# DEFINITIVE GUIDE

## TO SELECTING A CORE PROCESSING PARTNER

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Market trends and best practices for choosing and implementing the right core solution for your bank.

**When it comes to choosing a core solution for their institution, bankers have a difficult choice to make.** The core is the heart of your bank's operation, and you only go through the selection process every five to 10 years. As we've seen recently, technology changes rapidly over the course of just a few years.

And the challenges banks must deal with in the face of a core decision are real: stagnation due to a reluctance to change, poor service from providers that don't share the same values and loss of market share due to technology that prevents seamless customer experiences. When it comes to picking the right core solution, the stakes are high.

**That's why the *Definitive Guide to Selecting a Core Processing Partner* was created for banks. Using insight from industry analysts, consultants and implementation pros, we've compiled this easy-to-use reference on the elements necessary for making a decision on core processing technology. You'll find a wide range of topics covered, from knowing when it's time to change cores and conducting your search, to best practices for implementation and adoption.**

**We hope the guide supports your bank's efforts in selecting the right core provider for your institution.**

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# THE BANKING INDUSTRY TODAY:

The Changes, The Challenges, The Trends

# THE BANKING INDUSTRY TODAY:

## The Changes, The Challenges, The Trends

The banking industry is in the midst of a transformation. It's a metamorphosis fueled by regulatory compliance, shrinking margins and heightened competition for customer engagement in the digital age. It's also a time of profound change: a high-stakes game of survival of the fittest in which only those institutions that adapt to new market demands live to see another day.

According to a recent article published by the Institute for Local Self-Reliance, between May 2008 and May 2015, one out of every four community banks, which are defined by the FDIC as institutions under $10 billion, disappeared.[1] Some of those were outright failures; the bulk of the rest were acquisitions.[2]

Those banks that remain are dealing with a variety of challenges.

"On the business side, banks are dealing with margin issues and regulatory requirements around cash reserves," says David Albertazzi, senior analyst of retail banking for the Aite Group.

Fraud volumes, as well as fraud complexity, are on the rise … so is non-bank competition.

"Every year, new players, using disruptive models and nimble architectural structures, enter the market," Albertazzi says. "Although no one predicts the 'Uberization' of financial services, these disruptors add a new element of competition with the potential to erode some degree of market share."

But, perhaps the greatest catalyst for change in the banking industry is the unprecedented, dramatic shift in customer expectations, fueled by the connected world. The "old school" concept of service—the friendly teller who knew your name—has gone by the wayside. Now, the bank that wins is the one that can deliver the truly seamless, omnichannel experience that today's consumers demand.

[1]Stacy Miller, *One in Four Local Banks Has Vanished Since 2008. Here's What's Causing the Decline and Why We Should Treat It As a National Crisis* (Institute for Local Self-Reliance)
https://ilsr.org/vanishing-community-banks-national-crisis/

[2]Ibid.

# MASTERING CUSTOMER EXPERIENCE

### The Bankers' Holy Grail

"Today, nearly everyone has a tablet, a PC and a mobile phone, and digital transactions have become the norm. Customers not only want to use their choice of channels, but also have a very personalized experience through all of these channels," Albertazzi says. "Now, a bank's competitive advantage is directly tied to the customer experience it offers."

For many institutions, this means changing the foundational elements of the operation, with the customer at the center.

**"Institutions can no longer offer customers different channels and products through siloed business units. Customers have to be able to start a process in one channel, and pick it up seamlessly in another," Albertazzi says. "Systems can no longer be built around transactions, but instead, they must be centered around the customer experience."**

# FROM SERVICER TO ADVISOR

For decades—and still today—community banks differentiated on customer service by running branches in which everyone knew each customer's name, their families and their needs. But, that whole strategy was based on the branch experience. As branches consolidate and branch traffic wanes, institutions must seek out new ways to set themselves apart.

**"The question becomes: How can we compete if we're all offering the same stuff?" asks Paul Schaus, president and CEO of CCG Catalyst Consulting Group. "Branch location and the original concept of 'service' just don't do it anymore."**

The simple fact is, for the most part, people are no longer coming into the branch to conduct transactions. When they venture out, they expect something more. And community banks have to be poised to deliver.

"Successful branches are transitioning their personnel into more of an advisory role. As an industry, we've trained customers in self-service, so they no longer need a banker to deposit a check or apply for a loan," Schaus says. "Although some still come into a branch to open an account or conduct a transaction, most reserve that face-to-face contact for advice and guidance."

# A MOVE TOWARD SPECIALIZATION

In addition to knowing who their customers are today, bankers are identifying just who they want their customers to be tomorrow.

**"Community banks have to redefine the concept of *community*. Although geographic location still plays a role, it has to be much broader than that. Bankers have to identify exactly who their target customer is," Schaus explains. "We're entering a stage in banking, like we were in the 1930s, when we had merchant banks, immigrant banks and a variety of specialty banks catering to specific communities of people. We're seeing institutions narrowing their focus and tailoring their customer experience to their specific target group instead of vying for anyone and everyone in a certain geographic area."**

The shift to this omnichannel, customer-centric model requires institutions to not only change their approach to service, but also invest in the technology to give them the visibility and efficiency they need to compete.

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# THE THREE WAVES OF COMPETITION IN THE BANKING INDUSTRY:

Then and Now

**1**

**Originally:
It was all about location.**
Where could customers go to deposit paychecks and store valuables?

**2**

**Then:
Customers focused on rates and fees.**
Where could they get the highest interest rates on deposits and lowest rates on loans?

**3**

**Today:
Competition revolves around the customer experience.**
Providing personalized service through multiple channels; interacting with bank personnel as financial advisors, not transaction enablers.

# HOW "THE CORE" HAS EVOLVED WITH THE TIMES

# HOW "THE CORE" HAS EVOLVED WITH THE TIMES

As the banking industry has evolved, so has the role of the core.

"In the past, banking systems were siloed and designed for overnight processing. There was a deposit component, a certificate of deposit component, a loan system—everything was transaction-centric," explains Albertazzi of Aite Group. "As a result, multiple records existed for the same customer, which meant bankers had no way to get a comprehensive view of their customers—or even know all the products an individual client had."

**With the digital transformation, in concert with new market and regulatory demands, the role of the core has changed. Core technology supports a seamless customer experience and requires a close relationship with the core provider.**

"Banks now look at the breadth of the vendor's total product portfolio and the system's ability to integrate with other ancillary products," Albertazzi says. "There's also a movement toward vendor consolidation, driven by regulations requiring vendor due diligence. So, banks are demanding more flexibility and functionality from core providers, and moving from a transaction-based environment to a customer-centric environment. Instead of overnight processing, the core is the enabler of a 360-degree customer view."

