WHITEPAPER

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Capacity Calibration: On the Importance of Progressive Resource Planning

Corporate IT provides services in an environment characterized by high volatility and uncertainty. This is especially true in the context of a digital transformation, where IT must balance efficiency and agile innovation, and manage resources flexibly to react to market disruptions or internal re-prioritization. To avoid inefficiencies caused by high coordination costs, it is important to know what level of accuracy is appropriate at what time.

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Effective Resource Management Using the Bee4IT Methodology

Effective resource management is closely linked to planning efficiency. A frequent assumption is that early planning at a high level of detail can avoid coordination costs later on - after all, if everything has been planned out, an efficient and smooth process can be guaranteed, can it not? This assumption would be true if the environment and related requirements did not change. However, in a constantly evolving system, often no stone is left unturned. Detailed planning should be avoided in very early stages, or more effort will be exerted in the end: on top of the effort of initial planning, the need for adapted planning will be needed to overcome resistance to change.

Therefore, we define three levels of abstraction in resource management, which increase in detail over time. We distinguish between strategic, annual and intra-year planning.

The Strategic Planning Horizon in Resource Management
The strategic planning horizon considers a period of three to five years. In this context, possible resource-related risks are identified to raise awareness of these risks. The aim is to examine whether it is fundamentally possible to implement long-term planned initiatives and develop capabilities. Will the growing demand for innovation-oriented topics give rise to a need for skills that we do not sufficiently have? To what extent do we want to build up internal resources or rely on external capacities? Is it possible to cover our planned projects with the existing capacity, or are there even surplus capacities?

Long-term planning is also a good opportunity to link and reconcile the use of resources with the expected business outcomes. For most IT delivery items, this can be done at a high level for both operational services and future build and change issues.

Combined with consistent segmentation, this not only enables benchmarking of resource usage but also helps us to identify how certain savings impact an expected business outcome in the event of short-term cost pressure. Instead of lapsing into actionism, we can proceed strategically.

However, detailed planning is not done within the framework of long-term planning. It is too likely that detailed planning will be subject to changes in the future. Not only does this create unnecessary efforts, it also forces the organization to make statements that are equivalent to reading a crystal ball. The implied false security forces the organization to have to explain itself later on, when changes are made.

Specification in the Annual Planning
We become more specific in our annual planning and steering. Here, we can evaluate current and potentially new topics and include them in our portfolio. This is facilitated by the strategic alignment and plan for the expected business outcome.

In a first step, a match is made on an annual level between demand and supply for our preferred portfolio. If we already find a discrepancy here, this must be considered before we go into further details. Are there any issues in the portfolio that we will not address due to limited resources and a poor match with our expected long-term business outcome? Should all topics be implemented or do priorities change? Should we shift our capacities, build them up internally, or expand them with external support?
Once these decisions have been made, it is worth looking at key resources and possible resource conflicts. It must be clear that, the risk of a conflict can only be recognized, it cannot be solved at this point. The key is to be aware of and prepared for the risk. This degree of „restraint" initially seems counter-intuitive,

but on closer inspection it turns out to be necessary; even if a clear conflict of resources emerges in the annual planning, we know from practice that this resource conflict will rarely occur at this point during implementation – experience shows that a considerable amount will change between annual planning and implementation.

Attempts might be undertaken to resolve resource conflicts involving key resources at an early stage. However, this might create space for new conflicts to emerge. In this case, significant energy and effort have been invested in false security, and the organization is no longer adequately prepared for the initially identified risk, since the conflict has supposedly already been resolved.

To guarantee effectiveness in planning and steering, it is not necessary to specify everything in detail in the annual planning. The focus is on identifying the risks on the way to achieving our goals, in order to later mitigate or prevent the effects of risks from occurring due to our preparations.

Intra-Year Sequencing and Steering

Short-term management, such as sequencing of topics and delivery items, is carried out in the intra year. During the processing of ongoing topics, the organization reacts to short-term changes in priorities and, through preparation in the annual planning, resolves resource conflicts unerringly where they occur.

In addition, the degree to which a goal has been achieved can be regularly updated based on the progress made and on increasingly specific cost estimates. Employees' time reporting helps to identify whether resources have been used as expected and whether the anticipated benefit has been delivered. Experience has proven that the upcoming two months are

the ideal planning horizon for specific staff deployment and scoping of delivery items in order to assess the degree of target achievement and time reporting. This is then updated regularly for the next two months, on the basis of the current situation. Anything beyond that is subject to too much uncertainty,

increases the effort involved in rescheduling, and forces a false sense of security in the delivery, which results in regular justification.

Transparency: The Foundation for Effective Resource Management

To calibrate the right level of accuracy for a specific planning horizon, comprehensive transparency is required. The creation of comprehensive transparency is particularly important in intra-year execution.

Transparency in execution enables the conclusions to be drawn about the progress of a project. These insights are relevant for the higher planning levels - will projects be implemented according to plan and use resources appropriately? How do deviations influence our steering? Answering these questions reveals both opportunities and risks, which can then be addressed and taken into account at an early stage. When creating this transparency across all levels, care must be taken to counteract the proliferation of information by only disclosing management-relevant data.

Transparency in execution also enables efficient coordination. Digitalization projects are complex endeavors. If employees in a digitalization initiative cannot see who is working on which topic and to what extent, then coordination and agreement usually take place via a central bottleneck – in other words: communication amongst colleagues is reduced, coordination needs will not be met, and achieving a common focus is impaired. In this case, transparency must be demanded from a central authority. This process is subject to quality fluctuations, and it will not achieve the same level of coordination as ad hoc communication in well-functioning teams.

Transparency and the Works Council

The works council protects the interests of the employees. If resource management is advertised with comprehensive transparency, concerns often arise regarding the possibility of performance monitoring. These concerns can be cleared. Transparency enables the management of bottlenecks and

free capacities to avoid or effectively reduce load peaks. If bottlenecks and free capacities are known, redistribution is possible. Transparency thus not only creates the basis for effective resource management and efficient execution of projects, but also protects employees' interests through improved balancing.

About the authors:

Jan Seckler

Jan is a master of balance. He effectively communicates the benefits and drawbacks of traditional and agile ways of working to support and implement the right decision in each context. As a management consultant, he can draw on his rich software engineering background to locate challenges in both, the organizational and technological system. This balance of an engineering and management perspective enables him to drive targeted change towards the best outcomes for his customers.

Corvin Meyer-Blankart

Driven by his genuine interest in technological advancements, Corvin is motivated to establish new ways of working to leverage digital innovation. His experience spans from vision and strategy to support, from local SMEs to globally active corporations, and from B2B to B2C industries. This contextual in-depth knowledge enables him to identify and communicate organizational, technological and processual requirements to drive a departure from the traditional towards an agile and customer centric approach.

# INTERESTED IN SEEING *RESOURCE MANAGEMENT* IN PRACTICE?

Watch our Spotlight: „Resource Management – Provide the Right Capacities" with Markus Gierz

Transparency about capacity allocation within corporate IT enables targeted sourcing. In this webinar, we will show how to manage changing capacity requirements – whether by purchasing external employees during peak periods or by long-term skill development. Furthermore, we show financial implications within our integrated system to provide a consistent view and enable common dialogues from different perspectives.

MARKUS GIERZ
IT Management Consultant

Agenda
1. Key Figures in Resource and Capacitiy Management
2. Employee Allocation to Org Unit and Cost Center
3. Planning Additional Capacities

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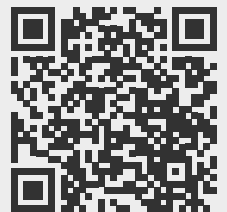
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