James Robert Lay:

Greetings and hello. I am James Robert Lay and welcome to episode 238 of the Banking on Digital Growth podcast. Today's episode is part of the Inside Digital Growth series where I, James Robert Lay, your digital anthropologist, commit to continue to coach and guide you, guide your financial brand, guide your FinTech along your digital growth journey as you commit to guide people beyond financial stress towards a bigger, better, and brighter future. In today's episode of Inside Digital Growth, we're going to dive into the podcasts inbox where we've been getting some really good questions from listeners around the world, and I'm grateful for my team who has grouped together these questions that we've received around the subject of strategic planning to provide you with clarity to provide you with guidance going forward into 2023 and beyond, but before we get too far, if you do have a question that you'd like to gain clarity around, text your question to (415) 579-3002. That is (415) 579-3002 and my team will make sure that it gets answered in an upcoming podcast.

Let's go ahead and jump into today's eight questions framed around how you and your financial brand can maximize your future growth potential by optimizing your strategic planning process. We'll start with an easy one to begin, as Sherry ask, is strategic planning still important for financial brands because our strategic planning process has felt just a bit off since COVID threw a wrench in our strategy a couple of years ago? Good question. Questioning the importance of strategic planning, Sherry, because absolutely, 100%, strategic planning is still important, if not even more important in a post-COVID world because it is through strategic planning that we gain an opportunity to stop, to pause, to break free from doing for a moment where we can shift our time, our energy, and our attention focused forward into the future, but before we focus forward into the future, we must use strategic planning as an opportunity to review what we've done up to this point in the past, to do what I call do some business with the past because when we review what we have done as individuals, as teams, as organizations, we can learn through those experiences.

We can identify patterns that will create progress going forward into the future, but learning through experience is not enough. This is where the strategic planning or the strategic thinking piece of the process comes into play because when we learn and then we think about how we can apply those lessons going forward into the future, this is where we're able to identify new growth opportunities in the present moment and how we can apply those lessons that we learned to capture those growth opportunities going forward into the future. Put another way, strategic planning creates clarity in an otherwise confusing, complex, and chaotic world that we are all working to navigate through right now. I'm hopeful that as we look ahead towards the future, going through the strategic planning process, we don't just think about the future first. We take time to pause, to review, to reflect what we've done to get to this point over the last year or so, learn through those experiences and then think about how we can do even better going forward into the next year.

Mark writes in and Mark asks, who should have a seat at the table during strategic planning season? First off, the idea of strategic planning as a season is one that must be transformed. Strategic must become an ongoing process in the age of AI. If we think about strategic planning as we have done historically through the lens of the "strategic planning season," that will inject a tremendous amount of unnecessary risk into our financial brand that has the potential to do harm going forward into the future because as we continue to move forward into a future, particularly right now in the present moment, that future does feel more complex, that future does feel more confusing, that future does feel even more chaotic than it has probably historically, at least pre-2020.

If we limit the seats to the "chosen few" at the planning table, this will provide a limited perspective into potential future growth opportunities, number one, and then number two, it also creates blind spots into roadblocks that can stand in our way, that could trip us up, or even prevent us from achieving whatever the future growth goals that we're setting out to achieve in the strategic planning process. An even better way forward as we look ahead towards future growth is rooted in the foundation of what is known as open strategy, and that is because open strategy leads to increased clarity as it also removes some of the pressure that senior leaders feel when it comes to strategic planning because I know a lot of strategic leaders feel like they think, they feel like they should have all the answers, which we know is not possible and it will never ever be the case.

This is where each business function within the organization that directly impacts the future growth potential of a financial brand, each one of those business function or those business lines should be present, should be included at the table as we are blending the minds from marketing, from sales, from lending, from ops, from accounting, from finance, to all share unique perspectives and insights. The other thing when it comes to open strategy is, it invites the minds from those outside of leadership to be part of the strategy process, which can include frontline staff, it can include account holders even, partners, suppliers, and maybe, just maybe, competition. I know that might be a very progressive thought for the idea of inviting competition to the strategic planning process. Now, it doesn't mean that they have to have a "seat at the table" on that very day, but once again, if we're looking to move strategic planning beyond a seasonal activity into more of a process, if we begin to look at competition not as competitors, because when we're competing against others, that creates a fixed mindset. Competition is rooted in scarcity. That leads to a zero sum game.

