

Preface

THE PRESENT MARKET environment is very much competitive. Credit union managers and leaders should perform the task of managing change and ensuring that their credit union is financially strong and providing competitive products and services. Thus, credit unions must adopt aggressive strategies to cope up with the changes in the marketplace.

This book, “Making Strategic Planning a Great Challenge of a Lifetime” will help managers and leaders of credit unions to examine the real position of their credit unions in the competitive environment. The workbook will guide the credit union Board and management to prepare their own plan without or with minimum guidance of a technical person.

Strategic planning is the determination of the future posture of the credit union with special reference to its products and services, its viability, its size, its rate of innovation and its relationship with its management, external institutions and environment.

The workbook introduces a simplified format for planning, which is self-explanatory. Critical analysis of each step is essential to facilitate the formulation of an aggressive and opportune “strategic game plan.” Furthermore, this workbook intends to bring the following benefits for the strategic management of credit unions:

- Establish a clear-cut direction and take proactive position in shaping the credit union’s future . . . How the credit union be like some 3 years from now?

- Leaders and Managers will gain an insightful understanding of what business they are in.
- Gain knowledge of members’ needs as basis of packaging need-based competitively priced products and services.
- The credit union products and services tuned-in the market trends and new opportunities . . . it is not conservative or traditional type.
- The credit union measures success in terms of how well it is competing in the marketplace.
- The Board and management develop skills on “Strategic Thinking as the process is focused on target market segment, competitive positioning as well as ensuring high degree of operational efficiency.

ACCU seeks every opportunity to provide value-added services to its members. You could use this workbook acknowledging ACCU.

ACCU develops this workbook part of the project on Institutional Development of Credit Unions in Asia (INDECUA), supported by MISEREOR, the Netherlands.



Association of
Asian Confederation of Credit Unions

IMPORTANT THINGS TO KNOW BEFORE THE PLANNING EXERCISE!

THE DIAGRAM in the next page is the process of Strategic Planning you need to follow through.

Here are some questions that perhaps are in your mind:

Who is going to prepare the Strategic Plan of your credit union?

- The Board of Directors is responsible in preparing the plan;
- The Board of Directors can appoint a Strategic Planning Committee representing the Board, Sub-Committees, Management, and selected members.

What are the things you need to complete before starting to plan (plan to plan)?

1. Allocate budget for planning related activities such as research, member surveys, consultations with members, and planning sessions costs;
2. Schedule of the planning dates-**WHEN** and **WHERE**. The Manager and Chairman/Chairman of the Planning Committee develop a timetable. The planning process takes at least 6 months but planning is a continuous process.
3. Identify information needed for planning such as credit union financial statements, trends, membership issues, and products and services issues.

