

# the case for creative destruction

## Making Way for Innovation in the Financial Industry

### COVID-19: a catalyst for change

The COVID-19 pandemic was, and continues to be, a catalyst for change. This once-in-a-generation event impacted the way we work, learn, shop, commute, gather, celebrate – the way we live. But, with every challenge comes the opportunity for change.

In the financial industry specifically, we've seen credit unions take this opportunity of inspired growth to rethink what service looks like and to build back something different. Upon the pandemic-accelerated destruction of "the old way," the industry has defined an enhanced set of standards and processes for delivering Modern Membership<sup>SM</sup> that are here to stay. (Until the next innovation, anyway.) That is creative destruction.

## understanding creative destruction

In his 1942 book, "Capitalism, Socialism, and Democracy," political economist Joseph Schumpeter argues that capitalism is never stationary. It's always evolving as new markets and products constantly enter the sphere.

The theory of "creative destruction" describes the process that sees new innovations replacing existing ones – which are,



over time, rendered obsolete. One example Schumpeter gives is the introduction in 1908 of Henry Ford's Model T. In the late 1800s and early 1900s, incremental improvements to horse-and-buggy transportation continued to prove valuable. But after the arrival of the Model T, those existing technologies were driven out by this superior innovation. Over time, newer and better innovations will continue to drive out older ones.<sup>1</sup>

Looking for a more modern example? Consider the heralded story of Netflix. In 1997, CEO and Founder of Netflix, Reed Hastings, introduced a monthly DVD subscription service by mail, disrupting the video rental industry. Ten years later, Netflix transitioned away from DVD shipments and toward a newer technology made possible by faster bandwidth and greater download speeds: online streaming. Continuing to innovate, Netflix creates its own programming; and in 2021, received 27 Oscar nominations (winning seven) – putting Netflix up against other major studios and turning it into a significant player in movie and TV production.

On the other hand, there's Blockbuster. Failing to embrace change (and in fact, turning down a partnership proposal from Hastings in 2000<sup>2</sup>), the once-reigning leader of the video rental industry filed for bankruptcy in 2010.<sup>3</sup> And now, "the company is remembered only as an object lesson in what happens when you don't adapt to a changing world."<sup>4</sup>

## how credit unions are adapting to a changing world

"The pandemic forced the entire financial services industry to reimagine what support looks like," said Chad Killingsworth, Senior Director of Software Engineering at Jack Henry™, on the topic of creative destruction. It's simply no longer enough to "do what you've always done."

Clearview Federal Credit Union is a \$1.6B digital-first credit union that embraces change and knows technology is the best way to compete in a crowded market. When asked in a September 2021 interview with CreditUnions.com why the Symitar® client credit union decided on a digital-first approach,



"The pandemic forced the entire financial services industry to reimagine what support looks like."

**Chad Killingsworth**

Senior Director of Software Engineering  
at Jack Henry

Clearview FCU's VP of Digital Strategy & Marketing Bill Snider explained, "We needed to change our philosophy to compete as a financial institution. From the member perspective, could they do business with us any way they wanted? If they wanted to bank on the phone, tablet, or laptop, were we giving them that? If they wanted to come in, did our technology provide the best possible experience? We wanted all the options with the understanding we'd expand them overtime."<sup>5</sup>

After all, the Modern Member<sup>SM</sup> is looking for the technology, speed, and convenience we've all become accustomed to in our everyday lives. In the same CreditUnions.com interview, Bill pointed out, "During the pandemic, people have become even more accustomed to using their phones and computers to order food or shop. When they turn their attention our way, we need to offer that same simplicity."

## looking forward to the future of banking

Like the horse and buggy led to modern-day cars, and video rentals turned into streaming services, you sometimes have to let go of the past to make way for innovation. As digital engagement increases, credit unions need to think about how they're creating more meaningful member experiences.

Now is the time to rethink the member experience and reimagine member support. If you're looking for ways to improve the Modern Member experience across your channels and reach your members in their moments of need, Jack Henry's leading Symitar platform, digital, lending, and payments solutions can help.

In the wake of creative destruction, there are those who step forward into change and those who stay behind. **Is it time for you to step forward?**



As digital engagement increases, credit unions need to think about how they're creating more meaningful member experiences.

# connect with next-generation technology

[Learn more](#) about how Jack Henry can help you step forward into change.

For more information about Jack Henry, visit [jackhenry.com](http://jackhenry.com).

## sources

1. Adler, David. *Schumpeter's Theory of Creative Destruction*, Carnegie Mellon University, accessed June 22, 2021.
2. Zetlin, Minda. *Blockbuster Could Have Bought Netflix for \$50 Million, but the CEO Thought It Was a Joke*, Inc., accessed June 22, 2021.
3. De la Merced, Michael. *Blockbuster, Hoping to Reinvent Itself, Files for Bankruptcy*, *The New York Times*, accessed June 22, 2021.
4. Zetlin, *Blockbuster Could Have Bought Netflix for \$50 Million, but the CEO Thought It Was a Joke*.
5. Payne, Erik. *What Does 'Digital-First' Mean for Clearview FCU?*, CreditUnions.com, accessed September 30, 2021.