There are winners, there are losers, but if we go beyond viewing other financial brands as competitors to become collaborators, that opens up potential growth opportunities that we would've never perceived before through a lens of abundance. Once again, I want to stress, while not every one of these internal and external stakeholders might have a seat at the proverbial table, it is their voices, it is their thinking. That is what we invite, that is what we welcome them to join the "conversation" through surveys, through interviews, and the beautiful thing about digital is we can capture the thinking of people, not just through traditional surveys, but we can also capture their thinking at a much more deeper and emotional level through video interviews because a written survey is only one perspective. What we're really looking for through video interviews, asynchronous even, is their emotional response to what they are sharing, to what they're communicating. It has been said that body language makes up 90% of communication.

If we're able to use asynchronous video to gain the perspective, to gain the thinking of both internal, external stakeholders into potential future growth opportunities, into roadblocks that might stand in the way, we're able to gain a whole new level of perspective and clarity. I think the other thing, too, when it comes to the idea of open strategy, inviting more voices, inviting the thinking of others to the conversation, we go beyond the historical days of senior leaders needing to "sell the strategy from the top" because we've now taken a collaborative, transparent, an inclusive approach to open strategy that provides a path forward where everyone feels like they are part of the process where everyone feels like they are a part of the conversation where everyone is bought in because they have been part of the discussion around the future growth potential, the roadblocks and the opportunities to overcome those roadblocks.

Molly asked, what are the top priorities you think banks and credit unions should be focused on as they plan for 2023? Well, looking ahead to 2023, I see three priorities, three potential growth opportunities, four financial brands to maximize their future growth potential when it comes to the next, we'll call it like a commitment for 12 months. I think in this post-COVID world, trying to look beyond a 12 month horizon is, risky might be too strong of a word, but as the environment changes, and it will continue to change ever so quickly, two years, three years, five years, it's a very long time. I think if we shorten the strategic viewpoint, the way point to just 12 months, we gain a lot more clarity that we can confidently execute against going forward into the future.

So three priorities if you will, number one. In the words of Issy Sharp, founder of the Four Seasons Hotel, "I see opportunities for financial brands to look for opportunities to "systematize" the predictable so that they can continue to humanize the exceptional, and this is possible by applying AI and automation in three key areas of the organization, marketing, sales, and service." Now these are not just marketing or sales or service activities, these are collaboration opportunities between marketing, between sales, between service and then also, collaboration opportunities between IT, between operations. If we want to synthesize all that down, look for collaborative opportunities to systemize the predictable so that we can continue to humanize the exceptional.

A second opportunity that I see looking ahead towards the next 12 months is to continue to improve the employee experience, and the way that we can do that is by empowering internal team members through education, but not just education alone, education combined with coaching, and it is through education, but more importantly through coaching that we can continue to help the unaware become aware of future growth opportunities while also at the same time overcoming their fears of the unknown, their fears of change, their fears of failure that hold them back and keep them trapped in the present moment. This is important, and I would say really strategically important because our research has found that 73% of financial brand leaders do not feel that they or their teams have the education needed to confidently navigate the exponential changes brought on by the age of AI. I keep reading in the trades and different publications and research studies that, oh, there's a knowledge gap in the financial services industry and I agree with that 100%. I don't think that's the sole problem though. That is only symptomatic of the problem.