# CORE PROCESSING + CUSTOMER EXPERIENCE = TECHNOLOGY PARTNERSHIP

Modern core systems include a strategic partnership with the technology provider

As banks focus on how their core platform supports the experiences they create for their customers, they should also focus on the experience their core relationship creates for the institution. The core system powers much of the bank's daily operations, so banks must ensure they have an open, effective relationship with their core provider.

**Today, the core is as much about the bank's relationship with its provider, as it is the technology itself.**

A successful core system is supported by a strategic partnership between the bank and the provider. Why? Core technology is now about *integration*—of both products and cultures. How the system enables seamless channel interactions for the bank's customers is equally important to how well the provider and the bank's values align. The core serves as the bank's primary technology engine, so creating a strategic technology partnership with the core provider ensures more effortless, productive operations.

SEAMLESS EXPERIENCES

SHARED VALUES

INTEGRATED TECHNOLOGY

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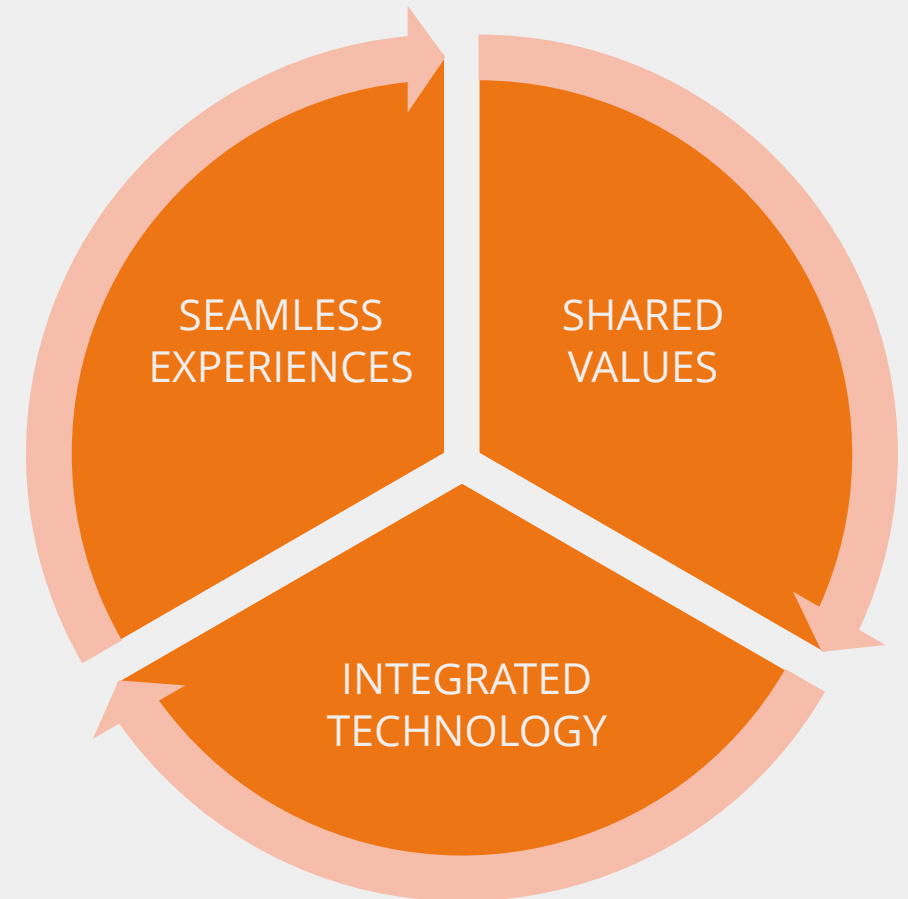
# KNOWING WHEN IT'S TIME TO MAKE A CORE SYSTEM CHANGE
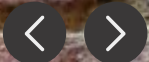
# KNOWING WHEN IT'S TIME TO MAKE A CORE SYSTEM CHANGE

Start with a candid discussion with your current provider

## First Indication

Your current provider can't meet your minimum requirements.

## Second Indication

Your current provider doesn't align with your strategy.

The decision to change cores is never one taken lightly. And why should it be: it's an intensive process that requires countless hours and numerous resources. But, when contract renewal rolls around, every bank should undergo its due diligence to ensure that it has a core platform in place that supports its long-term objectives.

So, whether a bank has already identified if it's changing cores upon renewal or not, the first step is to engage your current provider in a candid discussion. If the current provider doesn't meet your minimum requirements or align with your strategy, then it's time to start evaluating other providers.

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# IS THE RISK WORTH THE REWARD?

*But, industry experts agree, putting off a needed system change is far more risky than the risk of conversion.*

As vital as technology has become to banks' ability to compete and operate profitably, the prospect of changing core processing solutions can strike terror in the hearts of even the most resilient bank leaders. Both the cost and the complexity associated with a core conversion can be overwhelming.

But, industry experts agree, putting off a needed system change is far more risky than the risk of conversion.

"There is conversion risk, and there is strategic risk," Schaus of CCG Catalyst Consulting Group says. "You can throw bodies and money at conversion risk and solve the issues. However, if your technology is underperforming and you do nothing, you can no longer support your bank's strategy and you could be out of business."

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# THE QUESTION IS, WHAT TIME IS THE RIGHT TIME TO MAKE A CHANGE

"The drivers of change are often based on corporate strategy. The bank may be in acquisition mode or adding a new business unit, like commercial lending," explains James O'Neill, senior analyst of Celent's banking practice. "If they're running a retail system, or something that won't scale to needed capacity after acquisition, they need a new core to support their strategic vision."

In other cases, the catalyst for change is more pain driven.

**"You have to look at the basic numbers. What's your efficiency ratio? What are your manual processes costing you?" says Schaus of CCG Catalyst Consulting Group. "You have to take a realistic look at your operation and your customer experience. If your current system is keeping you from meeting customer expectations, it is time to get a new system."**

Finally, one of the top drivers for seeking out a new core solution isn't rooted in technology at all. It is the level of service the bank is getting from its current provider. A core solution is among the top three line items on a bank's budget. When banks don't get the service and support level that that expenditure warrants–when the contact and resolution times wane–it's more than a red flag. It's time to find a new system, and a new technology partner.

