that the technology meets your requirements today and in the future. You can set goals for what features you need to develop from this business partnership, or when and how you want to end such a partnership.

Top Management Commitment

In many companies, senior management doesn't understand and is not committed to using IT for competitive advantage. You can set goals to improve senior management's understanding and/or increase their commitment to IT (e.g. get the VP of marketing to sponsor a CRM project by December 31).

Project Portfolio Management

As you start to run many IT projects at the same time, you need to manage them as a portfolio. Portfolio management means that you calculate business value for each project and determine which projects to undertake based on the amount of business value they will generate.

Measuring the Success of Your Goals

Once you have created goals, you need to measure your actual performance towards them. This requires establishing specific numeric metrics (which you should have identified in the goal-setting stage). Tracking actual performance lets you do several important tasks:

- Create and modify specific service level agreements (SLAs) as you learn more about what different customers want.
- Conduct performance reviews of IT staff based on the goals you set.
- Change job descriptions of IT staff to match IT department goals and influence behavior.
- Publicize what a great job you're doing with the specific data you gather.

Getting Buy-In for Your Goals

1. Before you assign goals to employees, you need to make sure they agree and are committed to them. Otherwise, they will feel excluded from the goal-setting process and work to sabotage the results. Here's how to get buy-in for your goals:
2. Involve employees in selecting measurements and quantifiable performance levels. This should be a negotiation instead of you imposing expectations on them.
3. Map the performance expectations to their job descriptions. This will give them a greater sense of responsibility and ownership in the outcome.
4. Get the employees to measure and track the results themselves. This increases their ownership and lets them take corrective action as quickly as possible.
5. Evaluate employees based on the goals you have agreed to. You should also ask how the performance level goals can be improved and set the goals higher each review.

Once you have established goals for your department, copy the goals into the "IT Department Goals" section of Info-Tech's IT Strategic Plan template.

Budgeting

Goal setting and measurement are only two steps of the cycle. The last step is budgeting future performance levels. After you have gathered some actual information, budgeting next year's information becomes much easier.

Use the actual performance information you gather to help set your departmental budgets (both capital and expense) for next year.

Using Your Budget as a Management Tool

Management Application	Management Benefit
Planning	Decision makers are forced to think through activities in detail.
Risk Management	Information on projected expenses helps to assess feasibility and risk, and secure resources in advance.
Commitment	Working collaboratively to prioritize expenditures helps gain buy in from all staff.
Control	The budget can be used as a living prioritization document that differentiates between essential and non-essential activities.
Performance Evaluation	Compensation and performance reviews can be tied to hitting budget targets.

Take a look at Info-Tech's budget template to help you identify potential line items on your IT department budget. Next, use this plan to help you turn your budget into a useful decision-making document.

1. **Look at Last Year.** Last year's final operating budget is your best "reality check" on actual costs. However, avoid making your budget a mere extrapolation of the past - new anticipated projects will have a big impact on your final numbers.
2. **Involve Others.** Getting your decision-making staff on board with the budgeting process and helping them understand that the budget will be used as a measurement tool will ensure their commitment. Lay your assumptions on the table to ensure everyone is on the same page.
3. **Talk to the Right People.** HR and finance will be able to provide you with some valuable information to help ensure accuracy. HR will be able to provide accurate headcounts, benefits figures, and predict salary increases, whereas finance can help predict the impact of seasonal variations on income.
4. **Identify Your Variables.** The cost of some factors is hard to predict. Know your variables and draft several advance budgets ("flexible budgets") that account for potential variances. See if you can gain permission to include a contingency budget - a specific percentage of your total budget - for covering cost variances in "iffy" areas.
5. **Look Into "Rolling Budgets."** Rolling budgets work by adding an additional quarter to the end of the budget as the current quarter ends. This forces you to think long term, revisit your plan four times a year, and continually revise your projections. This method keeps your budget current and accurate, which is better for forecasting.
6. **Prepare Quarterly Reports.** Every three months, compare how well your department is faring against budget predictions. Prepare a report and share it with your staff. Identify and investigate what are causing deviations from the budget and take action to either rectify or justify the differences.