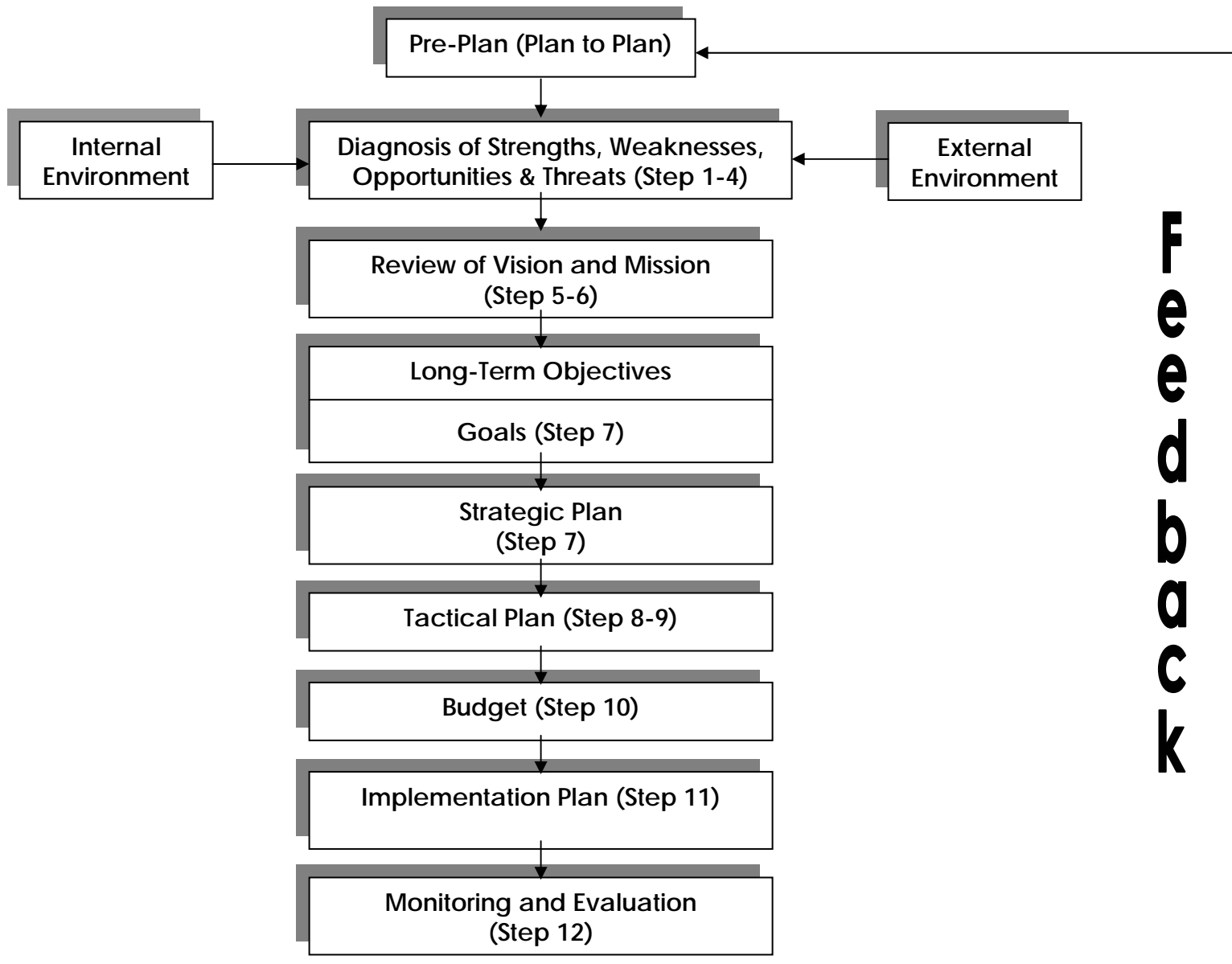
4. Prepare for the assessment of external environment, which requires competitor analysis, socioeconomic trends in local community and other demographic statistical information.
5. Make sure of the readiness and commitment of the Board of Directors, Management staff and Committees on the planning process through meetings.
6. Consider facilitation process by an external planning facilitator preferably from the National Credit Union Federation/League to provide objectivity in confronting issues and guidance to ensure that the process is not losing its track. Though this book is prepared to guide credit unions to facilitate their own planning, the role of an external facilitator is important to balance the results of the plan. It would avoid biases and subjectivity on looking at various organizational issues.

Strategic Planning is a special planning session or workshop designed to address the following fundamental questions:

- Where are we now? – The situation analysis
- Where are we going or where should we be going?–Visioning
- How do we get there? –Your mission, objectives, goals, and strategies



STRATEGIC PLANNING PROCESS





Step 1

What Opportunities and Threats do the external environment has posed to your credit union?

Your answers to the following questions are the basis of identifying opportunities you can exploit and threats you need to overcome.