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# THE WARNING SIGNS THAT IT'S TIME FOR A CORE SOLUTION CHANGE

- You're not getting the service you need from your current provider.
- Your core no longer supports your strategic vision.
- You still have manual processes or use multiple, disconnected systems.
- You manage your bank by spreadsheet.
- You don't have a 360° customer view.
- You can't deliver an omnichannel customer experience.
- Your provider isn't investing in your system.
- You have more open tickets than resolutions.
- You're failing compliance audits.
- You're losing your ability to compete.

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# CHOOSING THE RIGHT CORE TECHNOLOGY PARTNER

# CHOOSING THE RIGHT CORE TECHNOLOGY PARTNER

If you've decided your current provider can't take your bank into the future, then the selection process should begin. This requires you to consider everything from technology offerings to cultural alignment. And although system functionality plays a vital role in vetting the provider early on in the process, the ultimate decision typically does—and should—come down to one, very human thing. Namely, which vendor is going to make the best partner?

**"Banks have to evaluate their technology partners like they are single again and dating, with the goal of finding a long-term spouse," Paul Schaus of CCG Catalyst Consulting Group says. "Who do you have a real future with for the next 10 to 20 years?"**

There are some practical considerations, like the financial stability and reputation of the company—including how many years it's been in business, its growth history and customer retention. But, as intertwined as the core solution has become with the business of banking, selecting a new system is as much about people as process improvements.

"What distinguishes a good decision from a bad decision is fit, from a strategic and cultural standpoint," James O'Neill of Celent says. "Do they enable you to work how you want to work? Do you want someone to provide you with software and get out of the way, or do you want a partner to help you improve operations? Find the provider that aligns with your bank—technically, operationally, strategically and culturally."

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# TO FIND THE RIGHT CORE TECHNOLOGY PARTNER, ASK:

For a complete customer list, not a list of references.

How the company is audited.

To meet your actual account team, not the RFP presenters.

How many customers does each account manager support?

Is your account manager also responsible for new business development/prospecting?

How frequently will your account manager come on-site?

How many tickets do you log each week, and how many are resolved the same day?

How do you measure the quality of your customer support?

What's your average contract length?

What's your process for adding an enhancement, and do you charge for that?

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# CHOOSING THE RIGHT CORE TECHNOLOGY PARTNER

*But, how do you know it's not love at first sight—and that there's substance behind the perceived beauty?*

"To find out a vendor's true colors, ask real questions about service, like 'How many tickets do you log in a week, and how many are resolved the same day?'" O'Neill says. "If they can't answer those questions, if they don't have a methodology to collect data so they continually improve, that's a red flag. You need a partner with a culture of quality control."

*See the solution in action at similarly sized banks. And talk to a lot of customers.*

**"I can't stress the importance of reference checks enough. But, don't ask for a list of references, ask for a list of *customers* and then talk to those that fit your bank profile," O'Neill says. "You want to get a real feel for what it's like to be this provider's customer in the real world. If you simply ask for references, you'll get a list of one or two fans who'll only give you the positives."**

The net-net? You're going to be interacting with your core provider for a long time. Find a company that's compatible with your bank. Work with people who fit your people; with an approach that's compatible to yours. Above all, find a partner that consistently supplies the level of service that meets your expectations. In the end, the level of trust banks have with their core provider is as important as the base technology itself.
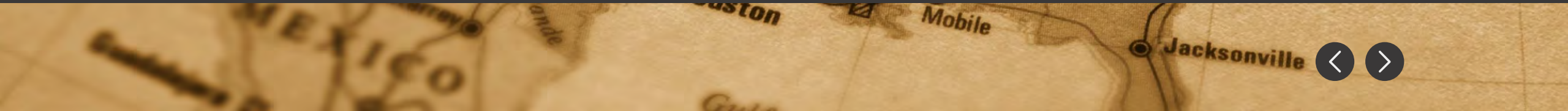
Finding the right long-term partner is essential once your bank identifies the need to make a core system change.

# THE PRE-SEARCH:

Contract Review and Budgetary Considerations

# THE PRE-SEARCH

## Contract Review and Budgetary Considerations

The search for a new core solution should begin at least two years before the current contract ends. Institutions should allocate at least one year for evaluation, due diligence and ultimately making the selection. Then, spend another year preparing for the change. This timetable provides not only adequate time to evaluate the options objectively, but also sufficient time to prepare bank staff for the transition.

It's also important to understand your financial liability. As with most transitions, costs are involved with moving from one system to another. Before starting your search, have your legal department review current contract terms. If you're breaking a contract, there will be liquidated damages. However, even if you honor the contract to term, the incumbent will still levy deconversion costs for putting together the test and conversion files.

**Unless the bank negotiated a fixed deconversion cost at contract initiation, most contracts indicate that the vendor will provide "reasonable assistance" to switch to another firm at "current rates,"[3] which are costs that could run as high as six figures.**

Although banks that run their systems in-house can attempt to extract these files themselves, or contract with a less expensive third party to handle the job, this approach can end up costing more in the long run, because it takes multiple attempts to get the files right. Unless they find a trusted, proven third-party vendor that can assist with the file conversion, banks often end up going back and paying the incumbent anyway. While it is okay to investigate third-party vendors, the best approach is usually to pay the money to the incumbent provider and get the required files the first time, rather than add complexity to the new implementation process.

At the same time, institution leadership should review all of the contracts for every application or ancillary product that integrates with the core in order to understand how those functions would be affected by a core change. They also should consider renegotiating a co-termed agreement at renewal to give the bank more options if they do go through with a core change.

Taking all of these steps before embarking on a core search will save unexpected surprises later on down the road.

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[3]Jackie Stewart, *Four Critical Topics Bankers Should Review in IT Contracts* (American Banker) http://www.americanbanker.com/issues/178_133/four-critical-topics-bankers-should-review-in-it-contracts-1060522-1.html

# IDENTIFY THE OBJECTIVES
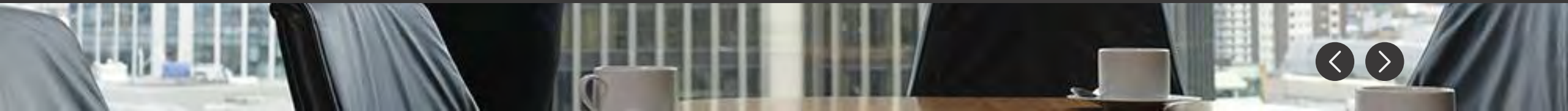
# IDENTIFY THE OBJECTIVES



On the most fundamental level, the foundation of a successful core solution search is a well-defined set of objectives that includes both operational needs and business functions required to support the overall strategic vision.

