Ensuring the Board Plays Its Part in Strategic Planning

strategic planning board of directors leadership

Summary: The board of directors plays a critical role in driving the development of the strategic plan and holding management accountable for its execution. We discuss four ways to maximize the value the board can bring to a CFI's strategic planning process.

There are few corporate board failures as notorious as that of Enron, a major energy company that went bankrupt in late 2001. The reason behind the fall from glory was that, together with its board and top executives, Enron undertook seriously deceptive accounting practices that hid millions of dollars in debt from shareholders and regulators. The discovery of the crimes led to public share prices plummeting from $90.75 in 2000 to just $0.26 as the company filed bankruptcy. Subsequent government documents detail over a dozen red flags that Enron's board members were privy to that they failed to act on. The board's legacy is an unfortunate lesson to the corporate world of what can happen when a board is ineffective in guiding a business' strategy.

With its role of oversight and guidance, the board of directors plays a vital part in securing the long-term stability and viability of a community financial institution (CFI). As guardians of business strategy, the board members help define the vision and mission, set goals and priorities in the context of the current and future environment, allocate funds to support these goals, and monitor performance and the execution of the strategic plan.

For boards to be effective, they need to continually balance often conflicting challenges, such as short-term pressures and long-term priorities; the drive for growth and fiscal prudence; an understanding of the inner workings of the organization and the wider market; and the commercial success of the business, with the wellbeing of its employees and its social and environmental responsibilities.

Here are **four strategies to maximize the value the board can bring to a CFI's strategic planning process:**

1. **Ensure you have the right mix of skills.** Board composition is critical to a board's ability to perform its duties. It needs to have the right set of skills and experience, and the diversity to offer different points of view and challenge existing practices and new ideas. It is especially important to review board composition when a change of direction is on the horizon, such as an acquisition or a new product line. The board that may have served you well until now, may no longer be best positioned to guide you in your new endeavors.
2. **Clarify roles and responsibilities.** Organizations vary in the degree to which the strategic plan is owned by the CEO or the board. At one extreme, the board sets the strategy; at the other extreme, it purely approves a plan put forward by the CEO and management team. Most institutions will fall somewhere in between, but whichever model your institution follows, it is essential to clearly define the roles of each and draw the line between the board and management to ensure the successful implementation of your strategic plans.
3. **Collaborate throughout the process.** The formulation of a strategic plan should be an iterative process. The board and CEO should align early on the challenges faced by the institution that are to be addressed in

the strategic plan. Once potential strategies are on the table, whether they have come from board members or the CEO, there is an opportunity for the entire leadership group to offer feedback and discuss alternative approaches. As a final strategy emerges, it should reflect the input of the board and the CEO, making it easier for the entire organization to get behind it and ensuring it is well-positioned for success.

4. **Monitor the implementation of the strategic plan.** Once the strategic plan has been agreed upon, it is fundamental to devise key performance indicators (KPIs) that will allow the board to track the success of its implementation. KPIs will vary depending on the strategy, but may include financial metrics or sales and marketing metrics — such as market share, customer satisfaction, and retention — operational metrics, and employee and talent metrics, among others. They should be relevant and actionable and reported on regularly to allow for corrective action to be taken. If appropriate, the strategic plan can be altered to reflect changing circumstances.

Given the challenges that the last couple of years have thrown at CFIs, it is important to take a fresh approach to the strategic planning process. Successful CFIs will be delivering strategies to optimize the workplace, support a customer-centric mindset, create efficiencies, and uncover untapped opportunities in the market. To achieve this, the board and management will have to align on key priorities and work closely together at every step.

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ECONOMY & RATES

Rates As Of: 09/27/2023 12:48PM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.58	0.02	1.16
6M	5.53	0.05	0.77
1Y	5.47	0.11	0.77
2Y	5.13	0.27	0.71
5Y	4.69	0.44	0.69
10Y	4.62	0.51	0.74
30Y	4.73	0.52	0.77

FF Market	FF Disc	IORB
5.33	5.50	5.40
SOFR	**Prime**	**OBFR**
5.31	8.50	5.32