



Digital Transformation Lessons from Early Adopters

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Summary: Many community financial institutions are not yet seeing strong returns on their digital transformation investments. As most are still undergoing a transformation, it's not too late to rethink your strategy and incorporate some of the lessons from the early adopters.

There are approximately 65MM gym memberships in the US — an industry worth \$35B — and, according to USA Today, up to a [staggering 67% go completely unused](#).

Active gym members and successful digital transformations have certain things in common, namely commitment to the cause, an achievable plan, and a supportive network. [According to Cornerstone Advisors](#), by the end of 2021, over two-thirds of credit unions and more than half of community banks had embarked on a digital transformation journey. Most of the stragglers — 27% of credit unions and 34% of banks — plan either to launch or develop a digital transformation strategy in 2022. Although the vast majority of community financial institutions (CFIs) have not yet completed their transformation, they claim only moderate success for their efforts to date, mostly in the loan and deposit areas.

These figures highlight the complexity of a digital transformation process and the need for a solid plan. Fortunately, it's not too late for CFIs to rethink their digital transformation approach — even if they're already gotten started — and benefit from the experience of their peers.

Here are three tips to ensure a smooth and successful process that delivers on your goals:

1. **Articulate a clear, customer-centric strategy.**

Key to a successful digital transformation is acknowledging that the primary value of technology is to support a business goal — such as increasing efficiencies or meeting customer expectations. What's more, there needs to be absolute clarity throughout the organization on what these goals are.

At its core, banking is about customer relationships, so placing the customer at the center of the strategy is a good starting point. CFI customers have come to expect a highly personalized banking experience, which technology, if implemented correctly, can enhance. Understanding what is required to deliver a frictionless customer experience — be it in digital lending, customer onboarding, or payments — will lead an institution to the right technology, people, and processes to help achieve its business objectives.

A marketing executive from a Florida-based institution advocates [including the customer in a process of continuous "co-creation"](#) to ensure the technology remains in step with the customer, rather than letting the drive for innovation lead the institution astray. Her CFI learned this lesson firsthand, when they designed a mobile check deposit flow that customers in testing groups disliked. The team sidestepped customer feedback to proceed with their original vision, which they soon regretted. *"We pivoted in mid-air and changed the flow based on their feedback,"* she says, proving it's never too late to reassess your digital transformation.

Seeking and heeding customer input in the end-to-end process can protect your institution from committing to a mobile design that not only doesn't address customer needs, but creates stress for and disconnect with

users. The more involved “co-creation” process goes further than traditional focus groups, allowing customers to have essential “co-authorship” with the CFI, from conceptualization stages through final testing, while staff retains control over the footwork.

2. Redesign back-office processes, too.

Realizing that back-end technology and processes also need to undergo a transformation is equally important. But this is about more than just digitizing legacy processes. It’s essential to review what is and isn’t working well — and embrace digital solutions to reconfigure how the business approaches operations and delivers on its service model.

Outdated, manual processes take up valuable employee time and slow down response times for customers. Strategically automating low-touch processes will create efficiencies, while delivering the frictionless service that customers expect.

An executive from a Georgia-based institution is doing this by integrating automation technology into the back office: *“We use robotics today. It has really accelerated our ability to weather the volume in mortgages this year. There are massive opportunities to automate operations and back office. That is the area that I get really excited about.”*

3. Leverage employees to drive change.

Staff naturally play a vital role in the smooth execution of a digital transformation. The ability to attract qualified talent was listed by 67% of respondents as a top concern for 2022 in Cornerstone’s survey. As well as attracting and hiring qualified talent, CFIs should focus on fostering a growth mindset and a culture of innovation, rallying their people around a shared vision.

Employees need to have a true understanding of what the organization is trying to achieve and of their role in the transformation process. Leaders should understand everyone’s skillsets and how best to inspire them, providing a supportive and nurturing learning environment.

An executive at a digital banking platform provider observes: *“If you look at the ones [FIs] that have been successful, there has been consistent messaging. There’s been a culture around, from the board on down, about wanting to digitally transform.”*

Executing a successful digital transformation strategy is hard, but it can be done. As [one CFI exec put it](#): *“Our own digital transformation illustrates this important point: a community bank with a solid commitment to digital leadership — and a comprehensive strategy to provide a superior digital experience, delivered by well-trained and knowledgeable people — can compete with both fintech disruptors and big bank rivals.”*

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ECONOMY & RATES

Rates As Of: 08/15/2022 05:49AM (GMT-0700)			
Treasury	Yields	MTD Chg	YTD Chg
3M	2.63	0.22	2.57

6M	3.13	0.22	2.94
1Y	3.21	0.28	2.83
2Y	3.20	0.31	2.46
5Y	2.91	0.23	1.64
10Y	2.79	0.13	1.27
30Y	3.08	0.07	1.17
FF Market		FF Disc	IORR
2.33		2.50	2.40
SOFR		Prime	QBER
2.28		5.50	2.32

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