IT Strategic Thinking in Large Organizations: Where's the Foresight?

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Many IT leaders focus on creating strategic plans without thoroughly engaging strategic thinking and therefore miss out on the benefits of strategic foresight for their organizations. Strategic foresight can provide to an organization "untapped market spaces where innovators create and capture new demand. Because the space is uncontested, innovators capture the initial period of highly profitable growth."[1] This article profiles three IT leaders and highlights that none of these leaders have an observable process for or input from activities that build strategic foresight. As a result, these leaders are not able to: (a) identify underlying changes or development that could impact business conditions, (b) recognize gaps or unrealized opportunities, and (c) track key environmental factors that could influence developments in IT or the marketplace in which their business operates. If leaders add processes for building strategic foresight, this could address these areas of lack and help to shift IT from an operational entity that simply manages technology, toward becoming a collaborative partner to executive leadership. This article provides an overview of strategic foresight and guidelines for its implementation in IT organizations.

Anticipating the future, setting shared goals, and visioning are all phrases which point to the need organizations have to create a vision, or a shared set of goals. Without these fundamentals, there's no path forward, no purpose, no need to drive—for there is no destination. One cannot plan, formulate, or even develop a vision without thought. Therefore, strategic *thinking* is a necessity for every organization.

Yet, many IT (information technology) leaders are focused on creating strategic plans without thoroughly engaging strategic thinking. It seems as if IT organizations perceive themselves as more commodity service providers, rather than "C" level leaders with a responsibility to contribute to the organization's long-term strategic thinking and strategy development. This self-image leads to what consulting firm president Phil Van Praag called *psuedoplanning*, wherein the strategic focus is internal and the language in the IT strategic plan is vague enough to avoid conflict with whatever decisions are made by executive leadership.

> Pseudoplans are the least susceptible to discovery for what they are: a politically self-serving excuse to proceed with whatever hot button the influential decision makers deem worthy of pursuing. By the time such a plan is completed, it's been

homogenized, sanitized, scrutinized, politicized, everything but simonized into an amalgamated bushel of drivel. And yet, just like mom and apple pie, who can quibble with statements such as, "IT will be strategically aligned to the business goals," and "IT will enable consistent solution delivery and increased accessibility to our business partners." All this can be extracted from any "Cliff's Notes" on IT strategic planning.[2]

With this premise in mind, I recently interviewed three large enterprise IT leaders. These leaders, who are profiled here with fictional names and organizations to ensure the confidentiality of the information they provided, all hold the role of Chief Information Officer (CIO) in for-profit organizations with revenues greater than $500 million annually.

Insights on Strategic Thinking among IT Executives

The first leader, Chauncey Smythe-Woods, is the CIO of a large, London-based multinational energy company. This organization has been in business for over 50 years and has offices in the U.S., Denmark, and Japan. Mr. Smythe-Woods has been the global CIO since 1986.

Daniel Jackson, the second CIO interviewed, is CIO of a large manufacturing company which recently acquired three competitors within the last 18 months. The resulting merger and acquisitions activities have all but eclipsed any other IT work beyond "keeping the lights" on. Mr. Jackson was named global CIO of the company in 2004.

The final CIO interviewed, Shandra Mathula, has been responsible for IT in a large healthcare services company since 2002. Ms. Mathula's firm has been in business for more than 150 years and has locations in virtually every nation in the world. With more than 338,000 employees, the IT organization's breadth of operations and solutions requires a staff of over 1,000 professionals to manage and execute the work of IT.

Their positions and organizations have many similarities. Interestingly, each of these leaders has a different definition of strategic thinking and a different focus in their approach to thinking about, developing, and communicating strategy.

Chauncey Smythe-Woods describes strategic thinking as "the process of staying continuously engaged with stakeholders to stay current on strategic topics; keeping an on-going open dialog, scanning external trends, exploring technology developments and thereby staying in alignment with the business strategy." From his viewpoint, strategic thinking started with the course charted for the business and the role of IT is to continually pursue that course. While scanning new trends and seeking new methods to enable business success is a part of the role of CIO, Mr. Smythe-Woods notes this is secondary input to that obtained from key stakeholders in the business.

To ensure connectedness with the business and key stakeholders, Mr. Smythe-Woods' organization includes individuals in the role of "business representatives," whose jobs are to know their assigned business segment and build collaborative relationships through which

business and IT can develop and execute IT strategy. The time horizon on the developed strategy is 5 years, with a focus on a refined and tuned "IT roadmap" for the first initial 3 years.

