Strategic Planning for Credit Unions

NACCUG Office,

1st December 2014
Objectives & Scope

• Introduction to Strategic Planning for credit unions
• The strategic planning process
  – Three questions
• Environmental analysis (internal & external)
• Template strategic plan for credit unions
• NACCUG strategy
  – What do credit unions want from NACCUG?
Some questions for you!

• Where do you see your credit union in three years time?
• Will it be the same, better or worse?
• What services will you be providing?
• How will you be delivering these services?
• What competition will you be facing?
Strategy & Planning Overview

• Strategy & Planning
• Plan content & layout
• Process / Sequence
  1. Where are we now?
     • Situation analysis
  2. Where do we want to be?
     • Vision & Mission – what do we want to be?
  3. How will we get there?
     • Strategic goals & objectives
• Implementing our strategy
• Review & update
Strategy & Planning Overview

Current Situation
- Our business, our products & services
- Our external & internal environments
- What do our members want & need from us?

Mission, Vision, Values
- Why do we exist?
- What are we trying to achieve?
- What are our underlying beliefs?

Strategic Objectives
- How will we achieve our mission & vision?
- Set SMART goals & objectives
- Measure & review progress

Where are we now?
Where do we want to be?
How will we get there?
Strategy & Planning

• Strategy is about deciding what we want to do
  – Ensuring that we remains relevant to our members and viable into the future
    • What do our members want from us? Can we give it to them?
  – Combining activities so that the whole operation knits together
  – The credit union difference!
  – A sustainable strategy requires trade-offs
    • We can’t do everything!

• Planning is about how to do it
  – Tactics – what do we need to change?
  – Resources – have we the capability to deliver?
Strategy & Planning

• Strategic Planning
  – Longer term (three or five years)
  – Aspirational
    • Will change and evolve over time
  – Must be measurable, realistic & achievable

• Business Planning
  – Operational focus
  – Should be aligned with the strategic plan
  – Should help us to implement our strategy
Strategic Planning Activities

- **Internal Analysis (SWOT, products & services, etc.)**
  - Our Business Model – is it working? Will it work in the future?
  - Structural & resource issues – what can we do?
- **Environmental analysis (economy, regulation, competitors)**
- **Member survey** – what do they want from us?
- **Mission, Vision, Values** – what do we want to be?
- **Strategic Objectives (to achieve our mission)**
  - Funding strategy
- **Implementation Plan** – the key to success
Strategic management functions

• Evaluating options
  – Business, product / service, resources, development

• Implementation plan
  – Design and follow through

• Control & monitoring
  – Review and amend if necessary

• Leadership
  – Commitment, communication

• Change Management
  – Dealing with resistance to change

Why does strategy fail?
Why does strategy fail?

• Over 80% of business strategies fail to deliver the strategy they set out to achieve!
  – Insufficient understanding of your environment
    • What will it look like next year and the year after? Don’t assume that everything will be the same in the future!
  – Lack of leadership and commitment to the plan
  – Unwillingness or inability to change
  – Lack of accountability – who is responsible?
  – Unrealistic goals and objectives
  – Lack of a funding strategy for the plan
  – Failure to implement the plan!!!!!
Movement overview

• 79 credit unions
  • 40+ rural and very small
  • Most members of rural credit unions are women
• 54,000+ members
  • 60% in ten largest workplace credit unions
• Savings GMD563m
  • 90% in ten largest workplace credit unions
• Loans GMD460m (82% ratio)
• Where will future growth come from in your credit union?
Suggested Plan Layout

- Foreword / Executive Summary (1 page)
- Background & Context (2 pages)
  - History, people, structures, etc.
- Internal & External Analysis (2 pages)
  - Business Model overview – description of current activities, etc.
  - SWOT Analysis
  - PESTLE Analysis - how does the external environment impact on our plan?
- Vision & Mission Statements (1 page)
- High Level Strategic Objectives (3 pages)
- Implementation Plan
  - What, when, who, how, expected result
- Appendices
  - Financials, member survey, etc.
Business model overview

• Analysis and description of the current situation
  • Key Activities – what do we do and how do we do it? Is this what credit unions want?
  • Key Resources – premises, IT, human, financial
  • Key Partners – credit unions, Fern, CBG, ROC, ILCU, etc.
  • Channels – how do we deliver our services? How do members want them to be delivered?
  • Value Proposition – do we satisfy our unions’ needs? If so, how?
• Member survey
Member survey

• Suggested questions
  • What do you like about the credit union?
  • What does it do well?
  • What does it not do well?
  • What improvements would you make?
  • What new products and services would you like to see?
  • Any other suggestions?

