Strategic Planning: Now More Than Ever
by Charles Wendel

Artificial Intelligence. Data Analytics. Digital Banking. Fintechs. FAMGA (Facebook, Amazon, Microsoft, Google, Apple). Cryptocurrencies. Blockchain.

Why, when banks need to deal with issues related to the above (and more) should banks focus on strategic planning, a traditional and often unsuccessful approach to problem solving and priority setting?

In recent years, the strategic planning process has been dismissed or relegated to staff groups at many banks. Banks conducting a *rigorous and consistent* strategic planning process have become the rarity and not the norm. That may be a critical mistake, as over the next three-five years the overall corporation, individual lines of business, and even support groups need to address and resolve issues that will be fundamental to a bank's growth and perhaps even its survival.

Why do most banks avoid this process or view it as a failure? Over the years we have found that multiple reasons (and at many banks more than one) predominate:

- Some banks operate without any strategic differentiation, working off yearly operating plans and budgets. Management either cannot or does not want to confront the reality that it is largely "plan less", living off its history rather than preparing for the future.
- Other banks complete a "check-the-box" plan, filling in templates, meeting time deadlines and then putting the plan on a shelf until the next planning cycle begins.
- Bankers fail to own the plan, labeling it as the consultant's or staff group's plan and, thereby, condemning it to non-use.
- Line-of-business leaders think they know the answers based upon their deep subject experience and do not believe that a process they view as bureaucratic will add value, saying they are too busy with day-to-day activities.
- Bankers whine and successfully minimize their commitment to the process believing "this too shall pass."
- Banks do it themselves, avoiding the outsider input that can provide best practice information (both from banks and non-banks) and the intense (and occasionally annoying) focus that consultants can bring.
- **Most critical:** Senior management fails to lead and support the planning process and in effect allows bankers to opt in rather than knit strategic planning into the corporate culture.

But, consider the following strategic planning process:

- Senior management and the line both provide input into the plan's design, agreeing on the key issues it should address

- The plan requires each line to address the potential impact of the topics highlighted above (among others).
- Interim timelines are determined with the line's input, reflecting their concerns about being taken away from business priorities
- Management meets with the line during the process to review emerging issues and refocus the plan as necessary
- Business heads review the final plans with their peers
- The final plan includes a detailed action plan with implementation dates, the person (s) responsible, possible roadblocks to completion, and how any roadblocks will be mitigated
- The plan then becomes a living document; line management reports in monthly on progress, including quantitative performance measures
- Senior management manages with the plan as a key ongoing tool; the plan is not just placed on a (now) digital shelf
- The line plans become embedded into the overall corporate plan
- Twelve months later bankers revise and update the plans, a more targeted and shorter process
- And, so on

I have worked on plans that were effective and others that were a waste of client time and money. In some cases those banks that failed at strategic planning and may now be hardened against it ("We tried it, and it did not work.") would benefit greatly by truly engaging in a bank-wide process. When done well, strategic planning can be a method for internal communications, consensus building, and problem solving.

To conduct a successful strategy process, management should engage in upfront planning:

- ✓ What should be included (and not included) in the plan?
- ✓ Who should be involved in writing it?
- ✓ What staff or other support can management give the line to assist in the process?
- ✓ How should it be scheduled to minimize conflict with other business activities? When are the start *and* end dates?
- ✓ When should interim progress reports occur?
- ✓ When and how should the Board be involved?
- ✓ What will be the follow-up process once the plans have been completed?

These questions and others need to be considered before the planning process begins in order to anticipate emerging issues and keep the plan on track.

The end date for submission of plans should be announced as part of the launch, signifying that "the train has left the station" and that all management needs to get on board. We worked on one project in which various line heads were allowed to work at their own pace. While this approach was understandable given business issues, it also undercut both the importance and effectiveness of the planning process. At the same time it also increased the bank's costs.

BTW, planning will likely be a waste of time unless the CEO and COO show commitment to the process and will incorporate it into to the bank's culture. Better not to begin a strategic planning process with all the time, intellectual, and even emotional commitment it requires, than to proceed half heartedly or without the commitment to make the plan part of the lifeblood of the institution.