

## The First Key—Planning and Evaluating

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*“The role of the board of directors is to anticipate the needs of members. The board needs to know what members want even before they want it.”*

Dick Radtke, *Strategic Credit Union Leadership*

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**No organization will ever be greater than the vision that drives it.**

What do high-performing organizations have in common? Experts vary, but most would agree that the high-performing organization:

- Has a strong vision or sense of mission;
- Shares a set of values;
- Sets clear, measurable goals based on that vision and values;
- Organizes its work around those goals;
- Devotes the necessary resources to meet the goals; and
- Evaluates progress and corrects course when needed.

When you get right down to it, these points make good common sense. Would you want to be served by a credit union that lacks **vision** or values, has no measurable goals, and has no way of organizing its work or allocating resources? There are some credit unions like that; they’re called failed credit unions.

What part of this process is the board responsible for? Generally speaking, the credit union board:

- Establishes the vision, **mission**, and values that are to guide the credit union;
- Works with management to establish short-term and long-term plans;

- Gives management flexibility in how it will fulfill those plans, but sets broad limits through policy;
- Reviews and approves the resources requested by management; and
- Monitors progress toward goals and makes changes where necessary.

The board is also responsible for planning its own work. We discuss this aspect of board activity in chapter 7.

### The Business Vision

Let’s start with the business vision, often incorporated into a **mission statement**. We can define an organization’s vision or mission as a clear, compelling image of what the organization does and where it wants to go.

“No organization will ever be greater than the vision that drives it,” say Edgar Stoesz and Chester Raber in *Doing Good Better! How to Be an Effective Board Member of a Nonprofit Organization*. The vision unifies the organization. It helps keep everybody working together toward common objectives. It helps each employee to understand what he or she contributes. *Fortune* magazine calls this sort of vision a “laserlike focus.”

What kind of vision does your board have for your credit union? Does that vision set your credit union apart from for-profit financial institutions? Have you incorporated that vision into a mission statement? Has it been communicated to senior management,

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staff, and members? Does it guide planning?

John Carver recommends that the board “keep the dream out in front” as it deliberates. “Testing everything against mission becomes the standard check of organizational direction,” he writes in *Boards That Make a Difference*. “This mentality is best achieved when every board meeting has some mission-relevant conversation.”

### Values

Our values affect everything we do. Organizations, as well as individuals, have spoken and unspoken values that shape how they carry out their mission. These values, called the organizational culture, permeate the organization. Everyone knows almost instinctively what’s important and what’s not important. Sometimes, the organization’s stated values conflict with its unspoken values. Let’s suppose top management preaches “innovation, experiment” but mistakes are punished by reprimands, demotions, or firings. The real values guiding the organization are “don’t take risks, cover your tail.”

Values can be inward-directed (pleasing the boss, getting along with fellow workers) or directed toward the mission (service to members). They may not fully surface until the organization is stressed, and at that point any conflicts between stated values and real values also become apparent.

One key area the board needs to explore is what values currently shape your credit union and whether they promote or discourage high performance. In work sponsored by the

Filene Research Institute, Jean A. Grube and Ramon J. Aldag of the University of Wisconsin–Madison have explored the organizational values of credit unions. They used a list of 48 values developed from other research and from contacts with credit unions and their organizations.

The researchers found a remarkable degree of agreement on values among boards, CEOs, and top management. The top-ranked values among all three groups (although the order varied) were:

- Superior quality and service;
- Public credibility and integrity;
- Legal and ethical compliance;
- Good company reputation;
- Efficiency and excellence; and
- Accuracy.

“These values reflect a tradition of high-quality service and social goals,” note the researchers in their study. Does your credit union share these values?

### Values and Performance

The Wisconsin researchers requested CAMEL ratings from the credit unions involved in the study. They looked for relationships among the 48 values and the CAMEL ratings—with notable results. Credit unions that emphasized “superior quality and service” tended to receive

a higher “grade” in management from examiners. Valuing “efficiency and excellence” and “being tolerant of mistakes” also improved the management score. (“Tolerance for mistakes” doesn’t mean tolerance for inaccuracy but for experiment and failure.) “Creative problem solving” was positively related to the capital score in the

CAMEL system. In short, values do make a difference in performance as judged by examiners, although “safety and soundness” is not the sole measure of performance. For example, a credit union that has a very low delinquency rate and an extremely well-capitalized position may have achieved those numbers by limiting services to all its members.