Opening hours, location, service, etc.
SWOT Analysis
Strengths?

• Internal – what are we good at?
  • Fast service, especially for loans
  • Encouraging members to save
  • Equal opportunities for members
  • Quality and flexibility of staff
  • Presence across the country
  • Knowledge of our members
  • Support between credit unions / cooperation among cooperatives
Strengths?

• Internal – what are we good at?
  • Sharing of information
  • Prudential financial management
  • Invention, imitation and innovation
  • Affordable interest rates
  • Advocacy
  • Liquidity support (CFF)
  • Corporate social responsibility
  • Common Bond
  • Recognition by people
Weaknesses?

• Internal – what are we not good at?
  • Corporate social responsibility
  • Communication / visibility
  • Technology
  • Financial information and tools to help members to make sound financial decisions
  • Staff capacity and skills
  • Loan recovery (especially community based)
  • Difficulty finding borrowers who move or change job
Weaknesses?

• Internal – what are we not good at?
  • Limited outreach
  • Common Bond
  • Lack of financial skills at board level
  • Board / management imbalance
  • Lack of understanding of the credit union business model
  • Absence of (or out of date) policies and business plans
  • Limited savings
Opportunities?

• Outside the credit union
  • Corporate social responsibility
  • Potential growth (2 million v 54,000)
  • New services (loan protection, etc.)
  • Education insurance and savings plans
  • Interest rate could be lower (sustainable rate)
    • Because we are lending our own money
  • Educate members about our services (not all about interest rates)
  • Investment (e.g. CFF)
  • Political will
  • Foreign currency accounts (hard currency) — research
Threats?

• Outside the credit union
  • Excessive regulation
  • Closure of credit unions
  • Illegal migration
  • Economic instability
  • Political instability
  • Ebola, etc.
  • Unreliable energy supply
  • Unreliable networks, IT, etc.

• Competition
  • Microfinance, banks, mobile wallets, etc.
SWOT Summary

• How do our strengths help us to capitalise on opportunities and minimise the threats?

• How do our weaknesses prevent us from capitalising on opportunities and defending against threats?
  • Can we fix our weaknesses?
Environmental analysis - PESTLE

- What’s happening nationally & internationally?
  - Political situation
  - Economic factors *
  - Sociological & cultural
  - Technological *
  - Legal & regulation *
  - Environmental issues

[Diagram showing the PESTLE framework with boxes for Political, Social, Economic, Technological, Legislative, and Environmental factors, all pointing to an 'organisation' circle.]
Suggested Plan Layout

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The future
Where are we going?

- Financial Projections
  - Based on experience and knowledge.
  - Must be realistic
  - Loans and savings are the key drivers
  - Income – loan interest rate and return on investments
  - Expenditure – business growth, inflation
  - Bad debt costs
  - Reserve requirements
Where do we want to be?

• We know where we are and where we are going
  • Will this suffice for the future?
• If yes, no significant change required
• If no, what specific items do we want to change?
  • Enhance our existing services?
  • Develop new services?
  • Introduce new delivery channels?
  • What are the financial implications & risks?
• Do we have the capability to change?
  • IT, personnel, structures
“Vision provides a business aim, while mission provides business principles”.

• Vision – what are we trying to achieve?
  – To be ..........................................................
  – To provide ......................................................

• Mission – why do we exist? What is our purpose?
  – To .............................................................

The credit union difference!
How will we get there? – Strategy!

• Identification of strategic objectives - examples
  • Building & developing our business
  • New & better products & services, new delivery channels
• Marketing & Communications
  • Key to business development
• Structures & capabilities
  • Build on existing IT capability
  • Staff & Volunteer Development
  • Succession planning
• Cooperation with other credit unions
How will we get there?