Dealing with Budget Cuts

Before your CEO demands a 10% cut to your IT spending, build flexibility into your budget today. The downturn in the U.S. economy makes this the smartest pre-emptive move you've ever made.

Why IT Gets Cut

IT is often the first to get slashed when an organization is facing a financial squeeze because those in IT have traditionally done a mediocre job of linking IT performance with company business objectives.

META Group states that by 2004, **80% of Global 2000 enterprises will have failed in merging their IT and business strategy**. Only 20% will succeed in creating a unified business/IT strategy and establishing an architecture process that addresses the enterprise's key business goals. What should you do?

1. **Be Prepared.** Make it a practice to tie IT performance with business performance measures like return on investment, return on equity, return on assets, and profit per employee. Show through the numbers that IT is not just a cost center.

If a budget cut is necessary in your organization, use these key methods to "trim the fat." Also, integrate these methods into your IT department culture so that future cutbacks won't cause insomnia.

2. **Budget Comprehension.** Make it your practice to understand the economic returns for the company on each line item within the budget. This knowledge will allow you to foresee what would take place if a particular line item were trimmed down or cut completely. This allows you to prioritize projects and protect those of high priority.
3. **Utilize Methodology.** Make it a practice in your IT department to identify the target line item for budgetary reductions. Then ask your employees to consider ways in which to maintain the business benefit of the line item while cutting costs simultaneously. This push toward creative thinking will have big results.
4. **The Best Defense is a Good Offense.** Building flexibility into your IT budget is key. This way, you won't be sorry when your CEO asks you to cut your budget by "X-percent."

Include an overview of your budget in the "IT Budget Summary" section of Info-Tech's IT Strategic Plan template.

Identify Your Options

Much to the chagrin of senior management, the IT department in most companies tends to be reactive and impulsive. This is your opportunity to create a world-class IT department that is responsive to your company's overall objectives. This section focuses on identifying your technology options. Technology purchases should be evaluated on the same basis as every other decision in the company.

Begin identifying your options by taking a very high level approach. Using your gap analysis from Section 6, group together functions that you think can be fulfilled by a type of application. For example, you may be able to group together a number of functions that relate to customer contact. These are likely to be fulfilled by a contact management application. This is a high-level system. As applications evolve, many of the lines of distinction between types of application or hardware solutions and their associated functionality are being blurred. Nonetheless, as the IT manager, you will likely have a reasonably good sense of the types of high-level systems that you will need. **List all of the high-level systems that you will be evaluating.**

Once you have done this, begin to identify at least three options for each. Do some research and determine options and their respective vendors. You can probably begin by doing some research on the Internet, but to get to the level of detail you require to make a final decision, you will probably have to send out some Requests for Information (RFIs) or Requests for Proposal (RFPs). Click here to find out more information on how to prepare a great RFP.

Don't exclude any option at this stage for financial or other reasons.

Build or Buy? A Tip to Help You Make Decisions Faster

When evaluating various alternatives, having a predetermined strategy in place will help you to make decisions quickly and objectively. This includes making trade-offs between custom and off-the-shelf software, external consultants versus in-house staff, and so on. Use the 2 x 2 Matrix below to guide your decision-making for when to outsource and when to keep applications in-house:

	Unique Technology Needs	Common Technology Needs
Strategic Business Objective	Invest internally	Use packages
Non-Strategic Business Objective	Outsource	Outsource or use packages

Analyze the Options

Once you have listed a number of options for each high-level system, take your understanding a step deeper by analyzing each of the options on the following dimensions:

- Costs (hardware, software, outside services, training, support).
- Time required to implement.
- Time required to maintain.
- IT resources required.
- User resources required.

- Benefits to your company.
- Reasons you might not want to go with an option (deterrents).
- Compatibility with existing systems.

Using a table such as the one below **for each high-level system** you identified will allow you to visualize how the options compare to one another on more than just technical specifications.

	High Level System:					
	Costs	Time	Resources	Benefits	Deterrents	Compatibility
Option 1						
Option 2						
Option 3						
Option 4						
Option 5						

Once you have created this table, copy and paste it into the “Options Available” section of Info-Tech’s IT Strategic Plan template.

