ABSTRACT - This paper is the summation of a 2020 interview study of community financial institution professionals (n=92) from across the United States. This paper decomposes the interviews into keywords from a uniform set of questions into top keyword families for Challenges, Blockers, and COVID-19 responses. Finally, the authors that conducted the interviews offer their insights and analysis of the keywords.

KEY WORDS: banking, credit union, technology, culture, leadership, data, 2020, COVID-19, COVID, study
Introduction

This study was intended to quantify and provide some analysis of common challenges faced by community financial institution (FI) professionals. Further, this study also endeavored to quantify the common issues preventing community FI professionals from resolving or dealing with these challenges. As defined by the researchers and authors of this study, a community financial institution is a community bank or credit union with total assets between $100 million and $3 billion.

The intent of the study was to quantify these matters and to provide some context in order to inform policy making at the local FI level, regionally through the FI’s business advocacy groups, or nationally. Further, this study may influence service providers in their offerings to these FIs, as the study did reveal some common technology and service matters that may be addressable. The study itself makes no prescription for policy or solution.

Coincidentally, the study was conducted during the COVID-19 pandemic. While it was not the intent of the study, it did capture data on how many of these FIs responded to the COVID-19 pandemic. This information may be useful in formulating future disaster and business continuity plans.

Methodology

The study was conducted by interview and was either performed via video teleconferencing or telephone, with a strong preference to video teleconferencing. The interviews typically took 20 minutes, with the shortest interview taking 13 minutes and the longest taking 37 minutes. Clear Core conducted the study with a grant from the National Science Foundation. The study ran from July 13 to August 28, 2020 and all interviewees self-identified and volunteered for the study.

The final sample pool of 92 interviewees from 19 different state, all within the United States. All interviewees were asked at least the same three basic questions:

1. “What are your top challenges before or during COVID?”

2. “What is preventing you dealing with these challenges in a way you’d like?”

3. “What has your organization done in response to COVID?”

There was minor variation in questioning due to the nature of human-to-human interviewing. The researchers adjusted Question 1 by Interview 10 due to a strong bias for respondents to anchor their responses solely on the COVID-19 pandemic. Its earlier form was simply: “what are your top challenges?”

The researchers recorded the interviews through hand-written or typed notes. The researchers performed text analytics on the interview notes to detect the strongest signal keywords for each domain: Challenges, Blockers, COVID-19, in respect to the questions listed above. This approach allowed for the researchers to assess mindshare, not based on the sentiment of what was said, but the actual words used. This was a conscious effort in an attempt to engineer out hidden bias on part of the interviewer or interviewee. This is the data presented in this paper’s data section. The researcher’s interview notes provide additional context to the data in the Insights and Analysis section.

Top Challenges Data

Top five keywords for challenges are:
Regulation & Compliance, Technology, Data, Talent (comprised of recruiting, retention, and talent), Customer or Member Service (as in providing, and Growth, respectively). All 21 of interview respondents that cited Technology as a top challenge did so as a separate matter from Data.
Regulation & Compliance as a combined category (Regulation n=15, Compliance n=7) stood as the most frequently cited Challenge. Nearly half of interviews indicated that Regulation & Compliance, and notably responding to change to regulation, are either too difficult to or burdensome to the FI. Forty-one percent of interviews indicated that regulation changes too often or the guidance from regulators is unclear. Of these respondents that cited Technology there were two data points that stood out. 33% cited a proliferation or duplicative systems and 24% cited member/customer frustration with the FI’s technology. The next most frequently occurring keyword for Challenges was Data. Thirty percent of respondents cited that data integrity was a problem and an equal number stated that data was not available or difficult to obtain in their FI.

Talent and Providing Customer/Member Service were the next most frequently appearing keywords in the interviews with 15 and 14, respectively. Talent is combined category (Recruiting n=7, Retention n=4, Talent n=6). All the interviewees that mentioned recruiting indicated that it was difficult as a community FI. The most cited reason for retention difficulties was pay for the market. For providing Customer or Member Service, all interviewees indicated it was more difficult than it should be, citing technology or compliance reasons.

The top five keywords for Blockers are: Technology, Talent (comprised of recruiting, retention, and talent), Cost, Leadership, and Culture. These Blockers were identified during the interview after the interviewee identified their top challenges. Often (~15% of interviews) the interviewee would remark that their top challenge was the blocker they would subsequently identify. The Blockers had a much higher signal ratio compared the Challenges data and chief among them is: Technology.