Things you need to be concerned about your environment	Opportunities to be exploited	Threats to be avoided or responded																								
<p>1. What is your Market Profile?</p> <ul style="list-style-type: none"> ▪ What is the total population of your area of operation: _____ <i>(This is your potential market)</i> ▪ Is it Urban____ Rural ____or Both_____ <p>Analysis of your Potential Market</p> <ul style="list-style-type: none"> ▪ Age segment of the market: <table border="0" style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: center;">Potential Members</th> <th style="text-align: center;">Members</th> </tr> </thead> <tbody> <tr><td>12 below</td><td>_____</td><td>_____</td></tr> <tr><td>13-19</td><td>_____</td><td>_____</td></tr> <tr><td>20-29</td><td>_____</td><td>_____</td></tr> <tr><td>30-39</td><td>_____</td><td>_____</td></tr> <tr><td>40-49</td><td>_____</td><td>_____</td></tr> <tr><td>50-59</td><td>_____</td><td>_____</td></tr> <tr><td>60 above</td><td>_____</td><td>_____</td></tr> </tbody> </table> ▪ Gender <ul style="list-style-type: none"> % of female _____ % of male _____ ▪ Monthly Income Ranges <ul style="list-style-type: none"> Under Pesos 7,000 _____ 8,000-15,000 _____ 16,000-20,000 _____ 21,000-30,000 _____ 31,000-50,000 _____ 51,000-70,000 _____ 71,000-100,000 _____ Above 100,000 _____ 		Potential Members	Members	12 below	_____	_____	13-19	_____	_____	20-29	_____	_____	30-39	_____	_____	40-49	_____	_____	50-59	_____	_____	60 above	_____	_____		
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<p>2. What is your competitive position in the present market (within your area of operation)?</p> <ul style="list-style-type: none"> ▪ How many financial institutions are operating in your area and are providing financial services to your potential members? <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center;">Number</th> <th style="width: 15%; text-align: center;">Approx. No. of clients</th> <th style="width: 55%; text-align: center;">Unique Characteristics of Of their products & services Loans & Savings</th> </tr> </thead> <tbody> <tr> <td>Banks</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>NGOs/MFIs</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Pawnshops</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Paluwagan</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Lending Inv.</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Others</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table> <ul style="list-style-type: none"> ▪ Number of members accessing the services of the above financial institutions? _____ ▪ How would you assess the operation of the above financial institutions? <ul style="list-style-type: none"> _____ Expanding operations _____ Will go village to village _____ Will capitalize on "services delivered to clients' doorsteps" _____ Will innovate their services to reach more clients <p>Other opinion:</p> <p>_____</p> <p>_____</p>		Number	Approx. No. of clients	Unique Characteristics of Of their products & services Loans & Savings	Banks	_____	_____	_____	NGOs/MFIs	_____	_____	_____	Pawnshops	_____	_____	_____	Paluwagan	_____	_____	_____	Lending Inv.	_____	_____	_____	Others	_____	_____	_____		
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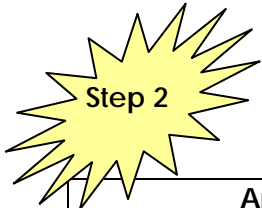
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<p>3. Political Situation</p> <ul style="list-style-type: none"> Is there any development programs run in the area of operation with political agenda? Yes___ No___. If yes, how does it affect your credit union? 																						
<p>4. Economic Condition</p> <ul style="list-style-type: none"> Is there a seeming vulnerability to recession or business cycle that might have a direct affect to your members and community? Yes___ No___. If yes, what are those (please check) <table border="0" style="width: 100%;"> <tr> <td style="text-align: center; width: 50%;">Economic Growth Indicators</td> <td style="text-align: center; width: 50%;">Economic Crisis Indicators</td> </tr> <tr> <td>___ Opening up new business enterprise</td> <td>___ Closing down of business enterprise</td> </tr> <tr> <td>___ High or constant economic growth</td> <td>___ no economic growth</td> </tr> <tr> <td>___ Stable interest rate</td> <td>___ Changing interest rate</td> </tr> <tr> <td>___ Increasing unemployment</td> <td>___ Increasing employment opportunities</td> </tr> <tr> <td>___ Increasing cost of living</td> <td>___ Stable cost of living</td> </tr> <tr> <td>Others:</td> <td></td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> </table>	Economic Growth Indicators	Economic Crisis Indicators	___ Opening up new business enterprise	___ Closing down of business enterprise	___ High or constant economic growth	___ no economic growth	___ Stable interest rate	___ Changing interest rate	___ Increasing unemployment	___ Increasing employment opportunities	___ Increasing cost of living	___ Stable cost of living	Others:		_____	_____	_____	_____	_____	_____		
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Things you need to be concerned about your environment	Opportunities to be exploited	Threats to be avoided or responded
<p>5. Understanding the Social Values of your market . . .</p> <ul style="list-style-type: none"> ▪ What are the changes in the social values of the people today compared 20 years ago? <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <ul style="list-style-type: none"> ▪ Do you think people's priority like cooperation and volunteerism are decreasing? Yes ___ No___ If yes, what are the priorities of people as influenced by market economy? <p>_____ higher education _____ Workplace</p> <p>_____ Sophisticated Services _____ Higher standard of living</p> <p>Others:</p> <hr/> <hr/> <hr/> <hr/>		