Communication of the IT strategy in Mr. Smythe-Woods' organization is provided through the business representatives. Each business representative provides the strategic plans to their key business stakeholders and then provides updates, reviews, and collects refinements and new ideas for the strategy on a monthly basis. Within the IT organization, strategy is communicated through the distribution of the strategic roadmaps to the organization and semiannual strategy review sessions that contribute to the fine tuning of near-term (0-18 months) strategic plans. For Mr. Smythe-Woods, "strategy is NOT a plan—it is a high-level roadmap for the future; a pragmatic vision of where the IT organization has to go in order to support the business."

For Mr. Jackson, "strategy means flying at 50,000 feet; getting the whole picture, an overview, so that all elements in a process or organization can be seen and how they move together." This viewpoint is reflected in his organization's approach to the data points to be collected to help inform strategic thinking: input from the CEO and Board of Directors, plans from the executives of each division, and review of the current strategies for improvement or refinement.

Mr. Jackson' IT organization uses a 36-month time horizon, but Mr. Jackson views IT as a particularly volatile sector and therefore focuses most of the attention on the upcoming 24 months. Once each year, the leaders within the IT community collect the strategic direction of the organization through executive interview. This input is reviewed and a strategy formulated during a 2-day, off-site gathering of all IT leaders.

Once the strategy is formulated, Mr. Jackson indicates it is the responsibility of the IT leaders to ensure that their key stakeholders in the business and their team members in the IT organization are informed about the strategy. The lack of a focused communication approach is a reflection of Mr. Jackson' belief that strategy is something that should not be widely shared throughout an organization:

> There's always a tension between keeping competitive strategy secret yet making the key elements known throughout the organization so that strategy can be fulfilled. Being aware of the activities within the organization and the high-level goals, one can anticipate what strategies are being fulfilled even if the plans are not made public throughout the organization.

This approach is the exact opposite of the communication process and tools in place within Shandra Mathula's IT organization. Ms. Mathula is a strong believer in making connections, listening to people, and then having multiple methods for ensuring strategy and information are constantly flowing through the organization. "It's part of the leaders job to stay connected, continually ask questions, and think about the strategy—always listening and testing the waters," says Ms. Mathula. "Key to our communication and continuous improvement of our strategy are the many methods we have for capturing input, listening, and communicating." During our time together, Ms. Mathula listed a number of approaches in place within her organization to assure communication, including:

- Talk to the customer every day.
- Create roadmaps that define the future and do "world tours" presenting, discussing, and refining the roadmaps.
- Lead quarterly business reviews for the Executive Leadership Team (ELT) and their direct reports in which updates on the business strategy are used to improve and refine the IT roadmaps.
- Provide a website in which the goals, roadmap, and recent accomplishments of the IT organization are published.
- Hold monthly global staff meetings to ensure everyone knows and is executing on the strategy.

All of this communication has, according to Ms. Mathula, resulted in an IT and business community that really holds the strategic roadmaps in their minds. Members of the organization are readily able to outline the roadmaps and understand the importance of achieving the goals defined therein to the on-going success of the organization. However, there is no real focus on external inputs to the strategic thinking. Ms. Mathula states that inputs to the strategic thinking all come from either ELT members or leaders of the divisions within the organization; there's little concern for IT trends or macro-business issues and their impact on the strategy of the IT organization.

For Ms. Mathula, strategic thinking is performed in the IT organization only within the bounds of the already established business goals. As a result, Ms. Mathula's time horizon is very short, with strategic plans extending only until the end of the next calendar year. "We're really only beginning to ask questions like 'What does the organization look like in two years?" Ms. Mathula stated. While communication is strong, there is no strategic foresight operating, a fact that Ms. Mathula finds appropriate, "My approach to strategic thinking is to ensure we understand where the company is going longer term and that what we're doing today supports where the company wants to go."

Comparing Approaches to IT Strategic Thinking

For Mr. Smythe-Woods, the critical aspects of foresight and communication are assured through the scanning of internal and on-going connection to the business provided by the business representative role. When coupled with the close connection to the business and the on-going communication and review of the roadmaps, Mr. Smythe-Woods ensures that IT strategic plans are aligned to those of the businesses they serve.

