Run! Hide! The Strategic Planning Cycle Begins Again Soon
by Charles B. Wendel

Even though we are not at the halfway point of 2024, at many banks, staffers have begun to prepare for yet another round of strategic planning. But my experience as an outsider is that most of these exercises fail to result in significant impact or directional change, particularly when the bank would benefit from it. Oftentimes, the strategic planning process pops up each year and gets checked off on a bank's To Do list with nowhere near the impact this time-consuming process should have.

Let's look at why this occurs and what banks can do about it. And then we'll focus on why most banks will continue to fail to take advantage of it.

The arrival of the forms. Every bank I know faces additional reporting requirements, whether from internal or regulatory groups. Time spent on non-revenue producing activities has increased. Typically, strategic planning leaders will email a packet of forms for the line and support areas to complete. These forms should be reexamined and reduced in pages to focus on the handful of key items that a bank unit or the bank itself needs to focus on. Management should consider a "zero-based budgeting" approach to what it requires. And more is not better.

Consistency in output. Consistently, I've seen inconsistency in what planning participants produce. Some see the plans as a method of communication and clarity while others provide as little detail as possible. Plans need to be submitted to a central reviewer who has the authority to "push back" to obtain more necessary detail. Those participating in the session know that some of their colleagues put minimal effort into the process and get away with it.

Begin with a review of the past year. Plans usually end with a summary list of goals for the following year, but are those goals accomplished? Goals should be quantifiable rather than qualitative, allowing for measurement of progress. Even with qualitative goals, however, presenters often are often able to "dance around" missed targets with little pushback.

Establish a quarterly review process. Waiting a year to review performance is too little too late. The planning process is meant to be dynamic and can be a game changer for the bank. Tracking progress and acting to keep initiatives on track is critical to its success. Too often, though, bank management fails to review interim performance in depth or require necessary changes to bolster results.

Keep it simple. Along with fewer forms should come fewer action steps, no more than three-five. More than that is difficult to accomplish.

Avoid distractions. Yes, I know that AI has taken over the world, just as digital banking took it over a few years ago. But focusing on AI makes no sense unless a bank can articulate the strategy that AI will support. And the focus of the largest banks on AI may open an opportunity for some banks not to be anti-AI but to be more person-to-person oriented. A $1B, $5B, or $10B bank can't go head-to-head with the biggest players in this area, so how can they continue to compete effectively while recognizing this threat?

Onsite not offsite. I've participated in planning sessions in offices, hotels, and resorts. While, personally, I like resorts, I think banks should avoid them. These sessions are meant to allow for discussion and brainstorming. But if during the afternoon participants begin to fantasize about cocktails or their golf times, the meeting may lose its focus and intensity. Discussions are cut because of the sound of ice cubes nearby.

Management buy in. As always, top management will determine the value of this process. If they view it as a "check the box" exercise," it is of minimal value and may undercut the enthusiasm of some execs who have worked hard on their plans. Very few execs take full advantage of this process, a waste.

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