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<p>6. Technology . . .</p> <ul style="list-style-type: none"> What are the technologies used by competitors for efficient service delivery to clients/members? <table border="0" data-bbox="197 435 1180 841"> <tr> <td>Existing ones</td> <td>What your competitors have?</td> <td>What do you have?</td> </tr> <tr> <td>Telephone</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Fax Machine</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Internet/E-mail</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Video/Television</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Radios</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Computers</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>ATMs</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Internet Banking</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Automatic Voice Response</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Others</td> <td>_____</td> <td>_____</td> </tr> </table> <ul style="list-style-type: none"> What are the new technologies you need to adopt to enhance the delivery of financial services to your members? <table border="0" data-bbox="197 980 1180 1214"> <tr> <td>New Technology</td> <td>What benefits you can bring to your CU?</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> </table> <ul style="list-style-type: none"> Do you have resources to embrace the new technology? Yes: ____ No: ____ 	Existing ones	What your competitors have?	What do you have?	Telephone	_____	_____	Fax Machine	_____	_____	Internet/E-mail	_____	_____	Video/Television	_____	_____	Radios	_____	_____	Computers	_____	_____	ATMs	_____	_____	Internet Banking	_____	_____	Automatic Voice Response	_____	_____	Others	_____	_____	New Technology	What benefits you can bring to your CU?	_____	_____	_____	_____	_____	_____		
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Summarize the Opportunities and Threats identified.

(Remember every Threat can be converted into an opportunity! "Winner sees green in every sand traps")

Areas	Opportunities to be exploited	Threats to be avoided or responded
1. Market Profile of your credit union		
2. Political Situation		

Areas	Opportunities to be exploited	Threats to be avoided or responded
3. Economic Condition		
4. Social Values		
5. Technology		





Assess the Internal Strengths and Weaknesses of your Credit Union.

How?

By the use of COOP-PESOS

- Financial data from the last two years financial statements i.e. Balance Sheet and Income Statement will be used for this purpose. The financial statements represents how well the Board of Directors of your credit union fulfill their role of adopting appropriate policies for the sustainability and viability of your organization. It is also the measurement of the management efficiency in running the credit union. The PESOS, in a quantitative expression, clearly demonstrates the problem areas. This would certainly make your planning a lot easier.

Instruction:

In a separate sheet, prepare the COOP-PESOS rating of your credit union for the last two years and the latest financial statement. It is important to observe the trend and it would be necessary to have two-year comparative rating.



Summarize the Strengths & Weaknesses of your credit union using COOP-PESOS & Assessment compared with the environment

Areas	Strengths	Weaknesses
<p>1. Financial Performance (please refer to COOP-PESOS) <i>Examples:</i></p> <ul style="list-style-type: none"> ▪ Delinquency-high or low ▪ Capitalization-savings, shares, institutional capital ▪ Liquidity-is it a problem or not? ▪ Non-earning Assets-is it ok with PESOS ▪ Profitability ▪ Growth in Assets-below the growth standards or not? 		
<p>2. Products and Services <i>Examples:</i></p> <ul style="list-style-type: none"> ▪ Too small to compete in the market served ▪ Not diversified to serve diverse members ▪ Innovation applied or not ▪ Reach out of the services of your credit union – economy of scale ▪ Weak in areas where there are more market to be served? ▪ Short of financial resources to serve members needs ▪ Is your products and services meeting the needs of your members or designed for potential members too? ▪ What is your position compared with the competitors? 		

Areas	Strengths	Weaknesses
<p>3. Market Presence</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> ▪ Are you having at least 30% membership penetration in your area of operation? ▪ Are members to be served too small for your credit union to become viable? ▪ What is the image of your credit union in the community as compared with other financial institutions ▪ What is the public image of your credit union? 		
<p>4. Human Resources</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> ▪ Are the staffs given adequate screening, training supervision and evaluation? ▪ Does the manager have adequate authority, responsibility and managerial skills? ▪ Do the Board of Directors and committees have the right skills to perform its functions? ▪ Does your credit union provides suitable infrastructure to management to generate more benefit for the organization? 		



Revisit your Vision

You need to think of the image, financial capability, and capacity of your credit union that could stand firm through the challenges of the changing market environment

<p>1. Write your present vision in this box. If none, proceed to the next box.</p>	<p>3. What characteristics your credit union should have in order to overcome challenges of the external environment? List down key words such as: Competitive, viable, sustainable, responsive, safe and sound, etc.</p>
<p>2. What is the identity of your credit union?</p> <p>_____ A bank</p> <p>_____ A Social Organization</p> <p>_____ A Financial Company</p> <p>_____ Cooperative Financial Institution</p> <p>Others: _____</p>	<p>4. Formulate your Vision Statement . . . It is not an action statement, it is imagining your credit union's stature seen from this point to the next 5 or 10 years or so.</p>



Update your Mission Statement

You Mission is a broad, far reaching, meaningful, clear and easy to understand statement, which states the reason for organization's existence.