Create a Set of Business Cases

Use the information you just gathered to prepare a business case for making the suggested changes. Management thinks in terms of costs, benefits and return on investment (ROI) – make sure that your business case takes this into account.

For example, stating that:

- “We have to add extra RAM to 10 Pentium II desktops because they are slow at running the new version of the customer service application” is not as likely to get a positive response as saying that:
- “By adding extra RAM to 10 Pentium II desktops, at a cost of \$2,000, we estimate that the help desk can handle 20 more customer service requests per hour, which will save an estimated \$20,000 per year in labor and phone costs.”

Prepare a business case for each high-level system. In your business case, include the following information:

5. General Description of the High-Level System
6. Identified Options
7. Revenues and Benefits
8. Costs
9. Risks
10. Recommendation

Remember, these are going to be read by senior management. Keep them clear and concise. You don't need to include every detail your research uncovered. Add value through your insight and analysis.

If management has asked you to include all of your background research, you should still prepare an executive summary of your findings and include it at the beginning.

A good business case is no more than two to three pages in length.

Make a Recommendation

Preparing a complete set of business cases gives you an objective way of analyzing the various options available. Once you have prepared a business case for each option, the final step is to make some recommendations.

Make sure that your recommendations are clear and justifiable in language that a non-technical person can understand. Any questions or concerns will be directed towards your decisions, not your background research.

If you have followed the process in this book and been diligent in your option identification and analysis work, your final recommendations should be clear, logical, and fit with your company's overall business strategy.

Include financial information as part of your recommendations. This cannot be emphasized enough since it is the one thing that senior management looks to first, and the one thing that IT tends to overlook.

Remember, the objective here is not just to make recommendations – you have to sell your recommendations to senior management. This is where the work you did on documenting and understanding your company's business strategy will pay off by ensuring that your suggestions fit with the overall goals of the company.

You are now ready to complete the “Recommendations” section of Info-Tech's IT Strategic Plan template.

Prioritize Your Projects – Project Ranking Framework

Projects without plans are just ideas.

Your work is not done once you have identified some options and made recommendations about which ones to pursue. The next step involves planning your department's projects for the upcoming year.

Deciding which projects to complete, which to postpone and which to eliminate can be a very emotional and political process. Speed the process up considerably and avoid getting the IT department into a tug-of-war by using the Info-Tech Project Ranking Framework. The steps you took earlier in this document to establish a clear direction for your department will help you in this process. Info-Tech suggests using a three-tier approach to prioritizing your projects. Our Project Ranking Framework is designed to provide you with a robust prioritization process that ensures that your department's projects are aligned with the objectives of the business.

There are three distinct steps in the Info-Tech Project Ranking Framework:

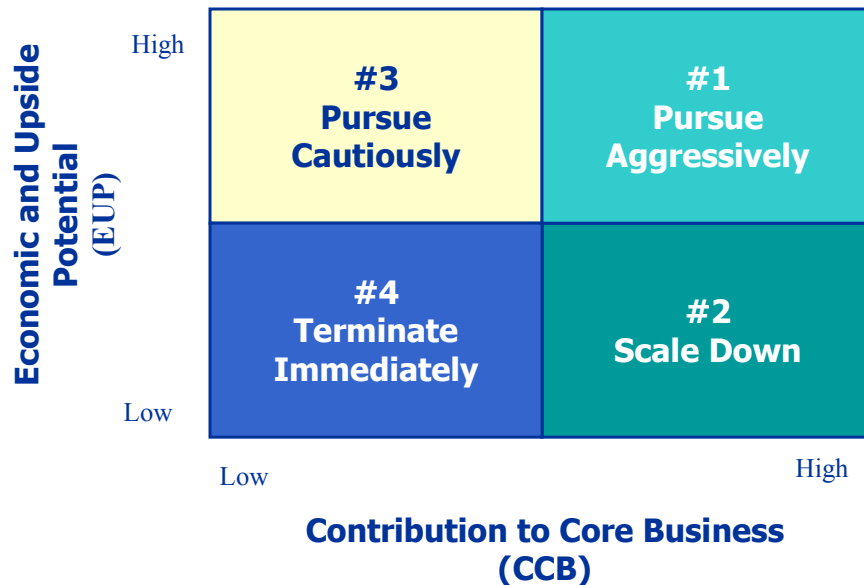
- 1. Info-Tech Project Matrix**
- 2. Info-Tech Priority Index**
- 3. Info-Tech ROI Calculator**