• Can we do it?
  • Do we have the capability (e.g. IT, people)?
  • Cost - is it worth doing?
• What do we need to do to change?
  • Who is going to do it?
  • When are they going to do it?
  • What resources do they need?
• What are the implications and risks?
  • Staffing, Regulators, compliance, training, etc.
• Revise projections to reflect planned activities
  • Don’t forget the costs of implementing your strategy
# Activities & Implementation

<table>
<thead>
<tr>
<th>Action</th>
<th>Timescale</th>
<th>Resources Required</th>
<th>Responsibility</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review governance structures</td>
<td>By end 2015</td>
<td>Time (offsite day for board)</td>
<td>Chairman General Manager</td>
<td>Robust structures in place to ensure that the credit union is managed appropriately</td>
</tr>
<tr>
<td>Evaluate potential for an insurance product for the credit union</td>
<td>By end October 2015</td>
<td>People Funding Time</td>
<td>General Manager Programme Manager</td>
<td>Recommendation to the Board on whether to proceed</td>
</tr>
<tr>
<td>Develop and introduce an on-line app.</td>
<td>June 2016</td>
<td>People Time</td>
<td>IT Manager</td>
<td>Credit unions enabled to send payments via member mobile phones</td>
</tr>
<tr>
<td>Develop a money management programme for members</td>
<td>June 2015</td>
<td>People IT system Time Funds</td>
<td>Finance Manager W Jeng IT Manager</td>
<td>Credit unions have instant access to funds</td>
</tr>
<tr>
<td>Website Management</td>
<td>March 2015</td>
<td>Staff Member</td>
<td>IT Manager</td>
<td>Our website will be maintained and updated every day</td>
</tr>
</tbody>
</table>
Other issues to consider

• Agree and sign-off
  • Vital that majority buy-in to the plan & own it
• Implementation
  • Set SMART goals, don’t try to do too much too soon
• Communications
  • Keep everyone involved & up to date
• Change Management
  • Expect some resistance
• Culture
  • Don’t ignore it, can’t be changed overnight
Monitoring & Review

• Monitor & review regularly
  • Should be regular agenda item at Board meetings
• How are we doing? Are we achieving our aims?
• Take account of changed circumstances (micro and macro)
• Update the plan if necessary – should be an evolving document
• Agree changes & sign off
• Communicate
Strategic Planning for Credit Unions & NACCUG
NACCUG Office,
2nd December 2014
Today’s agenda

• Introduction to Strategic Planning for credit unions
• The strategic planning process – three questions:
  1. Where are we now?
  2. Where do we want to be?
  3. How will we get there?
• Environmental analysis (internal & external)
• Template strategic plan for credit unions
Strategy & Planning Overview

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How will we get there?
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The future
NACCUG Strategic Plan

• What are the strengths and weaknesses of NACCUG?
• How can NACCUG help its member credit unions to deal with their weaknesses?
• How can NACCUG help its member credit unions to:
  1. Capitalise on opportunities, and
  2. Deal with threats?
NACCUG Strategic Plan Group 1

• Credit union survey results?
  • What does NACCUG do well?
    • Advocacy, technical advice, policies for new credit unions, training / capacity building
  • What does NACCUG not do well?
    • Supervision

• How could NACCUG improve?
  • Capacity building of NACCUG & credit union staff, outreach into new markets, robust operating framework, strengthen collaboration with Government (new Act), succession planning at NACCUG, improve monitoring & supervision

• What additional services would you like from NACCUG?
NACCUG Strategic Plan Group 2

• Credit union survey results?
  • Services – Training, AGM facilitation, IT support, investments, liquidity, auditing, networking & partnership

• What does NACCUG do well?
  • Training in governance, should be continuous, finance, AGM, networking, auditing, liquidity support, sensitisation

• What does NACCUG not do well?
  • Strategic plan development for credit unions, sensitisation (wider)

• How could NACCUG improve?
  • Sensitisation, improve / expand IT system, make more user-friendly, monitoring & supervision, savings box supply

• What additional services would you like from NACCUG?
NACCUG Strategic Plan Group 3

• Credit union survey results?
  • What does NACCUG do well?
    • Training and capacity building, IT & technical support, management of NACCUG
  • What does NACCUG not do well?
    • Communication with credit unions, outreach to rural areas
• How could NACCUG improve?
  • Copy correspondence to Chairman as well as manager, adequate notice to staff & boards for NACCUG activities, hold some board meetings in rural areas, shared networking
• What additional services would you like from NACCUG?
  • Online financial services (enquiries / transfers / international), SMS, loan protection insurance
NACCUG Strategic Plan

• What does NACCUG do well?
  • Advocacy, technical advice, policies for new credit unions, training / capacity building
  • Training in governance, should be continuous, finance, AGM, networking, auditing, liquidity support, sensitisation
  • Training and capacity building, IT & technical support, management of NACCUG
NACCUG Strategic Plan