**"I can't overemphasize the linkage of the core decision to banking strategy. Where banks get into trouble is when they don't articulate their needs up front, and instead, go for the shiny, new thing. You have to create specific objectives at the beginning of the process and then stick with them," O'Neill of Celent says.**

**"For instance, sometimes the CIO gets fascinated by a certain type of technology and wants that above all else, while the CFO negotiates a great financial deal with a vendor that can't meet the bank's needs. You have to make a holistic decision that conforms to your business—technologically, financially and strategically."**

From a functionality standpoint, banks *do* have to identify where their current systems are falling short. But, the introspection goes well beyond basic operational improvements or nice-to-haves.

# IDENTIFY THE OBJECTIVES

"You have to know your future goals: where you want to be, as opposed to where you are today. Do a self-assessment to identify the gaps," Schaus says. "Then, choose the tools and technology that make the most sense to support both where you are today and where you want to go."

It's important to remember that there's not a universal "right" solution.  And, in many ways, that makes the selection process that much harder.

**"If every bank were the same, we would only need one core solution. But, the reality is much more complex," Schaus says. "Every bank is different. While it's true that institutions use core systems to function efficiently, you have to look at more than functionality. Does the solution fit with who you are? To answer that question, you have to know who you are—and who your customers are. You can't find the right technology without knowing your strategy, your market and your goals."**

The bottom line is this: you have to align IT with bank objectives in order to get the results you want from your technology investment.

ASSEMBLE A MULTI-DISCIPLINED SEARCH TEAM

# ASSEMBLE A MULTI-DISCIPLINED SEARCH TEAM

Now that you know what you're looking for on a strategic level, the next step is assembling the right team to conduct the search.

"Making a core processing decision cannot be a pure technology decision, nor can it be a pure financial decision. It's a *business* decision that cuts across all parts of the institution," O'Neill of Celent says. "The greatest risk is limiting the vision of what you really need by excluding specific players, like back-office operations, from the selection process. The decision has to be holistic and reflective of the collective voice of all the different constituencies."

*In short, any department that will be affected by the system change or its ancillary products should be represented on the search team.*

Although each of these team members will also carry on their other roles at the bank, it's critical that their work on the search committee takes priority. Instead of choosing people the different departments "can spare," get the most articulate, knowledgeable individuals you can for the best outcomes. This inclusive approach brings an additional benefit when the chosen system is implemented—departments are more likely to embrace the change because they were represented in the selection process.

Head of Customer Service

Chief Information Officer

One Person From Each Functional Area That Uses The Solution

President/ CEO

Chief Financial Officer

Core Conversion Head

Chief Operations Officer

**Who to Include on the Core Search Team**

# ASSEMBLE A MULTI-DISCIPLINED SEARCH TEAM

To ensure a successful selection process, the search committee should have the following components: a designated leader; a standardized way of sharing individual opinions; and a clear understanding that, although they're representing their functional areas, the ultimate goal is to find the best solution for the bank as a whole, not one or two areas.

That means the team should understand the bank's strategy and vision. They need clearly defined objectives (i.e., what the core solution has to be able to do), and a thorough understanding of must-haves and nice-to-haves, so they can judge the solutions accordingly.

It's imperative that the selection team has a document to standardize the review process.

**According to industry experts, this document can take many different forms, ranging from a scorecard with numeric ratings to a list of objectives and required capabilities–and everything in between. If you're using a consultant, that firm typically has a specific document that helps the team rate and review each vendor.**

This is not to say that the final decision is determined by democratic vote.

"As important as it is to have all of the right people involved in the search, the ultimate decision is a C-level decision, based on the facts gathered and recommendations of the committee," O'Neill says.

# THE DO'S AND DON'TS OF CORE SELECTION

## DO'S

- Assemble a team representing all functional areas.
- Perform a gap analysis to understand must-haves and nice-to-haves.
- Identify and articulate your objectives up front.
- Ask the company how it measures service levels, and for its current performance metrics.
- Ask for a complete customer list, not just a few references.
- See the system operate in multiple customer environments.
- Find the best fit for your bank, based on need, vision, budget and culture.
- Look for a partner, not just a vendor.

## DON'TS

- Base the decision on a type of technology or cost alone.
- Limit the vision of what you need by excluding departments from the search.
- Invite only those employees departments can "spare."
- Skip reference checks.
- Ignore the need for a cultural fit.
- Stay with what you have just to avoid a conversion.

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# CORE TECHNOLOGY CHECKLIST:

**The Must-haves For The New World Order of Banking**

# CORE TECHNOLOGY CHECKLIST:

The Must-haves For The New World Order Of Banking

Although every bank has to seek out the core solution that best fits its strategy and individual needs, there are some must-haves to compete in a changing digital world.

While it's important for search committee members to identify if specific applications are strategic necessities or nice-to-haves, it's equally critical to stand back and evaluate the solution based on its broader characteristics. Can you configure it to meet your needs? Does it have the basic business functions to support a customer-centric banking environment?

**The best advice? Our experts agree: Evaluate the broad system characteristics first, then look at specific applications. The following are the table stakes—all critical for competing in today's financial environment:**

# THE 8 TECHNOLOGY MUST-HAVES

Ensure your core system offers these components

**FLEXIBILITY & CONFIGURABILITY**

**COMPONENT-BASED ARCHITECTURE**

**EASE OF INTEGRATION**

**BUSINESS INTELLIGENCE AND CRM**

**EASE OF USE**

**MODERN TECHNOLOGY PLATFORM**

**BUILT-IN COMPLIANCE TOOLS**

**SECURITY**

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# FLEXIBILITY AND CONFIGURABILITY

Banks need a solution they can easily tailor to fit their own unique needs, without time-consuming, expensive, difficult-to-manage customizations. That means the system has to work "out of the box," but give your system administrator the capacity to tweak fields, screens and workflows to fit the way your institution works. Although every system conversion comes with some adjustments and changes, the goal is to maintain your institution's unique workflows or ways of doing business within your new, more efficient environment.

### Question 1

Can the solution be configured easily or does that require engaging a professional services team?

### Question 2

Does it use open architecture?

### Question 3

What are the steps for adding a new deposit product, and how quickly can that be completed?

### Question 4

Can you give us some examples of how other banks have configured the solution or made it their own, without engaging outside services?

