

White Paper

IT Strategic Planning for SMEs

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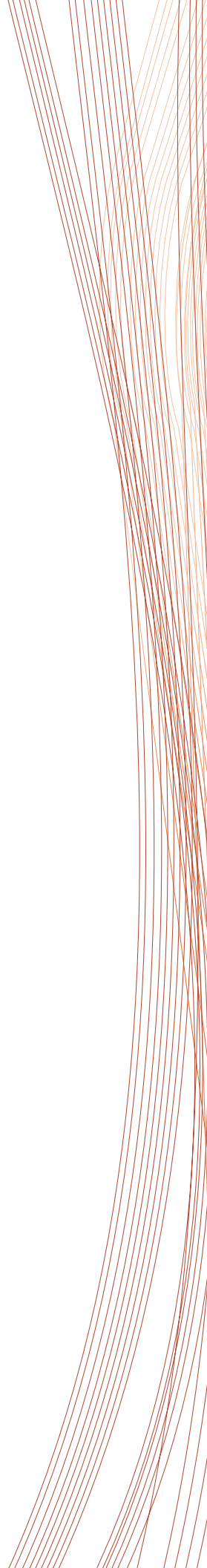
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Introduction

In today's interconnected world, most organizations rely on information technology (IT) to at least some degree in order to conduct their business. Their dependence ranges from simple accounting and office systems to advertising their offerings on the web, ordering supplies and services online, managing schedules, payrolls and inventories, monitoring automated processes, communicating with peers and customers, delivering online services, and conducting virtual Internet-based operations. Whatever their needs, business owners and managers must invest considerable time and money to maintain the IT environment required to support their businesses.

Given the strategic importance of IT, large companies have long realized that planning the evolution of their IT assets is a critical part of their strategic business-planning process. Increasingly, IT is being perceived not only as a way of achieving strategic differentiation, but also as a line of business itself. As a result, large organizations continually monitor changes in the business and IT environment, maintain highly skilled IT and business planning staff, and regularly fine tune their planning processes and methodologies.

However, many small and medium enterprises (SMEs) have yet to understand the importance and benefits to their business of IT Strategic Planning. Accordingly, SME management often makes *ad hoc* investments in IT in response to changing market trends or the advice of technical suppliers. As a result, limited financial resources may not be spent on the top priorities. Urgent IT needs may also be required at a time when the company is cash-strapped or had planned on spending its limited funds on other business initiatives.

The absence of formal IT strategic plans among SMEs is hardly surprising, given the fact that what plans there are often exist solely as an outline in the mind of the entrepreneur founder and change rapidly in accordance with evolving market conditions. However, in view of the cost, implementation time, and the significance of IT to most businesses, SME management should develop an IT strategic plan even if the company's strategic business plan is not yet fully documented. The dynamic discussions required between IT and business management may, in fact, prompt the company to develop its strategic business plan in tandem with its IT strategic plan to produce a win-win situation for all stakeholders.

As we will demonstrate, the benefits of developing an IT strategic plan are numerous. In the words of Sir Winston Churchill: "Let our advance worrying become advance thinking and planning."

Three case studies of organizations that implemented IT strategic plans are included in this paper. These real-world scenarios offer insights into the benefits of developing IT strategic plans using a time-proven approach, as well as the potential pitfalls of ignoring key success factors.

This paper is primarily intended to create awareness of the need for an IT strategic plan, as well as of its nature and benefits, for small and medium-sized business owners and management. It may also, however, be of interest to business management in larger organizations.

Alignment of the IT Strategic Plan with the Strategic Business Plan

Many factors, including new management, the need to comply with external regulation, audit recommendations, industry changes, the inability to meet line-of-business (LOB) management's expectations, or unforeseen changes in the company's business environment may trigger management's decision to invest in the development of an IT strategic plan. As shown in the following case studies, motives vary significantly from one company to another. Whatever prompts their decision, however, once IT strategic planning is initiated, organizations may wonder how they ever managed effectively without it.

Case Studies

The three companies surveyed while researching this paper realized for very different reasons they needed to have an IT strategic plan. Their names have not been disclosed in order to maintain confidentiality. Appendix A provides a summary of how each of the companies was impacted by the implementation of an IT strategic plan.