We must go deeper to identify the root cause of why there is a knowledge gap and there is a knowledge gap because there is a training or an education gap. The opportunity, coming back to point number two, is to really commit to build a culture of training, a culture of learning, a culture of coaching. I would say the third opportunity that I see looking head towards the future, is there's been a tremendous amount of talking over the past couple of years about things like embedded banking and banking as a service. I would say another opportunity, and it will only become a reality if we establish a culture of learning, of training, of coaching within an organization, and that is to identify opportunities to embed coaching or coaching as a service for both consumer as well as SMB accounts, and that's because coaching goes far beyond financial education. It goes far beyond financial literacy. That research is now showing, is most likely doing more harm than good.

We must consider that if we look back over just the last decade, maybe decade plus two years, going back to 2010, more people today feel stressed about money than they did a decade ago. I was reading recently in another publication and I forget the source, but it said that the financial literacy scores of those in the United States have actually dropped over the past few years, and if we think of the fact that 85% of Americans feel financial stress or feel financial anxiety, how many of those work within our own

financial brands? When it comes to financial stress, when it comes to financial anxiety, that financial stress and anxiety is costing employers anywhere between $3,000 to $5,000 per employee per year. If you have 100 employees and financial stress, financial anxiety is costing you $5,000 or so per year in productivity, well, that's a half a million dollar problem. If you have a thousand employees, and financial stress, financial anxiety is costing you still $5,000 per employee per year, that's a $5 million problem.

Financial education, financial literacy is not the path forward. Otherwise, we would see improvement over the last decade or so since financial literacy, financial education has become a larger commitment at the vast majority of financial brands. It is only through coaching, that your financial brand has the power to transform the relationships that people have with money, and the relationships that people have with money, they go deep. Those relationships, those belief systems and structures are informed by their family of origin. They're informed by their upbringing, they're informed by their environment, and those beliefs that people have about money are rooted deep within their subconscious mind. This is why financial literacy, this is why financial education is not moving the needle. People know what they need to do, people's knowledge has potentially increased, but some studies are showing that is not the case. Coaching and coaching alone is what transforms people's financial behaviors, their actions, their habits that are all rooted in their beliefs to empower them to move beyond financial chaos and conflict, to increase their confidence going forward in the present moment, to help people feel hopeful, to help people feel optimistic about the future.

I bring up this subject of optimism because it is Frost Bank that has done a tremendous amount of research around the connection between a person's financial wellbeing and whether or not they are optimistic. In fact, Frost Bank has a website, optforoptimism.com, and one of the things that you immediately see is better finances begin with optimism, and it goes on and shares some of the research. They found that optimists are seven times more likely to experience better financial health than pessimists. Optimists experience 145 fewer days of financial stress than pessimists, and optimists have half the number of financial setbacks than pessimist. There's this really deep level opportunity that we might not be there just yet as an industry. I would say by 2030, we're definitely making strides to build coaching into our overall service offering. It's going to open up new revenue streams, but the only way that we begin to create the future at our own organizations is by the conversations and the commitments that we're having coming out of those conversations in the present moment.

Sheila wonders, what advice would you give to our leadership team as we begin to sit down and develop our strategic roadmap for the upcoming year? Well, I'm hearing a lot of conversations about continuing to invest in the tech stacks of financial brands, and that's fantastic, but I want to put a word of caution and warning out there. Technology alone is not the path forward to maximize digital growth. We must be even more mindful of how we bring technology to bear considering the fact that historically, up to this point, 60 to 85% of all digital transformation initiatives have either failed or they have failed to meet expectations of key stakeholders. Instead of looking at technology, and it does not matter what the technology is, but instead of looking at technology as a silver bullet, let's begin to look at technology as nothing more than a tool that connects people together and really a capability upgrade to solve the biggest problems that create pain for people.

We can use technology to, number one, identify common pain points causing common people pain, and then use technology as cures or solutions to help them rise above those pains. This simple shift in perspective, when you put people at the center of your thinking, when you put people at the center of your doing, it truly transforms how you think about solving future problems with technology. I think a lot

of technology has been acquired within financial brands because of R&D, and that's that research and development, that's ripping off and duplicating what others have done, and what another organization is doing might not be the best fit for your organization, let alone your account holders, but also, when you think about solving problems through technology, when your entire strategy is problem solution focused, you will rise above thinking product focused strategy, and when you rise above thinking product focused strategy, this is when you put the transformation of people above the commoditized transaction of dollars and cents.