For Mr. Jackson, strategy is an overview, and the most important aspects are how the near-term components will move together to achieve the strategy. Strategic foresight, while not totally eliminated, is reduced to considering the inputs provided and developing an approach that ensures those inputs are included in the plans of IT. Strategic communication is not systematically planned beyond the annual gathering of IT leadership. In addition, there are no processes or tools in place to push communication of the strategy or even centralize a location wherein the strategic plans can be accessed. This state is reflective of Mr. Jackson's view that strategy is about the business and IT's job is to enable what strategies the business defines.

For Ms. Mathula, strategic thinking is all about listening and communicating. The more connections are made, the more interactions that occur, the better refined and focused the strategy for IT will be. Roadmaps that outline the IT strategy are always improving through these connections and interactions and this assures successful business outcomes.

Yet, organizations that pursue innovation through strategic foresight have the strongest opportunities for tapping into unrealized profit. Strategic foresight can provide to an organization "untapped market spaces where innovators create and capture new demand. Because the space is uncontested, innovators capture the initial period of highly profitable growth."[3]

It is interesting to me that these leaders, all of whom have the same role, yet diverse approaches and focus areas, all have in common the same trait that Phil Van Praag railed against—they are thinking about IT strategy only with terms of the business, developing "psuedoplans," and not performing true strategic thinking.

So what's missing? What's wrong with IT strategies that are inwardly focused? Strategic foresight is what's missing. The "wrong" of being inwardly focused is the realistic possibility that strategic thinking at the executive level completely short-changes the significant investments made in IT at the expense of sustainable competitive advantage—a key element of a successful strategy.

> The sad fact is that business leaders who practice any of these scenarios [that omit strategic thinking] are seriously shortchanging their companies. They don't know what they don't know. They aren't aware what's possible to accomplish with optimal IT resources. They don't fathom what the optimal cost for IT should be, even though that cost might be substantially less than what they're paying today. They don't receive enough correct, objective data with which to make a "leap of faith" from strategy to a defined or detailed solution component definition.[4]

Strategic Thinking

Author T. Irene Sanders noted in her book, *Strategic Thinking and the New Science,* that strategic thinking must precede developing and planning strategy.[5] Her reasoning is simple: exploration of the environment and looking for patterns and connections results in foresight that helps define the future "unknowns" for an organization.

Blending this exploration of the organization's environment with more traditional data-gathering and analysis techniques, such as the Strengths–Weaknesses–Opportunities–Threats (SWOT) analysis, can result in a creative, out-of-the-box kind of thinking that brings about innovative strategies. In the book, *Becoming a Strategic Leader,* authors Hughes and Beatty offered this description of strategic thinking:

> Strategic thinking refers to cognitive processes required for the collection, interpretation, generation, and evaluation of information and ideas that shape an organization's sustainable competitive advantage. For organizations to develop sustainable competitive advantage, it's not enough to have great individual

strategic thinkers. It also takes individuals who influence one another's thinking, deepening and enhancing their collective understanding and insight.[6]

All businesses today must deal with the increasing pace and complexity of business within the context of rapid change and great uncertainty. Add in the lack of time and resources, and many organizations are so caught up in dealing with pressing, operational issues that the effort to focus on and develop strategy is often neglected. In fact, while many organizations continue the practice of strategy "day away" types of events, the most frequent result of such events is that "what had so energetically been agreed in the workshops was perhaps not so desirable when they [participants] got 'back home.'"[7]

So, what elements of strategic thinking might be strong focus areas for leaders that desire to improve their strategic thinking, strategy development, and execution? For me, strategic foresight is what is missing for IT leaders.

The Value of Strategic Foresight

Strategic foresight includes emphasis on framing key issues, scanning the environment, and envisioning possible desirable outcomes, according to futurist Andy Hines:

> Framing the key issues affecting your organization, scanning the environment to see how trends may play out, and envisioning possible—and desirable—outcomes is all part of the strategic foresight process. Incorporating this framework into your organizational culture can help you move forward with clarity, creativity and confidence.[8]

Strategic foresight is an essential component of building strategies that deliver lasting competitive advantage to organizations. The foresight component of strategies seeks to frame a future for the organization outside of the known present. This is part of the issue with the approaches the three IT leaders have: they are more a statement of strategy for the known present, based on what's already happened, rather than on a vision of an unknown but desired future. This is the paradox of foresight: "the closer the vision gets to a provable 'truth,' the more you are simply describing the present in the future tense."[9]