- *Case Study A:* Frequent changes in management had undermined IT's credibility within this 1200-person organization to the extent that the former Director of IT was excluded from both the company's strategic planning process and its senior management team. Faced with pressing IT needs, LOB managers regularly took matters into their own hands by outsourcing critical operations to application services providers without previously consulting IT. Seemingly unaware of the risks and the impacts of their individual decisions and in spite of audit reports to the contrary, they created a costly, decentralized IT environment with major gaps. Many applications processed similar data and functions, and individual systems were unable to interface with each other. Faced with increasingly demanding regulatory requirements and major changes in industry practices, the company eventually realized that drastic revisions were required in order to remain competitive. The company hired a CIO with excellent industry and marketing credentials whose first priorities were to reinforce his management team and develop an IT strategic plan. The previous plan was eight years old and had never been updated. The planning process fostered much greater understanding within the company of the cost structure of IT and of the urgent need for an integrated IT platform for its most critical lines of business.
- *Case Study B:* Problems stemming from substandard performance and numerous workarounds necessitated by an application system that was outdated but critical to the company's operations prompted the CEO of this 300-person organization to replace it with a new software package and infrastructure platform extolled by its supplier. Major difficulties arose during the project; most could have been avoided had the company previously invested in the development of the IT strategic plan recommended by its internal and external auditors and required by its regulators. Faced with the need to comply with investment confidence rules and industry-specific regulations as well as with a new audit, management decided to hire outside help to produce its first-ever IT strategic plan. The plan's findings are bringing about major changes to the company's IT governance structure, project portfolio, methodologies, staffing, and competencies.
- *Case Study C:* As an accounting partner with extensive experience in IT auditing, the new Board member of a provincial branch of a charitable organization soon realized that no planning supported its IT investment decisions. Changes were made on an ad hoc basis through projects driven by IT rather than by the charity's main business needs. He requested that an IT strategic plan be developed

then made sure it was designed to dovetail with the organization's overall strategic vision and operating plan. By actively involving staff and other Board members in the planning process, he managed expectations and led the Board to take ownership in the resulting plan which addressed the charity's current and future needs, as well as the financial and other resources required to deliver them. His approach was highly appreciated.

Advantages and Benefits of Building a Plan

In addition to enabling and enriching the organization's strategic business plan, the development of an IT strategic plan brings about numerous advantages by:

- achieving alignment among business objectives, IT objectives, and risk management to ensure that IT's budget is appropriately focused;
- ensuring that IT has the organization, services, application portfolios, technologies, competencies, processes, and methodologies required to maximize its contribution to the organization's strategic business plan;
- providing the IT Director or Manager (CIO) with an opportunity to make the owner(s) and LOB management aware of the various aspects, components, and full costs of IT-based services — and of their accountability for funding them. This information is essential to fostering effective, fully enlightened business decisions based on the alignment of business and IT;
- presenting the IT Director with a platform for discussing the IT service levels required by the owner(s), as well as the cost structures associated with the delivery of Gold, Silver or Bronze levels of service;
- making top management aware of current IT weaknesses, which must be addressed in order for the organization to continue meeting regulatory, industry, and customer needs effectively, as well as the security, continuity and ever-greening of its IT infrastructure;
- providing an opportunity for the organization to streamline its operations through productivity gains brought about by IT;
- producing a roadmap for incorporating future needs, challenges, and opportunities.

Potential benefits include the identification of governance issues that must be dealt with, as well as the reinforcement of current practices to ensure their efficiency and alignment with world-class models such as ITIL (IT Infrastructure Library), CMMI (Capability Maturity Model® Integration) and CERT's Resiliency Management Model. Strategic planning also helps provide a major input to the development of IT's information architecture and technological direction.

Responding to Your Clients' Expectations

Companies must ensure their technological architecture evolves with client and user expectations. Failure to do so can affect an organization's reputation and attract unwanted publicity, both domestically and abroad. For example, the publicity surrounding the technical issues affecting data feeds that caused the Toronto Stock Exchange's (TSX) central trading system to shut down for most of December 17, 2008, not only tarred the TSX's reputation, but also resulted in a certain loss of business, as some customers chose to deal with alternative trading systems.

The Planning Cycle

An IT strategic plan is critical to short-, medium-, and long-term planning. According to experts, a three-year forecast is required for effective IT planning, as compared to planning for the shorter and more reactive 12-to-18-month business cycle. To deliver satisfaction, IT must therefore anticipate user needs and not wait to be approached with urgent requests. Hence, planning enables IT to provide guidance and leadership, rather than act as an order-taker, often for the wrong business priority. Planning also provides a means of effectively allocating resources among competing organizational interests.