This framework will help you effectively and efficiently prioritize the list of projects that your department will be working on in the upcoming year. Begin the process by listing all of the projects that are currently in progress. Refer to the work you did in Section 4 documenting your current IT projects. Next, add all of the possible projects that your department can pursue in the upcoming year to the list. Do not exclude any project for any reason. The Project Ranking Framework will take care of sorting out less attractive projects. Once you have a list of all of the possible projects your department can undertake, begin prioritizing them using the Project Ranking Framework.

Info-Tech Project Matrix

The first step in sorting your initiatives is fairly straightforward. Use the matrix below to sort your projects into four separate groups. Projects should then be carried forward in their groupings and prioritized using the Info-Tech Priority Index.

This framework shows the four generic strategies for IT projects: Pursue Aggressively, Scale Down, Pursue Cautiously, and Terminate Immediately:



- **Quadrant #1:** Pursue aggressively those projects that have a high contribution to the core business and a high economic upside. For example, Wal-Mart's supply chain initiatives are core to the business and a source of significant economic value.
- **Quadrant #2:** Projects that should be scaled down include those that are core to the business, but have limited upside potential. An example of this type of project at Wal-Mart would be a Web-based sales reporting application, which would replace an existing reporting application.
- **Quadrant #3:** Specific attention should be paid to quadrant #3 as many IT projects fall into this category. This quadrant represents initiatives that have high potential but are not related to your core-business. This is the attempt to "Amazon," or redefine, your industry. While projects from this quadrant may be wildly successful, they are also inherently risky and prone to failure. Make sure that no more than 15% of your projects fall into this category.
- **Quadrant #4:** Terminate these projects. Regardless of emotional attachment or money invested, these projects will reflect poorly on you and your department.

Once you have sorted your projects into the four groups, take your prioritization a step further using the Info-Tech Priority Index.

Info-Tech Priority Index

Use the Info-Tech Priority Index to sort each group of projects. The Priority Index is a simple, but effective, analytical tool you can use to help you prioritize your projects.

Info-Tech has assigned a suggested point rating to each factor, but these can be adjusted to reflect your company's objectives.

Info-Tech Priority Index

Viability

Customer Value Proposition – CVP – (0 -15)
Economic And Upside Potential – EUP – (0-25)
Industry Attractiveness – IA – (0-15)

“Fit”

Fit With Company Goals/Capabilities – CGC – (0-15)
Ease Of Implementation – EI – (0-15)

Risk

Possibility of Missing Schedule – PMC – (0-5)
Risk of Cost Overrun – RCO – (0-5)
Technical Risk – TR – (0-5)

Total:

Total out of **100**

Customer Value Proposition (CVP) – 15 points

What is the value of the new project to your customers? Is this a new product or service that they have been requesting for a long time or is this just a small piece of added functionality? Rate each project on a scale of zero to fifteen, where fifteen is the highest possible value to a customer and zero is the lowest.

Economic and Upside Potential (EUP) – 25 points

Determine how lucrative the new project could be for your company. Consider sales and profits, as well as other factors such as cost savings, increased brand awareness, and cross-selling projects. Projects with outstanding upside receive a 25, while those with limited upside rate a zero. This is the key factor and is therefore out of 25 points.

Industry Attractiveness (IA) – 15 points

Is this an industry in which your company already has experience? Is this an industry that your company is trying to penetrate? Alternatively, if the project is targeting a very competitive industry with a number of large competitors, it may

not be very attractive from an industry standpoint. Rate the attractiveness of the industry on a scale from zero (least attractive) to fifteen (most attractive).

Fit With Company Goals/Capabilities (CGC) – 15 points

Rating the viability of a project is one part of determining its attractiveness. The other part is determining the fit of the project with your company's capabilities. Using your understanding of your organization's goals and capabilities, rate the project on a scale of zero to fifteen. A fifteen rating would be given to a project that fits squarely in line with your company's goals and that can be fulfilled using your existing capabilities.

