

10 Essential KPIs for the IT Strategic Planning Process

Introduction

CIOs often face questions about the value of IT. “Show me a general ledger and I’ll show you IT spend. Show me operational data and I’ll show you IT usage.” But how do you demonstrate value? And how do you align IT investments to business strategy?

Many organizations treat budgeting as a necessary annual function. When IT budgeting is viewed as a process to enable the strategic plan—and not an annual goal—it delivers a competitive advantage.

IT leadership takes the business strategy (revenue growth through customer retention) and builds their IT strategic plan around tactics to support it (“lower CSM to customer ratio”). The tactic itself needs a measure of success (“increase NPS score by 25%”) but that has to roll up to a larger business strategy.

10 essential KPIs for the IT strategic plan

Make informed budgeting decisions based on shared context and a system that empowers technology experts to set their own spending plans.

- IT Spend vs. Plan (OpEx & CapEx variance)
- Application and service total cost
- % of IT spend on cloud
- Product lead time
- Business value delivered by portfolio per quarter
- % of IT investment on run, grow, and transform-the-business
- % of project spend on customer-centric initiatives
- IT spend by business unit
- Customer satisfaction scores for business-facing services
- % of IT investment by business initiative

10 essential KPIs to leverage in your IT strategic plan

IT strategic plans need KPIs that show financial fundamentals, delivery, innovation, and agility to support the business strategy. These aren't operational measures of "feeds and speeds"—they are proof points that IT is delivering business value.

These standardized metrics for measuring success in your strategic plan fall into four main groups:

1 Financial fundamentals for the stewardship of technology expenditures and investments

An operational plan is the tactical implementation of the IT strategic plan—one feeds off of the other. An on-budget operational plan feeds the right financial resources for your strategic plan. Variance from that plan shows that the operational and strategic plans are out of sync—and the strategic plan is at risk.

Fixing this is a two-step process: identify variance, and then identify the causes of variance. Operational plans change through demand or underlying cost. The right KPIs pinpoint the root. With its consumption-driven pricing model, cloud services can quickly blowup operational plans. Organizations need line of sight into cloud-fueled, overspend surprises.

Essential financial fundamentals for IT strategic planning:

- IT Spend vs. Plan (OpEx & CapEx variance)
- Application and service total cost
- % of IT spend on cloud

2 Delivery metrics for tracking speed and execution

Organizations adopt Agile to increase speed to market, meet customer demand, and improve productivity. But adopting Agile alone does not deliver these outcomes. The methodology must be twinned with metrics to measure success. Agile metrics monitor productivity across the software development lifecycle, but product portfolios are ultimately judged for the time between the request for delivering a product and actual delivery. An IT strategic plan must include ongoing reviews of product lead times.

Agile teams cannot meet business expectations with inaccurate estimates of delivered business value. Product managers require a trend-line of business value delivered by portfolio per quarter to improve estimation accuracy and flag resource constraints if business needs outstrip a team's productive hours. Measuring and monitoring business value output enables product managers to meet delivery commitments. An IT strategic plan is at risk when leadership cannot review business value delivered by portfolio per quarter.

Essential delivery metrics for IT strategic planning:

- Product lead time
- Business value delivered by portfolio per quarter

3 Portfolio metrics for prioritizing strategic innovation

CIOs need the IT strategic plan to deliver innovation—IT doesn't get kudos for keeping the lights on (KTLO) spend. Optimizing spend (while maintaining KTLO commitments) to invest in products and projects that deliver value to the customer is what matters.

A business strategy has to focus on the customer—that's the whole organization's reason for existing. CIOs cannot convey IT value to a customer with operational metrics, but they communicate the proportion of spend that is customer-centric.

Essential innovation and agility metrics for IT strategic planning:

- % of IT investment on run-, grow-, and transform-the-business
- % of project spend on funding customer-centric strategic work

4 Business value metrics for driving technology investments to impact business outcomes

Organizations deliver different levels of business value across departments. A sales-driven organization has a clear center of gravity for driving revenue. Organizations with a subscription model for revenue look to their customer success organizations as key to growth. CIOs must align IT spend to the BUs who move the needle on revenue. It doesn't prove that the IT strategic plan supports the business strategy, but it does demonstrate spend going to where it will have a material impact.

