Four Best Practices For Changing Culture To Stay Competitive

by Steve Brown strategic planning board of directors leadership management

Summary: The year 2020 was a year of many changes. In 2021, many community financial institutions are finding more change — they need to change their culture to meet today's challenges or face being left behind. We provide you with four best practices to do this, including developing a plan, obtaining buy-in, being willing to experiment, and ensuring leaders "walk the walk."

We found it interesting that almost everyone on Earth had brown eyes until about 10K Ys ago. At that time, there was a significant genetic mutation from the Black Sea that changed brown eyes to blue. Today, around 8% of the global population has blue eyes. Imagine how different the world's population would look, if eye color hadn't evolved.

The financial industry is evolving too and many community financial institutions (CFIs) are learning that they need to adapt or they could be left behind. That adaptation can come with significant culture change, as the organization might need to be more innovative or make decisions more quickly.

For those CFIs that successfully manage appropriate culture change, the result can mean a stronger performance and increased shareholder value — not to mention a more engaged workforce.

Since the benefits are substantial, here are four best practices for fostering culture change.

1. Develop a "change management" plan. This should be done with the help of employees at every level. It's best to group them into teams within their particular functions, each with a trained "change champion" who can encourage teammates throughout this endeavor.

An example. A Northeast FI aiming to enhance customer experiences through digital transformation built its plan through employee "design thinking" workshops, innovation challenges, and hackathons. This institution empowered its employees to help improve the customer experience and find the best solutions. As the CEO notes, "*This is our way forward to maintain relevancy in a rapidly evolving industry and a new era in banking.*"

2. Obtain buy-in. CFIs need to communicate what they want to accomplish to each constituency — customers, employees, board, shareholders, community members, and regulators. Don't just list milestones — paint a picture of what the organization will look like after the transformation and create a compelling narrative of what that will mean for each constituency. Above all, tell the same story internally that you're telling others publicly.

How two FIs did this. One Northwest institution converted from a thrift to a commercial bank and is now in the "seventh inning" of the transition. The CEO sent handwritten letters to each employee, letting them know that even though the model is changing, the institution's values of integrity, teamwork, simplicity, discipline weren't. He also asked employees to love what they do, because then they would be "*empowered to make a difference.*" If they didn't, he asked them to please "*figure out* *a way to change or do something else.*" The voluntary attrition rate fell and engagement rose, as did customer satisfaction scores.

The Northeast FI increased buy-in by enhancing its talent management programs, career paths, and succession planning, so that it could make "*sure we had leaders that inspired.*"

3. Be willing to experiment. This may be the hardest aspect of the four best practices to do, as financial institutions are not naturally keen on trial and error. They like tried and true. In order to make shifts in your culture, experimentation is needed.

The Northeast FI found that enhancing customer experience "*required a massive shift in the organization to rethink risk culture.*" This led to some changes within the management team and an increase in leadership development.

4. Ensure leaders "walk the walk." Transformations in organizational culture will only be effective if leadership personally owns the change. Before CFIs take the leap to change their culture, top management and the board need to be committed. If leaders aren't — no one will be. Upper management should have hearty discussions long before changes start, to ensure success through agreement. Then, they will all "walk the walk" together.

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Rates As Of: 06/09/2021 05:11AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.02	0.01	-0.07
6M	0.04	0.01	-0.05
1Y	0.05	0.01	-0.06
2Y	0.15	0.01	0.03
5Y	0.75	-0.05	0.39
10Y	1.50	-0.10	0.58
30Y	2.18	-0.11	0.53

FF Market	FF Disc	IOER (Interest on Excess Reserves)
0.06	0.25	0.10
SOFR	**Prime**	**OBFR (Overnight Bank Funding Rate)**
0.01	3.25	0.04