



Three Steps for Effective Strategic Innovation

🔗 technology strategic planning

Summary: Continued investment in innovation is crucial for CFIs to remain competitive in this uncertain market, but it must be strategic. We outline three steps to ensure new initiatives not only meet the needs of the institution but also deliver tangible benefits that fit with the overall strategy of the organization.

Octopuses consistently make the list of the most intelligent animals on the planet for their ability to escape captivity, use tools for shelter, and perform difficult tasks to obtain a reward. Their brain-to-body ratio — a metric scientists use to determine intelligence — is higher than any other invertebrate. What's more, in addition to a centralized brain, each arm contains [its own little brain](#), allowing it to be nimbler in the completion of tasks. Like octopuses, community financial institutions (CFIs) may choose to use many innovative tools for long-term gain.

The Innovation Imperative

For a long time, CFIs have relied on their strengths in relationship building and community connection to maintain their status as primary banking institutions. That said, the pace of digital transformation and offerings from fintechs, coupled with the shifting demands of consumers, particularly the younger generations, have made innovation increasingly essential for CFIs to remain competitive.

As an example, take new account opening. A recent survey by Cornerstone Advisors found that so far this year, [47% of new checking accounts](#) have gone to digital banks and fintechs such as PayPal, Chime, and SoFi. While CFIs' share of new accounts is currently stable and most of the digital banks' growth is coming at the expense of megabanks, the trend is clear. Younger generations, who make up 72% of new account openings, prefer digital options.

To remain competitive, CFIs are choosing to invest in a variety of areas, including:

- Advanced fraud detection tools
- Initiatives that improve the user experience and increase customer engagement
- Data analytics to better segment and target customers with personalized offerings
- Artificial Intelligence and data insights that deliver financial wellness tools
- Measures that create internal efficiencies and decision-making, and allow management to track performance

Three Steps To Innovate Strategically

In this climate, it would be easy to be drawn to any of the shiny initiatives above. However, it is essential to approach innovation with a strategic mindset. Here are three steps to ensure innovation delivers on its promises:

1. **Start with the desired outcome.** Rather than focus on a piece of exciting new functionality, it is important to first identify the outcome you are seeking and confirm it fits with your overall business strategy, [according to Ryan Canin, CEO of DocFox](#). Looking at digital account opening, for example — an

institution should start by focusing on the desired outcome (i.e., to gain deposits and define the metrics by which you will measure success) and work from there.

2. **Define the broader strategy.** Once the desired outcome has been determined, all the steps to achieve that outcome can be outlined. If the objective is to gain deposits, then digital account opening capability is only one of many things that need to happen. You will need to have a clear picture of the market opportunity, identify which customers you are going to target and by what means, and establish a compelling value proposition based on your strengths as an institution. Defining the broader strategy also allows you to size resource requirements and see if you are willing to commit those resources.
3. **Find the right partner.** With the institution aligned on a clear strategy, a desired timeline, and budget, the CFI will be well-placed to find a good partner to help it innovate. Explore the market to establish what is out there. As part of this, you may want to create a scoring matrix, acknowledging that this might change over time. Criteria could include the kind of partner you want to work with, available functionality, and ability to customize. Canin's advice is to be open with vendors. He tells potential clients, "Show us your cards; tell us who the vendors are that you're talking to. Tell us your concerns and your considerations and how you're weighing them out. And by the way, don't just tell us go tell them too." This approach, he believes, yields the best results.

In this fast-changing market, CFIs need to embrace innovation to keep up with customer demands and the competition. However, it is important to be disciplined and thoughtful about which innovations to adopt and how. A strategic approach to innovation will ensure CFIs receive measurable benefits from these investments — and that they'll be much more likely to achieve the end result they were seeking.

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A strategy before structure approach for launching new services and strategic initiatives helps ensure competitive, customer-focused results. DocFox Co-Founder and CEO Ryan Canin shares tips on setting clear objectives for new initiatives and avoiding common pitfalls. [Listen now.](#)

ECONOMY & RATES

Rates As Of: 11/13/2023 06:43AM (GMT-0800)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.53	-0.06	1.11
6M	5.46	-0.08	0.70
1Y	5.38	-0.05	0.68
2Y	5.07	-0.02	0.64
5Y	4.72	-0.14	0.71
10Y	4.69	-0.25	0.81
30Y	4.81	-0.29	0.84
FF Market	FF Disc	IORR	
5.33	5.50	5.40	
SOFR	Prime	OBER	
5.32	8.50	5.32	

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