

A Comprehensive Guide to Strategic Planning for Credit Unions

A whitepaper by



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Strategic planning can be challenging for even the most seasoned of credit union executives. So many moving parts and unique personalities create a truly consuming process, often producing murky results, grumbling staff, and goals that fizzle by mid-year. This whitepaper dives deeply into 10 specific tips on how to improve your planning process, complete with questions and real-world examples, from two vastly experienced credit union veterans. The goal of this whitepaper is to provide a thorough resource on how to make your credit union's planning session successful, your goals lasting, and your organization stronger.

In this whitepaper, we cover many topics, including:

1. Understanding the real results of your planning sessions
2. Interacting with the right people during the planning process
3. Setting the right amount of goals and action items
4. Utilizing an outside planner
5. Allowing everyone in the room to have a voice

Introduction



Known as one of the nation's top credit union strategic planners, Kathy Darwin has been helping organizations with their strategic planning processes for over 17 years. For this whitepaper, Darwin sat down with good friend John Molenda, Chief Administrative Officer at HawaiiUSA Credit Union and former Executive Vice President of Del Norte Credit Union. Molenda transformed Del

Norte into one of the best financial institutions in the region. Along with his credit union experience, Molenda is one of just 12 Malcolm Baldrige Award judges in the nation. The prestigious Malcolm Baldrige National Quality Award recognizes U.S. organizations in the business, health care, education, nonprofit, and cybersecurity sectors for performance excellence, administered through the National Institute of Standards and Technology (NIST), an agency of the U.S. Department of Commerce.

Together, Darwin and Molenda have facilitated and moderated nearly 100 credit union strategic planning sessions and they are pleased to share their very best tips for successful strategic planning.

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Phase One: General Tips for Your Strategic Planning Process

1. UNDERSTAND THE *REAL* RESULTS OF YOUR STRATEGIC PLAN

Credit unions often go through a strategic planning process with a document that merely dictates what they are supposed to do during the year, with no measurement of the improvements gained by working through objectives. Molenda explained, “We tend to measure the results of strategic plan by whether we get action items done. The results of your strategic plan have more to do with measuring whether you *improved* those big picture strategic initiatives/objectives that you identified through the planning process.”

Darwin recommends that prior to your strategic planning workshop, take time to think about:

1. What sets you apart from your competition and why?
2. How do you get better at what sets you apart?
3. What motivates you to be better?
4. Is your desired future state still relevant? Is it big enough?

Look at your plan with an inquisitive lens. If one of your strategic objectives is to *improve the culture of the organization*, then what are those associated results? Were you actually effective in improving the culture of your organization? Molenda said, “It’s not just about ticking off action items. It’s about moving the results associated with those strategic objectives. Let’s say my credit union had 10 action items to improve the culture of the organization. If we completed all ten items, but we didn’t move the culture forward, then the process needs to be revamped.”

Ask yourself these questions:

1. What results did we achieve?
2. How do those results relate to culture?
3. What can I learn from the results I did achieve?
4. How do we prioritize the action items we have for the next year?

2. FOCUS ON IMPROVEMENTS, NOT CHANGES

Molenda cautions against change with no real purpose and warned that, “Changes are not necessarily improvements.” First, take a look at all results and ask how you can make them even better. Then head back into the process improvements that you believe will drive better results. This technique leads to

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changes that can have a bigger chance to be real improvements. Continue to ask yourself, “What can we do differently?” and take action. This can yield different results as you iterate.

Darwin sees the process of strategic planning is an invitation to visualize where you want your organization to go and what you can do better to allow yourself to get there. Planning is not about change. Planning requires that you use your current results as a source of truth for improvement and growth. Look at your trends over the last three to five and evaluate how do can improve on your greatest successes. Pick a timeframe in the future and prepare for your next planning workshop by visualizing that future.

