Independent Banker

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Innovation Station by Kevin Tweddle

**Innovation meets strategic planning**

**With Labor Day just around the corner,** many community banks are getting ready for their strategic planning this fall. As you begin to gather your thoughts in advance of these critical planning days, I’d like to talk about innovation and its importance in the strategic planning process, as well as address a few practical considerations.

Let me first say, as community banks, our goal is not to go out and compete directly with digital-only banks. Relationships remain central to community banking. Innovation is about leveraging new technology and ideas to create better solutions for our customers. So, innovating in community banking is about improving the customer experience without losing sight of the relationship. How do we do that?

**Weaving innovation into strategic planning**

Community banks must weave innovation throughout the fabric of their overall strategic planning. To achieve successful outcomes, innovation must permeate the entire strategy planning process.

Because innovation often involves higher risk, leaders from the C-suite need to lead the charge, positioning themselves to help the organization navigate the inevitable bumps in the road, which will come. The organization should also designate an individual solely devoted to innovation, who reports to one of these top leaders.

**Innovation is an enterprise exercise**

Once appropriate C-suite leaders and organizational influencers are in place at the top of the innovation funnel, it’s time to position the other players. Innovation is an enterprise exercise that should involve every department in the bank. For example, an organization’s innovation lead might schedule regular department head meetings to brainstorm new ideas, review proposed products and services, and wrestle complicated issues, which will only strengthen the bank’s strategy and innovation plans. It’s critical that all departments participate in the process.

**Fintech partnerships are critical**

What’s also significant is the growing number of partnerships between financial institutions and fintechs, which leverage new technology to create new and better financial services for both consumers and businesses. Fintechs are active across multiple categories, such as lending, personal finance, retail, equity financing and consumer banking, among others. When making build, buy or partner decisions, partnerships typically make the most sense from a resource perspective.

What’s the bottom line? We are in a critical period. In this new age of digital transformation, solutions that worked in the past are no longer viable. The disruption to the banking industry and customer expectations are both unprecedented, requiring decisive action by community banks.

Are there costs and risks involved in innovating? Sure. But avoidance is going to cost you more and put you at greater risk than integrating innovation into your planning process and culture.

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