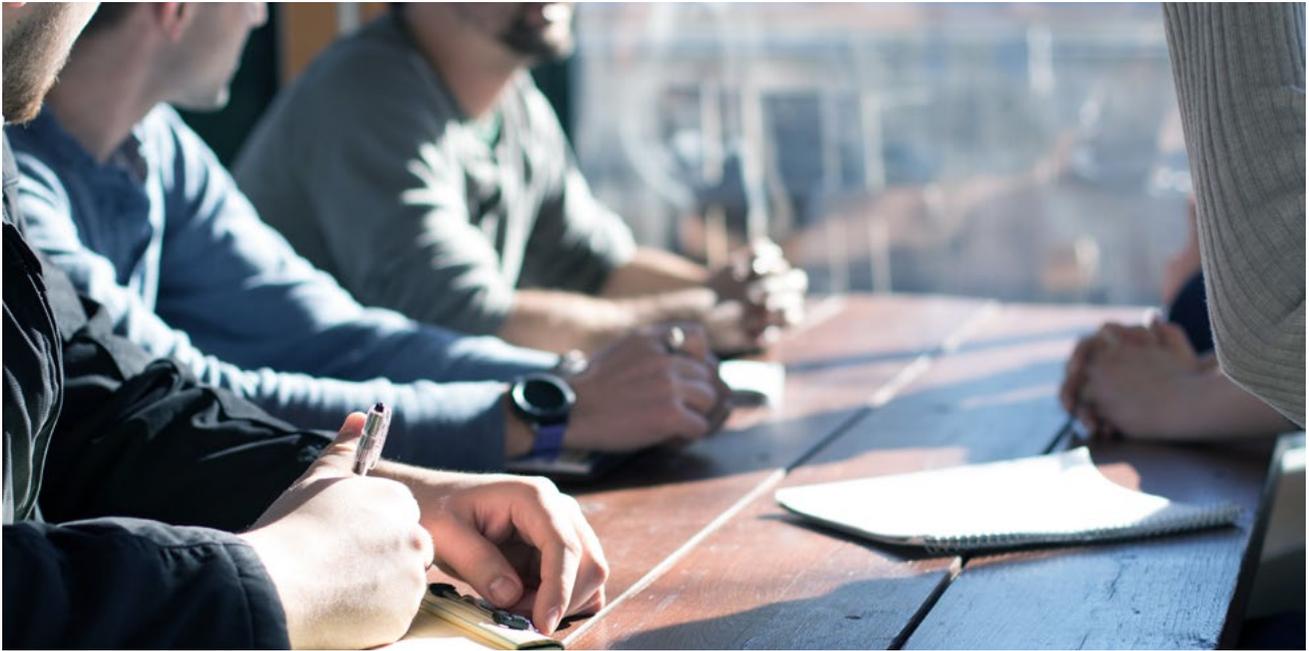


# A New Path Forward



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## Why Should You Read This Report? Key Headlines

**Get ready to benchmark yourself against 195 US banks and credit unions that took part in the Temenos Growth Study in January 2020.**

All you need to do is answer two simple questions found at the beginning of the report and plot yourself on the Temenos Growth Matrix, then compare yourself against your peers.

1. Will you be a part of the 19% of who are leading the way with Customer-Centered Growth?
2. Will you be one of the 46% facing Constrained Growth due to legacy systems, process and technology getting in the way?
3. Maybe you are joining the 34% in the Survival Stage—doing the best you can with what you have.

4. Or, maybe you are one of those rare institutions (2%) that are in the Efficiency Stage?

Survey participants were also asked to rank their 2020, and beyond, priorities and investments. You'll learn if your strategies align with others on a similar path forward.

NOTE: We all know a lot has changed since January, but even in the new reality, **benchmarking today helps create a path forward for tomorrow**, and before we can move forward, we have to understand where we are.

# The Temenos Growth Matrix Explained

Every bank, credit union and consumer is different. Especially in these uncertain times, it is important to understand completely where you are today and the right path forward tomorrow.

Innovation is not one-size-fits-all. It looks different for every financial institution based on its identity, maturity, and operating landscape.

The Temenos Growth Matrix was developed specifically to help financial institutions—from

the biggest players to the smallest community organizations—think strategically and consistently about their own specific growth priorities.

It starts with a simple idea: Fundamentally, any financial institution’s ability to move forward is a combination of its culture of decision making (organizational mindset) and its capacity for change.

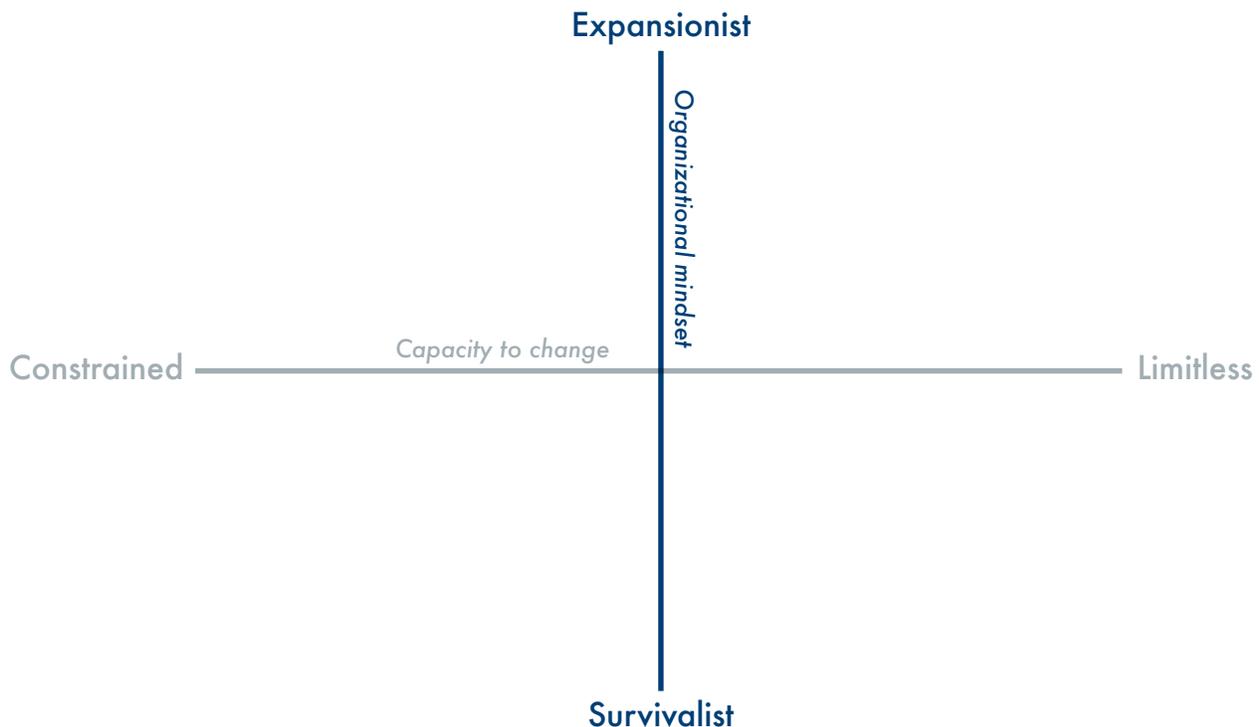


Figure 1: The Temenos Growth Matrix: Level 1

There are multiple factors that impact the ability to grow, and it is important to acknowledge the full range of organizational, technical, and cultural challenges that can be barriers to success.

An appetite for risk, a leadership mindset, and legacy systems and processes all need to be examined because these will drive a financial institution’s ability to prioritize action and investment for growth.

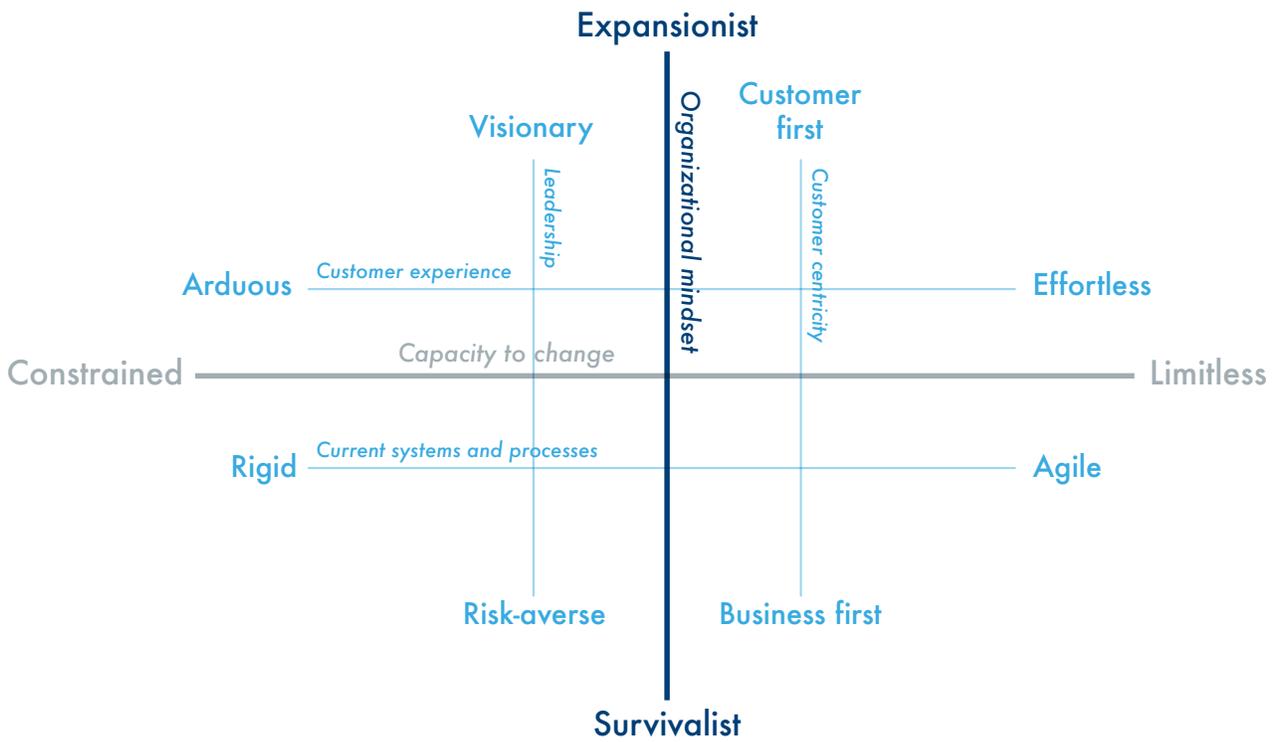


Figure 2: The Temenos Growth Matrix: Level 2

Determining where you sit on the matrix is an important first step to defining your path forward. In the remainder of the report, we will explore the matrix in terms of where you are, where your peers are, how your position may impact strategic priorities and investments and the best path forward.

# The Benchmark Study

## How was the benchmark report created?

This benchmark report is based on the results of a study that asked 195 US banks and credit unions to benchmark themselves on the Temenos Growth Matrix and begin to chart their path forward.

The survey was hosted by the Financial Brand and Temenos in January 2020.

The 195 respondents were all senior decision makers who are actively involved in growth planning within their bank or credit union, and their experiences represent a good cross section of organization types and asset size.

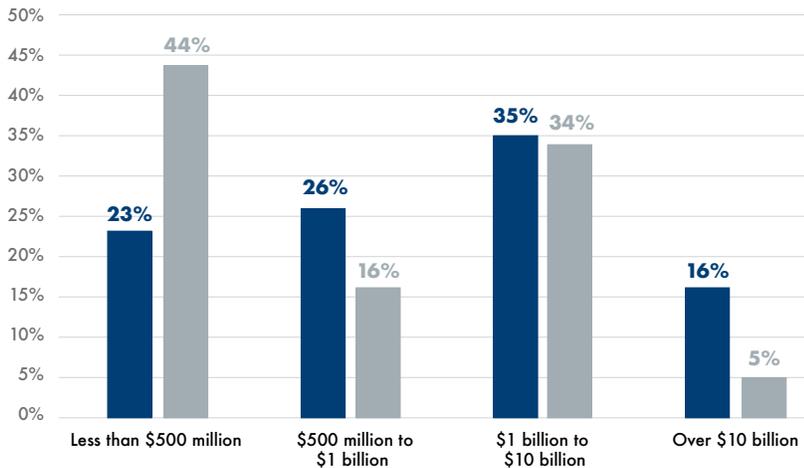


## CORONAVIRUS FINANCIAL HEALTH PULSE SURVEY

### J.D. POWER

On March 24, Temenos and J.D. Power presented a webinar sharing recent survey data sourced between February 28 and March 14 that illustrates the financial health pulse of consumers of all ages and income levels in the face of the pandemic. [Click here to view the recording.](#)

### ASSET SIZE



■ Bank ■ Credit Union sample size = 195

### TYPE OF INSTITUTION

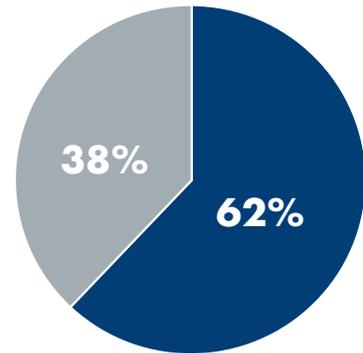


Figure 3: Who Did We Speak To?

# How Do You Benchmark Yourself?

The first step is to repeat the exercise as the research respondents did. Then, plot yourself on the Temenos Growth Matrix.

The grid below asks two simple questions: one about your financial institution's ability to change and the

other about your organizational mindset. Look at the extremes of the seven-point scale and rate your financial institution on each question.

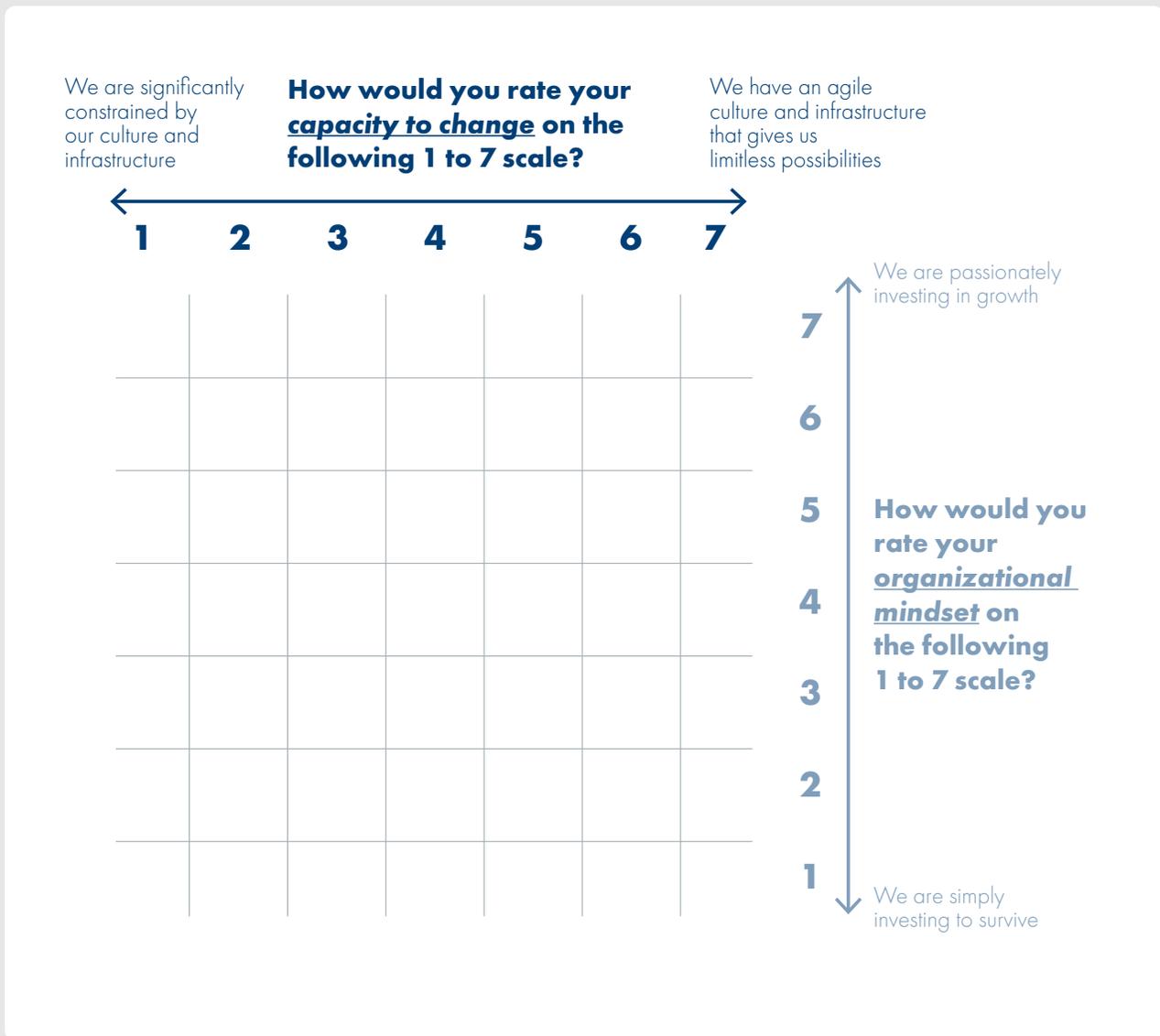


Figure 4: Plot Your Bank or Credit Union Now

Transfer your scoring on both questions to the grid below, and you will be identified as one of the four possible growth stages: Customer-Centered, Constrained, Efficiency or Survival. Each stage has an associated path forward that is most likely to drive success.

Now that you have identified your current stage and path forward, you can use the rest of the report to compare your organization to others, learn what organizations like yours are doing to drive growth, and identify how they are overcoming challenges to progress.

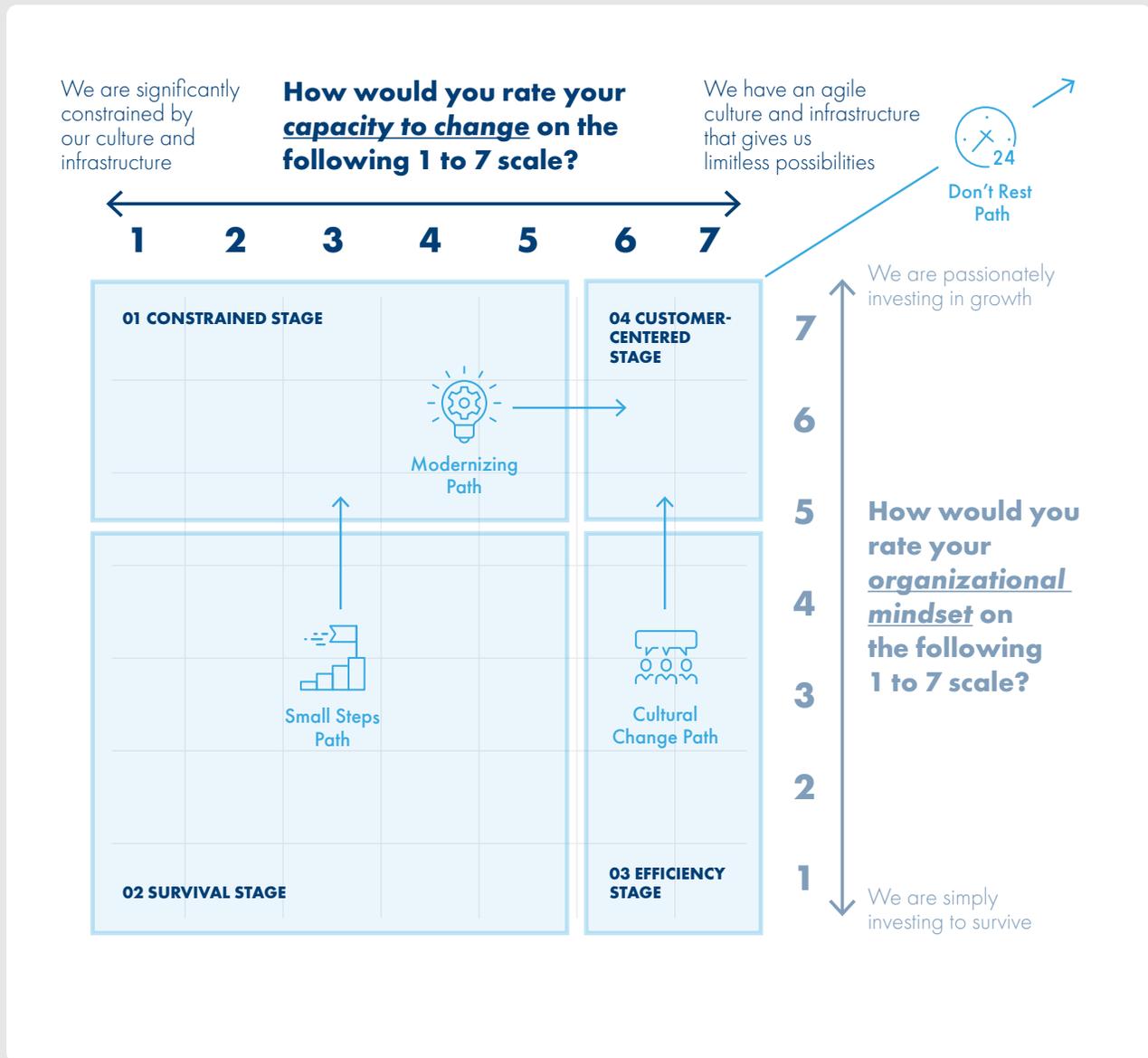


Figure 5: Where Did You Land?

# Understanding the Four Growth Stages

Each stage is briefly summarized in Figure 6. Take a moment to check that you are comfortable with the stage that you have classified yourself in.

Ultimately, the most successful financial institutions live in the top right, delivering customer-centered

organic growth by fostering innovative cultures and developing agile systems and processes that allow them to control their path forward.

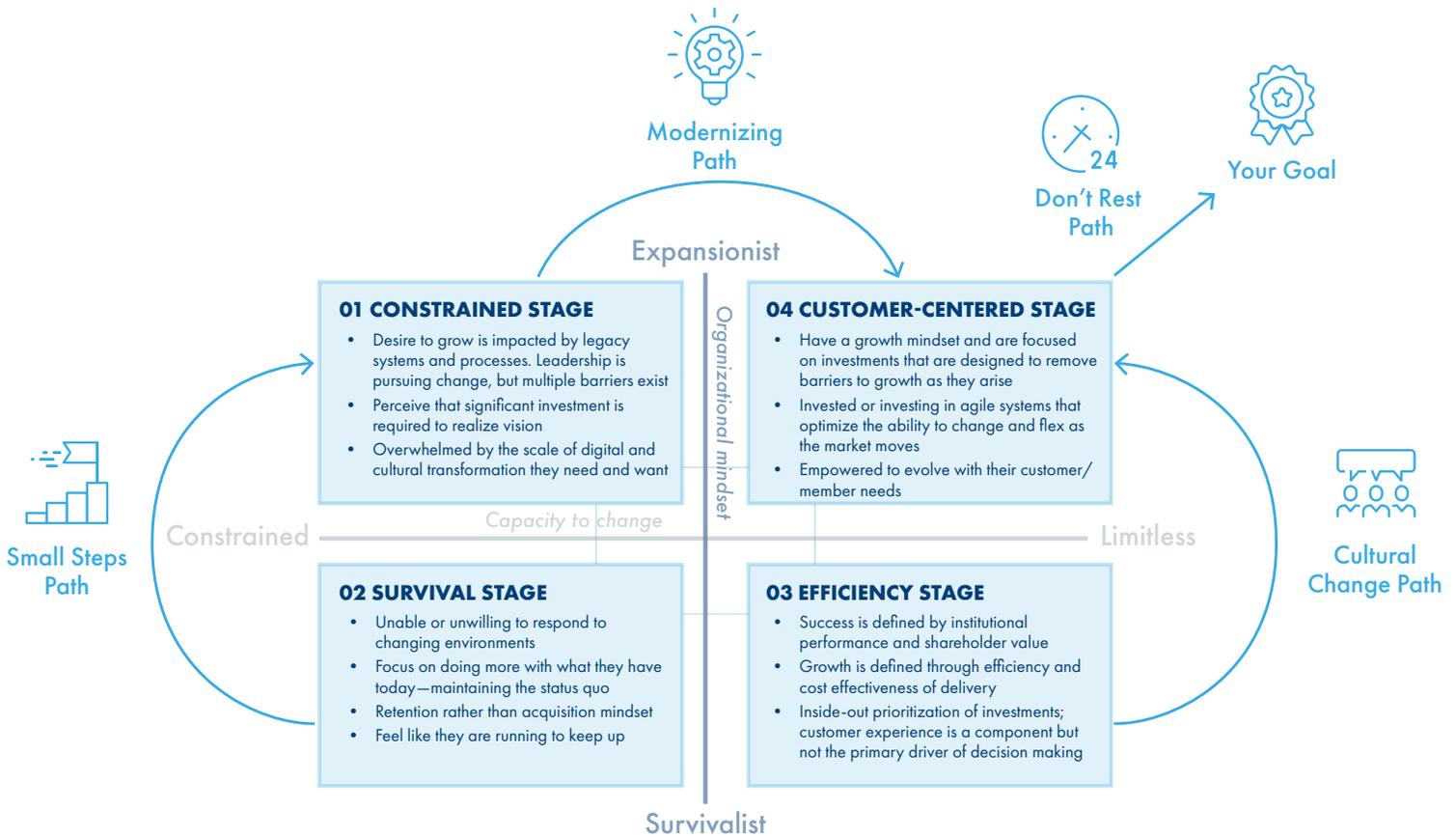


Figure 6: The Growth Stages at a Glance

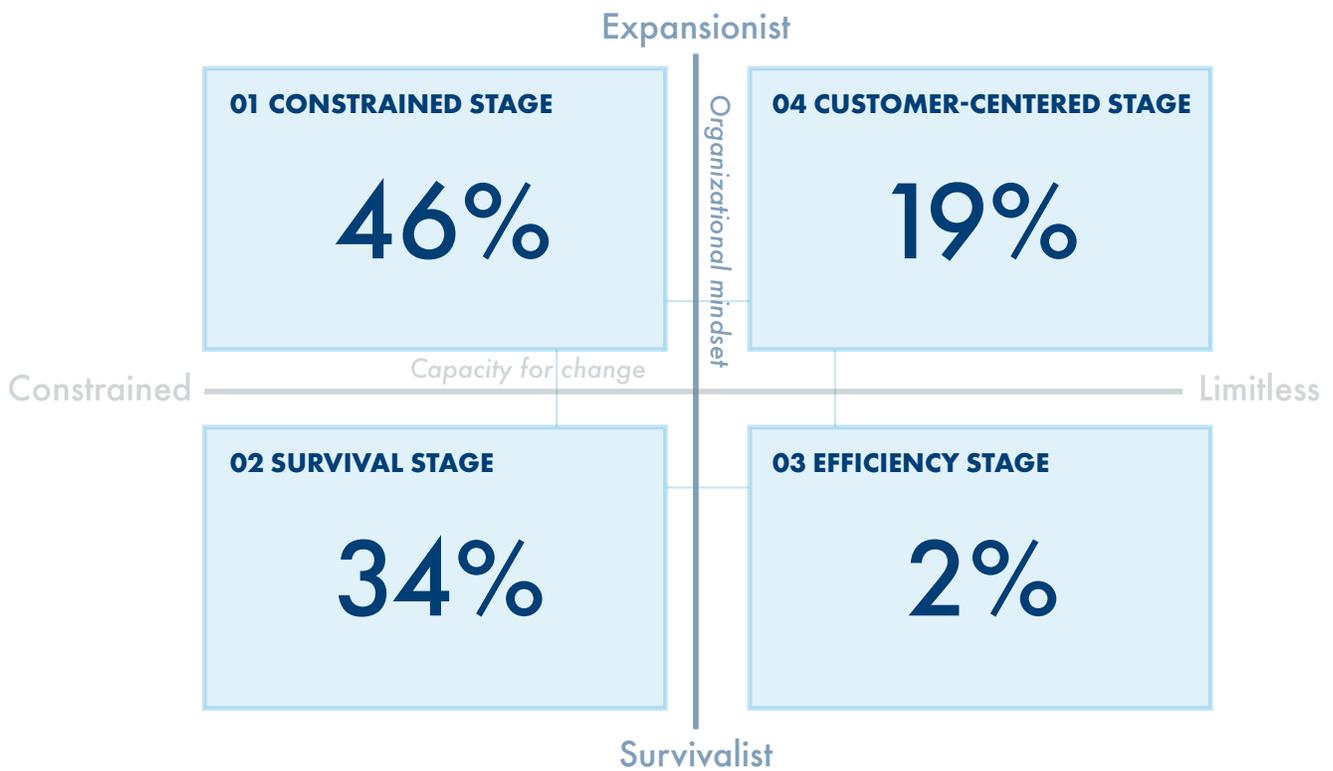


Figure 7: Distribution Across the Growth Stages

Figure 7 shows that only 19% of the organizations classified their current status as Customer-Centered. Most of the organizations classified themselves as being in a Survival Stage (34%) or suffering from Constrained Growth (46%).

Only 2% of the financial institutions benchmarked themselves as being in at the Efficiency Stage, prioritizing internal performance and shareholder value over innovation and customer growth. This is an unviable business model for most US banks and credit unions.

Interviews with several industry leaders, who have successfully guided their organizations into the Customer-Centered Stage and beyond, explained why it was impossible to follow a pure efficiency

agenda and flourish in the rapidly evolving US banking market.

Dawn Brummett, EVP and COO of ORNL FCU Credit Union, explains:

***“You can’t rely on the status quo anymore. You can’t just look internally. Ambitious growth needs ambitious investment and ambitious decision making.”***

Marc Schroeder of Fintwist, a new Fintech entry in the digital employee payments space, explained why businesses like his are an immediate threat to any organization stuck in the Efficiency Stage.

**“We are constantly gathering information from competitors and adjacent categories. We keep tabs on strategic partners like MasterCard and engage analyst firms to provide additional insight from research they have done to get a full view of the marketplace. If banks are not doing that, if credit unions are not doing that, then all the fears around the threat of Fintech taking over are valid. The future is not cost-cutting, the future is delivering meaningful value.”**

The data available from the 2% of organizations that were currently operating in the Efficiency Stage prohibits deeper analysis. The remainder of this report will focus on the other three dominant industry Growth Stages.

## Organizational profiles by current stage

According to the results of the survey, credit unions are more likely to be in the Constrained Stage than banks, because they are evolving their cultures and pushing growth, but their ambitions are being hampered by rigid legacy systems (see Figure 8).

Banks are more likely to be in the Survival Stage, less likely to have any explicit growth plan, and more likely to be battling both cultural and infrastructural barriers that are preventing them from moving forward at the pace they want.

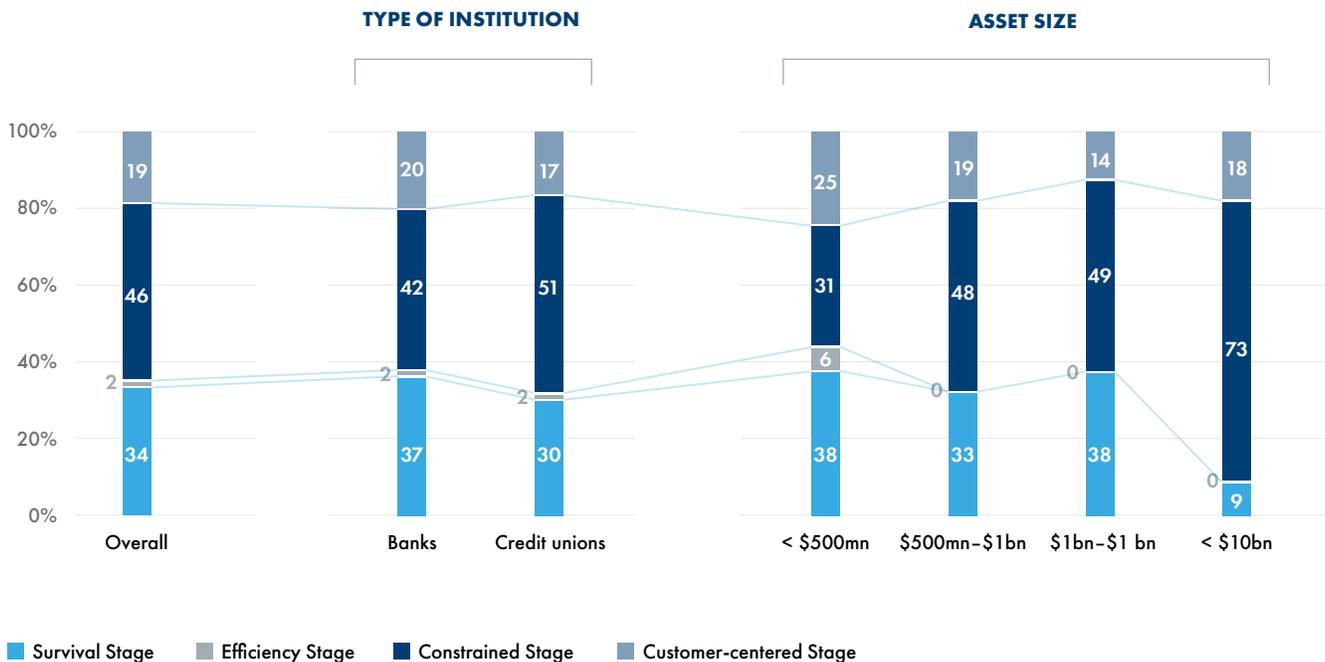


Figure 8: The 4 Growth Stages by Organization and Size

Larger banks and credit unions (> \$10B) are significantly more likely to be struggling in the Constrained Stage.

The smallest institutions that benchmarked themselves (< \$500M in assets) are polarized. They have the highest concentration claiming to have entered the Customer-Centered Stage (25% compared to 19% of the sample overall) and the highest proportion currently in the Survival Stage (38% compared to 34% overall). This suggests that culture is a more important factor in setting growth potential than organizational size.

Smaller organizations in the Customer-Centered Stage can do so because they use their size to their advantage by building agile infrastructure and close decision-making frameworks.

Those who are small and struggling in the Survival Stage are caught in a risk-averse, traditional decision-making framework that is hard to break out of.

## Your Path Forward

The pathway to the top right quadrant (Customer-Centered Stage) is different based on where you start. A vast 80% of survey respondents actually feel they are constrained or operating in survival mode. If you're part of the 80%, what do you do?

The answer is to be intentional. Be strategic. Be practical. For you, it's about modernizing and taking small steps. Whether legacy systems are holding you back (the Constrained Stage) or technology and people are preventing progress (the Survival Stage), modernizing through small steps is the way to go. Focus your path forward on a couple of key technology initiatives—finding balance between what matters to your organization and what matters to your customers.

If you are part of the 18% in the upper right, your path is also not smooth or without tough decision. Your challenge is to move faster, be better, and remain two steps ahead of consumer expectations. "Don't rest" is (or should be) your motto.

**So, what are the priorities of these groups in 2020 (and beyond)?** The survey results dig into this a bit deeper.

# Priorities and Investments Summary

	ALL INSTITUTIONS	SURVIVAL STAGE	CONSTRAINED STAGE	CUSTOMER-CENTERED STAGE
<b>Top 3 growth priorities for 2020</b>	Gain and retain customers: 34%	Gain and retain customers: 29%	Gain and retain customers: 39%	Gain and retain customers: 32%
	Enhance lending: 12%	Grow deposits: 17%	Enhance lending: 14%	Grow deposits: 13%
	Grow deposits: 12%	<b>Profitability and efficiency: 17%</b>	<b>Digital (e.g., more tools, experiences, etc.): 12%</b>	<b>Organizational or cultural change: 16%</b>

<b>Top 3 growth priorities overall</b>	Gain and retain customers: 42%	Gain and retain customers: 68%	<b>Digital (e.g. more tools, experiences, etc.): 59%</b>	Gain and retain customers: 74%
	Digital (e.g., more tools, experiences, etc.): 52%	Grow deposits: 56%	Gain and retain customers: 51%	Grow deposits: 42%
	Profitability and efficiency: 43%	Digital (e.g., more tools, experiences, etc.): 47%	Profitability and efficiency: 49%	Digital (e.g., more tools, experiences, etc.): 37%

## Top 3 investments to drive growth overall

ALL INSTITUTIONS	SURVIVAL STAGE	CONSTRAINED STAGE	CUSTOMER-CENTERED STAGE
Investing in our people: <b>82%</b>	Investing in our people: <b>71%</b>	Investing in our people: <b>86%</b>	Investing in our people: <b>85%</b>
Enhancing core systems: <b>67%</b>	Enhancing core systems: <b>63%</b>	Enhancing core systems: <b>67%</b>	Innovating financial products: <b>85%</b>
Innovating financial products: <b>64%</b>	Innovating financial products: <b>63%</b>	<b>Customer service approach or centers: 65%</b>	<b>Innovative apps to support customers: 70%</b>

These financial institutions know what they need to do but are struggling to get it done:

- Inflexible core systems are calling all the shots.
- The level of investment and the time to make even small innovations seem too daunting to begin.
- Risk adversity is winning. They want a new pathway to grow but are struggling to embrace a growth mindset.

These financial institutions know:

- The way to drive growth is through tackling old legacy systems, processes, and technology.
- Digital transformation, (done the right way, of course) is the growth catalyst they need.

These financial institutions are all about:

- Listening to customers, competitors, and the markets they serve.
- Using customer insight to innovate online and offline experiences.
- They are growing because they are investing in what really matters to the people they serve.

+ You may be wondering why the Efficiency Stage is not included in the charts above. This is because only 2% of respondents fell into this category. That is not enough data to perform deeper analysis.

## 2020 Growth Priorities

The number one 2020 growth priority for all financial institutions in the survey was gaining and retaining customers or members (see figure 9).

Traditional financial growth metrics are critical. While acquisition is a clear measure of growth, sustainable and ongoing organic growth comes from improving the financial performance and the lifetime value of existing customers. Twelve percent of financial institutions were prioritizing growth of lending and deposits, respectively.

### 2020 priorities based on Growth Stage

There are clear priority differences based on where financial institutions sit within the Temenos Growth Matrix.

If a 2020 growth priority indexes positively (right side of the graph), it means that the institutions in that group are emphasizing a particular priority, and if it indexes negatively (left hand side of the graph), it means they are less focused in that area.

For example, if you look at figure 9, those in the Survival Stage are significantly more likely to say they have no growth agenda at all (index of 200 compared to the whole group in the survey) and are more focused on traditional financial priorities like profitability (index of +100) and deposits (index of +38).



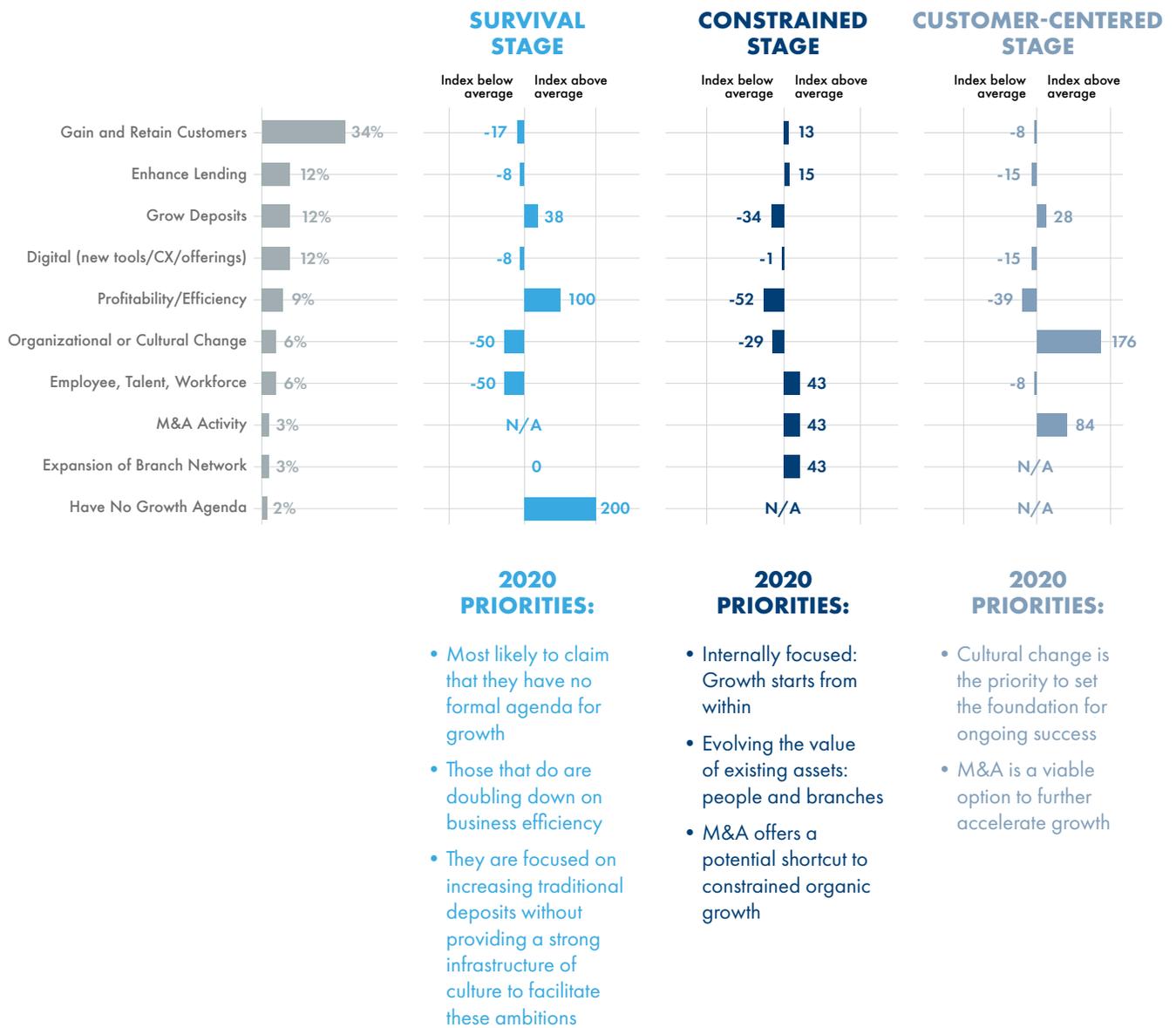


Figure 9: No.1 2020 Growth Priority by Current Growth Stage

# Overall Growth Priorities

Growth priorities like customers, profitability, loans, and deposits remain significant overall.

The main shift is that digital enhancements are the second-highest priority overall. Fifty-two percent of institutions are focusing long-term on digital growth

by increasing availability and sophistication of the digital tools, experiences, and offerings. This means digital banking transformation and investment in the right technology is widely recognized as an essential driver of forward success.

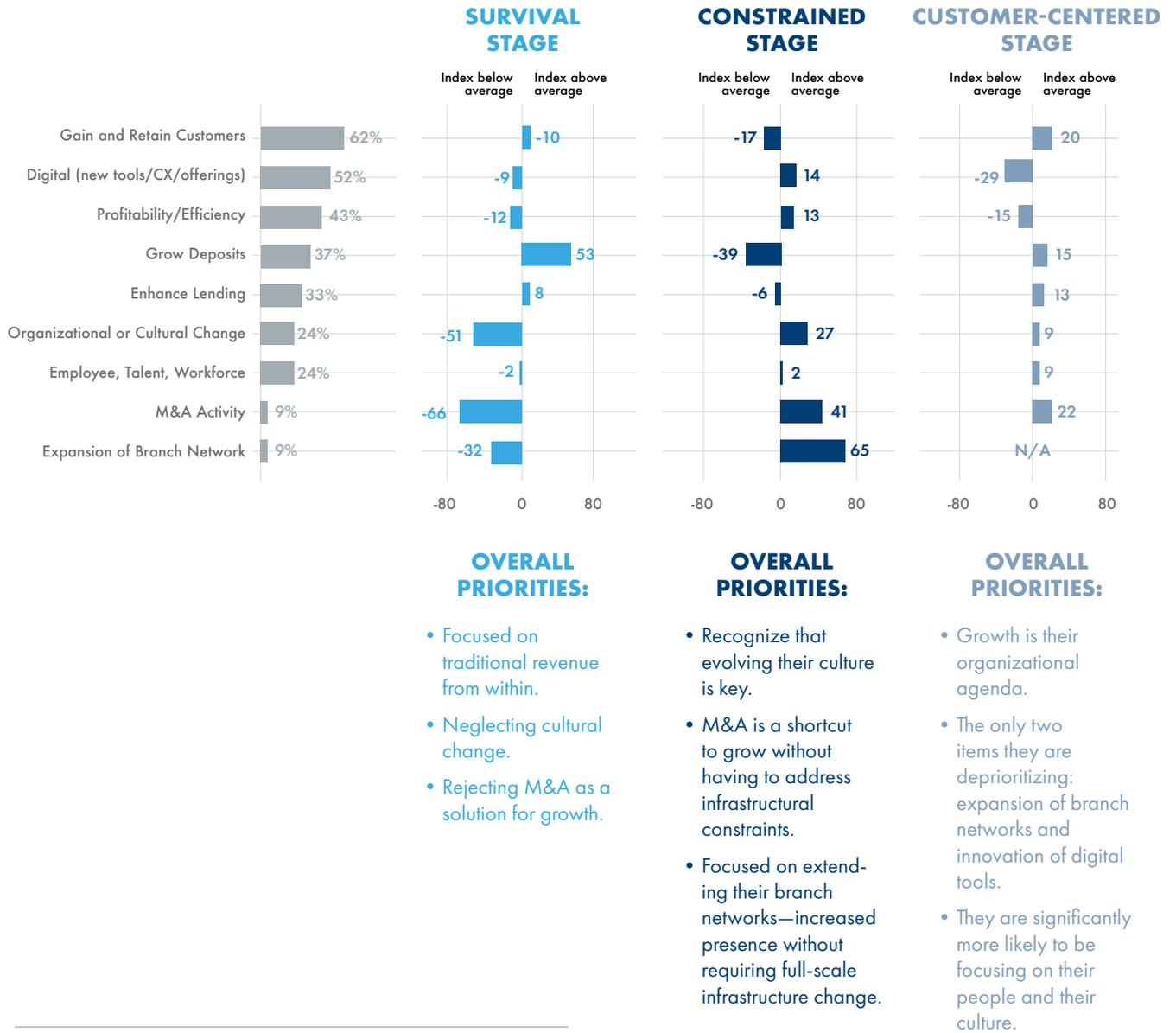


Figure 10: Overall Growth Priorities by Current Growth Stage

# Priority Investments to Drive Growth

Universally, the institutions in the study were committed to investing in their people to set the right foundation for their growth ambitions (82%).

Enhancing core systems is recognized as a key dependency for forward acceleration. Driving a customer-centered focus is almost impossible if an organization is constrained by the roadmap and flexibility of their core providers.

Joyce Madewell, Executive Vice President of SpiritBank, explained that her organization had struggled for some time with the desire for growth and the challenges of modernizing their core.

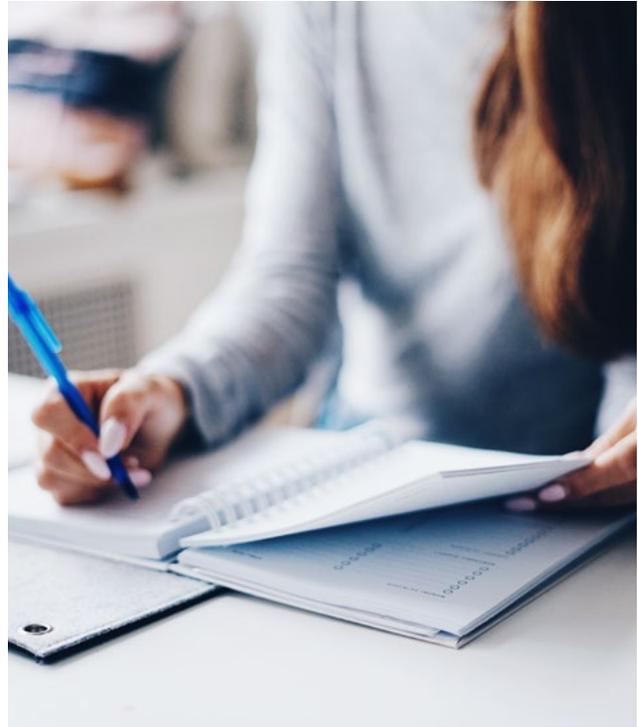
***“It can be frustrating because we know what we want to do to compete, but we don’t have the flexibility in our systems to really change what we offer customers. It is hard to find a way to be different, and it is hard to respond to the changing customer needs that we see around us.”***

Current investment priorities are not all about technology. Investing in digital transformation and cultural evolution is important, but sustainable growth cannot happen without great products and excellent customer service.

Sixty-seven percent of the banks and credit unions in the study are investing in creating innovative products and improving the way they serve customers.

Most institutions are not investing in increasing branch footprint, but they are focusing on reinventing and redefining what branches do.

Fifty-five percent of the banks and credit unions in the study are investing in reimagining the role of existing branches.



Across the board, financial institutions were focused on creating more experiential environments, increasing the use of technology, and, most importantly, training the people to take a more advisory approach to customer interactions.

Again, Joyce Madewell of SpiritBank explained how they saw branch renovation as a route out of the Survival Stage and into growth:

***“Investing in training and education for our frontline staff needs to happen at the same time as we are evolving our systems. We know it is critical to become consultative in the branches, and we’ll need a higher level of education to build trust with our customers and make sure we are able to have valuable and advisory conversations with them.”***

Figure 11 provides a breakdown by growth stage of how survey participants are investing.

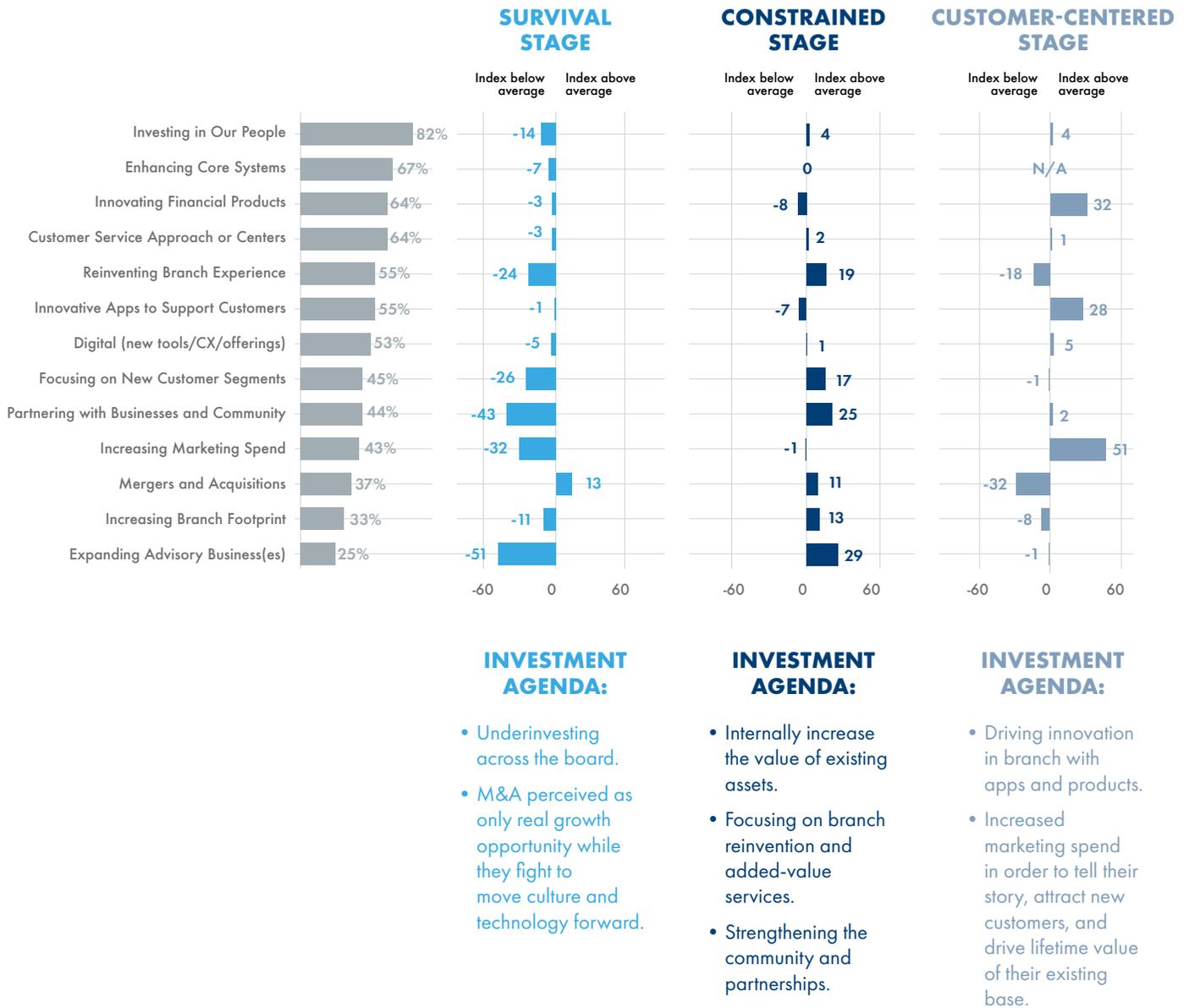


Figure 11: Priority Investments by Current Growth Stage

## Organizations in the Survival Stage

### What do organizations operating in the Survival Stage look like?

Organizations operating in the Survival Stage consistently rate themselves low (<5) on both of the two main axes and all the sub-axes in the Temenos Growth Matrix (see figure 12).

They are the most constrained by their infrastructure and have the most risk-averse leadership of the four growth stages.

They recognize that their current customer experiences are behind the curve but are struggling to find the support or investment to modernize.

Credit unions are more likely to find themselves operating in the Survival Stage than banks.

Larger financial institutions are less likely to be in the Survival Stage. Banks and credit unions with < \$10B in assets are most likely to report struggling with both cultural and infrastructural barriers.



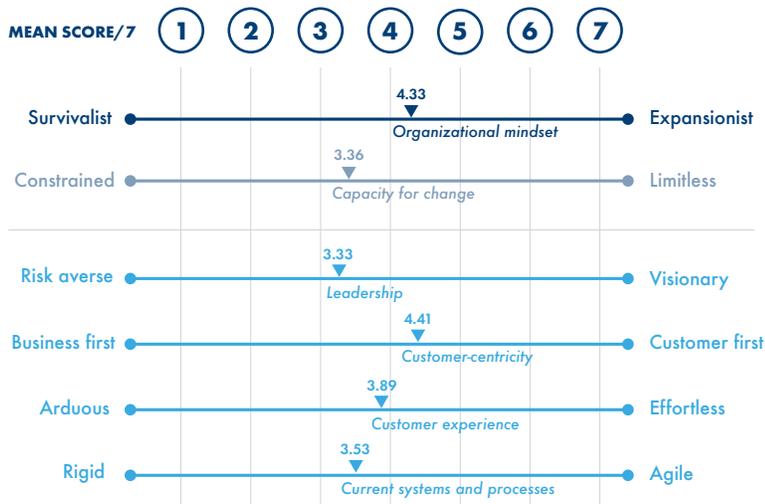
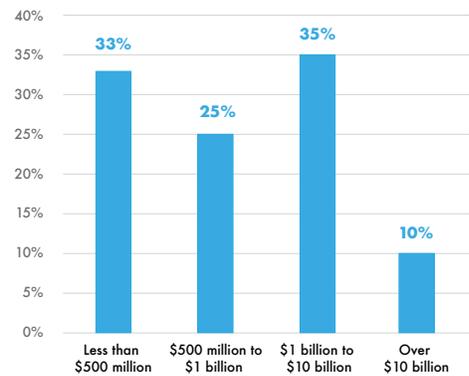
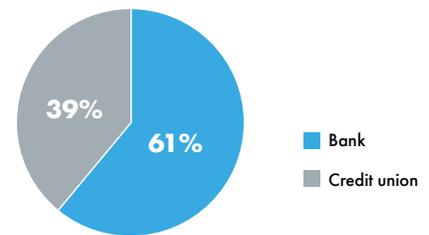


Figure 12: Overview of Organizational Profile: Survival Stage

### ASSET SIZE



### TYPE OF INSTITUTION



## Priorities and investment strategy for those in Survival Stage

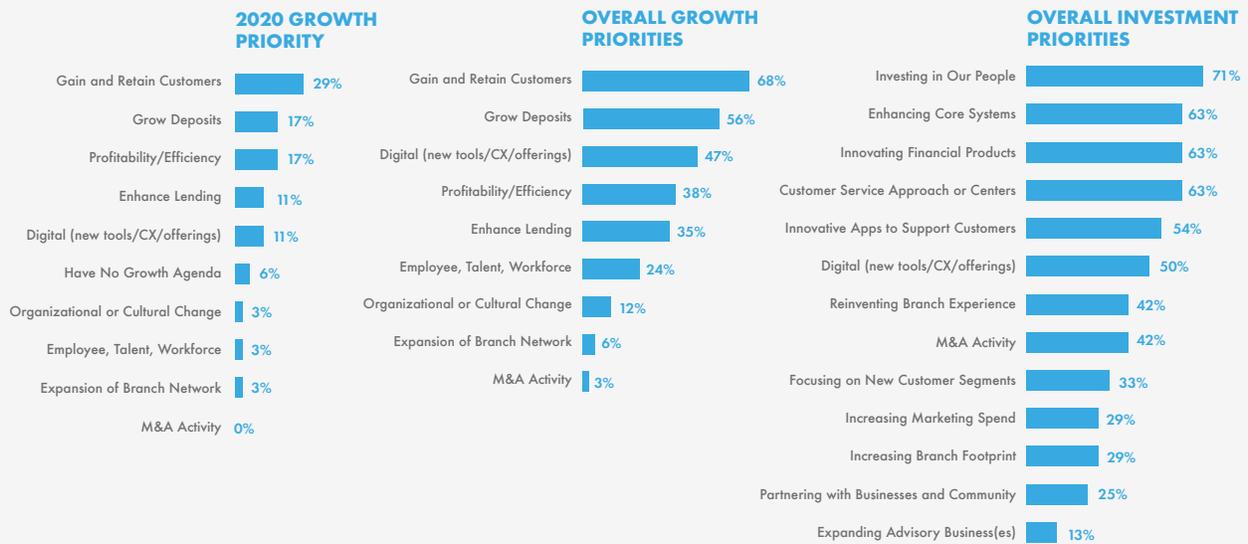


Figure 13: Survival Stage Growth Plans in Depth

MAIN 2020 PRIORITY	OVERALL PRIORITY	OVERALL INVESTMENT PRIORITY
<ul style="list-style-type: none"> <li>• Acquisition is the number one stated priority plan for 2020.</li> <li>• Strategy is focused on traditional financial measures: deposits, lending, and profitability of operations (45% in total across the three priorities).</li> <li>• They are not focused on cultural, creative, or external initiatives. In fact, 6% of them do not have an expansive agenda at all.</li> </ul>	<ul style="list-style-type: none"> <li>• Cultural evolution and growth are still not an overall priority; this is one of the most significant barriers to moving out of the Survival Stage. If the leadership cannot embrace a more ambitious vision, moving forward on any strategic path will remain challenging.</li> <li>• Evidence that digital transformation is recognized as a priority and will be a catalyst to achieving financial goals. The challenge remains how and where to start.</li> </ul>	<ul style="list-style-type: none"> <li>• Those operating in Survival Stage are significantly less likely to be actively investing in any of the growth drivers.</li> <li>• Core systems are recognized as a significant barrier, and they are tackling these as a priority, but this is a significant investment that is hard to break.</li> </ul>

## Survival Stage: Small Steps Path Forward

The organizations operating in a Survival Stage are typically overwhelmed by the scale of organizational and infrastructural change required to move forward. This is why taking small, intentional and strategic steps is most likely to produce success.



Here are five tips to move forward from the Survival Stage:

1. Identify and break down barriers, one at a time.
2. Build a realistic, pragmatic roadmap with easily achievable goals.
3. Identify safe and appropriately paced investment strategies to build buy-in among conservative decision makers.
4. Nurture talent, invest in leadership training, and start a culture shift. Growth of an institution starts with inspiring the people that run it.
5. Look outside for expertise and inspiration—build confidence for manageable innovation.

## Organizations in the Constrained Stage

### What do organizations in the Constrained Stage look like?

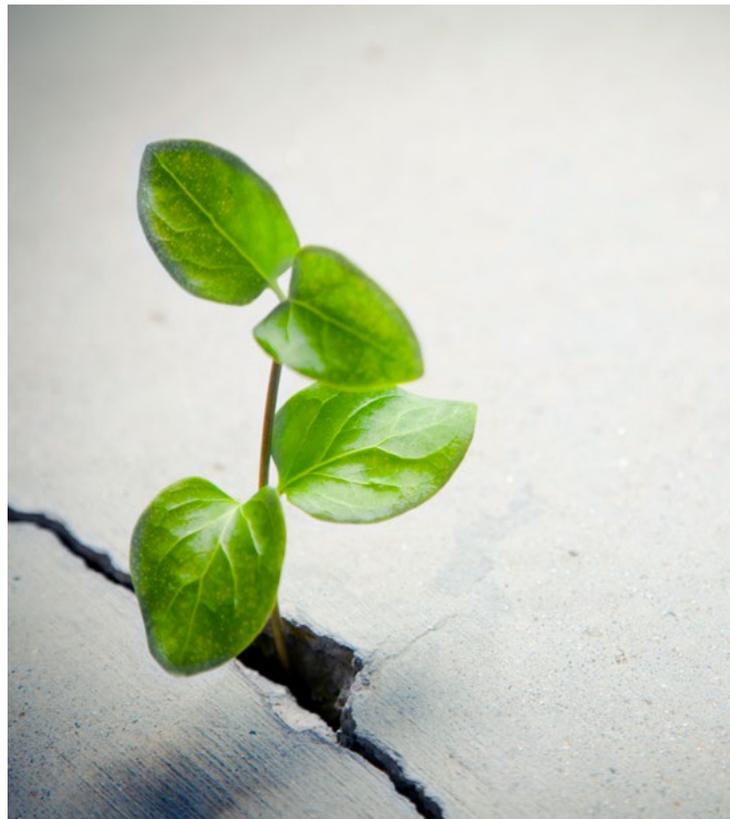
The organizations experiencing Constrained Growth are driven and ambitious but constrained by their legacy systems. Figure 14 shows that it is their current systems and processes that are the root cause of their inability to move forward at a pace they would like.

They are conceptually moving toward a customer-first strategy. They are increasing their processes' agility and exploring creative solutions to innovate without having to completely renovate their core.

Banks and credit unions are equally likely to find themselves facing constrained growth.

It is the mid-sized institutions (\$1–\$10B in assets) that are most likely to be struggling to achieve their ambitions.

The smallest institutions (under \$500M) are by nature more agile and less likely to face frustrations. The same is true of the organizations that have successfully broken through the \$10B threshold.



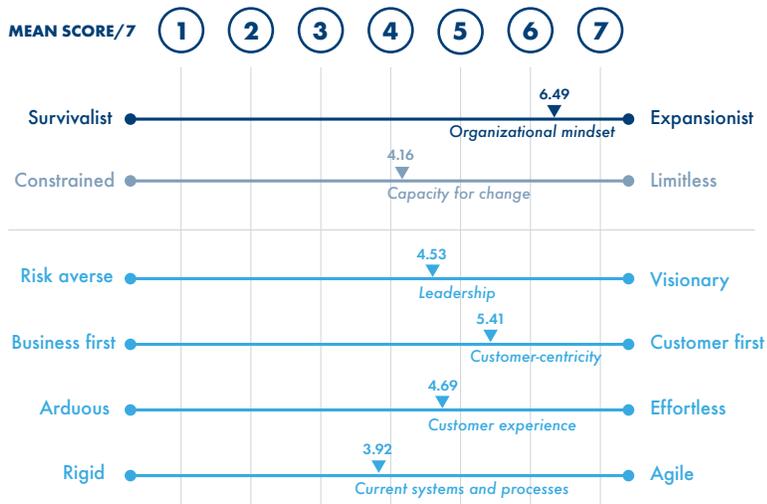
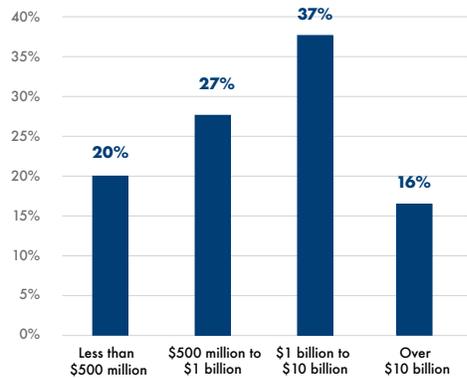
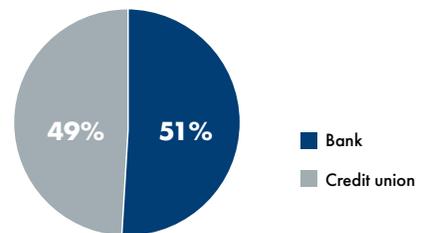


Figure 14: Overview of Organizational Profile: Constrained Growth

### ASSET SIZE



### TYPE OF INSTITUTION



## Priorities and investment strategy for those in the Constrained Stage

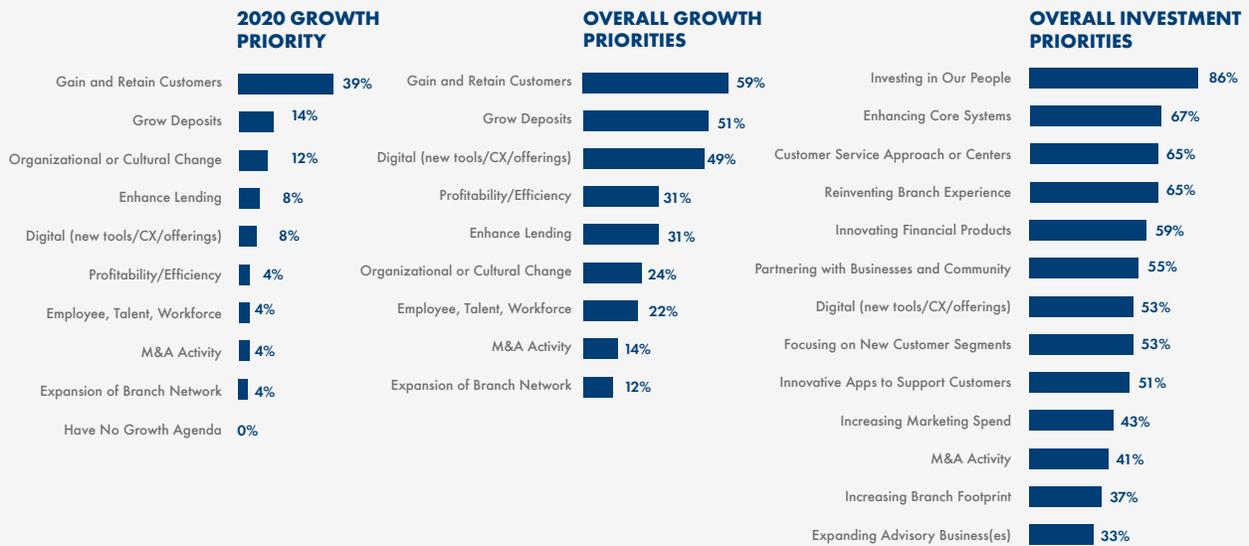


Figure 15: Constrained Growth Plans in Depth

MAIN 2020 PRIORITY	OVERALL PRIORITY	OVERALL INVESTMENT PRIORITY
<ul style="list-style-type: none"> <li>Acquisition is almost a threefold higher priority than any other growth initiative this year. Acquiring new people and onboarding them to current (if imperfect) systems allow some growth while infrastructural issues are tackled.</li> <li>They recognize the importance of digital investment in 2020 as a prerequisite for financial growth plans.</li> <li>Growing the skills of their teams as an adaptable workforce is the first step to removing barriers to growth.</li> </ul>	<ul style="list-style-type: none"> <li>Digital transformation is the biggest overall initiative.</li> <li>Plans will be frustrating until systems and processes are significantly improved.</li> </ul>	<ul style="list-style-type: none"> <li>They are more likely than any other group to be focusing growth investment on their peoples' skills, knowledge and experiences.</li> <li>Core system inflexibility is their largest pain point and an investment priority.</li> <li>Innovation is recognized as core to future success. Introducing new products, reinventing branches, and investing in how they deliver service are all significant investments.</li> <li>They can't quickly fix their infrastructural problems, so they are developing multifaceted, agile approaches for moving forward through creative, people-focused initiatives.</li> </ul>

## Constrained Growth: **Modernizing Path Forward**

Tackling technology and process constraints can feel extremely challenging. A culture that is open to embracing change and an innovation mindset encourages creative problem solving. This is why constrained institutions can find success in a **“modernizing” path forward.**

There are five foundational steps for progress out of the Constrained Stage through modernizing.

1. Identify features, functions, or experience touchpoints where you do have flexibility to experiment. Seek creative workarounds. Innovate everywhere you can.
2. Commit to adopting agile methodologies across the organization, not just in the tech-

nology team, to drive momentum and a propensity to embrace change.

3. Begin a committed journey to the cloud so you can optimize the potential of cloud-based solutions that let you adapt your customer experience over time, without having to rely on your core for everything.
4. Train, develop, and encourage your people to work in partnership with the technology you have and the new technology you are developing.
5. Most importantly, take control and challenge core providers. If they can't innovate at your pace, find solutions that can complement your existing infrastructure but allow you to evolve faster.

# Organizations in the Customer-Centered Stage

## What do Customer-Centered organizations look like?

Financial institutions that have reached the top right of the Temenos Growth Matrix have evolved both their organization and their infrastructure into an agile, modern paradigm. They have the ability to innovate built into their core business model.

Customer-centered organizations have set a strong cultural and technological foundation but continue to strive for further momentum.

Figure 16 shows that while they define themselves through their high performance (6 or 7) on the two main axes of the Temenos Growth Matrix: Organizational Mindset and Capacity for Change, they remain organizationally self-aware and recognize they must continue to improve leadership, customer centricity, current customer experiences, and their current systems and processes.

Credit unions appear to be more likely to be operating in the Customer-Centered Stage than banks. This reflects their non-profit and community missions. They are recognized as being more focused on understanding and delivering what their members and local communities need.

Customer-centered organizations are also more likely to be smaller institutions (<\$500M in assets). Size potentially allows them to be more agile because driving a change agenda is easier with fewer employees, customers, and a smaller footprint. Like credit unions, smaller institutions can get to know their customers more intimately and respond to emerging needs more effectively.



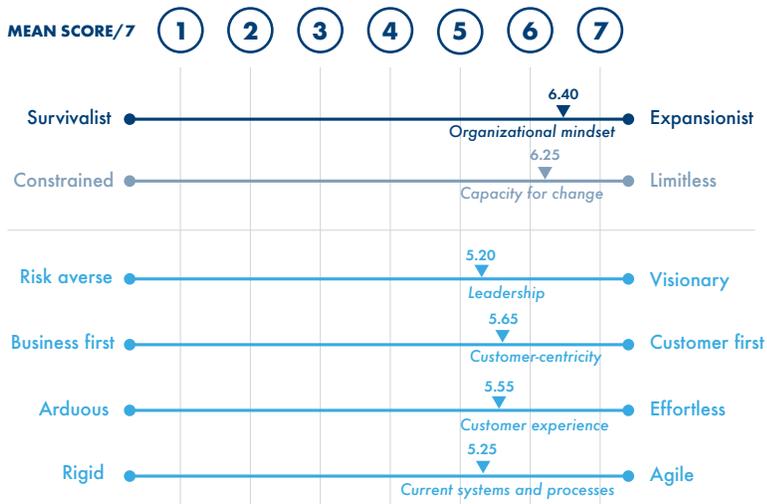
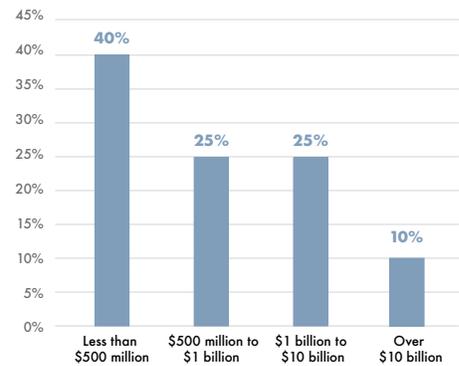
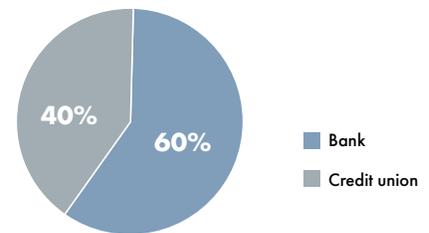


Figure 16: Overview of Organizational Profile: Customer-Centered

### ASSET SIZE



### TYPE OF INSTITUTION



## Priorities and investment strategy for those in Survival Stage

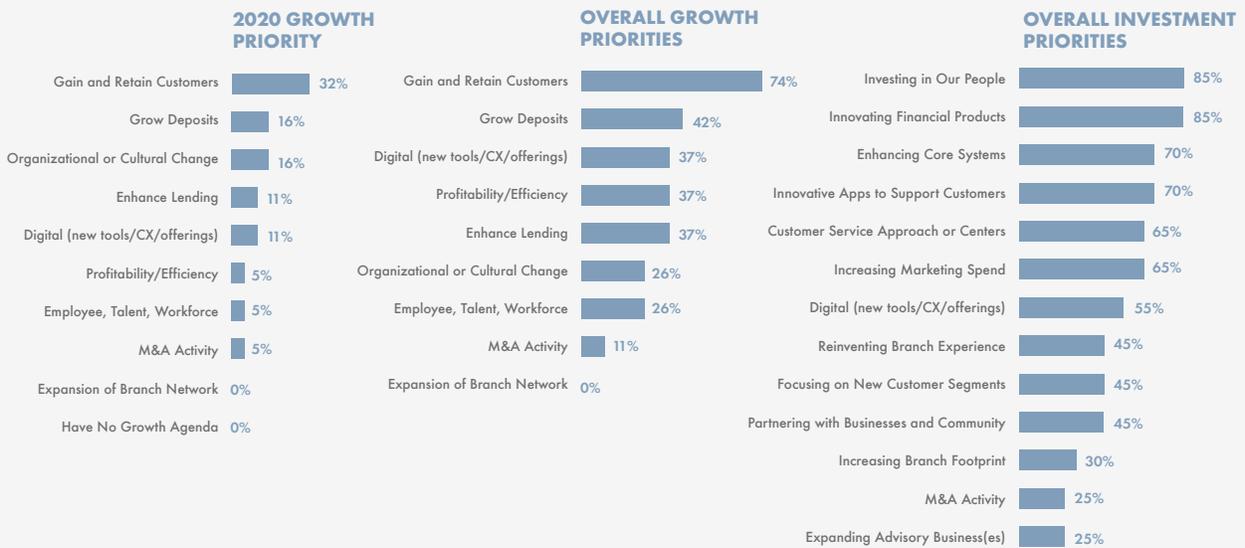


Figure 17: Customer-Centered Growth Plans in Depth

MAIN 2020 PRIORITY	OVERALL PRIORITY	OVERALL INVESTMENT PRIORITY
<ul style="list-style-type: none"> <li>• Attracting new customers or members is the top priority for 2020.</li> <li>• Uniquely, they place equal priority on cultural change as they do on deposit growth (16% rate on each as their number one priority).</li> <li>• They also see digital enhancements equal to lending growth (both top priority for 11% of institutions).</li> <li>• They are aware that successfully moving forward requires cultural and infrastructural growth.</li> </ul>	<ul style="list-style-type: none"> <li>• Customer-centered organizations have more variety of priorities than any other group.</li> <li>• Growth is in their business DNA, and they look for opportunities wherever they can.</li> <li>• The only place that they are underrepresented is expansion of branch networks.</li> <li>• They are focused on more creative, cultural, and people-oriented priorities.</li> </ul>	<ul style="list-style-type: none"> <li>• They are investing in people-first innovation.</li> <li>• Innovating financial products has equal priority with their ongoing cultural development.</li> <li>• While they do prioritize investment in core systems and app technologies, they have created an environment where technology does not have to be the top priority.</li> <li>• The unique investment for this groups is increased marketing budget. They recognize that telling their story is a critical part of driving success.</li> </ul>

## Customer-Centered Stage Growth: Don't Rest Path Forward

The key defining characteristic of this group is that they don't rest on the successes they have achieved so far. They are aware of the issues they have and continue to acknowledge and tackle them every day.

There are five foundational steps to continue in the Customer-Centered Stage:

1. Stay abreast of contemporary possibilities (e.g., the power of low-code development, new digital experiences, and emerging trends). Know what should be next.
2. Future-proof investments so you don't always have to chase the latest thing.
3. Balance rapid growth with the human side of the business, ensuring that core values are not compromised and that customers and employees maintain a connection to what makes the organization special.
4. Pursue a strategic human and digital agenda to ensure that the customer experience remains personalized, authentic, and valuable.
5. Continue to invest in customer, partner, and market feedback. Listen and respond to what your customers say they want. Measure and analyze the behavior of current customers and prospects and build data-driven experiences that are focused on building additional value from every interaction, regardless of channel.

# Conclusion— What's Your Road Ahead?

The benchmark study has clearly shown that while each financial institution may have a unique growth path, there are clear cultural, technological and investment patterns that appear to accelerate success.

For some, the path forward will be investing in people and shifting organizational mindset. For others, it is renovation of core infrastructure.

Ultimately, regardless of the problem you need to fix first, successful growth requires the voice of the customer to be institutionalized in every part of the planning and decision-making process.

Creating the perfect storm of people, process and technology is not easy. It involves both new technologies and new behaviors from leadership and front-line staff.

The good news is that wherever you start in the Temenos Growth Matrix, there is a path forward to growth and a proven investment strategy to follow.

If you need more inspiration to rethink your own path, the final section of the report showcases three organizations that are in various stages of growth and have taken different paths forward. They share the difficult decisions they made, the challenges they faced and the lessons they learned on their journey.

Above all, these organizations prove that if you take things one-step at a time, think strategically, and put customers first, you can meet even the most ambitious growth goals.



# ORNL Federal Credit Union

Under the leadership of Dawn Brummett, ORNL Federal Credit Union is experiencing growth across the board:

- Membership growth of 4.83%
- Deposit growth of 6.54%
- Total assets growth of 9.67%

The credit union also paid two special dividends of \$3.06 million in 2018 and a further \$4 million in 2019.

Dawn Brummett explains the origin of the journey to Customer-Centered Growth:

*“There was a turning point in our organization about eight years ago. We saw a notable change in member behavior—how they were transacting, the requests they were making. We realized that we were doing a good job of serving members face-to-face, but we were not delivering the same service level we prided ourselves on through our digital experiences. We wanted to be easy to do business with, regardless of the channel.”*

She goes on to attribute ORNL FCU’s success to adopting a growth mindset. This starts with its organizational purpose: Together, we thrive. This sets a clear stage for growth rooted in what matters to the members.

*“We recognized that the critical mindset for us is change—constant change and evolution of what we do and how we do it.”*

Dawn explained the six main strategies she believes are instrumental in ORNL FCU’s Customer-Centered Growth.



**ESTABLISHED:** 1948

**CURRENT ASSETS:** \$2.4B

**COMMUNITY SERVED:** Central East Tennessee

**MEMBERSHIP:** 173,000 Members

**GROWTH STAGE:** Customer-Centered Growth

**CHANGE AGENT:** Dawn Brummett, Executive Vice President and Chief Operating Officer

## 1. Data-driven prioritization

ORNL FCU started their journey with an audit of what they knew:

*“The best advice I would give is get comfortable with the data in your organization. I don’t mean have this huge data platform but get really comfortable with how you’re serving your customers. How many are coming and seeing you digitally? What kind of experience are you delivering today? Where are your points of failure? Own it. Work with it.”*

## 2. Investments based on member impact

The ORNL FCU leadership felt that because there was so much that needed to be done, it was a challenge to know where to begin. They decided to prioritize their investments in growth by asking two questions about every part of their business: “Where

are we in the market now—leading or lagging?” and “What impact does each of these have on the member experience—high or low?” This resulted in creating a simple decision-making tool that surfaced priorities for action.

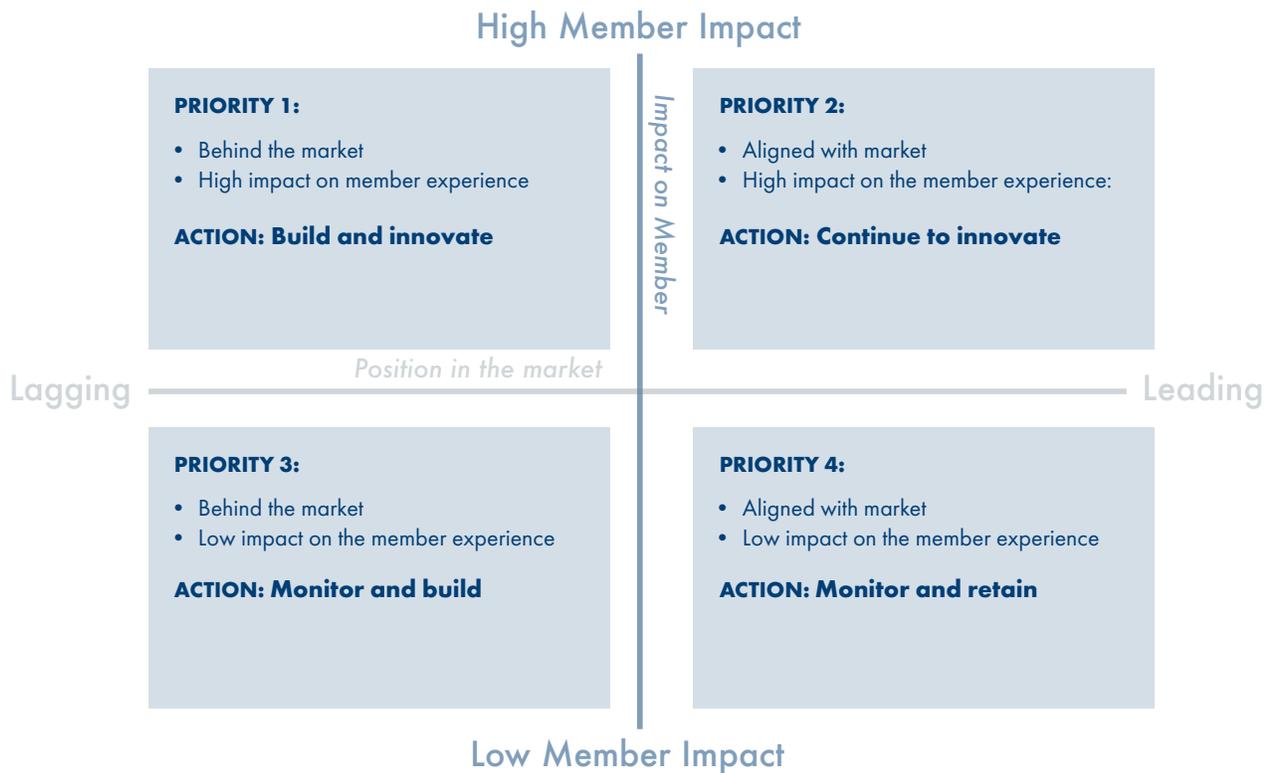


Figure 18: The ORNL FCU Prioritization Matrix

*“If the member impact is low and we’re lagging, we probably don’t want to focus on that right now. We knew that we wanted to focus on where we were behind the market and where we could have the greatest member impact. That pointed us in the digital direction. We had the most work to do there, and we needed to get up to speed quickly.”*

was done in-house. It is easy to bring third parties in too early:

*“Leadership need to have a strategic mindset before they start bringing in the third parties. If you bring in third parties too early, you won’t know how to mark success at the end of the journey. Own your road map. Own the strategy.”*

Dawn believes that one major factor for the success of this approach was that every step of the exercise

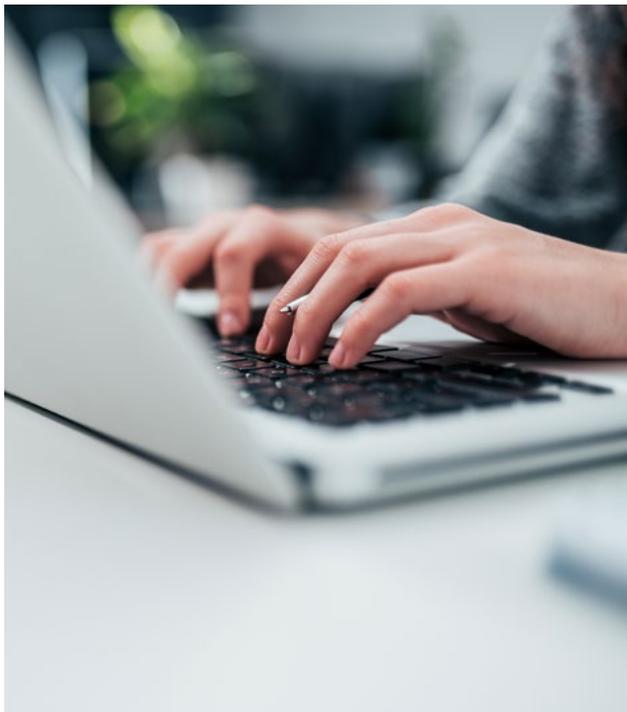
### 3. Cultural change managed as a team sport

Pursuing Customer-Centered Growth will inevitably disrupt the day-to-day work of a lot of people. It can create uncertainty. Dawn advised:

*“We decided that we would rather overcommunicate than undercommunicate. We gained a lot of buy-in from an exercise of locking arms. I told them: ‘You’re going to be part of this decision. You’re going to help us identify the gaps we have and the elements we need to bring in, the benefits and features we don’t offer to our members today. We want you to be part of it. I wanted to make sure it wasn’t seen as a pet project. It’s not one person’s project, not one department’s project. It is a large organization project.”*

### 4. A strong feedback loop

ORNL FCU listens to members and employees—all the time. They conduct ongoing face-to-face,



telephone, and email research with members. They read app store ratings and respond. They are actively responsive on their social media channels.

For employees, there are active user groups that are involved in all user acceptance testing for new digital features or process improvements. They have internal communications programs that allow feedback in real time:

*“We want our employees to be the first to try out new features and functions that we’re going to provide our members. We tell them: have fun, break it, tell us what you think of it. If it’s a branch remodel, we do the same thing. What can we improve? What can we do better? What do members like or don’t like?”*

Dawn advises:

*“If you live in a world of constant of change, use as many ways as you can to get in front of people. The more the better.”*

### 5. Modern marketing

ORNL FCU isn’t focused only on changing their member experiences; they also have focused on how they tell their story. They have embraced digital marketing and report that placing advertising on digital channels is outpacing all other forms of advertising they do. Dawn explains that modernizing member experiences means modernizing marketing, too—from the messages that you push out to the channels that you choose to engage through:

*“We’re getting more focused on the digital marketing side, and we are being very thoughtful about how we engage on social media. We are making sure that we are using social media to enhance the brand, so don’t do product marketing on those channels, and it is resonating with our members.”*

## 6. Constant commitment to change

ORNL FCU's ultimate goal is to build effortless experiences so more members will bring their deposits and loans to the credit union. They recognize that this will happen only when they have achieved real-time, 24/7 access that meets the constantly evolving goals of members:

*"We're not sitting in the board room high-fiving every day saying we're the best. We're sitting around looking at how we serve our members and how can we do it better. It's about remembering that members have a choice."*

The credit union's leadership is constantly asking questions:

*"Are we making it easy for current members and new members to do business with us? Are we in the places we need to be? Then we're constantly challenging ourselves on 'how we're doing it' and making sure we are looking forward. We're still vigilant in looking out into the consuming public, because it's not just about banking competition. Retail really starts driving how members use applications. It's what you can do on your mobile device that drives what members expect, and we're very mindful of that."*

In summary, getting to Customer-Centered Growth is a journey. It is about making good decisions today while thinking about what is coming next. It is about looking externally. Dawn's final piece of advice to organizations pursuing Customer-Centered Growth:

*"Banks and credit unions have been around for a very, very long time. We want to be around for a much longer time. In order to do that, you just have to be willing to shift, to adopt new practices, new strategies. It is hard work, it takes time, but we haven't looked back."*

# SpiritBank—A Survivor's Story

SpiritBank is a community bank in Oklahoma, over 100 years old and still owned and managed by members of the same family that started the bank in 1916.

Joyce Madewell, Executive Vice President, has been with the bank for more than 25 years and has watched the bank fight hard to continue to serve its community while facing three significant challenges:

## 1. Changing competitive environment

SpiritBank's community is shrinking. Depopulation in the rural markets they traditionally serve is making it hard to find new customers, and increased competition in the local metropolitan markets is squeezing the bank from both sides.

Joyce identifies the competitive market as the underlying cause of changes in the core deposit market:

*"We are limited today by what's really a changing landscape in the core deposit market. We're limited by the asset growth we can have based on the level of deposit growth we have. Starbucks and other prepaid providers are rapidly growing and advancing. The bigger banks are investing heavily, and we're all fighting for a piece of the same deposit market today, and it is not a fair fight."*

## 2. Restrictive core systems

SpiritBank's legacy core makes it particularly hard to compete, never mind grow:

# SpiritBank

**ESTABLISHED:** 1916

**CURRENT ASSETS:** \$670 Million

**EMPLOYEES:** 80

**COMMUNITY SERVED:** Oklahoma

**GROWTH STAGE:** Survival Stage

**CHANGE AGENT:** Joyce Madewell,  
Executive Vice President

*"We are dependent upon our core system provider for innovation on very, very many fronts. I think some of the big core system providers are finding it hard to make that turn rapidly enough, hard enough, and cost-effectively enough for banks like us. This makes it very difficult to differentiate ourselves and to find competitive edges that we can win on certain fronts."*

Joyce sums up the core system growth inhibitors:

*"I think we have most of what we need today, but we don't have most of what we want. We need systems that can efficiently process transactions and cover us from a regulatory standpoint and manage risks effectively. Those are all in the 'needs' column that we probably have covered. When you're with one of the big-three core providers, which we are, it's very hard to differentiate yourselves and have a competitive edge. We need systems to help differentiate*

*ourselves, but we don't have many affordable or first-to-market opportunities to do that."*

### 3. Risk-averse culture

SpiritBank's 100-year-old culture tends to skew towards risk-averse behavior:

*"Coming through the financial crisis, I think we're a little more risk-averse than we perhaps were before. Also, bear in mind, we still have the third generation of the founders' family involved in running the bank, which means we tend to think like a family and community bank first."*



Tulsa, Oklahoma, SpiritBank headquarters.

The leadership team recognize that they need to change but admit that is a challenge to change long-term opportunities:

*"We recognize that the market is changing so quickly that we have to be adaptive and change just as quickly. We need to make tough decisions that are going to affect the future of the bank much more effectively and rapidly than we have in the past. But that takes time—it feels more like a gradual and long-term shift."*

Despite challenges, the SpiritBank team is confident that they will succeed on their path forward out of the Survival Stage.

*"It comes back to the lack of organic growth in the deposit market, which is causing us to have to focus more internally and look more toward driving efficiencies. We're focused on getting a bigger share of the wallet from the existing customer base we have rather than growth per se. Right now, any more explicit growth would probably have to come through an acquisition or a de novo."*

The team know what they need to do. They have a vision of what they would like the bank to be in the future:

*"We see more online capabilities. We want it to be possible to quickly and easily get a loan online. We want it to be much easier for our busy business customers to do everything they want from their mobile phone. We'd like to see some reward/loyalty-type programs more integrated into what we're doing. We'd like customers to have the ability to manage their finances a little bit easier and better—for example, giving them support and tools to manage finances and look at the totality of their financial relationships."*

They are also thinking about the future of their branches:

*“I think that even two years from now, our branches will be very different. We have seen a huge decline in the number of transactions and account openings in-branch in the last decade. We see them becoming much more consultative than transaction-based. We hope to be able to provide financial information and consultation within a branch that is like a pod, with a much smaller footprint than today.”*

As a committed leader, Joyce is philosophical about the future of growth:

*“I think system changes will be critical for us. The decisions about which systems to go with will be highly critical. I think that we need to commit to investments in training and education as it’s not just about systems, it’s about cultural change, too. If we want to become consultative, we’ll need a higher level of education happening within our branches. I think our bankers will have to become far more knowledgeable about more things. We will all need to become a universal banker rather than experts in siloed type departments.”*

SpiritBank may be operating in the Survival Stage right now, but they know what they need to do and are starting on the journey:

*“Cultural change will be very big for us. I’m highly confident that our people will evolve. And I believe our leadership can adapt to the more rapid changes we’ll have to confront and decisions we’ll have to make. I think our leadership and employees understand what must be done. I am highly confident in SpiritBank’s future and that of other community banks who are also willing and able to change.”*

# Fintwist—A Digital Financial Service Platform

Fintwist is a division of Comdata, who introduced the first payroll card to market in 1991 to help corporations reduce the cost of check payments.

By 2018, the market was largely saturated and Comdata was experiencing flat growth. Their revenue relied on employers promoting the card and employees using it frequently. Behavioral data showed that increasingly the cards were only used by low income employees and they were withdrawing their entire payment via a single ATM transaction rather than using the cards for purchases or payments.

Comdata recognized the path to growth would require radical innovation. Marc Schroeder, Senior Director of Marketing, explained the vision that led to the creation of Fintwist.

***“We wanted a complete reboot. We wanted to be relevant and empowering for all consumers, right across the financial spectrum: from those that couldn’t get a bank account, to the financially savvy. And what does everyone on that spectrum want? A place of convenience to get their money, manage their money, and spend their money. In today’s world that requires more than a card, it requires a digital experience.”***

Fintwist launched 18 months later, and early growth is positive:

- More employers that are enrolling their entire workforce with Fintwist, not just their low paid workers.



**ESTABLISHED:** 2018

**CUSTOMER BASE:** US wide employers and their employees

**GROWTH STAGE:** Customer Centered Growth

**CHANGE AGENT:** Marc Schroeder, Senior Director of Marketing



- The number of transactions per month, as well as the amount of money being loaded on to the cards and spent, are all growing on monthly basis.
- Marc attributes this success to three key factors:

## 1. Thinking like a Fintech, not like a bank

Marc admits he is solving a lot of the same problems he experienced in his previous roles but is now empowered to think about them differently. The Fintwist culture gives him freedom to innovate for faster growth:

***“I’m a veteran in the FinServ industry, and the culture in banks and FinServ companies lags versus the rate of technology change. I’d label Fintwist as a fintech before I would label us as a bank. When I think of banking, I think of customer experience that is stodgy, slow, cumbersome, set in the way of banking center, ATMs and basic online transactions. Fintwist is thinking like Apple and Amazon, not Bank of America. We look at trends that impact***

*consumer needs, we look at how consumers are adopting new technologies, or things that are driving convenience. Those are things we want to bring to our solution, not better banking transactions.”*

The Fintwist team recognized that a customized digital experience was the only way to attract a broader constituency of consumers, attract new employers and kick start growth in the stagnating category. That inevitably involves cultural change:

*“We needed to ask ourselves higher order questions and expand our value chain more deeply into consumers lives. Banks and credit unions are stuck in a world where their value chain is just their banking relationship. We wanted to build things that made your whole life simple, not just your banking - that’s the difference. That’s the difference between a banking and a fintech mindset.”*

## 2. Building on flexible digital architecture

Fintwist knew that long-term growth needed a flexible digital platform that made it easy to add additional applications over time. Fintwist needed to be able to scale and rapidly adapt to market changes. The team were intent on future proofing the Fintwist solution:



*Fintwist customers can access their money easily*

*“We were looking for a very flexible platform that would allow us to introduce new tech features as they come along. We chose the Temenos platform for its flexibility, pre-built apps and to ensure Fintwist remained dynamic as we built the business out. We are a B2B2C player, we have to look for technology that allow us to balance needs of employers today, with what cardholders will want in the future.”*

## 3. Building a solution compelling enough to change behavior

The Fintwist team approached experience design with a wide lens. Rather than digitizing a payroll pay card, they set out to design a customer experience worthy of being anyone’s primary financial vehicle. Then they created a team and culture to build it.

*“It is hard to be radical when you’ve been a market leader of an established category for 20 years. But we knew we wouldn’t be successful unless we brought new energy to the business. We wanted to think more broadly, more digitally, and with much more consumer focus. We had some tough conversations, but ultimately we drove positive cultural change through clear leadership and alignment around customer needs.”*

Ultimately, Fintwist built a team and a culture that was ready to ask the right questions.

*“What should we deliver if Fintwist is a place people aggregate funds to? What will encourage customers to use their card 20 times per month? How can we increase velocity of money going onto and off the card? How will bill pay, P2P transfers and financial visualization tools drive impact? How can we support financial literacy? How can we become integral to our customers’ everyday financial life?”*

The ultimate consumer goal: a flexible, simple and financially empowering tool that helped people take control of their money.

The ultimate B2B goal: a solution that is immediately recognizable, meaningful, and emotionally beneficial for employees rather than a cheaper way to deal with payroll.

Consequently, Marc is positive that Fintwist will continue a customer-centered growth trajectory:

***“We have seen growing usage and growing revenue in the first 18 months. We believe the opportunity is limitless because we’re offering up a solution that is a no-brainer for employers. We’ve made it easy for them to say to all employees, regardless of income level: ‘Hey, just add this to your financial portfolio’. Once the employees get onboarded, we believe that Fintwist has been built to be easy to use and so customer friendly that it won’t make sense not to use it. Now it is all about staying focused on what’s next because today’s value speaks for itself.”***

Finally, what wisdom would Fintech-Marc impart to Banking-Marc if they met in a bar?

- **Listen to the customer.**

*“Don’t ever stop listening to the customer. Build for them, not for yourselves. Build for growth, not for efficiency. Build experiences that matter.”*

- **Don’t be afraid to dream the next dream.**

*“There’s always the next strategy. It’s ok. The biggest dreams may not be the best dreams and dreams may not look like your dreams once you execute. But do dream and get passionate about what you think is the next big thing for your marketplace.”*

- **Data. Data. Data.**

*“Anytime you have a dream, have the data to back up. That’s the biggest thing I would say is making sure you’re able to look at data and turn that data into insights and actions. That is always what will convince others to join your crusade.”*

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