Ask yourself these questions:

1. What will that future look like, including things like products, assets, and demographics?
2. Who will you be working with?
3. When will you know you’ve reached future goals successfully?
4. How will you feel when you have achieved these goals?

Example:

Molenda discussed his credit union’s frustrating and inconsistent experience in receiving recognition such as the coveted *Best of Santa Fe* and *Best Places to Work*. “We thought we were great. The next year, we didn't get it. The year after that, we didn't get it. Why? We were just doing things differently with no real reason and we thought we were better than we really were. There was no focus on consistency early on and consequently, our results were random,” explained Molenda. Del Norte CU shifted their focus to the culture of the organization, and have received *Best Place to Work* and many different *Best of Santa Fe Awards* consistently in recent years. In fact, Del Norte was the only organization to have ever received three #1 *Best of Santa Fe* in different categories in a single year. Molenda says, “The consistency of our results is an outcome of the work that we've done with Kathy and being able to go through a solid strategic planning process.”

3. IDENTIFY KEY STAKEHOLDERS AND THEIR REQUIREMENTS

This is important in any process, but critically important in strategic planning. What is critical to the key stakeholders is critical to you as well, because they have integration and input into your strategic planning process. Look at what you want out of your strategic planning process and be sure you have the right folks in the room to have the necessary conversations.

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Consider who you plan to invite to your workshop. Make a list and understand who they represent including their roles, demographics, expertise, and industry knowledge. Consider the timing of your workshop. Do you have too many people in the room to have a good conversation? Conversations and decisions usually happen in smaller groups. Think about the questions you will be addressing. Do you have the best resources present to provide education, to push the norms, and to challenge comfort zones?

4. USE YOUR MISSION AND VISION AS BEACONS

As a credit union, it's critically important for the strategic plan to consider and include mission and vision. As you establish your strategic plan, think about how you will give your employees opportunities to lead the way in developing and driving your mission, vision, and values. Help them to create an emotional line of sight from the work that they do to improving your credit union's members' lives. "Much of your staff are the first and only contact points for members, so staff members at all levels need to shape and understand your values as much as anyone," explained Molenda.

"When our staff was asked to define our mission and core values, you would usually have tears," said Darwin. "The tears come from the passion of living their purpose. Do your mission, vision and values create an emotion in your workforce? If not, toss them back to the staff and allow them to personalize it and define these things their way, in their words, with their pictures." It was the employees of Del Norte Credit Union who coined the organization's mission statement and gave it life.

Example

In 2007, Del Norte Credit Union's operating expense to asset ratio was about 4.5% and was such that they could not price their products competitively due to high operating expenses. Molenda and the executive team focused on making the credit union more efficient. Over the next few years, they were able to take their operating expense ratio down to about 3% without cutting any branches, and by solely downsizing through attrition. Two interesting things happened during this time period:

(1) Del Norte's member satisfaction rates skyrocketed. "We saw operating expense reduction as a renewed focus on what's important to our members. It turned out on that we were putting our members through angst and processes that didn't benefit them, so we decided to eliminate some processes that don't add value to our stakeholders. Concentrating on what was important to our members was very beneficial," said Molenda.

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(2) Employee engagement on our surveys increased dramatically. “We looked at all employee tasks, jobs, and duties, and refocused them based on what the employees in that department really *wanted* to do and were engaged by. Even though our staff was shrinking, our employee surveys started getting better,” said Molenda. Del Norte lowered operating expenses, enabling them to price their products more attractively to members, gaining the organization increased market share and growth over the years, and increasing both member and employee satisfaction.

5. FEWER ACTION ITEMS AND LESS BUSY WORK

“The more action items you have, the fewer things you will get accomplished because you're not focused on the things that *really* matter. You try to focus on everything,” cautioned Molenda. “Before Darwin was involved with our credit union, we had so many action items. We thought we had a problem with deployment, but we actually had a strategic plan prioritization problem. We’d have 20-some action items and not get anything done.” Darwin urged Del Norte to focus on what was critical to the organization and to prioritize and focus on the top few action items to achieve those critical goals.

