DO YOU REALLY NEED A MISSION STATEMENT?

Fifth in Jeff's series about avoiding wasted planning efforts

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This blog is the fifth in my series on issues associated with community banks' long-term planning (hopefully appropriate for the many community banks that are now in the "planning season).

Now I'm turning to the difference between planning and budgeting and the importance of a written mission statement. These have long been points of confusion.

Planning drives budgeting, but it isn't budgeting

Your strategic planning is a waste of time if . . . it turns into a budgeting session.

Long-term planning and budgeting should be separate.

Period.

Yet each time the regulators require a strategic plan in an enforcement action, they typically ask for a budget and profit plan.

The two functions are different, although I acknowledge that the regulators apparently do not understand the difference between long-term planning and budgeting or profit planning.

The confusion lies here: True long-term planning should drive the budget, but a long-term planning session is not a budget session.

In long-term planning, participants should establish the high-level financial goals for the company, e.g., return on assets, return on equity, asset growth, loan growth, and the like. As noted, that drives the budget.

If the planning session becomes a budgeting session, then you will "lose" the participants, and they will view it as a waste of time.

Here comes the blasphemous part!

Your strategic planning is a waste of time if you focus too much on the mission, vision, and value statements.

Do you think I'm trashing three icons of strategic planning?

Here's what I'm after: Based on my experience over the last 30 years of facilitating community bank planning sessions, community banks are divided into two camps as its relates to mission, vision, and value statements.

- • People who write mission statements to check off the box. In one camp are the 90% of the community banks that have a written mission statement, and possibly a vision statement, and a value statement simply because the regulators expect to see those documents in connection with a review of the bank's long-term plan.

- • People who write mission statements to focus their mission. In my experience, only about 10% of those banks actually utilize and consider these documents to be serious guidance for their institution.

If your community bank has a culture that does not lend itself to utilizing a mission, vision, or value statement, then certainly do not waste your community bank directors' time "wordsmithing," reworking, and readdressing those documents in a planning session. Why bother?

But let's say that your community bank is one of the 10% that does utilize the documents internally or externally in a

positive way. Then it is important for the documents to be reviewed at the planning session to see if they have withstood the test of time or if the documents need to be tweaked.

Even if they need to be tweaked, the planning session is probably not the time to do that, but sometime subsequent to that.

Owning up to your organization's truth

At most planning sessions, when I raise the question of whether the bank has or uses its mission, vision, or value statements, the general response is that the directors' eyes roll back in their heads. Then someone will finally say, "Yes, we think ours is in the personnel manual." Then, the conclusion is, let's move on.

A minority of banks, as noted above, utilize their mission, vision and value statements to the max. I had one banker tell me, "Of course we use it. We recite it to loud music every Monday morning at our management meeting."

So, do not waste your directors' time if you are not going to use your mission statement.

If you are, congratulations to you and your culture!

Read Jeff's earlier installments here:

- Part 1: Your long-term planning is a waste of time

- Part 2: Can you get your board back for planning next year?

- Part 3: Strategic planning: Don't forget why you're there

Part 4: The four C's of planning, and how to make them work for you

About Jeff Gerrish

Jeff Gerrish is chairman of the

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Gerrish's consulting and law firms have assisted over 1,500 community banks in all 50 states across the nation since their formation in 1988. Gerrish formerly served as regional counsel for the Memphis regional office of the FDIC and with the FDIC in Washington, D.C. with nationwide responsibility for litigation against directors of failed banks. Currently, Gerrish's practice involves mergers and acquisitions, strategic planning, capital raising, and general consulting with community financial institutions

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