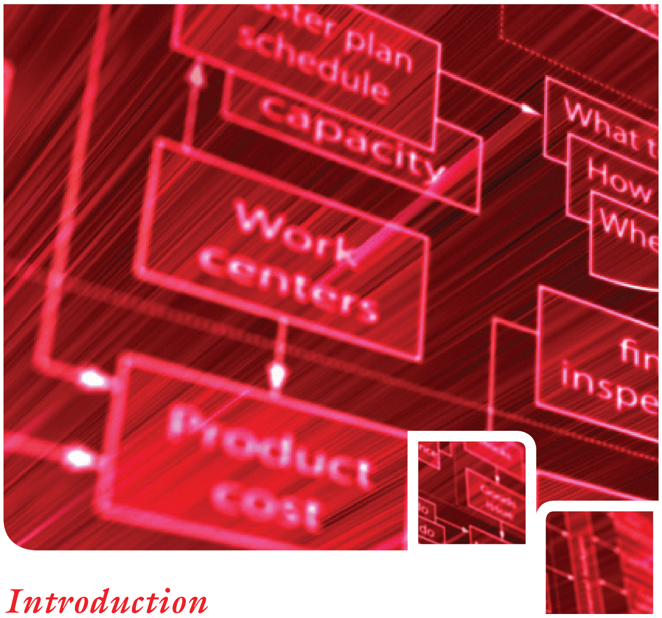


Working together to improve strategic planning

CFOs and CIOs weigh in

Introduction

It appears that the greatest recession in recent history is slowly coming to an end. And as the economy stabilizes and business activity returns to normal, executives are likely to shift their focus from day-to-day survival to long-term strategic planning. As they once again begin to pursue growth plans, executives who have a solid understanding of the competitive landscape and their businesses, and who are able to quickly identify new business opportunities, are likely to have an advantage over their peers.

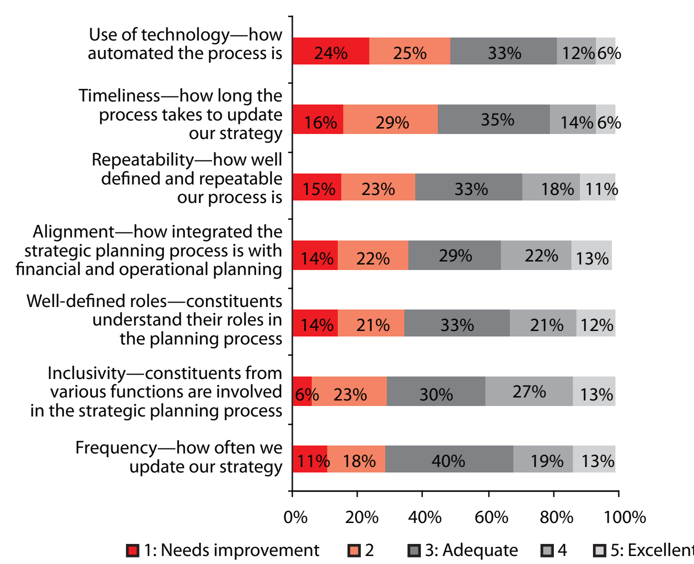
At Gibraltar Group, a $1 billion real estate development firm, understanding and adapting to the changing business landscape has been critical to the success of the company. "We've had to adapt to a lot of external changes over the past year or so, and we've had to find new ways around these changes, especially restricted lending by banks," says CFO Kathleen Wolf. "Right now we find ourselves turning more to a strategic level of thinking on an everyday basis. It's a matter of coming up with new opportunities. If we can't get this into development, what else can we do? Can we switch gears here and go in a whole new direction to make it work? It's not about trying to put a Band-Aid on it, but rather trying to change gears and look at other opportunities with what we have now. So, it's very important to have a solid strategic plan, but it's also important to realize that we need the flexibility to change with the different variables that come up."

While few would argue about the importance of having a good strategic plan, our research among senior finance and IT executives shows that many companies recognize room for improvement with the information and processes they use for strategic planning. Without good information and processes for gathering, analyzing, and sharing information, companies may not be able to identify new business opportunities as quickly as their competitors, placing them in danger of missing opportunities as the economy improves. This research also shows that companies may not be taking full advantage of IT's expertise and could benefit from IT's greater involvement in strategic planning.