In another portion of the study, the researchers grouped most of the values into nine broad clusters, or categories. These categories were chosen because they corresponded to value categories used in other studies of this sort. The nine categories are:

1. Employee focus;
2. Team orientation;
3. Attention to detail;
4. Outcome orientation;
5. External legitimacy;
6. Innovation;
7. Relaxed climate;
8. Control; and
9. Aggressiveness.

The values under the “control” cate-

gory were rule orientation, respect for authority, and clear chain of command. “Aggressiveness” included the values of competitiveness and expanding markets. The researchers asked the directors, CEOs, and top managers to rank these clusters of values in order of importance as well. As shown in figure 3.1, there was a little less agreement in this part of the study. CEOs ranked “outcome orientation” highest, while top managers ranked it fourth and boards ranked it fifth. In short, CEOs tended to value getting results more highly than the others surveyed.

One of the very interesting things about this portion of the study is that all three groups agreed on the four bottom rankings—innovation, relaxed climate, control, and aggressiveness. In the marketplace of the future, however, there may be more need for innovation and aggressiveness.

Do these value clusters have any relationship to CAMEL ratings? Indeed, they do. The researchers found that “outcome orientation”—emphasis

**Figure 3.1**

**Ranking of Value Clusters**

	<b>CEOs</b>	<b>Boards</b>	<b>Top Management</b>
1	Outcome orientation	Employee focus	Employee focus
2	Employee focus	Team orientation	Team orientation
3	Team orientation (tied)	Attention to detail	Attention to detail (tied)
4	External legitimacy	External legitimacy	Outcome orientation
5	Attention to detail	Outcome orientation	External legitimacy
6	Innovation	Innovation	Innovation
7	Relaxed climate	Relaxed climate	Relaxed climate
8	Control	Control	Control
9	Aggressiveness	Aggressiveness	Aggressiveness

Source: *How Organizational Values Affect Credit Union Performance*, by Jean A. Grube and Ramon J. Aldag. © Filene Research Institute. Madison, WI.

on results—is related to better CAMEL ratings, as is “external legitimacy”—respect by community and peers. Curiously, “team orientation”—emphasis on group harmony and cooperation—is associated with poorer CAMEL ratings. This seems noteworthy in an era when management experts are emphasizing “teamwork.” What it may indicate is that teamwork, by itself, is not enough; it needs to be focused toward common goals. A certain amount of conflict is useful. “Conflict . . . is evidence of life, that people care, that they are sufficiently committed to something to be in conflict over it. Conflict is evidence that there is more than one way of doing something,” say Stoesz and Raber in *Doing Good Better!*



### The Importance of Goals

Other Volunteer Achievement Program modules help you study the planning process. *V404 Strategic Planning for Credit Unions* is designed specifically for this purpose. We will not review this process except to emphasize that plans provide the framework for moving forward. They have been compared to the music that allows the orchestra to play together.

Plans also provide the tools by which the board can judge the performance of management and its own effectiveness. Plans range from the short term (one-year business plans) to the long term (three- to five-year strategic plans). Both short-term and long-term plans are needed.

A plan establishes business goals. A good business goal:

- **Advances the mission.** A credit union has limited resources. Activities that do not directly or indirectly advance the mission in some way should be minimized or eliminated. “You must think through priorities,” management expert Peter Drucker is quoted in *Doing Good Better!* “That’s easy to say, but to act on it is very hard because doing so always involves abandoning things that look attractive, or giving up programs that people both inside and outside the organization are strongly encouraging. But if you don’t concentrate your institution’s resources, you are not going to get results. This may be the ultimate test of leadership: the ability to think through the priority decision and to make it stick.”
- **Fits the values.** A goal that conflicts with the guiding values of the organization is not likely to arouse the enthusiasm of employees and may work against the integrity of the organization. A goal of reducing loan losses to a minimum, for example, might conflict with both the mission and the values of the credit union.

