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IT Strategic Planning - Finding a Competitive Advantage in Today's Market

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IT Strategic Planning within financial institutions is an often overlooked and under-utilized process. Financial institutions that embrace it generally see meaningful results, and learn a sound understanding of how and where IT spending impacts the Institution's overall success. These Institutions have also learned that strategically planning for IT not only reduces costs and improve efficiencies, but also provides a competitive advantage within a marketplace which is becoming increasingly difficult to navigate.

"Every organization should strive to achieve a planning process that constantly adjusts for new risks or opportunities and maximizes the value of IT to the organization. Management should always document plans, however a written plan does not guarantee an effective planning process. Management should measure specific plans by whether they meet the organization's business needs." - Federal Financial Institutions Examination Council (FFIEC) Information Technology Examination Handbook, Management Booklet, page 16.

The purpose of an IT Strategic Plan is to focus the use of technology within the institution to fully support the business objectives set forth by the management team and the Board of Directors. It should also meet or exceed the institution's regulatory responsibilities. The FFIEC has outlined the key strategic planning principles and requirements in the Management Handbook of the Information

Technology Examination Guide as follows:

- Align IT with the corporate-wide strategic plan;
- Align IT strategically and operationally with business units;
- Maintain an IT infrastructure to support current and planned business operations;
- Integrate IT spending into the budgeting process and weigh direct and indirect benefits against the technology's total cost of ownership; and
- Ensure the identification and assessment of risk before changes or new investment in technology.

It is imperative to the overall success of the institution that the mission, vision and strategic direction of IT be directly aligned with the mission, vision and strategic direction of the institution as a whole.

Market conditions often have significant impact on the business drivers of community financial institutions. Failing to take the current and projected market conditions into account during the strategic planning process could have dire consequences. The institution's leadership team and Board of Directors should thoroughly examine the existing community financial institution marketplace and project potential changes for the following few years. Business objectives should be designed to take these conditions into account to ensure the institution is positioned to take full advantage of the existing market.

By reviewing the institution's mission and vision, and aligning them with the short-term and long-term business goals of the institution, a foundation for the IT Strategic Plan can be established. The business objectives should drive the creation of IT initiatives to satisfy those objectives. These initiatives must take into consideration the institution's existing and needed IT resources, including infrastructure, hardware, software and personnel.

Once these resource considerations have been identified, an IT budget is created.

The budget not only tracks the anticipated costs of the newly identified initiatives, but also existing projects, maintenance and other costs. These costs are then broken into functional categories such as strategic initiatives, operations/infrastructure and risk/compliance. This assists the management team in understanding how much money is spent in each area. The true value that IT provides to the institution can be determined by further breaking down these costs by life expectancy and per user per year, along with identifying and tracking each initiative's return on investment (ROI).

Once the IT Strategic Plan is established and approved by the Board of Directors, governance is usually delegated to the institution's IT Steering Committee. This committee is comprised of executive management from various departments within the institution. IT Steering Committees generally meet quarterly to discuss current technology and compliance items, as well as to review the institution's overall progress regarding the execution of the objectives laid forth in the IT Strategic Plan. The committee will report progress and results back to the Board of Directors, and seek approval for undertaking any technology related projects or initiatives in accordance with existing technology policies and procedures.

Many community financial institutions are currently struggling. Most are looking to cut expenses and many have put growth and expansion plans on hold due to recent market conditions. Rates are near all time lows and the effect of the real estate collapse is rippling into other areas of the economy. These marketplace issues do not lend themselves to aggressive growth or heavy IT spending. However, institutions funding strategic IT initiatives which reduce costs and add value to the institution and its customers will achieve a competitive advantage in the current marketplace.