Case Studies

Each of the three companies surveyed was pleased with the vision it acquired through IT strategic planning, as well as with its experience in doing so:

- *Case Study A:* As pointed out by the company's vice-president of IT, strategic planning is essential for determining IT investment priorities and the broad implementation strategies required to change the company's business capabilities. In his experience, the absence of an IT strategic plan brings considerable risks, including the risk of investing in low-priority projects not aligned with the firm's strategic business plan. Poor decisions often result from not having a roadmap or an overall view of the organization's business and IT environment. Moreover, creation of the integrated IT platform needed to ensure efficient compliance with regulatory requirements would be difficult if not impossible without a well-thought-out IT strategic plan.
- *Case Study B:* The company's IT strategic plan was nearly completed by the time a new vice-president of Operations became responsible for the IT department following the IT Director's resignation. The plan's recommendations guided the new vice-president in using the available means to develop the following year's operational budget and to reinforce his team to better meet user expectations. A year later, most of the plan's conclusions still remained relevant but some of its recommendations and priorities had to be adjusted. This is normal, as unforeseeable events, such as the drastic collapse of financial markets in the third and fourth quarters of 2008, illustrate just how quickly outside events can affect even the best-thought-out plans. As pointed out by Yogi Berra: "It's tough to make predictions, especially about the future."
- *Case Study C:* The organization's IT strategic plan enabled the Board member — who subsequently became chair of the charity's IT Committee and, in fact, its acting CIO — to demonstrate the value of IT to his fellow Board members. The plan changed the organizational structure both in IT and in other groups and introduced more rigorous processes at lower costs because of better management. One of the key benefits of the plan was to reduce the number of financial, operational, and management reports produced primarily by the group's CRM-like database from approximately 1700 to 200, and their preparation time from six weeks to five days. This achievement has benefited not only the local group, but also the cross-Canada committee, or business transformation coalition, whose objective is to create synergies and to leverage common services with the charity organization's other national branches. IT is driving this project at the local branch in close cooperation with user management and with a keener understanding of business needs. Through strategic planning, IT has firmly established its reputation as a key player in the charity's success.

Factors to Consider When Building an IT Strategic Plan

The Need to Focus and to Ensure Alignment with Business Priorities

The challenge of developing a first IT strategic plan can initially seem overwhelming to an SME. However, as pointed out by Company A's vice-president of IT, the first plan need not consider all corporate processes. Targeting key business areas enables IT to focus not only on the company's most urgent needs (identified with the owner(s) and LOB management), but also to deliver the plan more quickly. As a result, projects identified in the roadmap can be initiated sooner, and benefit the company more quickly. The vision for less critical business areas can be expounded later, once top priorities have been dealt with.

Experts agree. IT strategic planning is about making choices. Even for large companies, the best plans keep things simple by:

- establishing and supporting three-to-five main themes clearly linked to specific corporate objectives and to particular assets at risk;
- being practical, concise and presented with the target audience in mind;
- providing clear input for developing the organization's IT investment plan for both current and future years.

The IT strategic planning exercise also facilitates evaluation of the cumulative impact of the company's various business project portfolios on its overall application portfolio in order to harmonize efforts between the different stakeholders.

Since the IT strategic plan provides a means for the organization to achieve its business goals, the importance of IT working together with LOB management to develop this plan cannot be overemphasized.

Demonstrating the Value of IT's Annual Budget

SME owners and LOB management tend to be unaware of the full costs of IT. Unless it is clearly explained to them, they do not realize that maintenance and processing costs — necessary to sustain existing information systems and resilient IT operations — account for fully 75% of IT's yearly operational budget. A particularly useful technique for raising their awareness is to map services together with the applications and infrastructure required to offer them for the desired IT service level. This method will demonstrate their relative value once recurrent costs are factored in. A former vice-president of IT Operations used a particularly relevant analogy to make his clients comprehend this unpopular fact. As he liked to say: "Once you bring a child into the world, you have to nurture it, for many years." Everyone understood.

Strategic planning provides the IT Director/Manager or CIO with a unique opportunity to sensitize business management to these costs as well as to their responsibility for funding them both for existing applications and infrastructures and for new systems development projects. It is critical for organizations to understand that maintenance is a business problem and not just an IT problem. Providing a long-term view fosters the discussions required to ensure the right choices are made in accordance with the firm's financial means and IT's capacity to deliver.