- **Is clear-cut and measurable.** A vague goal like “increasing membership” is nearly worthless. “Increasing membership by 5 percent” is a more useful goal, because you know when you reach it.
- **Has a timetable.** We tend to do what’s most pressing. We put off what can be done later. To ensure serious action on goals, the credit union needs to attach deadlines. “Increasing membership by 5 percent by December 31” is a goal that provides incentive for people to start moving in January.
- **Is realistic.** Some organizations set very high goals on the premise that employees need to stretch themselves to the utmost and break through to new levels of productivity. This “impossible dream” approach sometimes works, especially under inspiring leadership. Employees are gratified that they can achieve more than they ever thought possible. But when goals are set so high employees cannot reach them in spite of their best efforts, staff members grow discouraged and feel management is demanding too much. Their morale plummets. The best approach is likely to be a middle way: setting goals that demand effort but are reasonably achievable.

### Organizing Around Goals

It is the board’s task to work with management to set short-term and long-term business goals. While the CEO may suggest goals, the board has



final approval. Since achieving the goals is the CEO’s responsibility, it is important that he or she agree that they are achievable. It is also the board’s task to approve the necessary resources to reach the goals. If the credit union does not have the resources, it should adopt more modest goals. Armed with the appropriate resources, it is management’s task to organize the workplace to achieve the goals. This may mean reorganizing departments, establishing work teams across departmental boundaries, buying new equipment, or hiring new personnel, for example.

The organizational work falls under the category of “operational planning.” One pitfall boards should avoid is getting involved deeply in operational planning. That is not where they are most effective. The board should be looking at the “big picture,” not the

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details. Management is responsible for the details. Management is also responsible for communicating plans to employees. No plan is effective if the only ones who know about it are senior management.

The board does provide operational guidance through its policies. Policies are broad guidelines about what management and employees can and can't do. As long as they observe those guidelines, management and employees should be free to use their own best judgment about operational matters. Boards that don't establish comprehensive policies may mistakenly end up making what are basically managerial decisions—that is, micromanaging.

### Monitoring Progress Toward Goals

The board should receive regular reports from management on progress toward goals. Having management focus mainly on deviations from plans will shorten reports. That is, management reports provide details only on significant deviations (either positive

or negative) from plan, unless the board asks for more information. Of course, all goal accomplishments and shortfalls should be covered in the annual report to the board.

If it becomes clear that progress is not being made on a goal, management and the board need to discuss the reasons. They may decide to devote more resources to the goal, to stretch out the deadline, or to modify the goal. If management consistently fails to meet agreed-upon goals, this may indicate a need for a change in management. In other words, planning is part of the process of evaluating and managing the CEO.

It is a mistake, however, to make plans a sort of scripture from which no deviations are allowed. During the course of a business plan, it may become evident that the situation has shifted. Perhaps your sponsor has laid off workers. The new situation may make entire sections of the plan unrealistic. This requires what space engineers call a “midcourse correction.”

Most plans require revision as they proceed. The vision, mission statement, and values aid in choosing which alternative solutions to follow. Meanwhile, planning for the following year needs to start before the current plan has expired. The long-term strategic plan needs to be looked at annually and the out-years adjusted. In short, planning is not a one-time thing—it is a continuous process. “The plan is nothing—planning is everything,” as the aphorism goes. Planning keeps everyone's eyes looking forward, toward the future.



## Preparing to Plan

Many credit unions set aside one to three days just for planning. Planning “prework” may be done by a board-management committee. To ensure the sessions are undisturbed by routine business, participants often meet in a place separate from the credit union, perhaps in a hotel meeting room or other retreat. There are a number of steps you can take to ensure good planning sessions.

- Decide if you will have a **facilitator** and who should attend the planning session. This includes the board, committees, management, executive decision makers, and other key players.
- Choose a theme based on what you want to focus on in the coming year, and set the date far enough in advance so everyone has an opportunity to attend.
- Eliminate distractions, but allow for plenty of social and refreshment time, important elements in team development.
- Make sure all participants understand the fundamental terms and definitions of planning, such as *short term* and *long term*.
- Months before the retreat, have all participants begin to dream about what life will be like 10 years in the future.
- Make sure all participants understand the process won't be used to assign blame for past failures.
- Give all participants appropriate materials regarding your marketplace and operating environment. (Do this well in advance of the session.)
- Determine in advance what success will look like. Gear the program toward action items.



