

## Meaningful strategic planning can happen

Stop generating dust magnets & plan like you mean it

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“A plan is worthless, but planning is indispensable,” General and later President Dwight Eisenhower said. If extensive planning helped D-Day work, it might just help your bank, done right.

To borrow from Rodney Dangerfield, strategic planning doesn't get no respect from banks.

Year after year banks keep trying their hands at strategic planning. But the voluminous plans they produce seem to have little or no practical impact on how they make important decisions and invest in new initiatives. The plans never seem to catch hold with a critical mass across the bank. They never get executed the way they were intended. The expected results never happen.

And life goes on until next year's planning retreat. Executives and business line managers continue to follow their own different drummers, and any attempt to marshal and coordinate the entire organization around a common set of objectives quickly dissipates in the rapidly changing pace of everyday business.

Strategic planning itself has become the scapegoat for this failure, and tends increasingly to be disparaged as outdated, inflexible, and irrelevant to the "new" reality of the financial services industry. The disastrous events of the past few years bear supportive witness to this conclusion in many corners, and there is more than a passing possibility that strategic planning as we know it will be superseded by some slick new process that will churn out "McPlans"; while impatient bankers have their breakfast.

What a colossal mistake it would be if that happened.

Strategic planning--as a discipline, as a practical methodology to guide both the development and realization of a bank's long-term growth objectives, is not outdated, inflexible, nor irrelevant. Quite the contrary--given the near-meltdown of the financial industry and markets over the past four years, banks (and especially community banks) need strategic planning more than ever now as they begin to emerge into a recovering economy and a vastly changed banking landscape.

The real problem with strategic planning is and always has been "user error";

Banks (and for that matter, lots of other companies as well) have fundamentally misunderstood strategic planning and how to use it effectively. But until they can realize that strategic planning is not a magic tool that catches a man a fish, but rather a technique that teaches a man how to fish, it will never be able to deliver the value it is capable of delivering.

Strategic planning is a stern taskmaster that demands commitment, but its rewards can lead to years of sustained growth and profitability. For community banks, which have been in the throes of a competitive consolidation squeeze for decades, it can be literally a lifesaver.

What sound planning will do for you

"A plan is worthless, but planning is indispensable";

That quote comes from Dwight D. Eisenhower, general and later president. When done effectively, strategic planning will accomplish three things. It will:

- Make strategy.

- Make strategy happen.

- Make strategy matter.

Typically banks have worked only at the first of these objectives, without realizing that all three are critical for the success of any one. Moreover, because they have fundamentally misunderstood what strategic planning is all about and what to expect from it, they have gone about it haphazardly and superficially.

Usually it is little more than an annual, formulaic exercise, sometimes delegated to a staff unit. The results receive the ritual "review and approval" of the bank's executives and board, but among the bank's working population there is little awareness and therefore relevance. Day-to-day management, new projects and investment decisions get made independently, and a year later the bank's leaders wonder why their plan could not work.

#### Key elements in successful plans

"Most bank strategies fail not because of a lack of execution, as many suspect, but because of a lack of communication"

Strategic planning has three components that must all be coordinated and managed in order for the process to work: planning, execution, and communication.

There are numerous techniques and methodologies that can be employed to yield excellent results, but the most basic feature of good strategic planning is an awareness and understanding of what it does and what it does not do.

- To start, good strategic planning does not yield a plan: It yields capabilities.

- Its objective is not to make decisions, but to enable better decision-making.

• Precisely because the banking environment is so dynamic and fast-changing, strategic planning's real benefit is to establish the most important issues, goals, gaps, and opportunities that banks must address in any key business decision, whether those decisions are known or yet unknown.

Most bank strategies fail not because of a lack of execution, as many suspect, but because of a lack of communication. Trying to short-cut the process, not having the entire executive team and key managers involved in the early analysis and planning, and not having a plan to communicate the results and priorities to the rest of the organization all lead to poor commitment and disengagement.

### Communication and the community bank

Communication is the glue that holds together the entire planning process and links planning to execution, but too few banks pay sufficient attention to that requirement.

In order for strategic planning to work effectively, it must be elevated from a once-a-year "event" to a day-to-day "habit," and made a regular and accountable part of every staff member's awareness, activities, and goals. This is the beginning of a campaign to restore strategic planning to a role of influence and meaning, and absolutely cannot be overlooked or sidestepped.

Community banks are actually in better position to re-leverage their strategic planning functions than larger banks, exactly because this role of communication is so critical. With smaller staffs and fewer facilities, engaging a sufficient number of people in the planning process, and communicating its objectives, priorities, and expectations throughout the bank are much less complex and difficult.

Ownership and accountability for these tasks need to be assigned, and the way to do that is through goal-setting and incentive programs. Strategic objectives and priorities become linked to each employee's job function through mapping and frequent communication, so that they can see how their role affects the achievement of the bank's strategic goals. Communication about strategy and linkage has to happen regularly in order to become a part of everyday activity.

### The project never ends

Strategic planning is obviously not easy, and the process requires constant diligence. It can take a few years to master and requires constant gardening.

For many banks a skilled facilitator will be necessary to guide them through the rigors of their first year. But once a bank understands that the key to making strategic planning work is their responsibility and not an ingredient in the process itself, they will have achieved the first milestone toward making the difference between thriving, merely surviving, or even

disappearing.

Lee Kidder

Getting started

Did

Lee Kidder's main article make you want to get moving? He's provided a basic framework for starting the strategic planning process here. [Click here to see it in PowerPoint form](#) .

What makes a "good" strategic plan?

While

the key elements of a successful strategic plan will of course depend on an organization's unique circumstances and objectives, as a general rule the strategic planning process should answer the following questions:

1. Who are our target customers?

- What market segments will we compete in and why?

- What segments will we not compete in and why?

2. What is our unique value proposition?

- Given our market choices, what is our offering?

- How is it better than what our competitors are offering?

• Why should customers prefer it?

3. How will we make money?

• Given our chosen markets and value proposition, how will it be profitable?

• Why is this strategy better than any alternatives?

• What is the "secret sauce" that drives it, which no one else can duplicate?

4. How will we sustain our advantage?

• How will we defend our position from competitors?

• What are the risks in this strategy and how will we mitigate them?

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