Reviewing Previous Outsourcing and Off-shoring Strategies

The planning exercise also provides an opportunity for the organization to review its current strategy with respect to outsourcing and off-shoring. For instance, the financial crises which began in mid-2008 and the global recession it has brought about may have subjected key IT service providers to financial risk from unstable national conditions and exposure to the outsourcer's other clients. The ensuing "buy at home, rejuvenate our economy" mindset may also prompt organizations that had previously off-shored to consider repatriating them, either in-house or to national outsourcing companies. The appeal of IT service providers' cost-reduction offers may also motivate cash-strapped businesses to outsource some of their IT functions.

IT is a Line of Business

Until recently, IT was primarily considered as a support service. However, leading organizations have realized that IT is also a line of business that can make as substantial contributions to growth as marketing, product development, and finance. The strategic plan can demonstrate to stakeholders how IT's strengths can be exploited to create business opportunities and provide LOB management with additional means of increasing market share.

Here are some ways firms maximize their IT services and investment:

- *Binding customers:* IT is increasingly used as a means of better integrating customers with the business. Through e-commerce, for example, these companies foster close relationships with their clients and develop products based on their specific needs.
- *Understanding trends and patterns:* Companies can derive significant profits from their data. For example, data mining and business intelligence technologies provide insight into buying patterns and can even detect and prevent fraud.
- *Collaborating with peers inside and outside the company:* Emerging technologies such as collaborative computing and Web 2.0 (Instant messaging, LinkedIn, Wikis, Blogs) are now used to facilitate teamwork, creativity, and interaction with employees, business partners, or customers.
- *Deriving benefits from social networking tools:* More companies have started exploiting Internet social networks (e.g.: Facebook, MySpace, YouTube, Twitter) to increase the company's visibility, counteract negative publicity, gain additional business intelligence, find valuable information on potential employees and clients, obtain feedback from clients or the public, and so on. However, such tools are deployed only after security, confidentiality and legal risks have been addressed.
- *Building more efficient processes:* IT enables companies to enhance the efficiency of their business processes, either by automating certain tasks or by automating controls required for their execution. As explained in the CICA's white paper on the *Role of Technology in Sustained Regulatory Compliance*, using automated controls significantly reduces the cost of compliance. In turn, it has been shown that the market rewards good internal controls by increasing the value of companies' shares. Straight-through processing, enabled by business process management or workflow software, is another example of productivity gains made possible by IT.
- *Managing e-mail more effectively:* Organizations now use e-mail to increase internal efficiency and facilitate the development of business opportunities with

clients and prospects. They also filter spam, ensure confidentiality, and address security, availability, legal and cost issues that have resulted from the exponential rise in the volume of e-mail, as well as from the ever-increasing popularity of personal e-mail devices such as the Blackberry — trends addressed in the CICA's 2010 publication *20 Questions Directors Should Ask About Electronic Mail*.

- *Protecting information assets:* Some companies may utilize IT to protect corporate and client assets (e.g. corporate data, customer data), after making sure this strategy does not compromise existing regulations or standards such as the Payment Card Industry's Data Security Standard (PCI DSS). All companies using its payment services must comply with this security standard issued by the credit card industry.
- *Gaining competitive advantage:* Leading companies use IT as both an enabler and, perhaps more importantly, as a driver of enterprise initiative.

The Main Elements of an IT Strategic Plan

As with the strategic business plan itself, the IT strategic plan designed to support and enrich it defines the current and desired state of the organization's IT environment, the roadmap to get to where the company wants to be, and a means of measuring its progress. It also defines the targeted time horizon to achieve the desired state. Top management's endorsement of the IT strategic plan is essential to obtaining the resources needed to deliver the plan. It is therefore critical for the IT Director/Manager to present a plan written in business terms and clearly defining the benefits for the organization as a whole.

Discussions between IT and business management during the development of the IT strategic plan may, for example, prompt a SME with a simple point of presence on the Internet to move farther along on the continuum of maturity. The SME may thus eventually be able to supply information on its products or services on the web, or to move from that state to doing e-business and eventually achieving full integration with their customers and/or suppliers. Hence, the company as a whole can greatly benefit from the development of a well-thought-out IT strategic plan.

Typically, an IT strategic plan contains the following elements:

- **Executive Summary**

A concise overview of the IT strategic plan and its relevance, implications, and challenges for the business should be provided. A well-written executive summary is critical to ensuring top management's buy-in and approval of IT's investment plan. As stated above, presenting a simple, focused plan with three-to-five main initiatives, aligned with business objectives and presented in descending order of priority, is key to obtaining approval: it shows IT's determination to address the company's most urgent needs.

