

Chapter 1

1.0 INTRODUCTION

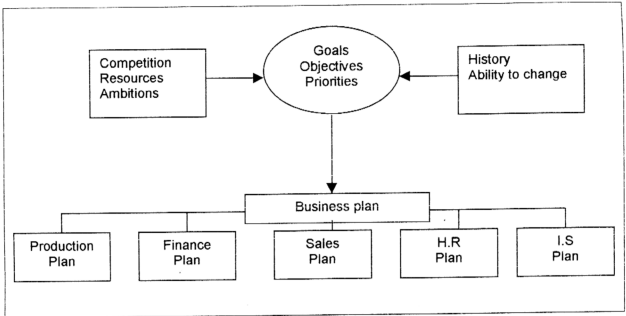
Planning is the process of deciding what will be done, who will do it, when they will do it, how it will be done, and what are the desired results (Alter, 1996). In organizations, planning is the process of setting goals and choosing the means to achieve those goals (Stoner, Freeman, Gilbert, 1995). Planning also recognizes that an organization will have some degree of control over the direction they are heading (Kroenke, 1992). With planning, an organization will be able to organize its resources effectively.

1.1 IS Planning

In dealing with information system (IS) planning, several questions can be addressed at different levels of the organization (Alter, 1996). At strategic level, the questions revolve around the firm's overall priorities and goals for information systems. It also addresses the technical and organizational approaches that will be used. At the project level, planning addresses the specific capabilities required in each system and who will do it to produce the specific results needed in a specific project.

As a continuous process that provides the framework to ensure effective and successful implementation of information systems, IS planning should be an integral part of business planning (Alter, 1996; Robson, 1997). Business planning can be described as the process of identifying the firm's goals, objectives, and priorities, and developing action plans for accomplishing those goals and objectives. IS planning is the part of business planning concerned with managing the firm's information systems resources. Figure 1.1 illustrates the similarity between IS planning and planning with various functional areas as described by Alter (1996).

Fig. 1.1 The IS Plan as part of the Business Plan



Source: adapted from S.Alter, 1996:553.

The content of IS plan may varies depending on its emphasis but generally will have the following elements;

- the organization's IS objectives that give a clear sense of direction
- the current capabilities and problems due to existing practices
- the implementation plan to achieve its IS objectives and business goals

a) Importance of IS Planning

Despite earlier cases of neglected planning, IS requires effective strategic planning as much as other functional areas since it consumes a major portion of the organization's limited resources (Robson, 1997). Without proper planning the allocation of resources is unlikely to match the business value desired by the organization. To begin with, the amount of money being spent on IT now makes it "stand out on the balance sheet" (Wilcocks, 1994). In the case of Public Bank Berhad, a local commercial bank, they spent close to RM 350 million on a new information systems to cater for its banking and finance needs. This huge sum

surely requires high degree of attention from the management and call for proper IS planning. The shareholders of the bank would expect benefits in terms of high dividend or capital gain from the investment. At the same time, economic and competitive pressures presently faced by this country are compelling companies to cut costs and spend carefully. Runaway projects and system failure will not only cause financial losses but additional hidden costs such as lowered staff morale, missed opportunities and customers dissatisfaction (Robson, 1997). In short, IS planning provide confidence and assurance that IS will deliver those strategic values and benefits to stakeholders.

More and more organization has accepted the strategic importance of IS to gain competitive advantage. In order to benefit from the strategic use of IS, firstly, they need to identify the opportunities to be exploited. IS planning will assist an organization to identify its information needs and find new opportunities for using that information. Furthermore, it can define the activities needed to implement the desired strategy. In a study involving IS executives from all regions of the United States, one of the major concern of US-based IS executives is to improve IS strategic planning (Galliers, 1992). The purpose of strategic planning for IS is to identify the most appropriate targets for technological support and to schedule that technology adoption (Robson, 1997). Without IS planning, organizations will lose out and be left behind to compete in the rapidly changing world.

Finally, IS planning is important because it helps organization to avoid system failure. As many as 75 percent of all large systems may be considered to be operating failures (Laudon & Laudon, 1996). Most of the project failures were caused by poor design, poor implementation, inaccurate or incomplete data, over-budget, or in need of extensive improvement. These problems can be cautiously addressed with proper IS planning and implementation.

b) IS Planning for Bank Rakyat

Bank Rakyat like any other organizations is striving to use information systems to gain competitive advantage. The increasing branch network and expanding area of operation forced the Bank to plan its IS resources effectively. The Banks' focus in retail banking sector demand them to provide wide array of services at the lowest cost with great efficiency. Bank Rakyat can use IS planning to achieve those objectives.