Action items help organizations to focus and move them closer to goals and objectives. A well-defined accountability structure will also keep these items moving. You need the right number of action items with specific owners and timelines. The best strategic plans have three or fewer goals with three or four action items. You have to focus and limit the activity to what is of the highest importance to the organization.

“Our employees don’t want to come in and punch in and punch out and go”, said Molenda. “They want to do work that is meaningful and makes them feel proud. When you have all these action items that are being deployed, and people don't understand why, it just becomes extra work. However, if the extra work improves the lives of others or supports your mission, vision, or values, then you are able to harness the purpose of the workforce. You are much more likely have employees that are engaged in the work that's being done.”

Phase Two: Hire an Outside Planner to Gain Multiple Advantages

6. IDENTIFY AND ELIMINATE BLIND SPOTS

Working with an outside planner can help credit unions in many ways to gain multiple advantages over going it alone, especially when it comes to things like blind spots. “An outside facilitator really helps us

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identify and move beyond blind spots, because credit unions do have them – as much as we think we don't," said Molenda. "In a recent strategic planning session, Kathy helped us uncover a major blind spot. We would talk about our desired future state in terms of asset size, yet our mission, vision, and values focused on improving lives. Kathy helped us determine that we needed to revamp how we talk about our desired future state so that it aligned with our culture and was more meaningful to our staff," explained to Molenda.

As an outside planner herself, Darwin cautions credit union leaders to pick a strategic planner carefully, selecting someone they can talk to candidly about the organization's successes and challenges. She also advises that leaders pick a planner who *doesn't* have all of the answers. "An impactful strategic planner will research, learn, and grow with you to build a customized plan that addresses your needs - rather than simply conduct a cookie cutter planning workshop," explained Darwin.

Select a strong strategic planner who:

1. Knows your industry
2. Asks compelling questions
3. Actively listens
4. Helps you connect the dots

7. FOCUS ON YOUR DESIRED FUTURE STATE

A desired future state is the results of visioning how great the credit union could be if there was no friction to hold it back. We use it to stimulate innovation as it represents a state that we cannot achieve simply from doing things the way we've always done them. If a credit union doesn't have an outside facilitator, then they are likely to meander off into a path that may not be productive. Focusing on the desired future state is key. Both Molenda and Darwin agree that it's critical to hire an outside facilitator who considers it his/her responsibility to keep the organization focused on its desired future state. The facilitator should understand how essential it is to monitor results for improvement through evaluation of approach, deployment, learning, and integration. "Darwin was essential in helping us focus on our desired future state goals," said Molenda.

Additionally, the role of a facilitator goes beyond the strategic planning workshop. Hire someone who can take time with your organization and get to know you, someone who wants to be part of your culture and your future. "Keep in mind that you are hiring a long-term partner not a one-time facilitator.

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Ask yourself, 'Is this someone I want to talk to, share with, build a future with?' It is a partnership for growth over time," said Darwin.

8. KEEP EVERYONE ON THE SAME LEVEL AND REMOVE TITLE-BASED BIAS

Molenda said, "When you have an outside facilitator, there are no stripes in the room. It's not defaulted to one person that's integrated in the planning, based on their title or position. If I was leading, I might default to my boss just as he or somebody else would to their boss, if we didn't have an outside facilitator."

The benefits of this area are many:

1. Provides an unbiased resource in the room
2. Everyone has a voice and can share ideas
3. No single voice is more powerful than another
4. Maintains the "right" level of discussion; focused "on" not "in" the business
5. Provides a timekeeper to keep the agenda moving
6. Allows for an accountability partner to hold you to your commitments

9. CHALLENGE IDEAS

Molenda feels that having an option for participants to challenge ideas is essential, and not nearly as cringe-worthy as it sounds. "If somebody is going down a really good path where we all think it is a great idea, an outside facilitator can still challenge it and help prevent group-think. This often allows others to build on the idea and allow it to become even better. Kathy (or other outside planners) won't allow us to simply lean back and say, 'Hey, that's great, let's just do that – no questions asked.'"