There will be an ever increasing abundance of choice in the age of AI for people to find someone that can guide them beyond the financial stress and anxiety of the present moment that is taking a toll on their health and their wellbeing and their relationships. The financial brands that are problem-solution focused who view technology as a path forward to provide prescriptions that resolve the common people problems causing common people pain, will in turn increase their profits compared to those who are just simply product focused. The opportunity is to commit to empower people from top to bottom, from bottom to top, within a financial brand to use technology to help first and sell second.

Eric writes in and asks, do you have advice for how financial brands should measure progress and the outcomes related to the plans that they put in motion? To begin, Eric, measuring progress creates far more value internally than measuring perfection alone, and the simple mindset shift provides a path forward that allows for optimization, ongoing optimization as progress is made on your own journey of growth. When it comes to measuring progress, focus should be given to really two areas. Number one, lagging indicators, which are metrics measuring past performance and growth, and then number two, leading indicators, which are metrics used to predict future growth and performance.

Each one of these points, one is not better than the other. In fact, using a mix of leading and lagging indicators provides greater insight, provides greater clarity around the progress being made because we can examine past performance through a lens rooted in the present while also at the same time, projecting and predicting future growth. Combining leading and lagging indicators together provides a greater perspective into what we'll just call relative risk, while at the same time allowing us, allowing our team, allowing our organization to be more agile, to be more adaptable, to be able to pivot and make changes and optimize what we are doing to be even better going forward into the future.

Christine asks and questions, how can our credit union first identify new opportunities for future growth to then build in those opportunities into our strategic priorities? Well, Christine, one of the greatest lessons we can take forward from all of our COVID experiences, is to throw out that three to five year plan. Throw it out the window because I predict over the next decade, financial brands must become even more agile to not only see new opportunities, but more importantly prioritize those opportunities and then integrate them into their strategic plans. I was touching on this before, but the "traditional annual strategic planning process" or season builds in an ever increasing amount of risk in a world where exponential changes, changes in technology, competition and consumer behavior is increasing at an exponential rate. Risk, especially in risk adverse verticals like financial services, can be minimized by transforming the annual strategic planning process or season into smaller quarterly strategic planning sprints that permeates throughout every layer of the organization from the top to the bottom and from the bottom to the top.

We call this the 90 day growth method where every 90 days space and time is created to pause, to break free from the dangers of getting stuck doing because we want to pause, we want to review, we want to reflect on what we have done. Then and only then, can we learn through those experiences while thinking about how we can do even better going forward over the next 90 days. Through our research and direct coaching with financial brands over the past two decades, we have found that it is around the 90 day period that I'm going to quote some ancient wisdom here, "The best laid plans of mice and men often go awry." This was a pattern of human behavior that we were noticing way before COVID came through and through a wrench in everyone's strategic annual plans a couple of years ago. It's around the 90-day period that our commitment and our motivation to the future state that we're trying to create begins to fade.

We start out on January one, we're all excited about our annual strategic plans and executing against them, but by the time that we reach the end of March, life has happened, motivation goes out the window. If we're executing against our strategy thinking that motivation is what is going to get us through to the next year from January one to December 31st, we must be careful because motivation is like a muscle. Motivation will eventually fail, it will eventually tire, but when we create space and time to pause, to review, to reflect, we can recharge as individuals, we can recharge as teams, we can recharge as organizations who then constantly commit to move forward over the next 90 day period. Amy asks, do you have an example of how a bank or credit union has specifically used strategic planning to boost revenue for their business?

Amy, we have watched multiple financial brands over the years that have committed to the 90 day growth method accelerate and maximize their digital growth potential for one reason. They're able to adapt to environmental changes and as a result, optimize their plans through a mix of leading and lagging indicators. It is also, I would say because of their commitment to the 90 day growth method. I say this is secondary. They increase their AQ, their adaptability quotient, at every level of the organization because they know, it becomes a belief system and structure culturally within the organization that they have the permission to break free from "doing" to then create that space and time to review, to learn, to think so that they can do even better going forward into the next quarter.

