

Bank Asset/Liability Management

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Delivering on Your Bank's Strategic Plan

Delivering your bank's strategic plan is hard work. It requires the blending of abstract objectives with decisive and effective action. Bridging hope with reality involves persuading your team and stakeholders of the plan's successful outcome. At the core of this challenge are a number of factors that can derail your efforts and yield an unsatisfying result. Coordination and communication are critical. After all, strategy and implementation are typically managed by two different groups of people, including the board of directors and management, who frequently have a disparate outlook. The board of directors and management frequently disagree and, at best, they often have an uneasy truce.

Psychology also plays a role in the successful implementation of your bank's strategic plan. It would be an oversight to ignore the fact that humans depend on more than logic in their decision making. An effective strategic planning process requires far more than logical process to be truly effective.

Our experience in assisting high performance financial institutions achieve their strategic and asset/liability management goals has led us to recognize six key criteria required for the successful attainment of

strategic goals and objectives. These vital elements require constant monitoring to keep your bank's strategic and operational plans on track. The following paragraphs present a brief overview of the six most important elements consistently found in high performance financial institutions' strategic and ALM planning process:

1. **Avoid becoming attached to an unrealistic strategic vision.** To be truly effective, your bank's strategic vision must be well grounded, achievable, and embraced by management. Management at all levels must be committed to the bank's strategic objective if the vision is to be ultimately achieved. What's more, the vision must be broken down into specific strategic initiatives that can be implemented by management. To accomplish this, management must focus not only on what must be emphasized but what must be de-emphasized or even eliminated as well.

2. **Developing executive consensus and accountability.** It is imperative that management ensure that stakeholders are truly owners of the bank's strategy. To accomplish this, there must be agreement between those who set the strategy and those who will implement the plan. Stakeholders must participate in the development of the plan's underlying assumptions and

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accountabilities, thereby building consensus and solidifying their ownership. Actions of each employee must be supportive of the strategic vision. Moreover, management must set clear expectations of who is accountable for what and what must be delivered within a specified timeframe. Management must use this accountability to measure progress and take corrective action. Feedback must be delivered in such a way as to become actionable toward the attainment of the bank's desired outcomes. For your bank to fulfill its vision, the board and executive team must fully embrace the bank's strategic vision for the future. To be successful, a level of congruency must exist between thoughts, words, and actions. Muted consent can quickly permeate the bank and ultimately may lead to a passive resistance to the successful achievement of the bank's strategic goals.

3. Developing effective communication and follow through. Bank management and staff at all levels and across all functional areas must understand the bank's strategic goals as well as their responsibilities in attaining the goals. Reliance on top-down directives alone will not facilitate effective communication or feedback. Instead, strategic goals must be framed in terms that are outcome-based and relevant to the plan's stakeholders. It is vitally important to assure that executive management is listening to middle management and operational employees. Further, management must assure that challenging communication is encouraged in all levels of the organization. Listening is critically important here.

4. Developing effective management and system processes. Understanding what systems are being utilized and needed for the bank's future success is an important

factor in assuring strategic deployment success. Eliminating low-value activities is also important. Management must assure that the bank is not relying on old success as a model for a new strategic direction. Moreover, management must assure that the bank's focus includes the reward systems necessary to facilitate strategic success.

5. Emphasizing a focus on inputs versus outcomes. To assure strategic success, management must be diligently attentive to the accurate development of the plan's underlying data and assumption inputs rather than the desired outcome. To do otherwise will often lead to a disconnect between vision and successful implementation. The planning process is ultimately about producing a desired outcome. To facilitate strategic success, management must root out and eliminate unauthorized and/or ineffective initiatives that consume valuable organizational resources without generating specific, observable strategic results.

6. Developing the competencies to support strategic initiatives. Bold ideas and initiatives often require focus on new initiatives, such as effectively completing new and unfamiliar tasks, understanding new concepts, acquiring new leadership skills, or learning to leverage communications more effectively. Clearly understanding the bank's organizational strengths and weaknesses can allow management to focus attention on operational shortfalls while developing clear ideas of how to re-apportion resources to successfully deliver the bank's strategic initiatives. Your bank's strategic vision must be well grounded, achievable, and embraced by management.

This cognition of your bank's strengths

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and weaknesses is often the hardest part of engineering your bank's strategic success. However, once deficient functional areas are identified, management can adopt new practices designed to improve effectiveness. Repetition is simply a way of doing what has been agreed to until a new level of proficiency is ultimately developed. Developing new skill sets often includes being self-reflective of how well the organization is performing, as well as being open to critical feedback regarding the bank's overall performance.

The following lists important skill-enhancement areas that your bank should emphasize in your efforts to increase your bank's strategic success. Skill enhancement should be simple, conventional, and innovative. The keys to an effective skill enhancement process are that: a) it is easy to integrate into the bank's daily activities and b) the organization is committed to supporting the enhancement process.

Emphasize Flexibility

- Eliminate unnecessary or overlapping functional processes. By curtailing unnecessary functions or processes, there should be more resources devoted to ensuring that key strategic initiatives are achieved.
- Change an abstract initiative, such as being worldclass, to something more tangible, straightforward, and understandable.
- Create an assessment-rich culture where management and staff are encouraged and rewarded for speaking their minds.

Build Accountability

- Re-assess expectations by clearly identifying who is expected to deliver what to whom by when.
- Negotiate targeted results with all of

the key stakeholders while keeping in mind that consensus usually generates more positive results than fiat.

- Create key values that the executive team can follow in delivering on the strategic plan. These key values differ from the corporate values in that they are an agreed-upon behavioral system that everyone is working to deliver (i.e., See Possibilities, Take the Initiative, Be Accountable, Listen Deeply to Others).

Increase Communication

- Listen more than speak. Strive to listen at least twice as much as you talk.
- Seek out peer and team member discussions on the tough problem areas that are frequently avoided. Assure that sufficient time is devoted to thoroughly explore these difficult problem areas.
- Ask at least one question that attempts to clarify rather than attempting to problem solve before fully understanding the problem.

Emphasize Process Management

- Ask the newest management team member what processes seem out of place or out of date.
- Offer to coach someone who is inexperienced at process management.
- Simplify, eliminate, or reduce resource-consuming processes, and see if anyone notices.

Focus Your Resources

- In your conversations with peers, subordinates, and associates, be alert to an over-emphasis on input versus outcome. Most poor performing organizations tend to focus on input

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components while neglecting the desired outcome. With a renewed commitment to strategic goal achievement, the input is more easily generated.

- Evaluate your bank's key strategic initiatives to clarify how they are measured and to assure that they have a specific and observable benefit. If not, change or delete the initiative until a measure of success is agreed to by the stakeholders.
- Reward delivery to the plan.

Developing Competencies

- Ask each member of your bank's management team what change might be made which would facilitate the attainment of the bank's strategic goals and objectives.
- If you hear the argument, push back — times are too tight for training and development. Keep in mind that when your staff is expected to deliver at a higher level, they will most likely require additional training, support, and know-how to meet their expanded responsibilities.
- Identify one competency that, if the team were 20% more effective in, would dramatically increase the likelihood of success. Commit sufficient staff training time to learning that competency.

The art of effectively delivering a strategic plan directly correlates to the quality of communications between individuals. Success in a relationship, or a team, is directly correlated to the quality of communication. If your bank can develop competency in the quality of verbal and written communications, your strategic vision will be more readily accessible and more robust with increased integration and a blending of values, behaviors, and desired financial outcomes. The baseline common factor for success in your bank's strategic planning efforts is the ability, desire, sincerity, and competency to face the issues and communicate effectively.

— Mark Haeussler, President
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