• What does NACCUG not do well?
  • Supervision
  • Strategic plan development for credit unions, sensitisation (wider), marketing
  • Communication with credit unions, outreach to rural areas
NACCUG Strategic Plan

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NACCUG Strategic Plan

• What additional services would you like from NACCUG?
  • Improve connectivity for Abacus
  • Loan Insurance, improve IT infrastructure, assistance with bye-laws and policies
  • Online financial services (enquiries / transfers / international), SMS, loan protection insurance
Current NACCUG services

- Training (basic training is core, specialised training is not core)
- Auditing (for rural credit unions is core)
- Monitoring & supervision (core?)
- Representation & lobbying (core)
- Liquidity management (CFF) (core)
- Credit union stationery (not core)
- IT services (Fern Abacus) – support & training (not core?)
- Central Bank statistics??
Possible NACCUG services?

• Loan & Savings Insurance
• Loan Insurance only
• Member-pay insurance
  • Motor, home, travel, life
• Strategic Planning
  • Assistance for credit unions
• Risk Management?

Not core services - pay separately
Other issues

- Outreach – how do we improve it?
- Education – change mind set, savings come first, then loans
- Ownership – make members aware
- Focus of meetings / AGMs needs to change to core issues (not food!)
- Rebranding – CU to SACCO?
Other strategic issues

• Loan Insurance
  • Product features
    • On death of borrower, what is paid?
    • Existing loans or new loans from now on only?
    • Payment (standard rate +/- claims experience)

• Stabilisation Fund
  • For credit unions that get into difficulty
  • How would it be funded?

• Affiliation Fees
  • How should they be paid for?
    • Membership?
    • Asset size?
How will we get there? – Strategy!

• Identification of strategic objectives - ideas
  • Communications & outreach?
    • Face to face, at the doorstep
    • Empowering Chapters (rural credit unions)
      • Greater use of Chapter structure
  • What is NACCUG’s role – technical support
  • City credit unions? Serrekunde?
Strategic Planning for NACCUG

NACCUG Office,
4th December 2014
NACCUG Strategic Plan

• What are the strengths and weaknesses of NACCUG?
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NACCUG Strategic Plan

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• Central Bank statistics??
Possible NACCUG services?

- Stabilisation Fund
- Loan Insurance
- Solidarity Fund
- Member-pay insurance
  - Motor, home, travel, life
- Specialised training
- Strategic Planning
- Risk Management
- Policies & Procedures (core)

Not core services - pay separately
Other strategic issues

• Urban members
  • How can they get access to credit union?
• Structure of NACCUG
• Marketing, Communications & Outreach
  • Get the message out there
  • Member education (financial literacy)
  • Social Performance measurement
  • Correspondence from NACCUG to credit unions
  • Chapter – remobilise, re-energise

• Rules & Regulations
  • NACCUG should play a central role
## Accounts summary

- **Income 2013** D9.0m (2012 D7.4m) 2015?
  - ILCUF \( \text{D1.3m (D0.5m)} \) 3.3 0.0
  - Fund Raising \( \text{D0.7m (D1.0m)} \) 0.5 0.5
  - *From CUs* \( \text{D2.6m (D1.7m)} \) 2.8 3.0
  - CFF \( \text{D2.8m (D1.9m)} \) 4.2 5.0
  - Shareholding \( \text{D1.6m (D1.9m)} \) 2.7 3.5
  - Sundry \( \text{D1.3m (D0.8m)} \) 1.3 1.3

**Total Income excludes ILCUF**

\[ \text{11.5} \quad \text{13.3} \]
## Accounts summary

- **Expenditure 2013 D10.3m (2012 D7.9m)** 2015?
  - Personnel D2.3m (D1.4m) 2.1  3.0
  - Monitoring D0.3m (D0.3m) 0.4  0.5
  - CFF D2.6m (D1.8m) 3.5  4.0
  - Ed. & Training D0.5m (D0.3m) 0.7  1.0
  - Motor D0.2m (D0.2m) 0.3  0.4
  - Marketing D1.2m (D0.9m) 2.8  0.4
  - Ops & Admin D1.3m (D1.2m) 1.3  1.5
  - Depreciation D0.8m (D0.6m) 0.8  1.1
  - Int. Paid Pref. D1.0m (D1.0m) 1.5  1.8
Funding issues

- Large credit unions may be paying too much
- Many rural credit unions can’t pay
- Delay in producing statistics

- What does the affiliation fee cover?
- What are they paying for?
- Core v non-core?

- How much does NACCUG need from Affiliation fees?