Independent Banker

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Innovation Station by Charles Potts

**Budgeting for innovation**

**The COVID-19 pandemic crisis** accelerated the innovation process as community banks across the nation moved to digital platforms for everything from onboarding new customers to loan authorization. It also highlighted the importance of budgeting for innovation as an essential component of a community bank’s strategic plan.

As community banks look toward the future, it is critical that they are strategic and mission-driven in their planning process and make innovation an integral part of how they run their business. Here are three areas to consider when budgeting for innovation:

**1. Digital engagement tools.** Digital engagement tools and strategy have become a strong focus for ICBA and many community banks coming out of COVID-19. Economic impact payments and Paycheck Protection Program (PPP) loans highlighted the need for digital services and products. From marketing products and services to onboarding and loan origination, enhanced digital engagement tools should be on every community bank’s radar.

**2. Small business opportunities.** PPP loans brought digital lending to the forefront, highlighting opportunities for innovation and digitization. The increased availability of software-as-a-service (SaaS) solutions and digital solutions through companies like LendSmart, a fintech startup that came through ICBA’s ThinkTECH Accelerator program, have expanded the menu of services and products community banks can offer their small business customers.

**3. Compliance solutions.** If you’re looking for faster, more efficient processes to manage compliance, there are a wealth of solutions available. The number of digital products that streamline the compliance process for underwriting, know your customer (KYC), Bank Secrecy Act/anti-money laundering (BSA/AML), and other requirements are growing daily and accessible to community banks through such services as ICBA’s Preferred Services Provider portal. Solutions like these are right-sized for community bank budget and implementation considerations.

For community banks that are already budgeting for innovation, now is an excellent time to refine that strategy. And for community banks that haven’t engaged in strategic planning and budgeting around innovation, now is an excellent time to start. You can start by reviewing our member resources and our Preferred Service Providers portal. You can also reach out to us to learn more about ICBA resources and opportunities for community banks focused on strategic innovation planning.

Key to any effective innovation strategy is knowing what’s important to your market and the communities you serve, as well as approaching innovation planning and budgeting with these considerations in mind. With proper planning, and the right product mix, you can turn challenges into opportunities to serve customers and spur mission-driven innovation.

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