Viewing the data as a network, the keyword Technology appears to be central node, meaning it is the common thread for nearly all Blockers. That does not suggest that technology is the cause, merely it is strongly related to all other blockers. The interviews show that the top three words that correlate with Technology with the greatest frequency are: Talent (n=16), Cost (n=13), and Culture (n=10).

Talent as composition of three keywords, has the strongest correlation with these keywords: Technology (n=21), Culture (n=7), and Difficult Recruiting/Retain (n=7). Leadership had a weak correlation, being associated with many differing Blockers, but the top three associations were: Technology (n=12), Data (n=4), and Risk Averse (n=4). Finally, Culture was the last of the top five Blockers, with a strong correlation to Technology (n=15) and Talent (n=9), with the rest of the associations being more or less evenly distributed.
COVID-19 Data

While it was not the intent of the study to capture data on COVID-19 and the community FI response, the researchers realized this was a unique opportunity and included the question. The keyword data for COVID-19 had a strong signal for the first two keywords and a long tail thereafter. The top five keywords for COVID-19 were: Data, Decision, WFH (work from home), Leadership, and Change (Transition). The acronym WFH was expressed in a few ways, but this was the most consistent, so all other terms of WFH were grouped under this keyword.

<table>
<thead>
<tr>
<th>Ordinal</th>
<th>COVID-19 Keyword</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Data</td>
<td>34</td>
</tr>
<tr>
<td>2</td>
<td>Decision</td>
<td>26</td>
</tr>
<tr>
<td>3</td>
<td>WFH (Work from home)</td>
<td>17</td>
</tr>
<tr>
<td>4</td>
<td>Leadership</td>
<td>14</td>
</tr>
<tr>
<td>5</td>
<td>Change (Transition)</td>
<td>9</td>
</tr>
</tbody>
</table>

Data had a strong correlation with Decision (n=13) and Leadership (n=8) with a long tail thereafter. Decision had stronger signal in the associated keywords than Data, with relationships in Data (n=15), WFH (n=7), and Leadership (n=6). Interestingly, WFH was evenly associated with the keywords: Leadership (n=7), Data (n=7), Decision (n=7), with the standard long tail thereafter.

Leadership as a root keyword was not as central in the network compared to the preceding three keywords. The researchers would have expected to see leadership associated with more keywords than the preceding keywords, but this was not the case. However, Leadership had a strong correlation with these top three keywords Decision (n=16), WFH (n=8), and Data (n=8) before descending into the tail. Change (Transition) had weak association with other keywords with the only notable mention is with WFH, where more than 50% interviewees associated WFH with Change (Transition).

Insights & Analysis

The preceding data was directly as recorded from the interviews and the authors of this study endeavored to make it the data as objective as possible. In the Insights & Analysis section, the authors will use their interview notes, the derived data to provide qualitative insights that the raw data may not encompass.

Insights & Analysis of Challenges and Blockers

Regulation & Compliance were the top keyword group for Challenges. Many of the interviewees indicated frustration with Regulation, as either changing too much or the guidance from regulators was ambiguous or not clear. This frustration was mentioned in all interviews that discussed the Payroll Protection Program.

The interviewees connected frustration with Regulation and Technology strongly. Many interviewees mentioned that every time a regulation changes that it has secondary effects on the information systems and internal processes. The frustration arises with the proliferation of information systems and vendors who implement regulatory changes at their own pace and schedules.

Compliance appeared to be an echo of Regulation. Many interviewees mentioned that fear and risk aversion of regulation created uncertainty with the internal compliance teams, which frustrates business operations. About 15% of interviewees stated that Compliance hindered servicing the member or customer.

Technology was a recurring challenge that appeared in association with all other challenges, as already seen in Regulation & Compliance. Over a third of interviewees mentioned that cost was an inhibitor of procuring technology necessary for the business. Interestingly, the theme of information systems proliferation appeared in its own right with this category. About half of interviewees expressing concern...
over training, maintenance, and data integrity in regard to Technology.

While related, Data and Technology were topics that most (>75%) of the interviewees expressed as two separate topics. Most interviewees stated that data integrity or quality was a major problem, which maybe an artifact of the proliferation of information systems, barriers to access, or poor internal data governance. About a third of interviewees stated that they could not access the data they needed or wanted to make effective business decisions.

Text analysis of the responses containing the keyword Technology show twice as many negative (83%) sentiments when mentioning a major secondary keyword (Leadership, Data, Culture, Systems) when compared to those who mentioned Technology with a secondary keyword as part of the long tail. The inverse held true for data. Indicating if the problem had been identified for a Technology Blocker there was less optimism for a solution. Conversely there was less optimism for a solution for the Data keyword was not accompanied by a major, specific secondary keyword (Leadership, Technology, Decision, COVID).

