

Planning Ahead: The Critical Role of Strategic Planning



How Forward-Thinking Strategies Drive Success for Financial Institutions

Effective strategic planning sets the stage for the success of every financial institution. As the industry continues to mature and banks and credit unions find themselves facing new challenges, organizational vision and a future-state plan have never been more critical.

Why is Strategic Planning Important?

Forming a strategic plan is more than checking a box. It gives your bank or credit union both direction and purpose. Most importantly, it creates a means to convey your “Why” to your employees and other stakeholders. It allows your bank or credit union to allocate resources where necessary, budget appropriately, and measure your efforts more accurately.

A well-thought-out strategic plan serves as a blueprint for subsequent endeavors. Performing a SWOT analysis for your financial institution will allow you to ask and answer the hard questions around your activities and enable you to chart a roadmap

geared toward sustainable growth and profitability.

Strategy does not evolve quickly. It moves slowly. It is discreet. An overriding challenge most business leaders face today is forming their strategic plan. Many confuse tactical initiatives with forward thinking. The strategic plan is the long-term vision for the organization.

When you set your strategy with intention and move at a deliberate pace, you can navigate the changing market. Strategic planning empowers you to drive new revenue opportunities. Examining financial models through a strategic lens is imperative to ensure that financial decisions align with your goals and objectives. Your organization must understand how to close the value loop on its investments effectively.

When Should Strategic Planning Begin?

A common misconception that exists within community financial institutions is the timing of strategic planning. The third quarter is too late for strategic planning and here is why...

Organizational strategic planning must begin earlier in the fiscal year, allowing enough time to shift from strategic formulation to business mapping. The optimal time to begin the process is the second quarter. This is when leadership gathers to collect information and test current strategies to determine whether they align with the mission and core values of the organization.

During the third quarter you can then begin business planning. Where do the strategies fit in with the day-to-day business initiatives? During this time, you can adjust, allocate resources effectively, conduct budget planning, determine how to measure, and set short term goals. This approach focuses energy on the corporate objectives.

Planning too late in the year can affect your budgeting process. When you strategize early, the strategic plan becomes a budget discussion and that is what drives your business plan.

What Does Effective Strategic Planning Look Like?

Your strategy takes shape when you have a thorough understanding of your internal operations and your efficiency ratio. This extends to discerning the influences in the external environment, including economic conditions, competition, technological changes, and demographic shifts. These outside forces produce ideas that form strategies.

Scenario planning is an effective approach to strategic planning. Scenario planning helps build up the mental muscles by changing the format from a traditional lecture/data dump to a forward-thinking exercise.

Your financial institution should strive to be more experimental in your thinking so you can anticipate changes to your organization faster or figure out how to identify roadblocks and move obstacles out of the way.

Examining your financial institution's data and incorporating it into your plan is crucial. Let the data guide your thought process; understanding your customers/members will help you be a proactive advocate for their well-being, steering future initiatives. Demonstrating your knowledge of their needs and presenting solutions positively reinforces your commitment to helping them thrive financially.

At the end of your planning session, your strategy

should be part of your bank or credit union's DNA. It must define why you exist, how you exist (core values, purpose, who you serve), and the strategies you are pursuing (what, why, how you get there). If your strategic plan cannot fit on a poster and be distributed to your team, it is overly complex.

Refrain from keeping the plan a secret. The most successful organizations share their vision with the entire team. This transparency shows your commitment to your objectives, fostering a shared understanding that permeates throughout the organization. By telling your story to every team member, you offer them clarity on their role and purpose within the organization, thus the employee experience starts to align. From there, leaders can effectively delegate. This process develops better decision makers and better managers because the entire team is taking ownership of the plan.

Overall, strategic planning is essential for guiding bank and credit union decision making, driving performance and innovation. Financial institutions that can get on board with the strategic planning process will not only survive but thrive.

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