



## The Way Forward: Embracing Innovation in Financial Services

8985 Balboa Ave.  
San Diego, CA 92123-1507  
(888) SYMITAR  
[www.symitar.com](http://www.symitar.com)



## Contents

The Motivation to Change	3
What Is Innovation?	3
Implementing Innovation in Your Credit Union	4
Innovation in Action	5
The Way Forward	6

There are challenges to overcome on the way to success in today's financial services environment. One of these challenges is thinking that what worked in the past will work in future – a sure path to irrelevance. This paper provides concrete guidelines for enabling credit unions to thrive in the digital age.

Traditional credit union values, such as personalized, high-level member service will never be outdated, but the technology, tools, and procedures used to deliver that service must be continually reviewed, reconsidered, and improved.

Another challenge is that unlike the big banks, most credit unions cannot throw massive resources into technological innovation. Overcoming this requires creativity, cooperation, and the ability to make smart choices. These are qualities to cultivate for both your everyday operations and long-term planning.

## The Motivation to Change

Why do you need to make innovation a part of your business model? Here are three reasons.

**Innovation is clearly tied to growth.** A study by PwC (PricewaterhouseCoopers)<sup>1</sup> interviewed 1,757 board-level business executives around the world. 93% of these executives said that organic growth through innovation will create the greatest proportion of future revenue growth. The study also showed that the most innovative companies are growing at a fast rate: an expected 62.2% over five years.

Of these executives, 43% called innovation a “competitive necessity.” Interestingly, the study indicated that when developing new products and services with external partners, the most innovative companies collaborate over three times more often (34% vs 10%).

**You want to meet the challenge of new financial technology businesses that offer enhanced user experience and low costs.** This is the FinTech challenge. As more businesses enter the market with solutions for lending, payments, insurance, and more, credit unions must become more agile and more modern. Young, early adopters of new technology are the members you want to attract and retain if you wish to stay relevant. Don't cede these valuable members to start-ups.

**There are too many possibilities and opportunities created by new technologies to continue as before. Credit unions that integrate innovation into their way of doing business can better take advantage of change.** It's useful to consider exactly how the world has changed in the last decade. Computers and the internet are continually generating new possibilities. For example, cheaper memory, digital transmission, faster processing, and other breakthroughs quickly led to sophisticated cloud-based services, and more changes are coming. Simplified programming tools are opening innovation to a larger number of entrepreneurs. There is no stopping the flood of invention, and credit unions must learn to “surf” these waves of change and not be overwhelmed.

The PwC study mentioned above quotes business and financial executive, Maxim Nogotkov: “Very often new business models are created by companies that have nothing to lose ...” In other words, there are hungry new competitors who are eager to take your business, and willing try new concepts to acquire it. You can't sit back and continue to do business as you always have.

## What Is Innovation?

True innovation doesn't involve being the first to do something, or to dazzle with a fancy new gadget or novel capability. Innovation solves problems and gets objectives met in a more effortless and economical manner. It increases member convenience.

Members want anytime access to services, personalized information about saving and spending, and advice about handling their finances. Innovation fulfills these desires in ways that are easy, fast, and enjoyable. Today's account holders also want to choose how to use these services, so pioneering products must be flexible and customizable. The end users should call the shots on how to apply what is being offered in their day-to-day lives.

1. Breakthrough Innovation and Growth, PwC, 2013

Inside the credit union, innovation means a culture open to experimentation and receptivity to new ideas from any direction. Although strong, smart leadership is required, the process of generating new concepts should not (and probably cannot) be a heavy-handed, top-down affair.

## Implementing Innovation in Your Credit Union

There are numerous ways to keep innovation thriving. Credit unions must decide what works for their organizations and how to implement changes. Below are some suggestions.

**Organizational culture.** Without the right culture, innovation will fail. If you want to cultivate change and generate new ideas, demonstrate that you are serious. Build innovation into your business objectives and goals and follow through to meet those objectives. An excited and supportive management team makes all the difference in a successful change. Some ideas:

- Evaluate the culture of your organization and its teams regarding support for innovative thinking. How do you currently encourage creativity, react to new concepts, and respond to change?
- Create and fund a group within your credit union to develop new ideas and another group to assess them.
- Hire young employees, and listen to their ideas with an open mind. Along the same lines, listen to the needs of younger members.
- Create a structure for creative thinking. David Peterson, a strategy consultant, suggests the incorporation of “thinktime” into the workday. This idea includes (1) Enabling employees to go, alone, to a distraction-free place to consider new ideas. (2) Giving employees an allocated time in this place for focusing on a particular issue, and recording every new idea that comes to them without editing. (3) Staying in this location and continuing idea generation for the entire allocated time no matter what ideas have already come. (4) Be self-confident and do not allow doubt and self-censorship to hinder creativity.
- Reward employees for creative thinking, focusing on the process of generating and trying new ideas. Failure of an idea is an acceptable outcome and should not shut off the creative flow.
- Have a reliable change management methodology because innovation requires it.

**Member data.** One advantage credit unions have over FinTech organizations is knowledge of their members’ needs and desires. Innovative credit unions will find new ways to employ this data for retaining members and creating invaluable testimonials that bring in new members. This information includes historical and near-real-time data from loans, applications, purchases, and interactions. The data can be captured and analyzed to learn:

- What individual members are using your institution for – and how you might expand their services.
- How members are making use of your credit union – and how to improve their experience.
- How you can build relationships and fine-tune your offerings.

It’s critical to use this information to help members and make them feel cared for, important, and catered to, as opposed to simply targeted for advertising.