When organizations practice strategic foresight, they develop the ability to flex into connected markets or even new ones, leaving room for movement toward the future. An example of the convergence of trends that opened up a new business opportunity is found in Thomas Friedman's book, *The World is Flat:*

> What happened over the last few years is that there was a massive investment in technology, especially in the bubble era, when hundreds of millions of dollars were invested in putting broadband connectivity around the world, undersea cables, all those things. At the same time, computers became cheaper and dispersed all over the world, and there was an explosion of software—e-mail, search engines like Google, and proprietary software that can chop up any piece of work and send one part to Boston, one part to Bangalore, and one part to

> Beijing, making it easy for anyone to do remote development. When all of these things suddenly came together around 2000, they created a platform where intellectual work, intellectual capital, could be delivered from anywhere. It could be disaggregated, delivered, distributed, produced, and put back together again—and this gave a whole new degree of freedom to do work, especially work of an intellectual nature.[10]

Clearly, some organizations have been able to leverage the trends and envision desirable futures based on the convergence of key issues. If the IT leaders I interviewed were to initiate a process through which strategic foresight could be developed, what actions should they take? According to Sanders, they should begin with these three steps: (a) indentifying underlying changes or developments, (b) identifying gaps or unrealized opportunities, and (c) identifying the new leverage points and key environmental facts.[11]

Identify Underlying Changes or Developments

IT leaders should identify underlying changes or developments that have not yet fully surfaced which could impact the conditions in which their organization operates. Missing these changes in the marketplace or connected environments means an organization loses the ability to influence, and in some cases even respond, to those changes. An example of this is Apple's introduction of the "personal" PC at a time when IBM's sole focus was on the "mainframe" or business computing model. IBM's inability to grasp the significance of the emerging development and realize the market opportunity therein contributed to a $23-billion loss over a 2-year period in 1992-1993.

Identify Gaps or Unrealized Opportunities

IT leaders should identify gaps or unrealized opportunities in the products and services in the current marketplace. For example, by failing to understand the impacts of the global rise in demand for oil and its related pressure on auto-makers to create vehicles with much higher fuel efficiencies, the "big 3" U.S. auto-makers have found themselves on the losing end of the stunningly sharp rise in fuel prices experienced in the U.S. in 2007-2008.

Identify the New Leverage Points and Key Environmental Factors

IT leaders should identify the new leverage points and key environmental factors that are part of underlying changes/developments and can, when identified early, be used to influence the developments and ultimately the marketplace. Motorola's early innovations in meeting two-communications before the attack on Pearl Harbor positioned the organization to provide key strategic advantage to the U.S. military and greatly enhanced the productivity and market of the organization.

Part of foresight is to know and monitor nonlinear dynamical systems, which are systems in which the same things never happen the same way twice; the variables of the system cannot be put back together again once taken apart. Small changes in a single variable will cascade changes to other variables within the system because the variables interact and change in response to each other.[12] When the world of business is viewed with this definition in mind, it can be

demonstrated that a small event in one segment can cause tremendous havoc in another. As can be seen from the examples provided previously, engaging foresight to identify and track the connections and dynamics within the environment is a valuable part of developing strategic thinking.

Summing Up

If you "fail to build your own future, someone is going to build one for you, whether you want it or not. Fail to bind all the disparately emerging futures within your organization to a shared set of goals, and its future will be forfeit, too."[13] While each of the IT leaders interviewed believes strategic thinking is a part of their development of strategy, none of these leaders has an observable process or input from activities that build strategic foresight. Each IT organization is working hard to develop an IT strategy, but is starting with a view that what matters are the internal inputs that can be gathered from various executive and leaders within the businesses they serve.

Yet, without strategic foresight, IT strategic thinking and strategy development fill a supporting, rather than a collaborative, role in the strategic planning process. According to the interviewed CIOs, IT strategy is not providing a view of the future that might contribute to sustainable competitive advantage. Instead, IT is assuring today's business gets done, and that's good. It's a valuable part of what an IT organization must accomplish.

But if tomorrow's business takes a radical shift, employs a new paradigm, seeks to capitalize on new technologies, or exploit growing global connectedness, it will only happen as a result of the execution of strategies developed by business leaders without the valuable expert input of IT leaders. Adding processes for building strategic foresight can help to shift IT from an operational entity that simply manages technology to a collaborative partner to executive leadership and combine strategy and technology to deliver measurable business results and long-term value.

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Endnotes

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