Talent, as a grouping of the keywords Retention, Recruiting, and Talent was a topic that recurred often. The interviews that mentioned Recruiting typically mentioned the inability to recruit technical talent. Paradoxically, the study found that there were nearly equal number of interviews that cited market size as the cause of their difficulty in recruiting, both small and large.

Most interviewees that discussed retention cited inability to pay competitive wages. This was particularly true with technology talent. About a third of interviews mentioned that their FI’s flat organization was an inhibitor. It did not allow for much career growth or the difficulty in requiring the workforce to be competent on nearly all aspects of the FI and a real challenge for training.

Training of Talent was a topic that recurred in many interviews. About a third of the interviews that mentioned Talent discussed training. There were two themes that emerged. The first was the challenges of scaling training, which was mentioned with FI expanding into new markets. The second was the amount of training necessary due to Regulation and Technology, which all citing interviewees stated there was not enough training or too little time to do it correctly.

Rounding out the top Challenges, was frustrations around being able to service the member or customer. Regulation & Compliance and Technology where often cited as key Blockers. About a third of interviewees that cited technology stated that their technology was not keeping pace with member or customer expectations and that cost was a key Blocker inhibiting keeping pace.

Blocker often appeared while the interviewee was discussing their top Challenges, but there were two Blocking Keywords that did not appear with any uniformity until the interview specifically shifted issues that prevented the interviewee from dealing with challenges in a way they would like. Those keywords were Leadership and Culture.

Most of the interviewees (>66%) cited that Leadership and Culture resulted in a strong bias toward the status quo. Slightly higher than half stated that their leadership was risk averse and/or indecisive. A smaller, but significant population (~25%) cited that they perceived their leadership was fearful of making decisions.

Culture was the frequently cited by interviewees as preventing the FI from advancing or servicing the membership or customer base in a way they would like. Aside from the strong bias for the status quo noted above, most interviewees (~80%) cited that inter-organizational silos prevented collaboration, prioritization, and information sharing.
Many (30) respondents mentioned both Culture and Technology as general obstacles to success during their interview. However, in nearly all instances (>93%) the respondents indicated that for any single barrier Technology and Culture were mutually exclusive. Non-Technology keywords related to Culture as a blocker included Training, WFH, Change, Risk, and Leadership. Non-Culture keywords related to Technology included Cost, Data, and Systems.

**Insights & Analysis of COVID-19 Response**

Nearly all the interviewees cited that their FI’s response to COVID-19 was effective. Less than 5% stated that their FI’s response was ineffective or chaotic with the benefit of a couple month’s hindsight. Interestingly, most all FIs cited that they used data in their response approach. Nearly all used federal, state, and local public health data in their decision making. A minority of interviewees (~8%) stated they used historic data to make decisions about staffing and branch operations.

Roughly 75% of all FIs stated that swift decision-making by the leadership was key in the FI’s COVID-19 response. About 90% of all interviewees stated they closed branch lobbies and shifted to online appointment making. Drive-thru service seemed to be a favored response, as nearly all interviewees stated they staffed drive-thru more heavily during the pandemic.

Nearly all interviewees (>95%) reported that they saw a dramatic increase in the use of their digital services. Internally, many (~25%) of FIs cited their existing WFH policies as making the transition into pandemic operations seamless. A minority of interviewees (~5%) stated they did not have a WFH policy or it was disallowed by the FI’s culture.

Roughly a third of interviewees cited that the COVID-19 pandemic accelerated their adoption of digital offerings and tools. Among them about half stated they adopted a scheduling tool that previously was on the long-term plan. Most interviewees stated the response required agility with their strategic plan and priorities.

**Future Work**

There are two areas of future work that the authors were particularly interested in understanding more about. However, these topic areas were outside of the scope of this study. The first is the actual cost and impact of regulation and compliance. This topic could benefit from a study of what types of regulatory changes are the most costly and what are the most disruptive for servicing the membership or customer base.

The next topic that the authors would like to study more is the cost and ecosystem of technology in the FI industry. Technology was the center of this study’s keyword constellation and it likely has a much more dramatic impact on all facets of FIs. The number of interviewees that expressed concern about the proliferation of information systems suggests there may be a future point of unsustainability that many FIs may already be encountering.

**Disclosure**

The study was conducted by Clear Core, LLC, an Arizona-based company whose primary line of business is providing data and analytics services to community financial institutions. The company received a grant from the National Science Foundation under the Innovation Corps program to conduct this study through a competitive application process. In the study, the authors took great care to remove bias and leading any interview by holding to the uniform line of questioning outlined in the methodology and allowing the interviewee to direct the interview.