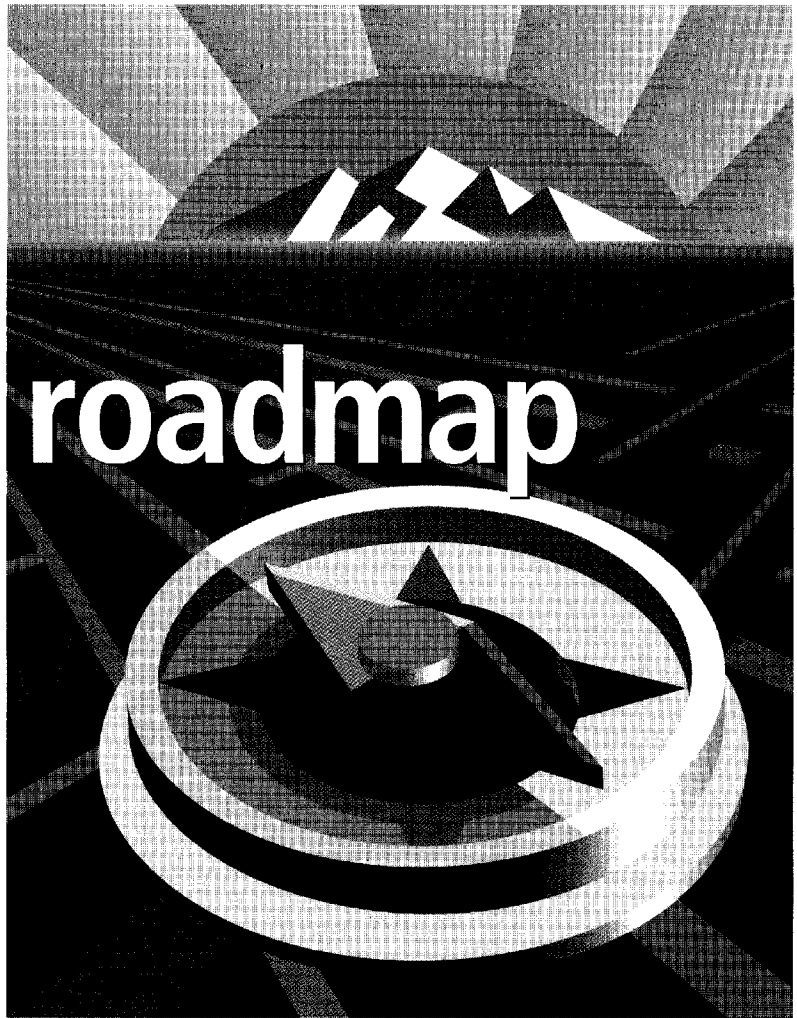


# In search of a strategic roadmap

**Banks face four critical issues for success. Fortunately there are multiple options with which to meet each of them**



In the past, running a financial institution was much simpler. Bankers could focus on the basics: loans and deposits; debits and credits. But now, things are much more complex. And, in order to succeed, bankers must be able to focus on many things simultaneously.

We have identified four critical issues that bankers must be prepared to address effectively if they and their institution are to prosper. They are, 1. the changing competitive landscape, 2. size and growth, 3. the shifting priorities of customers, and 4. technology. Naturally, each financial institution and its market is different, and you must tailor your application of the following strategic options to your circumstances.

## I. Competitive Landscape

A commonly held view is that competition is much like death and taxes—an important part of our operating environment over which we have no control.

In part, that's true. But the notion that this competition is completely determined for us, not by us, is just not accurate. Much of the question of who the competitors are and how pow-

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erful they are is determined by each institution's decisions regarding what products and services it will offer and to whom.

Those strategic lines of business (LOB) decisions must be based on a combination of market needs and the bank's competencies. The fact that its customers develop a particular set of needs doesn't mean that the organization should automatically add lines of business. That should be done only to the extent that the organization can perform competently in those lines. Similarly, just because a bank has a special capability doesn't mean that it is valuable, or that it should be included in the institution's strategy unless it meets the needs of the market it is targeting. As shown in Exhibit 1, on the next page, it's the area where market needs and organizational competence overlap that should define the foundation of your strategy.

Defining this foundation poorly may needlessly pit the bank against strong competitors. Doing it well will enable the institution to develop, maintain, and constructively exploit powerful competitive advantages. Most importantly, remember that your foundation of strategy is not static and can be shifted over time as needed to adjust for changing market conditions.

So, if you have carefully chosen your foundation of strategy, you have consciously determined who your competitors are and where to compete. But the question then arises of how to compete against others.

### Strategic options

- **Focus:** Do a few things extremely well. No organization