Ease of Implementation (EI) – 15 points

Projects that require years to implement, thousands of hours of resources, and substantial investment pose a greater risk of failure than 'quick win' projects that can be developed in a short period of time. Rate each project based on how easy it will be to implement, where a fifteen rating is very easy to implement and a zero rating is very difficult.

Possibility of Missing Schedule (PMC) – 5 points

IT projects are notorious for being behind schedule. As a rule of thumb, the more complex a project, the more likely it is to get derailed. Rate each project according to how much risk there is of the project missing deadlines, with a zero meaning that it is highly likely to be behind schedule and a five meaning that it will almost certainly stick to the timelines established.

Risk of Cost Overrun (RCO) – 5 points

Despite your best planning efforts, there is always a risk that a project will go over budget. This is often tied directly to the other two risk categories, but should be rated separately. Assign zero points to the project if it is likely to have cost overruns, and assign five points if you think it will come in at or below budget.

Technical Risk (TR) – 5 points

Evaluate the risk to complete the project from a technical standpoint. Zero points means the project is very risky and might include hardware or software your company is not currently using and in which you have no in-house expertise. Five points should be given to projects with low technical risk and for technologies where your company has past experience.

Assigning each project a rating out of 100 on the Info-Tech Priority Index is the first step in creating a prioritized list of projects. Rate each individual category separately.

To Complete Info-Tech's Priority Index:

1. **List all of the possible projects** down the left-hand column of the Info-Tech Priority Index Template.
2. **Schedule a meeting** and include all of the key stakeholders, including senior management.
3. **Hand out copies** of the project list to each meeting participant.

4. **Ask them to assign rankings to each project** under the criteria in the Priority Index Template.
5. **Briefly explain each project** and wait until everybody finished assigning the project a numeric ranking. By completing rankings together as a group it allows individuals to clarify any information they need to assign a ranking.
6. Once you have assigned a ranking for each project, ask every attendee to submit their completed Priority Index template to you.
7. Depending on the number of projects on your list, you will want to **tally and average the scores after the meeting** by inputting them into the spreadsheet provided with this workbook.
8. Once you have tabulated the scores, **sort them in order of priority** with the highest scoring project listed first.
9. Distribute the prioritized list to all meeting attendees.

This list is not your final Prioritized List of Projects!

Once you have prioritized your list of projects according to the Info-Tech Priority Index, go on to the next section.

Info-Tech ROI Calculator

Completing the Info-Tech Priority Index has moved your highest priority projects to the top of the list. Before you finalize your list, take your analysis a step further by applying the Info-Tech ROI (Return on Investment) Calculator to your top ten projects.

Most companies use ROI (or its reciprocal, Payback) as a standard measure to compare one project to another. Given two similar opportunities, management will usually pursue the project with the higher ROI.

There are differing definitions of ROI. Some companies use Net Income as the

$$\text{ROI} = \text{Profit} \div \text{Investment}$$

numerator (income after interest charges and taxes) and others use Operating Income (which does not include interest or taxes). Either of these definitions will work as long as you apply it consistently.

Although the definition of ROI is fairly straightforward, capturing the quantitative data needed to calculate the ROI for a specific project is often very difficult. Info-Tech has attempted to simplify this process for you with the Info-Tech ROI Calculator. This calculator is designed to force you to think about all of the possible costs and benefits associated with each project.

Input all of the necessary data for each of your top ten projects. It will be very helpful to have the project sponsor complete this analysis because he or she is going to be more familiar with the expected costs and savings.

Not only will the Info-Tech ROI Calculator provide you with one last level of prioritization, but it will also force stakeholders to think through the project and identify potential risks.

Your project with the highest return on investment should be the highest priority. Consider eliminating projects that do not meet the “2:1” Rule of Thumb.

“2:1” Rule of Thumb

If the benefits of your proposed solution are not at least double the expected costs, then the project is not worth doing.