"The first task of a leader is to make sure that everybody sees the vision and mission, hears it, lives it. If you lose sight of your vision and mission, you begin to stumble and its shows very, very fast. And yet, vision and mission needs to be thought through, needs to be reviewed." . . . Peter Drucker

Answer the following using only key words. Do not answer in long sentences. Be specific.

1. What is the purpose of the existence of your credit union?	3. What is the primary business activity of your credit union?
2. How do you achieve the purpose of your existence?	4. Who are the clients your credit union is serving?
Write your present Mission Statement in this box.	Update your Mission based on your answers:



GOAL AND STRATEGY SETTING

Follow the **SMART** Rule: **1) Stretching**-they should challenge the manager and the team;

2) Measurable-they must be quantifiable; **3) Achievable**-they must be realistic;

4) Related to Members/Customers-they should improve the services to them; and **5) Time-targeted**-they must have an end date.

Note: Refer to your SWOT in setting your goals

Goals for the next 3 years Action + Measure + Time	Strategies How will you achieve your goals? There are many options to achieve the goals. You need to select from those options. Criteria should be: Cost Effective, innovative, and not routine.
Goal 1:	
Goal 2:	
Goal 3:	

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<p>Goal 4:</p>	
<p>Goal 5:</p>	
<p>Goal 6:</p>	



PREPARE THE STRATEGIC ACTION PLAN

Teams must take strategic plan seriously. Use the discipline of clear documentation.

Strategy No. _____:			
Measure: (the achievement of the goal)			
Deadline:		Owner: (the person with overall responsibility for achieving the goal)	
Actions <i>An event or achievement marking the progress related to the strategy</i>	Responsible <i>Person responsible for the action</i>	Time <i>Date for which action should be completed</i>	Milestones <i>(Key events that allow you to monitor if the action is on track to finish in time)</i>

Note: copy this page for the other strategies





MATCH MANAGEMENT STRUCTURE TO YOUR STRATEGIES

Strategies are not routine work. It is introducing innovation to your organization.
 You need committed people to implement your strategic game plan.
 The success of carrying out your strategies depends on your team.

Functional Units in the credit union <i>(Minimum functions in a medium size credit union)</i>	Who are this staffs? <i>(Position titles will do)</i>	Match your Strategies <i>i.e. Strategy No. 1 or Action 1, 2,3 etc.</i>
Finance and Administration -handles accounting and reporting, membership relation, budget control, personnel administration, fund administration, and internal auditing.	How many staff? _____	
Loan and Savings Administration - responsible for credit administration, products and services development, and delinquency control.	How many staff? _____	
Training and Education -membership recruitment, seminars and trainings, marketing program development, carrying out surveys and feedback from members	How many staff? _____	
Overall Supervision -monitoring, performance appraisal, planning, sourcing of capital, representation, networking, maintaining good working relationship with the Board and Committees	How many staff? _____	

If necessary, reshape your management structure according to your present goals, strategies and activities. Draw the new management structure here . . .





HOW VIABLE IS YOUR STRATEGIC PLAN . . . ESTIMATING A BUDGET

Understanding the financial implications of a strategy is fundamental to its success. Look at potential revenues and estimate future costs to arrive at an overall budget.

First thing first: Remember aside from your strategies, you have your routine operation. This has to be considered in preparing your projection. Please list down some assumptions before making projections:

Budget Items (Just giving you some suggestions)	Write your assumptions in the boxes below
<p>Expense</p> <ul style="list-style-type: none"> ▪ Determine the terms of the loans- % of interest, repayment period, % of repayment of loan outstanding. <i>(note that your goal of increasing savings and members will increase the capacity of your credit union to provide loans)</i> ▪ Non-cash expenses like depreciation and delinquency. What is the depreciable life of the assets ▪ % of allocation of Net Income ▪ Salaries of Present staff and additional staff you will be recruiting ▪ Board and committee meetings planned ▪ Training planned ▪ Marketing costs like promotion and incentives and publication 	
<p>Income:</p> <ul style="list-style-type: none"> ▪ % of interest on loans and types of new loans to be introduced in the future 	

Budget Items (Just giving you some suggestions)	Write your assumptions in the boxes below
<p>Capital Expenditures or plan affecting Balance Sheet Accounts</p> <ul style="list-style-type: none"> ▪ Any equipment, furniture or capital expenditures planned in the future. Example is renovating the office to become more professional, computerization ▪ Do you anticipate additional financing from external sources 	Empty space for assumptions