- **Business Environment**

This section should include a description of the company's mission, vision, drivers, goals, risks, and emerging business trends that must be taken into account. It should include information on key changes or developments in the firm's competitive environment, identify critical success factors, and clearly link each business risk or objective to the required IT response. Business priorities should be clearly stated to ensure the IT plan addresses the most critical issues.

Business management must participate in this process both to define these various elements and to articulate their business strategy. A win-win situation results

for companies without a documented business plan as well as for those that do, since developing the IT strategic plan gives owners or LOB management the opportunity to reverse engineer their business plans using the business environment information gathered during the IT strategic planning exercise.

Working closely with business management is also required for identifying significant business processes and the activities that support them. This step can add considerable value to the IT strategic planning exercise because it allows the business to focus on key areas as well as to assess the current and effective penetration of IT in each key area. The company's business processes are documented through diagrams and databases and analyzed through functional business decompositions.

- **The IT Roadmap**

The following elements are generally included in this chapter:

- *Guiding principles and goals:* Converting IT processes by using world-class models such as ITIL, CMMI and the CERT Resiliency Management Model, developing web-based applications, standardizing specific types of servers, or defining emerging skill sets needed to convert to new programming languages, technologies, methodologies and IT processes illustrate some principles the IT organization may develop to ensure effective delivery of IT services.
- *Internal assessment:* This section analyses the IT organization's strengths, weaknesses and needs regarding its governance, capacity to deliver, skills, technology, processes, applications, data, culture, and structure. A risk assessment also identifies assets at risk.
- *External assessment:* An analysis of the state of the company's and competitors' technology is required to ensure its adequacy, resilience, and continued capacity to meet customer expectations, as well as to comply with existing service-level objectives and agreements. Outsourcing, off-shoring, internationalization, the availability of required skills, and changes in the regulatory environment are also considered in this section.
- *Major IT initiatives:* This section summarizes and clearly identifies the IT initiatives required to support the company's strategic priorities. Specific IT initiatives, and the projects planned to deliver them are also mapped to the business goals, benefits and assets at risk. Stating each initiative's costs, proposed schedule, and dependencies also adds value to the plan. The use of graphics, matrices, and alignment tools helps to ensure that these linkages are immediately obvious to business management.
- *Appendix:* Supporting documents and material are presented in the appendix to ensure the IT strategic plan is kept brief but as explicit as possible.

Related Tasks

Once completed, the strategic plan provides major input and guidance for the development of IT's operational, tactical, and implementation plans, as well as for its long-term investment plans and architectures — that is, the technology, systems/applications and data architectures as well as the IT maintenance project portfolio required to deliver the company's objectives and strategic business plan. The IT Director/Manager uses the roadmap provided by the high-level, three-year IT strategic plan to develop a detailed tactical plan that will drive both the annual budget and the significant projects to be completed in the coming operational year. For multi-year projects, the tactical plan should identify the project phases planned for the coming year.

HOW: Developing an IT Strategic Plan

Common Approaches

Contrary to large organizations, small- and medium-sized businesses often cannot afford to maintain a permanent team of IT strategic planning experts. Consequently, the approach used to establish their IT strategic plans varies significantly from one organization to another: some choose to do it themselves; others hire outside help to assist them — or to do it for them.

Whatever the approach, it is essential for the IT Director/Manager or CIO to ensure the resulting plan is as practical as possible. Experience has shown that delegating the task to consultants without sufficient participation and control from IT increases the risk of producing a theoretical plan whose relevance and value to IT and to the whole organization may, as a result, be questionable.

How to Find the Right Consultants

Given the importance of developing an effective IT strategic plan, SMEs that need outside help must take care to hire the right consultant. It is critical for the IT Director/Manager to hire a reputable organization with solid industry knowledge and experience whose portfolio includes the development of similar plans for other clients. The selected firm must also be able to show it already has the methodologies, models, and tools required to ensure the delivery of quality plans. For that reason, the IT Director/Manager should not consider hiring individual consultants for this contract, as their limited understanding of the industry and of effective IT strategic planning methodologies may limit their ability to add value and to correctly align the strategic IT plan with the company's strategic business plan.

An IT Director/Manager who is unsure how to find the right expertise can hire a large accounting or general consulting firm to assist in writing the request for proposal, as well as to identify potential suppliers. It is important, however, for the IT Director/Manager to select an organization whose independence can be counted on for support in this market search, in order to avoid potential conflicts of interest.