Executives call for better, easier-to-access information and more streamlined processes for strategic planning

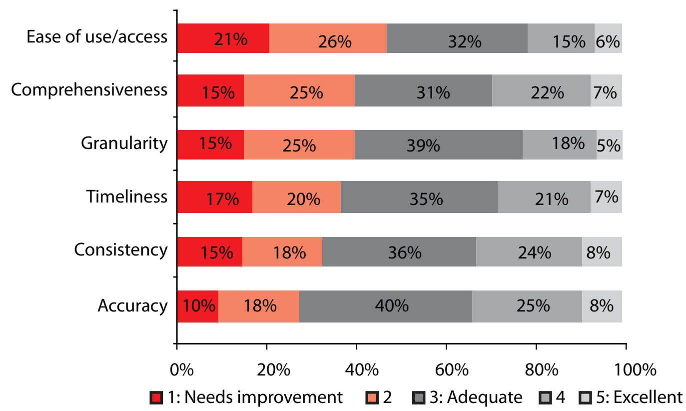
Executives in our survey are most likely to see a need to improve the most mechanical dimensions of their companies' strategic planning. When asked to rate their strategic planning processes, respondents gave particularly low marks to their companies' use of technology (how automated the strategic planning process is), and timeliness (how long it takes to update the strategy). (See Figure 1.)

Figure 1. Mechanical dimensions of strategic planning processes fall short.
How would you rate the following aspects of your company's strategic planning process?



Percentage of all respondents
Note: Percentages may not total 100%, due to rounding.
This chart excludes respondents who answered "Don't know"

Figure 2. The information available for strategic planning should be easier to use.
In your opinion, how would you rate the following attributes of information available for strategic planning at your company?



Percentage of all respondents
Note: Percentages may not total 100%, due to rounding.
This chart excludes respondents who answered "Don't know"

These process shortcomings are closely linked to the quality of information available for strategic planning. Respondents say the information they have available for strategic planning should be easier to use and access—which, in turn, affects how long it takes to update the plan. (See Figure 2.)

We asked survey respondents what types of information they use most frequently for strategic planning. Respondents say they rely most on operational (81%) and financial (80%) company performance data. They also say they regularly use industry data (73%), information on competitors (65%), and information on customers (63%).

> ***"It's very important to have a solid strategic plan, but it's also important to realize that we need the flexibility to change with the different variables that come up,"*** *says Kathleen Wolf, CFO of Gibraltar Group.*

While industry data from third-party sources and market research reports are helpful in understanding how markets are performing, the best information for identifying market opportunities often comes from the front lines—from sales and operations staff—say the executives we interviewed for this research. "To understand the marketplace, we have people, just like most organizations do, who are engaged with the customer every day," says vice president and CFO Dan Yunker of Metropolitan Chicago Healthcare Council, an $800 million membership and services company consisting of 140 hospitals and healthcare organizations. He adds, "We capture these dialogues in our CRM system. We track different customer profiles, when meetings took place, and what was heard at the meetings."

But capturing this type of information requires manual input of information from communications between sales or operational staff and customers, which can be very time-consuming and often takes employees' attention away from higher-value activities. Andreas Rothe, SVP and global controller at Parsons Brinckerhoff, a $2.3 billion transportation engineering firm, explains that collecting this type of information is not always easy, especially with such a manual component. "When it comes to market-related figures, the data we have may not be as clean as it should be. It's not a system issue; it's more of a management issue. We have a data warehouse which allows us to store all the data we want and recall it as we need it. But in the end, somebody needs to enter and maintain the data. We're asking people who are very entrenched in day-to-day activities to do administrative work, and that's very difficult."

To ensure the data is comprehensive requires full participation from staff members, and that can be a challenge, explains CFO Tom Carlson of Advance Food Company, Inc., a $500 million pre-packaged food provider. "For example, we have representatives all across the country, and out of 60 or 70 people in the field who have the potential to contribute to that effort, we could potentially only get 20% of them who provide the information as timely as they can. Perhaps the others are more reluctant to participate in that effort or they're very gung-ho about being with customers all the time and see less personal value in constantly putting a bunch of information in a database. So, we could be attempting to draw some conclusions from a small sample of information, kind of non-representative information. And this is something we need to be cautious about," he says.