"It is all about the questions! As you interview strategic planners, take note of their question-asking skills," said Darwin. "Are they engaging you in conversation or are they driving the discussion? Are you doing the talking or are they? This is one interview where you want to be doing most of the talking. You want to feel challenged and highlighted. Look for a planner who engages you, challenges your answers, pushes on ideas, and thinks big."

10. ELIMINATE PRECONCEIVED AGENDAS

This one is tricky and often-forgotten. If you have an internal person facilitating your strategic planning, then are they an active participant? If they truly are a facilitator, they shouldn't be an active participant.

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Molenda explained, “To me, this component is really valuable because it's the outside person that brings everyone together – especially in the credit union industry.”

Strategic planning is one of management’s most important responsibilities. Having a safe environment with someone who knows your industry is very critical; the credit union industry is a very unique industry. Look for an outside facilitator who can relate to your environment and specific credit union culture. Molenda recalls a situation when he personally facilitated his credit union’s pre-strategic planning meeting: “The problem we had was that I, as the facilitator, could not be a participant. If I was a participant, then it would be less about facilitating and more about trying to work my opinion into the discussion. As a part of the executive team, I would have preferred to be a participant, and the Board agreed.” It is impossible to avoid a preconceived agenda with an inside facilitator.

Recap & Summary

Now based in Hawaii, Molenda’s new position at HawaiiUSA FCU is focused more on culture and communities. He is serving his 3rd year as a National Baldrige judge. Darwin currently assists credit unions nationwide with their strategic planning and executive coaching needs. Together, Molenda and Darwin hope that this paper provides value to credit unions of all shapes and sizes – because no credit union is immune to the challenges of strategic planning. The following summarizes their advice and includes their 10 tips for a better strategic planning process.

GENERAL TIPS FOR PLANNING

1. Understand the real results of your strategic plan. Focus on actual results and outcomes rather than completing tasks and documenting actions.
2. Focus on improvements, not changes. Doing something differently is merely a change and shouldn’t be assumed as an improvement. Use your current results as a source of truth for improvement and growth. Improvement requires looking at results and processes and finding ways to get better.
3. Identify key stakeholders and their requirements. What is important to your stakeholders should be important to you. Put thought into who is in the room throughout the planning process.
4. Use your mission and vision as beacons. Include your entire staff in your strategic planning process. Be sure your staff members play an active part in developing and deploying your mission, vision, and core values.

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5. Fewer action items and less busy work. The best strategic plans have three or fewer goals with three or four action items. You have to get focused and limit activity to what is of the highest importance to the organization and what will set you apart from others in the industry.

HIRE A STRATEGIC PLANNER

6. Eliminate blind spots. You want to select a strong strategic planner that knows your industry, asks compelling questions, listens, and helps you connect the dots.

7. Focus on your desired future state. Hire an outside facilitator who considers it his/her responsibility to keep the organization focused on its desired future state and who understands how essential it is to monitor results for improvement.

8. Keep everyone on the same page and remove title-based bias. An outside planner removes titles, allows for all participants to have an equal voice, and is an accountability partner for the leadership team.

9. Challenge ideas. Allowing for both participants and someone from the outside to challenge ideas brings out the best ones. A strong facilitator will create a comfortable environment that promotes conversation, innovation and excitement.

10. Eliminate preconceived agendas. Strategic planning is one of management's most important responsibilities. An outside planner allows for full participation and no slanting of the discussion.

We hope you found this paper valuable. If you would like more information on any of the topics discussed in this paper, or if you're interested in how Darwin can help your credit union's strategic planning process, please contact Kathy.darwin@me.com or visit kathydarwin.com.