# COMPONENT-BASED ARCHITECTURE

A component-based architecture gives banks the opportunity to add new applications as these come available, without changing out the entire solution. It's also important to choose a provider that offers a wide range of fully integrated tools and applications— mobile apps, CRM, business intelligence and other products that enable the bank to attract new customers and compete in a changing marketplace.

Getting more products from a single technology provider also streamlines support and eliminates the complexity of managing multiple vendors.

**Question 1**
What functions are built into the solution?

**Question 2**
What ancillary products do you offer?

**Question 3**
What new applications are currently in development?

# EASE OF INTEGRATION

## Question 1

Can you give us some examples of other popular applications, beyond your own, that seamlessly integrate with your solutions?

## Question 2

Why is your integration so tight; what is it about the way the system is built that makes it superior in that way?

System architecture should allow for seamless integration of the core provider's products as well as those of third-party vendors. There's a distinct difference between integration and interface. Integrated software fits with the core as easily as the pieces of a puzzle; integration is a bridge that makes the communication between systems happen.

So, the more integrated solutions the core provider offers, the more efficient the system will be for your institution; this will also reduce vendor sprawl and streamline vendor management.

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# BUSINESS INTELLIGENCE AND CRM

The core is a vehicle for collecting customer data. Built-in business intelligence tools and customer relationship management (CRM) solutions enable bankers to quickly turn that data into insight and create a better customer experience. Today, customers expect the same kind of experience from their bankers that they get from other retailers. The key is implementing a system that lets you mine data and understand your customer well enough to tailor your offers, your communications and your products to their needs.

## Question 1

Does the CRM offer the ability to add relationship data?

## Question 2

Can you view the information by household as well as individual account holder?

## Question 3

Can you easily push out customer data and targeted offers to your front-line staff?

## Question 4

Can you easily segment your customers for focused marketing?

## Question 5

Does the solution provide the tools you need to create a customer-centric culture at your institution?

## Question 6

Does the system provide a centralized customer view?

# EASE OF USE

The solution should be as simple to navigate as a mobile phone, so your people can work more efficiently, and spend more time focused on the customer. This is where having some front-line and back-office representation on the search team helps in the decision-making process. Let them determine if the system is easy to navigate, and if it can reduce steps from what they're doing to accomplish the same task today.

**Question 1**

What makes the system easy to use?

**Question 2**

How fast can new employees typically be trained on the system?

**Question 3**

Is the system as intuitive from a system administrator perspective and, if so, why?

# MODERN TECHNOLOGY PLATFORM

Banks need more agile, open architecture to support mobile applications, like tablets inside and outside of the branch. Look for the most current architecture to ensure it can support the applications of the future. Make sure your IT expert does a deep dive in this area. If the system is lacking in the foundational technical platform, you're already behind before you begin.

### Question 1
Does your platform work on tablets and other mobile devices?

### Question 2
How often do you implement platform upgrades?

### Question 3
What future applications do you have in development?

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# BUILT-IN COMPLIANCE TOOLS

The core system should aid in compliance, with alerts and automation to help you respond to changing regulatory requirements without eroding efficiency. The best solutions are also the ones that regulatory auditors embrace, because it gives them the transparency they need to make sure institutions are strictly following compliance guidelines.

**Question 1**

How does your internal compliance team stay on top of new regulations?

**Question 3**

What sort of support/education/webinars do they offer to prepare customers for upcoming changes?

**Question 2**

How far in advance do they drop releases before new measures go into effect?

**Question 4**

What kind of alerts or workflow enhancements are built into the system to ensure compliance?

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# SECURITY

Hosted solutions should have an enterprisewide security framework in place, not just safeguards around individual parts of the system. Having these standards in place is more important today than ever, as fraud and the sophistication of attacks continue to accelerate.

### Question 1
What are your security protocols?

### Question 2
How do you monitor/guard against new types of attacks?

### Question 3
What sort of backup and business continuity do you offer?

### Question 4
How experienced is your security team and what are their credentials?

# IN-HOUSE VS. OUTSOURCED CORE:

**Weighing the Options**

# IN-HOUSE VS. OUTSOURCED CORE:

## Weighing the Options

When bank leaders evaluate core providers, they also should weigh the pros and cons of their current delivery model. More specifically: do they want to run the system in-house or move to an outsourced environment?

**"Since the banking crisis of 2008, we've seen banks pivot toward outsourcing as the preferred delivery model," explains O'Neill of Celent. "With BASIL III, bankers are more likely to preserve their capital for driving their immediate business. So, they're outsourcing services instead of buying servers."**

The Aite Group has observed a similar trend: **"**We see banks increasingly turning to a hosted model to increase flexibility and save money by reducing overhead," Albertazzi of Aite Group says. "We're seeing leaders refocusing their resources on banking and customers—using their IT staff on building out differentiating capabilities, as opposed to running and maintaining a system."

# IN-HOUSE VS. OUTSOURCED CORE:

Weighing the Options

At the same time, the advent of cloud and the growing adoption of cloud-based services in business and consumer markets have eradicated the early fears of multi-tenant models. Bank leaders are discovering that, in most cases, they actually *gain* control, visibility and protection from cyber threats in a hosted environment.

"Outsourcing has become a mature model with cloud, and it is far more accepted as a viable option than it was in its infancy," O'Neill says. "Bankers are no longer looking at outsourcing as a security threat or loss of control. It's a business decision to preserve capital, like leasing branch space instead of owning it."

***So, how can bankers determine the best model for their institution?*** Deciding whether or not to outsource is both an operational and a financial decision for most institutions. But, in making the judgment call, it is critical to look beyond direct costs.

Identify how outsourcing will affect:

| Training | Staffing | Turnover | Compliance & Regulatory Support | Audits | Payment Fraud Rates |
|---|---|---|---|---|---|

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# EFFECTIVE CHANGE MANAGEMENT

# EFFECTIVE CHANGE MANAGEMENT

**There are two distinct parts of a core system conversion: the technical aspect and the people aspect.** Yet, the technical aspect often gets all of the attention. Getting your staff ready for—and enthusiastic about—the change is as important as effective file transfer.

**The most successful change management strategy has three key parts: communicate, advocate and engage.**

### Communicate

It's important that banks keep a constant stream of communication going on the core system change as soon as the final decision is made. Let the staff know why this change is good for the bank, and how it will help them be more successful in their individual jobs. In other words, let your staff know what's in it for them.

Whether you choose a series of email blasts, create break room posters or have a demonstration long before training on the new system begins, it's important to involve your staff in the change. Continual communication, from the top down, makes for an easier transition in the end.