IT value is recognized in revenue (literally) but also in the leading indicator of customer satisfaction. If IT is not delivering value, customers will let you know—either through low adoption or cancellation. A business strategy is, ultimately, an articulation on how you plan to drive revenue growth with new or existing clients or retain current ones. Customer satisfaction scores for IT services indicate how well IT is supporting revenue growth.

Essential innovation and agility metrics for IT strategic planning:

- IT spend by business unit
- Customer satisfaction scores for business-facing services
- % of IT investment by business initiative

Benefits of using essential KPIs for IT strategic planning

1 Continuous alignment

Most strategic plans take a 3-5 year view of goals, objectives, and guiding principles. This is the right collection of information but the wrong timeline. The rate of business change is now too fast to be encapsulated in a static 3-year plan. Organizations need their IT strategic plans to be as responsive as the business—agile, flexible, and frequently assessed with the essential KPIs for strategic planning.

2 Business partnership

A weak business strategy (e.g., heavy on aspirational language but light on actionable detail), increases the risk of wasted investments in your IT strategic plan.

CIOs have an opportunity to bring stakeholders together to develop a more robust business strategy. This isn't self-serving: every line-of-business (LOB) leader needs business strategy clarity. Finding gaps in the business strategy, and asking pointed questions to surface action, takes IT strategic plans out of an organizational silo and socializes it with business stakeholders.

3 Operational accountability

A business strategy relying on cuts to run costs (“accelerate product differentiation with RTB to CTB shift”) puts an onus on IT to deliver improved efficiencies. An IT strategic plan must capture how this will be done and how they measure success.

IT organizations without the capability to deliver efficiencies add risk to the business strategy. The essential KPIs articulate what that risk is—and how it is trending once the strategic plan is in action.

4 Executive air cover

An IT strategic planning work group must name a sponsor or lead stakeholder. As a senior leader, this person lends executive heft to the group's work and outcomes. This leader uses the essential KPIs to build a bridge (at the executive level) between the strategic plan and the business strategy.

5 Buy-in with transparency

Transparency and clearly-communicated planning targets build stakeholder trust. Successfully implemented strategic plans announce the goals they are working towards before publishing the strategic plan—the essential KPIs are the scorecard.

6 Drive stakeholder accountability

An IT strategic plan should be socialized with a widely circulated read-out. Validate how the plan supports the business strategy and assesses the current plan against those same principles.

Working groups have broader input when the strategic IT goals are widely circulated. New ideas and perspectives come from unexpected sources: the strategic planning process must maximize the opportunity for left-field inputs. Contrary ideas may reinforce an existing perspective or offer up an opening argument for change.

Conclusion

Without KPIs, an IT strategic plan is a governance exercise that has a point-in-time value. The business has to continually align to market changes and the IT strategic plan needs to be just as agile. KPIs provide actionable insights for the business to adjust its plan and make better investment decisions.

IT strategic plans support a business strategy through financial and operational predictability, reined in run costs, and quantifiable business value. IT Finance delivers operational commitments by minimizing planning cycle disruption and by avoiding budgetary surprise while the Office of the CIO supports the business strategy by stopping runs costs eating into the innovation agenda.

Benefits of using essential KPIs for IT strategic planning

An efficient budgeting and forecasting process delivers the financial predictability your strategic plans rely on. A streamlined budgeting process that adapts to changing business priorities fuels innovation and delivers business value.

- Stop run costs that are eating into your innovation agenda
- Prevent analysis paralysis from changed business priorities
- Eliminate the disconnect between IT strategy and execution
- Shrink variance to avoid surprises
- Minimize budgeting cycle disruption

About Apptio

Apptio, an IBM company, is the leading technology spend and value management software provider. Apptio's AI-powered data insights empower leaders to make smarter financial and operational decisions across Information Technology (IT), multi-cloud FinOps, and digital product development. Apptio's mission is to deliver business value with every technology investment and team. Powered by Apptio's cloud platform, Apptio's SaaS applications translate technology spend into clear business outcomes and financial ROI. As a pioneer and category leader in Technology Business Management (TBM), FinOps, and Agile Portfolio Management, Apptio works with thousands of customers, partners, and community members worldwide.

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