The Need to Involve Business Management

Including top, LOB, and user management in the IT strategic planning process is critical to its alignment with the strategic business plan. By actively involving them, IT gains invaluable insight into both their current and future expectations. The IT Director/Manager (or CIO) also benefits significantly from being able to tap into their collective knowledge of trends in the company's regulatory and competitive environment. Business management's contribution to developing the IT strategic plan therefore profits both the organization and IT, in at least five ways by:

1. ensuring the IT strategic plan is aligned with the strategic business plan;
2. enabling IT to educate user management regarding the cost structure of IT, including the full cost of maintaining the business's IT assets;
3. making it easier for IT to obtain the necessary buy-in and funding;
4. giving IT the means to anticipate user needs rather than respond to them in a crisis mode;
5. providing IT with a platform that facilitates regular dialogue with business management regarding its contribution to the realization of the organization's strategic objectives.

Information Sources

Various sources can be used to build the strategic plan. Regular discussions with business management and peer groups in other companies regarding changes in the internal and external business environment are essential to maintaining an accurate vision of required changes to the firm's IT environment. Benchmarking also provides valuable input into how the company's IT and operations compare with those of other players in the industry. Large organizations generally subscribe to specialized research services provided by well-known think tanks regarding technological trends. However, smaller organizations can generally obtain similar guidance from large accounting firms or reputable IT consulting services in their own regions. Monitoring certain Internet sites, such as *Tech Review*, *Computerworld*, *Business Week's* IT section, etc., also provides important information.

Tapping into specialized staff's professional knowledge and advice is essential to developing a thorough analysis of IT's strengths and weaknesses. SMEs that have outsourced part of their IT operations or systems development function also need to actively involve their service providers — or the ones being considered to replace them — in the planning process.

Case Studies

The organizations we surveyed approached IT strategic planning in three different ways, with varying results:

- *Case Study A:* Given the department's credibility problems within the organization, the vice-president of IT and his boss decided to build their IT strategic plan under the guidance of a well-known consulting firm with excellent knowledge of the industry. The consultants provided a framework that detailed the key business processes and sub-processes found in varying forms throughout the industry. Prior to holding workshops with executives from the revenue-generating lines of business prioritized for the plan by top management, the IT department mapped the systems and data currently used by the company to support each process in the framework. During these sessions, the consultants' industry knowledge of the types of systems and technologies used by the firm's competitors, their cognizance of industry trends, and the information, support, and guidance provided by the vice-president of IT enabled all parties to develop the IT strategic plan required to support key business plans. The approach was very successful, and greatly enhanced user confidence in IT — to the point where the CIO is now part of the senior management team.
- *Case Study B:* The CFO blamed the IT Director for many of the problems that had caused its critical business project to last two years longer than expected — even though he himself had failed to raise many of the issues described in the CICA's 2007 publication, *20 Questions Directors Should Ask About IT Projects!* As he had little faith in the director, the CFO hired a small, local consulting firm which he knew, but with little specialized knowledge of the industry, to develop the company's IT strategic plan. The IT Director and his managers contributed to the plan's development, but were neither responsible for building it nor for its review and approval. Nor were they invited to participate in the consultants' meetings with business management. As a result, the plan did not provide a roadmap to which both IT and business management could relate. Subsequent IT management has based some of its decisions on the IT strategic plan, but overall, the plan's contribution to the actual evolution of IT has been limited.

- *Case Study C:* The charity's IT Committee headed by the acting CIO included representatives from the organization's applications and infrastructure groups, an accounting firm, a well-known consulting firm, and a large business enterprise. The Committee decided to build its own IT strategic plan. Its members spoke with various managers to understand what they were trying to accomplish. In addition, the acting CIO and his team made a half-day polling tour of the company. They sat down with individual users to find out what they liked and disliked about their systems. During the tour, they discovered pockets of people who, together, produced about 1500 reports in an isolated mode. This discovery led to a change in the organizational structure. All business analysis and reporting functions were transferred to the IT department where reports were streamlined and consolidated. Since then, a new IT-committee-led planning initiative has been started.

Following Up on the IT Strategic Plan: Reporting and Updating

Planning is about Reporting

Given the high cost of IT and its key role in providing both services and competitive advantage to the business, top management has to be regularly informed of the IT strategic plan's implementation, just as it monitors progress for that of its strategic business plan. As it significantly impacts the company's success, questions normally need to be forthcoming from top, LOB and user management, especially if the IT Director/Manager or CIO has narrowly involved it in the planning process.