All of these efforts help executives and managers explain the bank's vision to their employees. It also gets them on board not only with the system change itself, but also in understanding how that change is going to fuel the future growth of the bank. It's important to remember that every employee, regardless of position, has a role to play. So, these communication efforts should be all-inclusive, not limited to certain positions or functional areas.

### Advocate

Find advocates within each functional area who can get that area excited about the new solution. Have your search team participants start spreading the word, and, after the decision is made, engage one or two people from that team to get a closer view of the system to come. The goal is to create positive, honest chatter in the various groups.

### Engage

Keep your staff engaged by getting them started with training early, long before the actual go-live date. If your provider offers e-learning, start using these tools early. Not only will your employees be more confident at go-live, but they'll also be more enthusiastic about the change.

# BEST PRACTICES FOR A SMOOTH IMPLEMENTATION
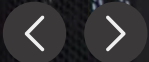
# BEST PRACTICES FOR A SMOOTH IMPLEMENTATION

How can you make your core system implementation as smooth and painless as possible? After all, the idea of the conversion alone is what deters many banks from even considering a change. When you're evaluating providers, make sure you evaluate their implementation process, as well as the system. Ask for documentation that details each stage of the conversion process—and make sure you question references about their implementation experience.

**Here are a few best practices to guide your appraisal process and what to expect at each stage of the conversion process.**

## Immediately After Signing the Contract with Your New Provider

To avoid delays, the designated representative from your bank should do the following as soon as possible:

**Notify your current provider.**

**Resolve any financial liabilities (if you're moving prior to contract expiration).**

**Put a non-disclosure agreement (NDA) in place with your new provider so that the team can get test files early in the process.**

# QUESTIONS TO ASK WHEN EVALUATING
## A PROVIDER'S IMPLEMENTATION EXPERTISE:

How many conversions do you do per year?

What will my implementation team "look like?"

What is your data conversion process?

What is the average time frame?

How many people will be on-site for the conversion?

What kinds of resources do we need to make available to you?

Can you provide documentation that details each stage of the implementation process?

How long will they stay on-site?

What kind of training do you provide?

Do you have documentation detailing the conversion process?

Will I have a post-implementation team to help us adjust to the system?

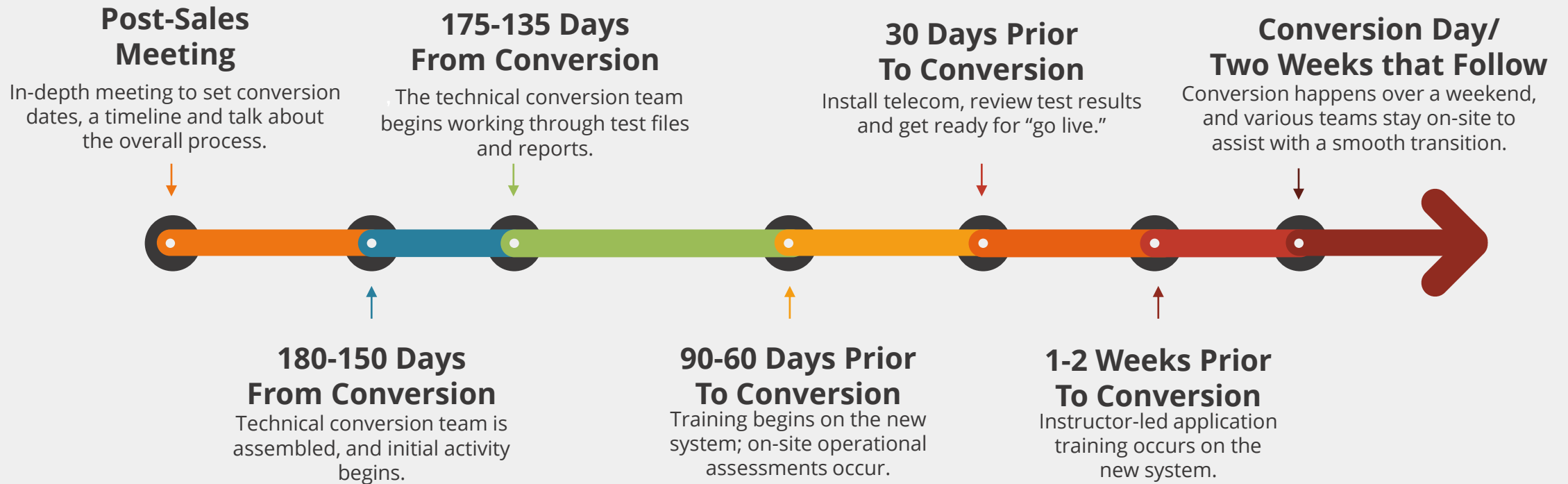Is training free-of-charge or is it an additional cost?

How many years has your conversion team been working with you, and can we meet them?

When do we start working with our account manager?

# IMPLEMENTATION TIMELINE

**Post-Sales Meeting**
In-depth meeting to set conversion dates, a timeline and talk about the overall process.

**175-135 Days From Conversion**
The technical conversion team begins working through test files and reports.

**30 Days Prior To Conversion**
Install telecom, review test results and get ready for "go live."

**Conversion Day/ Two Weeks that Follow**
Conversion happens over a weekend, and various teams stay on-site to assist with a smooth transition.

**180-150 Days From Conversion**
Technical conversion team is assembled, and initial activity begins.

**90-60 Days Prior To Conversion**
Training begins on the new system; on-site operational assessments occur.

**1-2 Weeks Prior To Conversion**
Instructor-led application training occurs on the new system.

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# THE POST-SALES MEETING



The post-sales meeting, held as soon as is convenient for bank officials after the contract signing, kicks off the conversion process. It is typically an in-depth, four- to six-hour meeting between bank leaders and the vendor's conversion manager to set conversion dates, a timeline and talk about the overall process.

**During this meeting, the two parties will identify the individuals needed to orchestrate the implementation correctly. Typically, the vendor will request that the bank identify an implementation manager, a systems administrator, an individual to coordinate the data exchange and an internal point-of-contact for each application.**

This also is the point at which the provider will start gathering information about bank products and internal coding for each application. For example, they'll need to know the number of checking accounts offered, types of loans provided and any discontinued products that may be in the database. Typically, the vendor will provide a questionnaire or other document requesting this information as a leave behind, as some of the answers could take some digging and require input from different functional areas.

# 180-150 DAYS FROM CONVERSION

During this time, activity begins.

