TWO MUSTS FOR PLANNING THAT WORKS: FOCUS ON ESSENTIALS--AND HIRING THE BAD GUY

Final installment in six-part series

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This blog is the last in a series on issues associated with community banks' long-term planning efforts. It's been timed for when many community banks typically are in the "planning season."

My final blog on this matter will provide you with a few additional indications your strategic planning may be a waste of time if . . . The purpose of all this is to make sure that your community bank's long-term planning is effective, and possibly suggest changes to your current method.

Concentrate on what's really important

Your bank's strategic planning will be a waste of time if you fail to identify and focus on the substantive issues. How do you identify the substantive issues?

I ask the players. When I facilitate a planning session, I identify the substantive issues for the bank and holding company by distributing questionnaires to all planning session participants in advance. The questionnaires are returned to my office on a confidential basis. From those findings, I create the meeting agenda.

What substantive issues are typically addressed? How about:

1. Is the bank going to remain independent?

2. Where does the bank/holding company get capital?

3. What is the directors' capital "comfort" level?

4. Does the organization have any sources of capital other than retained earnings?

5. What is the total amount of capital available?

6. How does the bank use the capital?

7. Does the board allocate capital to support the growth of the bank?

8. Does the board allocate capital toward generating additional profitability?

9. Does the board allocate capital to redeem shares and create liquidity for the shareholders?

10. Does the board increase the dividends or distributions to the shareholders?

11. Is the organization willing to generate loans of different categories to drive profitability?

12. Does the organization need a deposit gathering strategy?

13. How does the organization increase the loan portfolio as a percentage of assets to drive profitability?

14. What is the overall business strategy? The profitability/growth/mix?

15. What should the organization's ownership look like - C corp, S corp, SEC reporting?

16. Should the bank expand geographically? If so, how and where?

17. Does the organization have appropriate lines of business other than the core banking business for its customers and potential customers?

18. Where is the bank on the technology continuum (slow follower to bleeding edge) and where should the bank be as a strategic matter?

19. Are there any board-level strategic issues with respect to marketing, e.g. changing the name of the bank, or its tagline, or its logo?

Issues, not process

Focus on the substantive issues, not the process. Discuss the substantive issues, decide what the action items are, and provide accountability.

Your board will view your long-term planning as a waste of time if there are no results and no accountability. In order to assure accountability, there must be a consensus. There must be an action plan and the action plan must be reviewed on a periodic basis.

My general recommendation is to put the long-term action plan on the board's agenda on a monthly basis. This will assure that strategic issues are considered monthly and action items are dealt with. It will also provide accountability for the management team.

Consider an outside planning guide

Your strategic planning may also be viewed as a waste of time if you do not use an outside facilitator.

It could certainly be argued this is nothing but "shameless self-promotion."

But my experience (and what my clients have told me) is that community bank personnel (CEO or other) often have a difficult time facilitating their own planning session.

When you think about it, the reasons are reasons: "A prophet is not without honor except in his own town."

If the board elects to use an outside facilitator, then directors must decide whether they want someone who is, 1. trained or skilled in facilitating meetings, or, 2. if they want somebody who is trained/skilled in facilitating meetings, and who has knowledge of the industry. Because both types of facilitators are available.

The facilitator's job is not to dominate the meeting, but it is to keep the gathering focused and on task. The facilitator's job:

• To drive the group toward consensus.

• Make sure action plans are established, if appropriate.

• Make sure that accountability results from the meeting.

Hiring "the bad guy"

Going back to the merits of an outsider versus an insider: The facilitator can also ask the hard questions.

For example, how many times has one of your older directors been asked "How old are you and when are you going to retire?"

That is not very politic for somebody who is in the bank every day or particularly for a CEO who reports to the board.

The facilitator does not have the same constraints.

If you have not done so, consider using an outside facilitator to improve your community bank's planning process and

your board's interest in attending.

As noted, this is the last in a series of blogs on strategic planning. In the next blog, we will move on to something new. In the meantime, share your thoughts on the planning process, and this series, in the comment section below.

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

Part 5: Do you really need a mission statement?

About Jeff Gerrish

Jeff Gerrish is chairman of the board of Gerrish McCreary Smith Consultants, LLC, and a member of the Memphis-based law firm of Gerrish McCreary Smith, PC, Attorneys. He is a frequent contributor to ABA Banking Journal and ABA Bank Directors Briefing, and frequently speaks at ABA events and telephone briefings.

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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