

## Reflection 31. Create Alignment

Traditional strategic business planning in a financial institution is based around assembling objectives and activities set by business units, by verticals. Retail, Corporate, SME etc., examining the implications of these objectives then leads into planning for support functions, operations, marketing, human resources, IT etc. Budgets are then created, and the process between objectives, plans and budgets are moderated until the package is agreed.

This approach is tried and tested but it has challenges, in coordination, in budgeting, and in balancing the objectives of individual business units or verticals against the interests of bank, its stakeholders, its shareholders. Coordination can become challenging as each business unit drives its demands for implementation support. Death by project can result, the subject of an earlier blog.

A different approach is to focus on building strategic alignment. The institution after examining the external strategic environment (PEST), and its performance (SWOT), determines a limited number of Critical Success Factors (CSF). To drive forward these CSF, the institution creates Stretch Goals (SG). Performance against SG has measures and targets.

### Examples

Equity Bank won Company of the Year Award in 2006 for its approach to Strategic Business Planning. From that time up to today, it continues to use this approach for its business planning.

In operating the methodology, I've found it not only a great way of cutting through organisational boundaries and silos but also a way to expose and understand differences of opinion and differences of perspective between different groups of staff. Typically, these groups could be Branches vs. Head Office, Management vs. Staff, or between departments. In one case, the process of creating the strategic alignment uncovered serious human resource issues which needed to be, and subsequently were addressed.

Whilst the strategic alignment approach has gained traction in some financial service providers, its not just about preparing the business plan. It is about how the approach is operationalised. Several points should be noted:

- a) The strategic alignment approach focuses on a small number of critical objectives for the institution as a whole – perhaps 6-8. The point about strategic alignment is not to solve every issue in the institution but focus on the most important first.
- b) Each CSF has several stretch goals which if achieved contribute to the achievement of the CSF.
- c) All staff within the institution are mapped to one or more of the CSF.
- d) All staff should know how they contribute to the CSF in the performance of their work. Building buy in is a key aspect of strategic alignment.
- e) HR and appraisal systems should be integrated into the CSF so that staff are measured on their performance towards the business goals.
- f) Cross functional teams are developed around each of the CSF. These teams are then responsible for finalising the activities, measures and targets around their CSF.

- g) CSF cut across departmental boundaries, cut across silos, cut across traditional banking verticals.
- h) The smaller number of CSF lends itself to a more focused collection of projects avoiding “death by project.”
- i) The process of developing the CSF is designed to be highly participative and based on internal and external analysis.
- j) The process is often facilitated by an experienced external party due to tensions between different functions and differences of opinion between different levels within the institution.

Get planning! Use the strategic alignment process to focus your team on what matters, on implementing some of the lessons from this lesson’s series!

Let First Principles guide you in the development of your strategic business plan based on the strategic alignment approach.

*If this reflection speaks to you... speak to me so that we can inspire change, together.*

David Cracknell

Additional reflections in this series can be downloaded from [www.firstprinciplesinfinance.com](http://www.firstprinciplesinfinance.com)