## TECHNICAL CONVERSION TEAM:

**A conversion manager**

**A team of conversion specialists**

**Branch support**
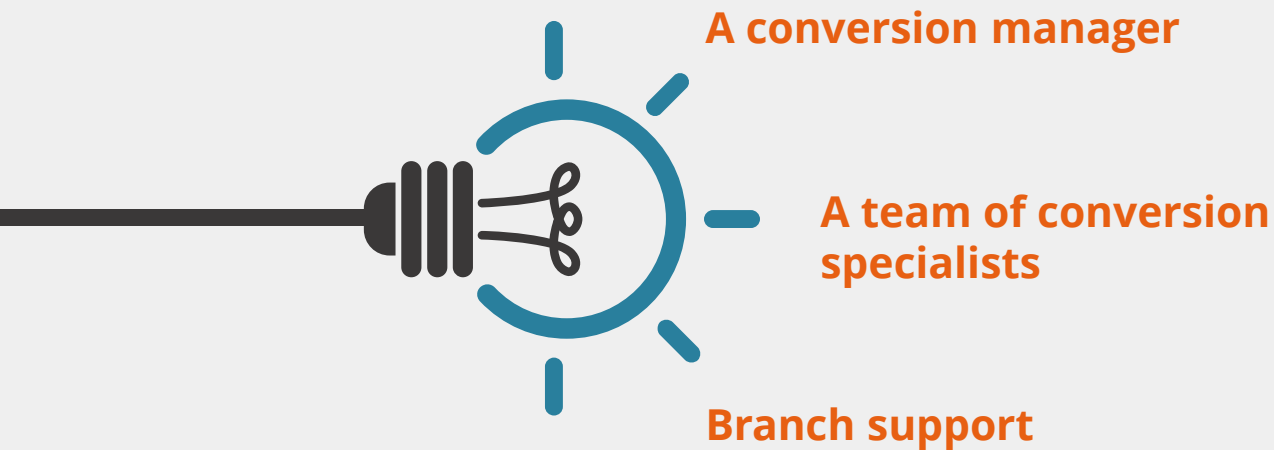
Based on the information provided in the post-sales meeting, the number of branches and other details specific to the bank, the vendor will assemble a technical conversion team, which typically includes a conversion manager, team of conversion specialists and branch support.

Some vendors also create a second team of "transition specialists." The conversion team takes care of the technicalities around data transfer and physically getting the new system up and running according to the bank's needs; the transition specialists focus on helping the employees effectively work with the new system.

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# 175-135 DAYS FROM CONVERSION:

## Test File and Report Evaluation

At this stage, the vendor's technical conversion team begins working through test files and reports. To minimize disruption, experienced vendors typically pull these files on a Thursday night and convert them on Friday, so people are available at the bank to answer questions.

The goal is to look for variances, so there are no surprises down the road.

For example, initial bank input could indicate that the institution has six checking products, but the files could show eight. Two may be outdated and just part of the old system. Or, the bank may not sell secondary mortgages, but the technical team could find Fanny Mae codes in the files. The testing and data-mining process clarifies things upfront, instead of having issues at go-live.

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# NEXT STEP: CREATE BANK CONTROL RECORDS AND DATA TRANSLATES

175-135 Days From Conversion

After reviewing and analyzing the data, the technical conversion team builds:

**Bank Control Records**

Which dictate how the new system manages and uses bank data.

**Define Translates**

Which is the design for field-to-field data mapping from the previous core system to the new one.

**Conversion Program**

Create new or update existing conversion programs to support the unique needs of the conversion.

Then, it's test, readjust, test, review, tweak and test some more. All of this happens behind the scenes, but it's still important to have the internal bank team available in case questions or issues arise.

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# 90-60 DAYS PRIOR TO CONVERSION

If the vendor has a transition team, they begin engaging with the bank at this point in the implementation process. They will come on-site for the following:

### Discussion
Discuss the transition process, training priorities and specifics of training classes.
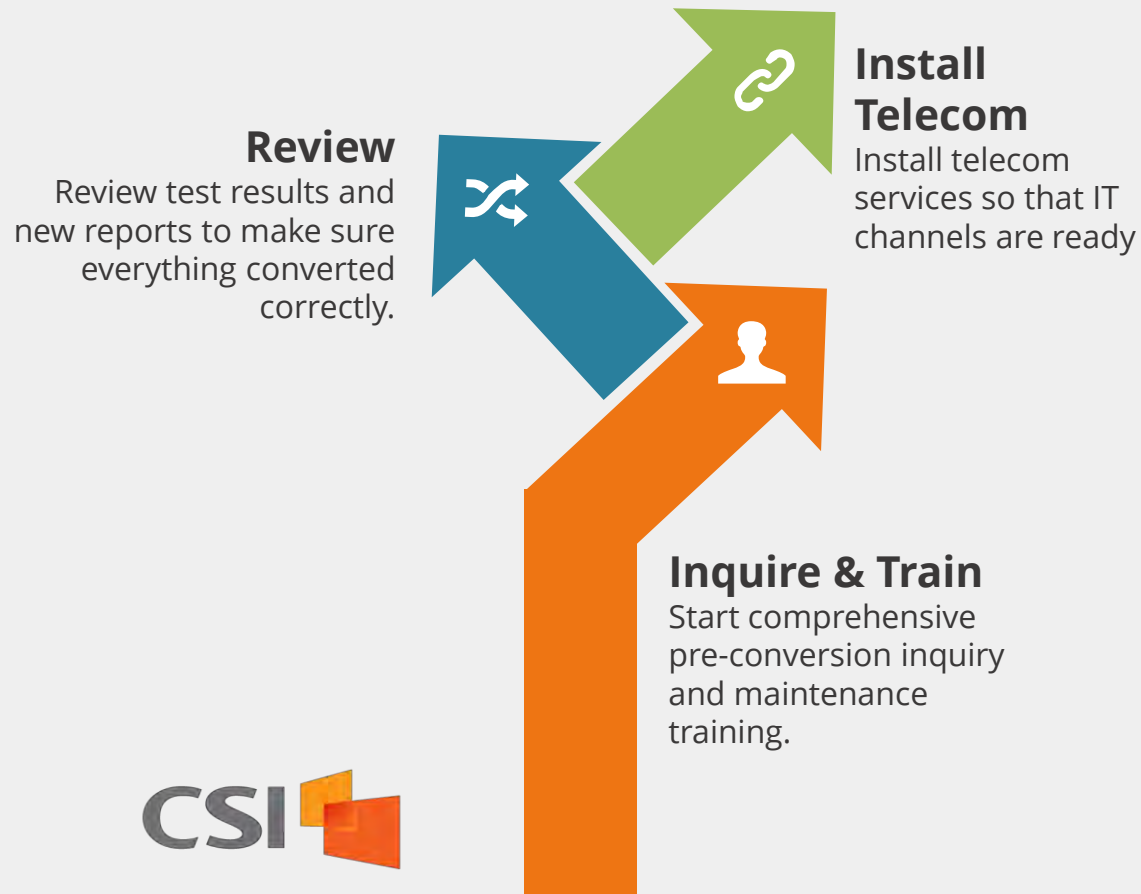
### Analysis
Conduct an operational analysis that covers the processes and procedures for each functional unit in the bank affected by the change.