About this report

In October 2009, CFO Research Services and IDG Research Services conducted a survey among senior finance and IT executives based in the United States to examine their views on their companies' strategic planning processes. We gathered a total of 200 survey responses from a broad cross-section of company segments as follows:

Annual revenue:

Less than $250 million	2%
$250 million to $999.9 million	20%
$1 billion to $4.9 billion	40%
$5 billion to $9.9 billion	8%
$10 billion to $14.9 billion	9%
$15 billion to $29.9 billion	8%
$30 billion or more	12%
Not applicable (e.g., nonprofit, government, union)	4%

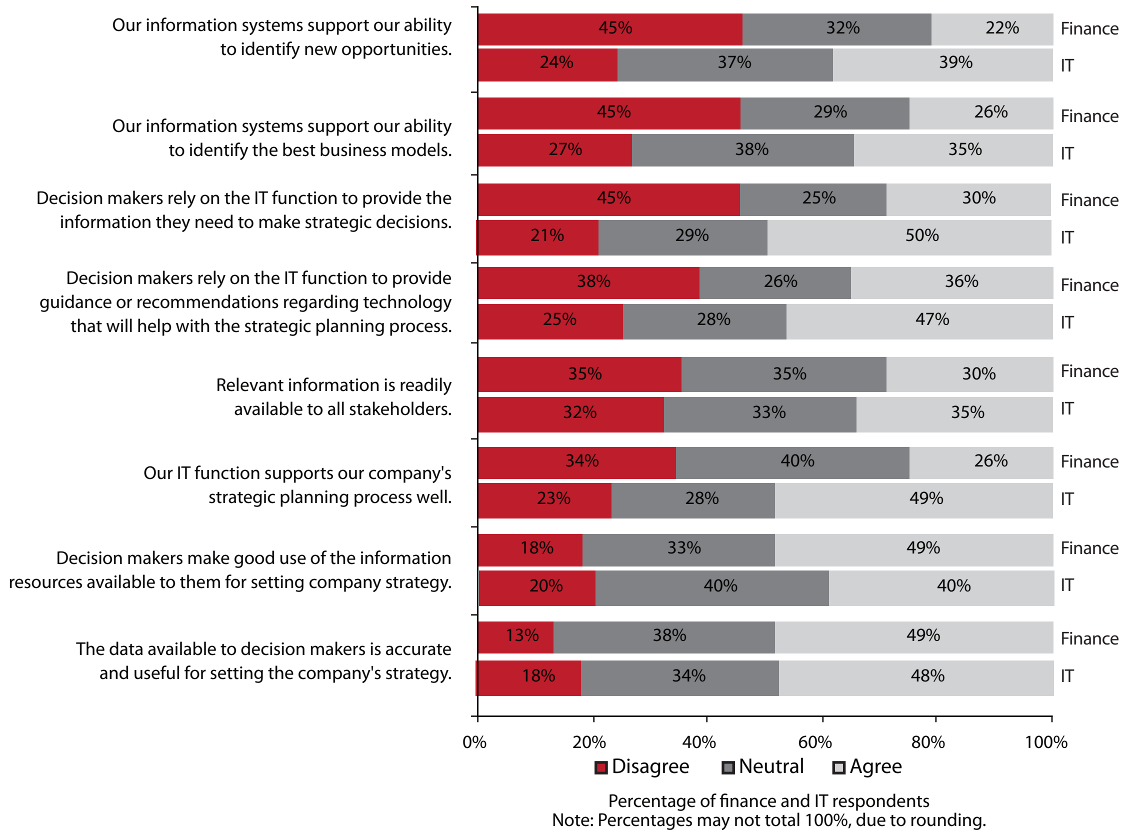
Titles:

Director IS/IT	13%
CIO/CTO	12%
Other IT-related management	9%
VP of IS/IT	6%
Director of communications/Networking	3%
CSO/CISO	2%
VP of applications development	2%
Director of applications development	2%
Director of IT security	2%
VP of IT security	1%
VP of finance	17%
Chief financial officer	12%
Director of finance	9%
Controller	7%
EVP or SVP of finance	3%
Treasurer	2%
Other	2%

Respondents work for companies in nearly every industry.
The financial services/real estate/insurance, health care, and auto/industrial/manufacturing sectors are particularly well represented.

Note: Percentages may not total 100%, due to rounding.

Figure 3. Finance executives do not feel well supported by IT.
To what extent do you agree with the following statements?



A perception gap between finance and IT executives may pose a barrier to improving strategic planning

A closer look at survey results by functional title (finance executives versus IT executives) reveals that finance executives express dissatisfaction with the support provided by IT during the strategic planning process, yet IT feels it is supporting the process fairly well. Forty-five percent of finance executives disagree that their information systems support their ability to identify new opportunities, while only 24% of IT executives hold such a view. And 45% of finance executives disagree that their information systems support their ability to identify the best business models, while only 27% of IT executives disagree. (See Figure 3.)