There is a lot of information that you will need about each project before you can begin plugging numbers into the Info-Tech ROI Calculator. These include:

- **Calculating the Total Cost of Ownership (TCO).** This is the total cost of the technology over the course of its lifecycle that identifies what you will spend.
- **Calculating the benefits.** This step lays out all benefits and associated money gained or saved by these benefits.
- **Mapping out your project plan.** This process will reveal all of the hidden or overlooked costs that will affect your TCO, benefits, and your final ROI calculation.

Info-Tech’s ROI Calculator is an Excel spreadsheet. To download this spreadsheet, [click here](#). Use the spreadsheet to determine the ROI for each of your top projects.

Once you have inputted all of the costs and benefits of each project, re-sort your top projects based on the expected ROI of each project.

Listed below is the comprehensive list of costs and benefits that Info-Tech has included in the Info-Tech ROI Calculator. Not every one of these costs or benefits will apply to every project, and the Info-Tech ROI Calculator also allows you to add additional categories where needed.

List of Items Included in the Info-Tech ROI Calculator

- Costs – Operating System
- Direct Cost – Purchased, Leased or Upgrade
- Support and Maintenance Costs – In-House or Outsourced
- Costs – Applications
- Direct Cost – Purchased, Leased or Upgrade
- Packaged
- Development Tools
- Backup Applications
- Support and Maintenance Costs – In-House or Outsourced
- Costs – Hardware
- Direct Cost – Purchased, Leased or Upgrade
- Servers
- Desktop Computers
- Backup Hardware
- Support and Maintenance Costs – In-House or Outsourced
- Costs – Other Capital Assets

- Direct Cost – Purchased or Leased
- Communications equipment such as phones and Internet lines
- Ancillary Items such as Furniture, Power Supply, Cable
- Building and land renovations or leasehold improvements
- Support and Maintenance Costs – In-House or Outsourced
- Costs – Consumables (Diskettes, CD-ROMs, Printer Cartridges, etc.)
- Direct Cost – Purchased or Leased
- Costs – Staffing
- Management
- IT Staff
- Non-IT Staff
- Planners and Analysts
- Development Staff
- Programming Staff
- Data Conversion
- Testing
- Recruitment
- Training and Tutoring
- Consultant
- Contractor
- Support and Maintenance
- Incentives
- Costs – Other Project-Related
- Additional Insurance
- Benefits Lost If Project Delayed
- Benefits – Increased Revenue
- Additional Sales
- Better availability
- New market
- Sales That Would Be Lost Without the Project
- Benefits – Staffing
- Staff no longer required
- IT
- Non-IT
- Staff time saved that can be used elsewhere in the company
- IT
- Non-IT
- Management no longer required
- Maintenance and Support Reduction
- Benefits – Other Costs Saved
- Reduced direct materials costs
- Reduction in interest charges due to reduced debt load
- Office Space Saved
- Other Office Expenses

- Benefits – Inventory Reduction
- Reduced interest costs
- Reduced obsolete inventory
- Reduced carrying costs including power and land/building usage
- Benefits – Improved A/R
- Reduction in bad debts
- Increased interest earned by faster payment from customers
- Annual Benefit
- Annual ROI
- Payback

Tips to Make ROI Work at Your Company

- ROI is a process. Establish a baseline upfront and come back to these calculations as you begin work on each project.
- Be prepared to tweak the Info-Tech ROI Calculator. Every business is different.

Prioritized List of Projects

Now that you have completed Info-Tech’s Project Ranking Framework, you have a prioritized list of projects that your department will pursue in the upcoming year. This should ensure that your department is “doing the right things,” as Peter Drucker might say.

Create and maintain a final prioritized list of projects. This will be one of the key documents you will be referring back to throughout the year. Include the overall score that each project received on the Info-Tech Priority Index so that others can see the prioritization methodology at a glance.

This prioritized list is one of the central components of the IT Strategic Plan that you will submit to management.

Copy your prioritized list of projects into the “Prioritized IT Projects” section provided in Info-Tech’s IT Strategic Plan template.

Priority 1: _____

Priority 2: _____

Priority 3: _____

Priority 4: _____

Priority 5: _____

S T R A T E G I C I T P L A N N I N G

Priority 6:

Priority 7:

Priority 8:

Priority 9:

Priority 10:
