



Forecasting the Future of Community Banking

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Issue Spotting

Technology

People



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New Year, New Ideas: State of the Industry Through the Lens of GSBC's Strategic Project Topics

by [Michael L. Stevens](#), GSBC President & CEO

This is the annual analysis of topics identified by rising third-year GSBC students for their strategic projects. Through this exercise, students are tasked with working with their bank's leadership to identify an important issue facing the bank or industry. The key to this project is to identify actionable recommendations for the bank to respond.

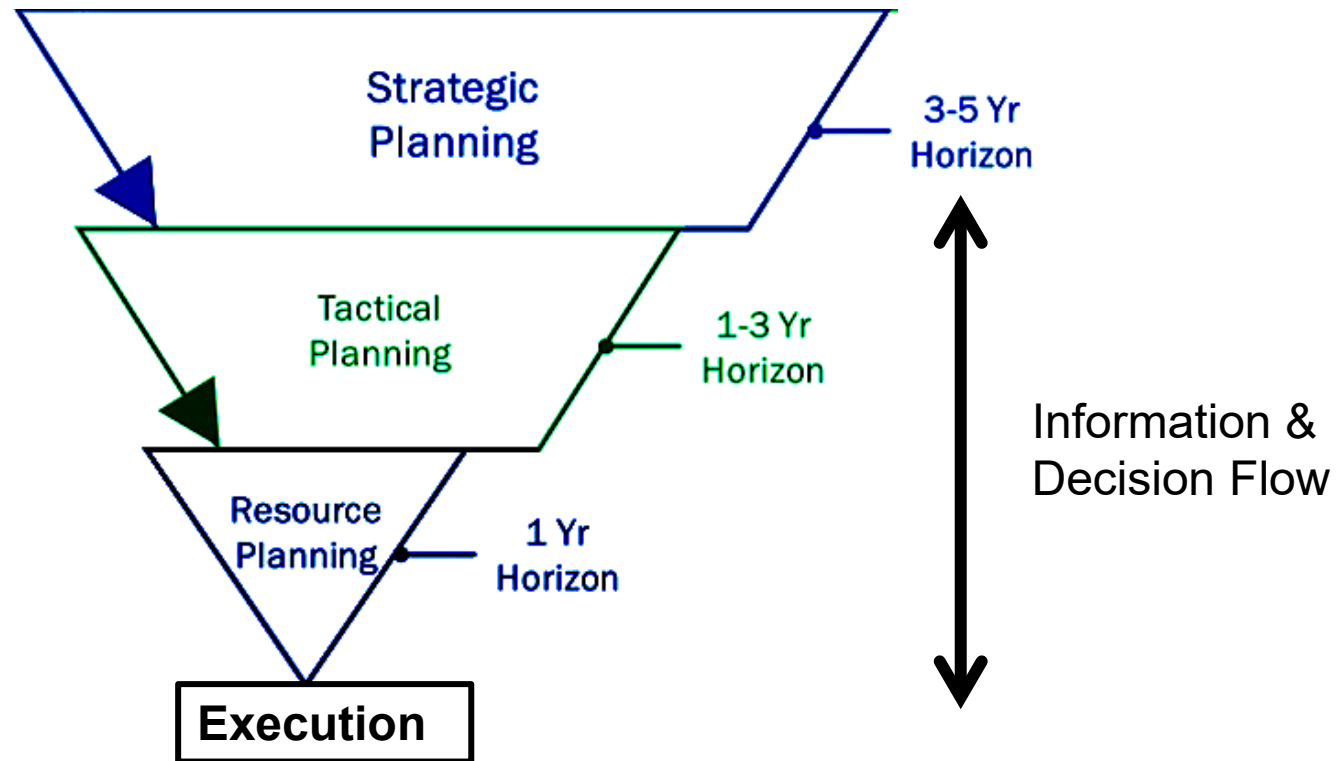
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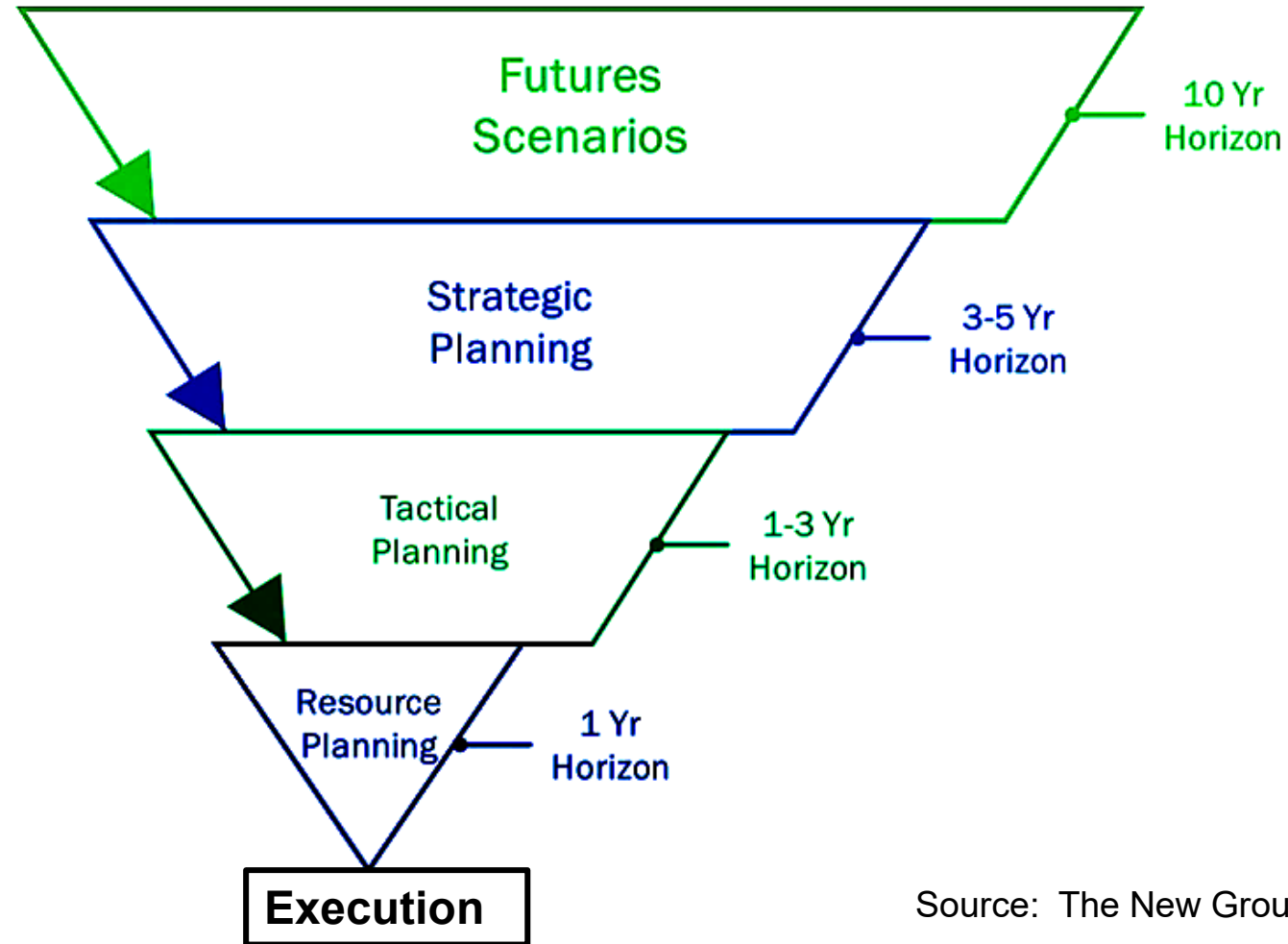


Traditional Planning & Decision Making





How would Futures Scenarios change decision making?



Source: The New Group, Inc.



SWOT to Foresight

SWOT: What is the current situation? What are we going to do about it?

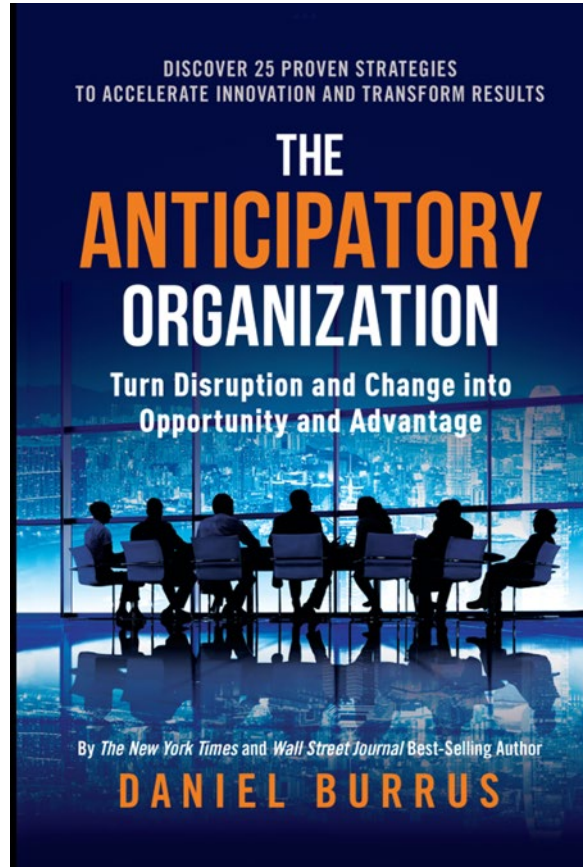
Foresight: What are possible future outcomes? What is our desired outcome?

Strategic planning is a great linear process that assumes we know what to do. It is an exercise of control.

*- Tom Nealley, **Leading with Diligence***



Be the Disruptor or the Disrupted



The risk of not innovating is actually greater than the risk of innovating.

One of the most significant factors that discourages innovation and hence, being a disruptor, is being so busy that you never have time to get to it.

...disruption connotes risk - often, too much perceived risk for the leaders at the top to feel comfortable with.

Source: The Anticipatory Organization

DRIVERS OF CHANGE

Impacting the Future of Community Banking

● **Meaning of 'Work'**

People want their work to have meaning and a renewed balance between it and their personal lives; they want flexibility about where they work and live.

● **Economic Factors**

Higher inflation (increased interest rates), digital currencies and global issues (impacting trade and the stability of the U.S. dollar) are impacting banks' ability to perform, compete and predict long-term impacts to small business and ag.

● **Sustained Resiliency**

Community banking has demonstrated an unwavering resiliency as it responds to headwinds and changes. This fuels the evolution of the business model which has been ongoing since the beginning of banking.

● **Evolution of Technology**

Technology is changing how the business of banking is conducted and managed; it provides opportunities while changing the cost structure of banks and the type and nature of financial competition.

● **Regulatory Demands**

There has been a persistent drive by regulators to increase the demands on the industry, which requires banks to secure additional expertise and increases costs.



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Activity: Countering Resistance to Change

What has changed in banking since your career started?



Signals Groups: Broad Signals

- Artificial Intelligence
- Blockchain Technology
- Geofencing
- Internet of Things (McKinsey: \$12.5T business)
- Data Analytics
- Culture in a remote/hybrid workforce
- Human-Machine Integration
- Natural Language Processing
- Quantum Computing



Signals Groups: Banking Specific

- Cryptocurrency
- Advanced Customer Authentication Options
- Banking as a Service
- Non-traditional bank products and services
- Branch Transformation
- Real Time Payments



**“The future is already here. It’s just not evenly distributed yet.”
- William Gibson**

Science fiction writer. Coined the phrase “cyberspace” in the early 1980’s.



Activity: Challenge Yourself

Identify something online or in a news publication and consider...

What does it mean to me / my business in the long-term?



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Business Schools Are Going All In on AI

American University, other top M.B.A. programs reorient courses around artificial intelligence; 'It has eaten our world'

By *Lindsay Ellis* [Follow](#)

Updated April 3, 2024 3:44 pm ET



Signals Ideas

Artificial intelligence: Fraud ID, Exam processes, “first pass underwriter,” overall efficiency

Blockchain: Titles, Collateral, Transfer, Smart contracts

Data Analytics: Customer segmentation for personalization; Fraud ID; credit risk management

Human-Machine Collaboration: Early adoption of technology while transforming the customer experience.



Forecast #1: Bank Offices

Drivers of change: Technology. Customer preference. Work preferences.

Signals of change: Less branch traffic. Fewer branch transactions.

Forecast: In 2033, our bank branches will look and operate totally differently. They will be cashless, have fewer or different types of staff; utilize AI; functional space with 24/7 access).

Strategies: Deploy ITMs. Aggressively monitor technology changes. Connected to evolving customer preferences.



Forecast #2: Community bank business model driven by AI

Drivers of change: Customers expect technology use; Efficiency provided by technology; Generational changes and population migration.

Signals of change: Staffing shortfalls, customer expectations shifting; increasing pace of change; media influences; targeted marketing.

Forecast: Community banks largely eliminate customer service representatives, the human aspect of credit decisions, risk management, and investment decisions. Better enabled to acquire banks that have not made this investment.

Strategies: Develop focus groups for exploration; Research solutions; Budget; Education; Be open-minded; strategic planning and corporate governance.



Final Activity: Forecasting Activity

Next Tuesday, create a picture of yourself and your bank in 10 years.

Identify one thing you did that day and imagine how that activity could be different in 10 years.



Strategic Insight & Planning

- Understanding things that are happening beyond our line of sight.
- Considering what they may mean for our future.
- Defining the desired future.
- Deciding the steps to get there.

Resiliency



"If it can be done, it will be done, and if you don't do it, someone else will."

- David Burrus