

Strategic Planning – Survive and Thrive in 2009

By Terry Saber, Director – Strategic Advisory Services and David Saber, Senior Business Development Manager

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Strategic planning has never been more critical to the continued success of any financial institution. After all, these are not ordinary times. Many core assumptions in the financial services marketplace have come into question, and the extraordinary uncertainty in our industry has dominated recent headlines. Over the past year, we have facilitated discussion of numerous issues—funding, cost containment, regulatory mandates, talent retention, succession planning, and of course, maximization of shareholder value—that demand immediate attention and require ongoing, fluid strategic solutions.

Empirical evidence indicates that most board members and financial institution executives know implicitly that their institutions could be more effective at developing strategy and implementing/executing strategic planning outcomes. In fact, 33 percent of the 384 financial institution board members who have recently participated in the Growth Performance Strategies (GPS) Survey indicated that a multiyear strategic plan has not been formally approved by the board. Furthermore, 30 percent of the 943 management respondents indicated the strategic plan is not annually updated nor is execution aligned with compensation. These two key issues are among the highest rated in importance.

Strategic planning should result in sustained bottom line performance and should be the highest yielding annual investment a financial institution makes. The purpose of the planning process is to help an organization focus its energy on clearly aligned goals and to assess and adjust strategic direction as appropriate in a dynamic, rapidly changing environment. The process must be customized to ensure it meets the unique needs of each organization. A “cookie cutter” process or “glorified budgeting” meeting will not produce forward-looking strategies nor will it maximize shareholder value.

Strategic planning requires discipline and a focused, productive planning meeting where questions can be raised and assumptions tested. The leadership challenge is always about making choices. As we frequently say, “if you emerge from a planning session “exhausted...but invigorated,” you have likely had a successful session that propelled needed action and renewed commitment to aligned results.

The Process

Completion of the strategic planning process is an essential element of practicing good governance at both the board and senior management levels. Such a process should consist of the following six components:

1. **Fact Finding:** Background materials to review include the existing strategic plan (if developed), existing capital plan, financials, short biography of executives and board

members, market share statistics, loan portfolio breakdown/concentration, loans/deposits, peer group listing, organizational demographics, and organizational chart(s).

2. **Comprehensive Financial Analysis:** Analysis of the institution’s financial performance compared to relevant peer data. Emphasis of such analysis is always further maximization of franchise value. (Or in today’s environment, maintenance of franchise value!)
3. **Key Stakeholder Assessment:** Strength/weakness assessment of primary strategy areas and the importance of each. Analysis of input should occur by total company composite and by stakeholder group (board, management, employees).
4. **Meeting(s) with CEO and/or Planning Committee** to formulate the appropriate agenda relative to the analysis completed in items 1-3 above.
5. **Facilitated Strategic Planning Meeting**
6. **Development of Strategic Plan:** Presented to and formally approved by the board, the plan should include eight components:
 - Mission
 - Vision
 - Core Values
 - Internal/External Analysis (including SWOT)
 - Strategic Priorities
 - Goals and Strategies to Accomplish Priorities
 - Action Plans to Execute Strategies
 - Financial Performance Targets

Professional Facilitation: Critical to Success!

A skilled facilitator enhances the strategic thinking process, provides needed objectivity, and produces a quantifiable return on investment. Ultimately, skilled facilitation assists in several important ways:

- Organizes the planning process and facilitates the team to develop or update all eight plan components, as outlined above.
- Prepares a customized draft Strategic Plan document that sets forth benchmarks and timelines for achieving the benchmarks. (Beware of “cookie cutter” end product deliverables! They abound!)
- Facilitates lively, objective, energized discussion that identifies potential solutions to address both strategic concerns and strategic opportunities.

- Identifies any “elephants under the table” and ensures professional dialogue and ultimate resolution of the barriers often posed if such issues go unresolved.
- Ensures strategic focus, not tactical.
- Provides insightful comparisons relative to asset size and provides value-added solutions unique to the institution.
- Spends time and effort researching and exploring trends and technical issues to develop innovative approaches not typically considered.

Facilitation and the ability to spur motivated execution of strategic priorities equate to sustained bottom line performance. Implementation and execution of a well-developed strategic plan will significantly enhance earnings. It’s been proven!

The Outlook

Difficult times can be an opportunity in disguise. To survive and flourish, financial institutions must exploit the current opportunities—carefully, deliberately, and thoughtfully. Typical responses during difficult times may not work.

About the Authors

Terry Saber has more than 25 years of experience in the areas of strategic planning, human capital, executive compensation, and executive coaching with family-owned, privately held, and publicly traded financial institutions; state banking associations; and nonprofit organizations.

Terry is nationally known for her facilitation skills as well as her all-inclusive, highly customized, and organization-specific approach to

strategic planning and performance management. Terry combines an extensive financial institution background with decades of insight working with financial institutions to provide Wipfli clients with accurate, current, and creative approaches to strategic planning and other relevant industry issues. To learn more, please contact Terry at tsaber@wipfli.com.

David Saber is committed to providing financial institutions with the tools they need to make informed business decisions. He has extensive financial institution experience managing strategic planning and consulting projects and working with boards of directors and executive management of family-owned to publicly traded financial institutions across the United States. To learn more, please contact David at dsaber@wipfli.com.

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