**Hosted services.** The Cloud is the future. There are many good reasons for this, but for this paper, the important factors are the ability to switch gears quickly and to rapidly pilot new ideas. A credit union’s IT department can be overwhelmed by this need, while hosted services can efficiently accomplish revisions and reduce time to market. A superior hosting vendor will be familiar with credit union technology, understand your needs, and institute the changes you request rapidly.

**Open architecture.** Required for innovation – readiness to connect with anyone and anything. Your core processor needs to not only connect to third-party products, but it should be relatively easy to do so. When change is the standard of doing business, connectivity and flexibility are imperative. Acquiring a truly open and customizable core processor will ultimately save money and promote your survival.

**Collaboration.** When resources are limited, alliances come to the rescue. Rather than fighting FinTechs, some institutions are managing successful partnerships with them for service offerings. Others are allying themselves with credit union service organizations (CUSOs) to take advantage of the economies of scale and get a wider range of products.

**Primary technology partner.** Another collaborator is your technology provider. This provider should offer an array of dependable, innovative products and services that you can turn to your advantage. In addition to great products such as data warehousing and analysis applications, the partner should ideally have:

- Strong vendor management to facilitate integration of third-party products with its core system.
- A solid, reliable infrastructure for cloud computing and hardware hosting.
- The research and development clout to continually advance its offerings – particularly with key technologies such as analytics.
- Managed IT security so you can focus on your strategic goals.

## Innovation in Action

There are numerous credit unions acting as visionaries today. One example is the Illinois-based **BCU (Baxter Credit Union)**. From the video tutorials on its website, to its collaboration with third parties to take advantage of cutting-edge technologies, BCU is ahead of the game.

BCU is and has been a leader in the development and use of the **Credit Union Financial eXchange (CUFX)** standard. CUFX is an open source integration standard based on the existing worldwide standard of Extensible Markup Language (XML). Designed to enable better and quicker integration of credit union services and products, CUFX has been successfully used for two projects at BCU.

BCU and several dozen others have joined **CULedger**, a project led by CUNA and the Mountain West Credit Union Association. CULedger is devoted to developing a “a permissioned, distributed, shared ledger platform for credit unions.” This is much like the technology known as blockchain, which can potentially enable safe and secure storing and sharing of data. Shared ledger technology might eventually be used for payments, shared branching, auto lending, and transaction history storage.

Other institutions are building innovation into their management structure. An article in the *Credit Union Journal*<sup>1</sup> pointed to examples of credit unions creating a chief innovation officer (CINO) to manage and maintain a focus on advancing, expanding, and modernizing member solutions.

The article quoted Lindsey DeBartelo, Director of Innovation at **Blackhawk Community Credit Union**, about why the position was created.

“... to provide the technology that allows members to choose how they want to do business with us and in whatever channel they prefer,” said DeBartelo. “To accomplish this, our credit union needed to capitalize on current technology infrastructure as well as continue to implement innovative new products and services.”

An example of offering new services is the credit union’s partnership with MoneyDesktop (now MX) to give its members the MoneyDesktop PFM solution.

Travis Frey, the CINO at **Dover Federal Credit Union** was also featured in the *Credit Union Journal* article. He emphasized the need to unify IT and Marketing to effect change.

“You have to look at your capacity, your capability, and maximize your team’s efforts,” said Frey. “Within my role as CINO, I am able to unite marketing and IT, so that the critical areas which impact a member’s experience work succinctly together, from the start of development to the finished product.”

1. C-Level Role of Innovator on the Rise at Credit Unions, *Credit Union Times*, 9/6/17.

He also described the importance and challenge of creating a change culture.

“It is training. It is recognizing barriers and finding innovative ways to overcome them,” said Frey. “It is brainstorming. It is sloppy. It is not precise. It is not exact. That can become a challenge for a lot of IT-focused people who need precision, exactness and clarity.”

**Symitar**<sup>®</sup>, the industry-leading core processing and technology provider, offers several innovations for credit unions. For example, it has collaborated with the Best Innovation Group (BIG) to create Episys<sup>®</sup> FIVE (financial interactive voice exchange). Using Symitar’s Episys core platform and its SymXchange<sup>®</sup> utility, credit unions can let members use the Amazon Echo<sup>®</sup> to interact with their credit union and request information or perform transactions.

Another innovation is Advanced Reporting for Credit Unions<sup>™</sup> (ARCU), a business intelligence and data analytics solution that provides insights, trending data, and “single version of the truth.” One of the most significant Symitar advances is its long standing and still evolving tool for modifying the Episys core processing system – PowerOn<sup>®</sup>. It’s used for integrating data or peripherals, data entry, transaction validation, and more. In the spirit of openness and cooperation, the company also maintains a PowerOn Marketplace<sup>™</sup> where credit unions can share, request, or sell modification solutions.

## The Way Forward

It’s clear that in today’s environment, everyone must innovate to compete and survive. The changes keep coming. We can expect advances in person-to-person payments, data analysis, chatbots, pricing and profitability, and automation/self-service as physical branch footprints contract.

The point is not to predict what will come, however, but to be ready to capitalize on the inevitable changes that will send waves through the industry. The strategies we have discussed fall into three areas:

- 1. Support creativity.** Build innovation into your business objectives and operations. Promote and reward creative thinking across the organization. There must be whole-hearted management buy-in.
- 2. Build a flexible technology foundation.** In general, hosted services and open architecture support nimbler business strategies.
- 3. Look for partnership opportunities.** In the right circumstance, a FinTech, CUSO, or other entity can help you achieve your goals. Use a core processing/technology vendor that offers innovative products, a strong infrastructure for cloud computing, and a solid research and development commitment.

No matter how you embrace innovation, don’t forget your “ace in the hole” over disruptive online financial service companies – your personal relationship with members and your trove of data about their needs and desires.