However, whether they request it or not, it is important for the IT Director/Manager to inform management and the Board on a regular basis of the status of priority initiatives in the company's IT strategic plan, as well as of ensuing results — for the IT strategy affects not only IT, but the organization as a whole. In the words of Sir Winston Churchill: "However beautiful the strategy, you should occasionally look at the results."

Just like the plan, reporting needs to be simple, focused, and visual. Key performance indicators (KPIs), expressed in business terms, should be used to track implementation of the IT strategic plan. Ideally, the KPIs are specified in the initial plan. The IT Director/Manager then reports monthly, or at least quarterly, to senior management on the plan's progress with respect to key indicators as well as to critical milestones.

Case Studies

Again, each of the three companies surveyed approached reporting in its own way, with varying results:

- *Case Study A:* The CIO reports monthly to the senior management committee on the plan's progress with respect to milestones. His presentations help to ensure the plan's implementation is on track, and that priorities are reviewed on a regular basis.
- *Case Study B:* The CFO did not invite the vice-president of Operations and his IT management team to meet executive management to follow up on the plan's implementation, in spite of the VP's eagerness to do so. Only budgetary reports were required. Not surprisingly, some executive managers still do not consider IT as an essential part of their business, even though the company fully depends on it.
- *Case Study C:* The chair of the IT Committee reports monthly to the Board. Initial reporting was based on performance indicators such as costs and timelines. The

chair has since adopted a new, qualitative approach, where he tells the Board, in language they can understand, “This is what we did and these are the benefits to you.” This change has resulted in a new attitude and a more enthusiastic response to IT reporting, which no longer focuses exclusively on numbers. This business-oriented reporting approach is also starting to make a major difference in the way IT is perceived in the organization.

Keeping Plans Current

Discussions aimed at ensuring the priorities identified in the initial plan remain current would ideally accompany the presentation of each progress report. If significant changes are occurring in the business’s competitive or internal environment, the IT Director/Manager or CIO obtains management’s consensus or input on the changes required to make certain its IT environment evolves in accordance with the organization’s most urgent needs. Changes caused by the unexpectedly rapid and dramatic economic crisis that began to manifest itself in mid-2008 have also demonstrated the prudence of linking strategic planning, for both IT and the business, with risk management. During times of budget reductions and cost cutting, having a current IT strategic plan helps the company to prioritize and allows risk-based cost-reduction decisions to be based on its risk tolerance and its operational needs, both current and future. As Henry Mintzberg wrote: “We plan for the future. What if the future doesn’t materialize as expected? Does it ever?”

It is critical that the IT strategic plan be actioned — in other words, that it encompass or lead to specific action plans with measurable results. To have full value, the plan must be a dynamic and live document, upon which decisions are regularly based — not a binder that is created, put on the shelf, and pulled out the next year to be updated before being put back on the shelf. It must also be reflected in the IT maintenance project portfolio as well as in the technology, systems/applications, and data architectures developed to support the strategic plan.

The Importance of Dialogue

Continuous dialogue is essential to maintaining an IT strategic plan that remains aligned to evolving business objectives and to retaining key stakeholders’ buy-in. Indeed, to be relevant, planning needs to be a dynamic process. In the words of Sir Winston Churchill: “Plans are of little importance, but planning is essential.” The plan has to be updated on a regular basis, or whenever noteworthy changes occur in the business or technological environment. For instance, a change in corporate strategy or an unexpected announcement by the supplier of essential hardware or software that its product will be phased out need to be considered in the plan.

Periodic Updates and Reviews

In order to remain current, the IT strategic plan has to be refreshed at least once a year. A new analysis and a major review must also be performed in tandem with the company’s strategic planning cycle — or, in the absence of a formally documented business strategy, at least once every three years. Doing so will ensure that changes are regularly tracked and integrated into the plan. Following these simple guidelines would enable the IT Director/Manager or CIO to demonstrate continued value to the business from its investment in its IT assets.