The lack of agreement between finance and IT executives on how well their IT functions support strategic planning may pose a barrier to improving the quality of information and processes for strategic planning. The recent economic downturn has dramatically changed the business landscape, and as companies prepare for the recovery they will rely on good information and strong strategic planning processes to identify new business opportunities in this transformed business climate. As competition heats up, any weaknesses in companies' strategic planning processes may leave them at a disadvantage.

"If you're in business today and you're not concerned about how quickly your organization can change or move, then you're not thinking about the right things," says Paul Huck, CFO of Air Products, an $8 billion atmospheric and specialty gases provider. "When I think about the future, I'm concerned with how we can get there before our competitors get there so that we can make it our opportunity rather than their opportunity." To do so, he says, "we need to have access to the right information in the right format. Once we get that, the challenge is being able to take the information, sort through it, and identify the opportunities."

Our research also found that the finance and IT executives in our survey disagree on the role IT should play in the strategic planning process. IT executives say they should play a greater role, but finance executives tend to disagree. Many finance executives perceive IT as playing mostly a supporting role (51%) or having little/no involvement (44%) in the strategic planning process, and the majority of finance exectives (63%) do not feel that this should change—despite the perceived need to streamline strategic planning processes and improve the quality of information available. Only about one-third (36%) of finance executives feel that IT should be more involved in strategic planning, versus 54% of IT executives who feel IT should play a greater role.

Poorly defined roles and low expectations for the IT function's involvement in strategic planning undermine IT executives' ability to contribute more fully to the process. Companies may be missing out on an opportunity to take full advantage of IT's participation in strategic planning, as well as their expertise to streamline strategic planning processes and improve the timeliness and utility of the information underlying companies' strategic plans.

Some interview program participants say their companies already recognize the value of having IT play a greater role in strategic planning. At Metropolitan Chicago Healthcare Council, a long-term IT investment plan is defined at the same time as the strategic plan, which ensures that all future IT investments are aligned with the company's strategic objectives. Mr. Yunker explains, "We have a concurrent three-year technology plan in place that ties totally to our strategic framework. Every time we make an investment in IT, we confirm that this is because it ties to this specific strategic framework item. If it doesn't, we second-guess ourselves: do we really need to be doing this? And if we do, why don't we have something in our strategic framework that is a business case that we're trying to solve?"

For information-intensive companies such as The Carle Foundation, a $500 million not-for-profit integrated healthcare organization, IT's expertise is extremely important for remaining competitive. CFO Rob Tonkinson says, "Our business is fairly information-intensive, and IT plays a critical role in providing input on where we should be going—from electronic medical records to other information systems that support our healthcare business. IT's ear on the ground helps keep us competitive."

Conclusion

The economy is now showing signs of recovery, and as business activity begins to increase, companies will pursue growth plans with renewed vigor. Companies that are able to identify new opportunities and business models quickly will have a competitive advantage. But our research among senior finance and IT executives shows that the information and processes for strategic planning at most companies could be improved. Our research also indicates that finance and IT executives disagree on how well their IT systems support strategic planning, and on the role IT executives should play in strategic planning. The lack of agreement between finance and IT executives could impede companies' abilities to improve their strategic planning, and, ultimately, result in missed business opportunities.

Improving the strategic planning process—advice from senior finance executives

We asked senior finance executives who participated in our interview program if they had any advice for their peers on how they may improve their companies' strategic planning processes. They offer the following advice:

"It's important to be flexible in order to be able to respond to a changing market, but it's also important to have enough discipline in the process that you don't lose a long-term goal chasing short-term possibilities that ultimately are not going to be as beneficial for the organization as pursuing a long-term goal would be."

–Rob Tonkinson
CFO
The Carle Foundation

"A few years ago I probably would have been reluctant to be as open as I am today about some of the decisions we make and some of the decisions that we need help making. But now I've seen the way people respond to our openness and I would say, hey you know what? If you're going to err, err on the side of trying to expect more out of people as opposed to less."

–Tom Carlson
CFO
Advance Food Company, Inc.

"The best strategic planning processes are ones where everybody is aligned. If budgeting becomes an exercise for the sake of the finance function, then it's useless. But if the budgeting process is used as a tool to align the management activities within the organization, then it becomes a communication tool. This is perhaps why many companies have already gone away from annual budgeting processes to more frequent discussions because the essence of a budgeting process should be about communication. Planning once a year is like having only one performance review a year—you're bound to forget what was said during the rest of the year. But if your boss gives you constant feedback, then it sticks and changes behaviors. And that's what I think the budgeting process should be. It should be less an exercise that you do only once a year; it should be an ongoing communication tool."

–Andreas Rothe
SVP and corporate controller
Parsons Brinckerhoff