The evolution of modern technology has also created a wave that is changing the nature of banking services. Virtual banking, Internet Banking and e-commerce has redefined the product and services offered by the banking industry. However, before jumping into the bandwagon, Bank Rakyat should study its IS objectives and capabilities to draw its future IS map. A survey recently carried out by Booz-Allen & Hamilton's financial services group revealed that out of 285 North American banks that opened Internet sites, only one percent are actually offering banking services (Burnham, 1998). IS planning can assist the Bank to decide on the technology adoption and the timing to adopt it

1.2 Objectives of the Study

As mentioned above Bank Rakyat is one of the organizations that can use effective IS planning to survive in the highly competitive industry. The Bank is in the process of mapping its information systems future and the study can help the Bank to find its direction into the next millenium.

The objective of the project is to study the Bank's current IS and capabilities. It will identify the problems faced, and then propose solutions for future undertakings.

To fulfill this broad objective, specifically, the study will;

- i. examines and identify the IS needs of the organization
- ii. analyze the organization's IS and capabilities
- iii. discuss and propose solutions for future IS planning.

1.3 Methodology of the Study

a) Both primary and secondary data were gathered for this research project. The study mainly analyzed the Bank's published secondary data collected from various sources such as;

- i. Bank Rakyat annual reports
- ii. Request for proposals (RFP)
- iii. Project planning papers
- iv. IT Audit Report and,
- v. Other reports made available by the Bank

b) Primary data was collected through personal interviews and discussions with key Bank Rakyat personnel in order to understand the strategic, business, and operational needs of the bank. The personnel came from various department, level, and type of IS users. Specifically discussions were held with the following personnel;

- i. Head of Planning and Development Division
- ii. Head of Information Technology Division
- iii. Head of Branch Operation
- iv. System Development Manager
- v. IT Implementation and Support Manager
- vi. Office Automation Manager
- vii. IT Quality Assurance Manager

- viii. IT Operations Manager
- ix. Accounts Manager
- x. Regional Managers
- xi. Branch Managers
- xii. End user mostly located at the branches.

c) An extensive literature review is carried out to discuss and provide suggestions to the Bank's IS problems and future IS planning. The sources of data are mainly from books, journals, Internet, daily papers, and related magazines.

1.4 Scope of the Study

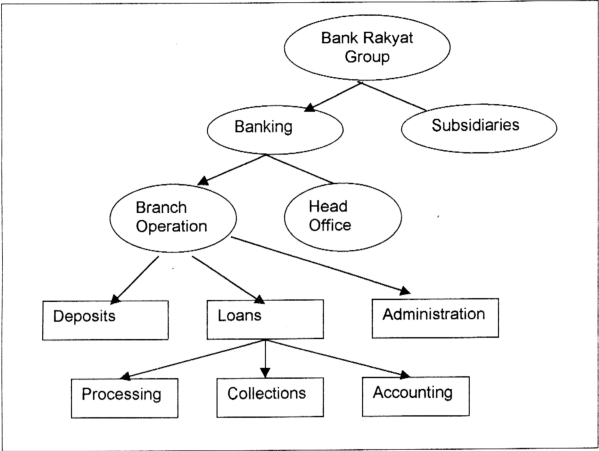
Due to the large area of IS planning and time constraint, the scope of the study will be limited to;

- i) how IS planning is used to support the business objectives, and
- ii) the systems features and capabilities needed by the organization.

The first as mentioned by Ward (Robson,1997) is the Business Information Strategy, may outline information requirements via blueprints at a general level for application developments in the future. The latter known as IS Functionality Strategy will demonstrate how the resources will be used, and provides policy guidelines for information resource's management such as policies for communication networks, hardware architectures and software infrastructures.

The study focused on the banking side of the organization, specifically at the branch operation needs. Finally, the study focused on IS management issues rather than the technical details. Figure 1.2 illustrates the scope of the study being carried out.

Fig. 1.2 The scope of the study



1.5Problems Encountered in the Study

In conducting the research project a number of problems were encountered. Amongst the major problems were:

i. Time constraint.

The process of collecting primary data through interviews and discussions was time consuming and exhaustive. Most of the personnel involved were busy with the on-going project, thus require repeated visits and longer time for the process to be completed.

ii. Confidentiality of information

The study involves accessing confidential data and information in certain areas. Therefore, the discussion will be limited to published materials and also those consented by the personnel interviewed during the study.

1.6 Organization of the Report

Chapter 2 describes the situational analysis on the organization i.e. its history, product and services, and problems faced. A SWOT analysis is used in discussing the subject matter. Chapter 3 provides the current IS situation and capabilities, system problems and the on-going project undertaken by the Bank. Chapter 4 provides the recommendations and Chapter 5 concludes the study.