Conclusion

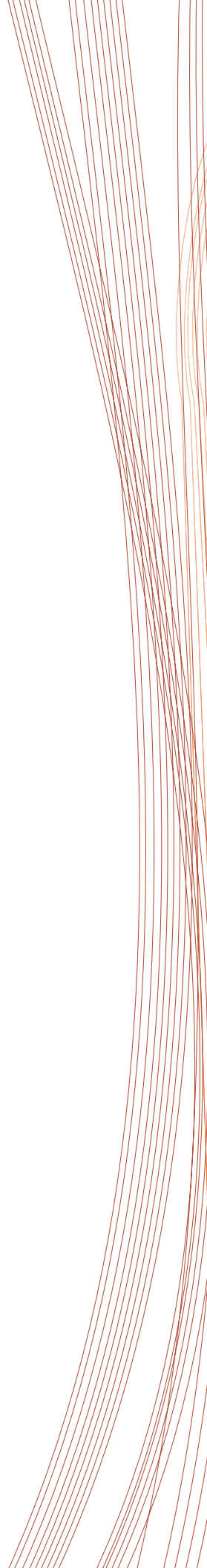
Given the high cost and the strategic importance of IT to most organizations, investing in the development of an IT strategic plan aligned with the company's objectives brings about major benefits. The plan enables both IT and the organization to invest in the right systems, software, hardware, and competencies at the right time. Building a solid plan, with the input of key user management, enables the IT Director/Manager or CIO to demonstrate just how essential IT is to both running and growing the business. The plan provides a platform for holding ongoing discussions with other members of the senior management team regarding changing priorities and the ability to meet clients' expectations. A well-thought-out IT strategic plan pays off, even if it initially focuses solely on key aspects of the business. It also helps ensure that critical changes can be delivered on a timely basis, with an overall view to their impact on both existing assets and future demands. The plan and the process provide the IT Director/Manager with the means to clearly show the critical value of IT to the organization, and to create the partnership required to make the most profitable business decisions. For these reasons, and those outlined above, SMEs need to develop an IT strategic plan, even if their strategic business plan is not yet formally documented.

APPENDIX A: Summary of Case Studies

	Case Study A	Case Study B	Case Study C
Pre-IT Strategy Issues	<ul style="list-style-type: none"> Investing in low-priority projects Lack of a roadmap Poor understanding of overall IT environment Lack of integration Poor credibility of the IT Department 	<ul style="list-style-type: none"> Substandard performance Numerous workarounds Outdated mission-critical applications Poor implementation of new software package for core business 	<ul style="list-style-type: none"> Unplanned IT investments Ad hoc changes Projects driven by IT, and not by business Reports produced by several departments
IT Strategic Planning Methods	<ul style="list-style-type: none"> Identifying and mapping out of internal systems and data Retention of consultants with broad experience and industry knowledge to build the IT Strategy Framework Focus areas prioritized by top management Workshops with LOB executives 	<ul style="list-style-type: none"> External consultants used to build the IT Strategic Plan Project headed by the consultants and the CFO, with limited participation from the IT Director and his team 	<p>Board member (who is accounting partner with extensive experience in IT auditing) did the following:</p> <ul style="list-style-type: none"> Built cross-functional team Surveyed internal personnel to identify issues Built IT Strategic Plan Improved the organizational structure
Post IT Strategy Results	<ul style="list-style-type: none"> Enhanced confidence in IT Inclusion of CIO in the senior management team 	<p>Project was unsuccessful for the following reasons:</p> <ul style="list-style-type: none"> Internal friction between the CFO and his IT Director Small consulting firm with limited industry knowledge IT Director was not given responsibility or accountability for the plan New IT Management not fully at ease with the IT Strategic Plan 	<ul style="list-style-type: none"> 88% reduction in the number of reports (from 1700 to 200) Reduced preparation time by 83% (by 6 five-day weeks) Business analysis and reporting functions centralized in IT department Project's value of benefit to other national branches

	Case Study A	Case Study B	Case Study C
Ongoing Efforts	<ul style="list-style-type: none"> • CIO provides monthly updates to senior management committee • Regular review of priorities 	<ul style="list-style-type: none"> • IT is still viewed as non-essential to the business • Limited commitment to the IT Strategic Plan 	<ul style="list-style-type: none"> • Qualitative reporting to the Board's IT Committee • Improved relations between IT and business management
Key Recommendation	Use a structured methodology provided by a consulting firm with broad industry knowledge, and actively involve top management and LOB executives when building the plan	<i>An example of what not to do:</i> Do not hire consultants with limited industry knowledge, ensure someone is held accountable for the plan, and obtain buy-in from all involved in the implementation of the plan	Use the IT strategic planning exercise to demonstrate the value of IT to the Board, and explain IT's achievements in business language easily understood by non-IT people

NOTES:



IT Strategic Planning for SMEs