They know getting stuck in the cycle of doing without pausing to just keep doing month in and month out quarter after quarter, it creates unnecessary risk, so the 90 day growth method brings awareness into what I would say is our predictable pattern relationship with the sunk cost fallacy. That's where we have a tendency to follow through on something that we have already committed to. We've already invested time, invested energy, money, attention, whatever that might be, and we choose to keep going forward, even if the cost outweighs the value created, we choose to keep going forward because we have already put so much into whatever it is that we're doing, but when we break free from doing, we're able to gain some perspective, maybe even question, is what we're doing the right things that we need to be doing now or have priorities transformed as the environment change and as a result, we need to transform our plans, our actions going forward into the future.

One more question here from Jay, who writes in and wants to know, what impact will the current state of the economy have on how our credit union plans for 2023? Jay, let me tell you buddy, if I had a crystal ball and could predict the future beyond a shadow of a doubt, then I would not be answering this question right now, but what I do know is we can learn a tremendous amount about how the next decade or what is left in this decade, will continue to play out based upon what we have studied up to this point rooted in the past. From everything that I have read, everything that I have learned through

my studies on the cycles of history... History and more importantly, the future is nothing more than predictable patterns. This is why since March of 2020, I have been sharing with financial brand leaders to buckle up buttercup because from now through 2030, maybe even a little bit beyond that, it's going to be a bumpy ride and there is nothing... There's nothing we can do to escape this fact.

What we can do, what we do have the power to do is control how will we respond, not react, but respond to what the future holds. In fact, we can look back the past two years since COVID and transform the way we think about the future because the past couple of years, I would say, have been nothing more than just a trial run for all of the exponential changes that we are going to experience through the end of this decade, if not a little bit beyond that. Financial brands that ended 2019 to begin 2020, I want you to go back in your mind. Go back in your mind to 2019 to start 2020. Where were you? You probably had a well thought out, long term plan, three to five years, but you quickly learned in March that the future was no longer as predictable as we once thought because of COVID. Now, regardless of what the future holds, the most important strategic asset financial brand leaders can bring to the table and hopefully not annually, we can go beyond the season of annual planning.

We can do this quarterly now, through the 90 day growth method, but the most important asset we can bring to the table is an unwavering belief that the future will be bigger, that the future will be better, that the future will be brighter no matter how dark the present moment might feel. That's because when the future feels confusing, it feels chaotic. It feels full of conflict. So many people are looking for someone to guide them beyond the present state, beyond the pain of the present moment. People internally, people externally, account holders, people in the communities that you serve, therefore communicating hope and optimism. Sharing confidence might just be the very thing that gets people you know through the darkest moments that they will experience personally and professionally. When people feel lost, when people feel hopeless, so many do when it comes to their financial situations, and yes, there are people that work within our financial brands who feel this way.

They might not communicate that, but when people feel lost and they feel hopeless, particularly around their financial situation, they are looking for someone they can trust to guide them beyond the pain of the present moment, to guide them with courage, to guide them with confidence, and as a leader, we must always remember the courage and the confidence that we convey through our communication, both spoken as well as unspoken words. The courage and the confidence we communicate through our communication is contagious, and we can spread that confidence. We can spread that courage to those around us. We can offer help, we can offer hope, but for many people, hope must come before they're willing and able to receive help.

As always, keep the questions coming. These are very good questions and I sincerely appreciate the questions that we get from you, the dear listener. They do help keep me on my toes. They challenge me to think even more deeply about what's on your mind. If you do have strategic marketing, sales, leadership questions that you want to gain some clarity around, text those questions once again to (415) 579-3002 and I look forward to answering them for you on an upcoming podcast. Until then, and as always, be well, do good, and make your bed.