This is the "people" part of the change. First, the vendor gets the technology and data ready; then, it should focus on the people at the bank who use the technology, and start working with them to ensure a smooth transition.

# 30 DAYS PRIOR TO CONVERSION

At this point, it's all about getting the details ready for "go-live" day.  The vendor will:

### Review
Review test results and new reports to make sure everything converted correctly.

### Install Telecom
Install telecom services so that IT channels are ready

### Inquire & Train
Start comprehensive pre-conversion inquiry and maintenance training.

**Conversion Day and the Two Weeks that Follow**

Best practices dictate that the conversion happens over a weekend, with the transition team on-site. This team, which is the "training wheels" of the implementation process, typically stays on-site for two weeks after the conversion to support bank staff.

The technical conversion team should remain engaged and behind the scenes to support the resolution of any data issues that may be identified during this period. The goal is to get the bank back to "business as usual" as quickly and efficiently as possible—but with more efficiency, flexibility and capabilities.

IT'S IMPORTANT THAT ALL HANDS ARE ON DECK AROUND THE TIME OF CONVERSION. IT'S IMPERATIVE THAT THE BANK BLOCKS VACATIONS FOR KEY PERSONNEL THE 30 DAYS BEFORE AND 30 DAYS AFTER CONVERSION TO ENSURE THE BEST OUTCOMES.

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# GETTING THE MOST OUT OF YOUR TECHNOLOGY INVESTMENT

# GETTING THE MOST OUT OF YOUR TECHNOLOGY INVESTMENT

After the dust settles, and the staff gets more comfortable on the new solution, most banks will start seeing some measurable, tangible results. Although these results vary, based on every bank's "starting point," the most efficient institutions don't stop with these initial gains. They adopt a culture of continuous improvement.
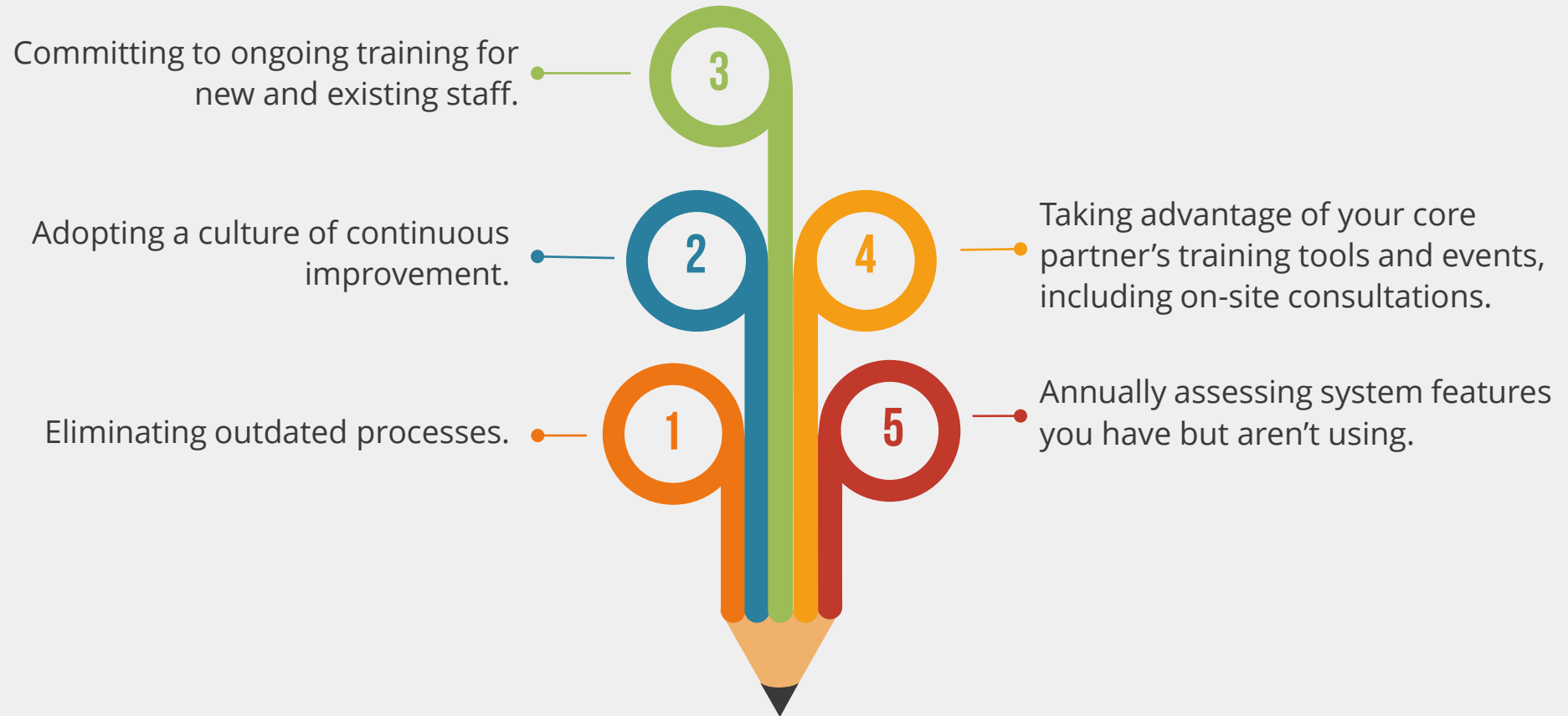
"Any bank switching core solutions should approach it like spring cleaning. They use it as an opportunity to look at business practices, loan operations and operations management and 'clean up' outdated business practices," O'Neill of Celent says.  "The wrong way to approach it is to say, 'I'm switching from core A to core B, but I want to cut and paste the way we were doing things before into our new system."
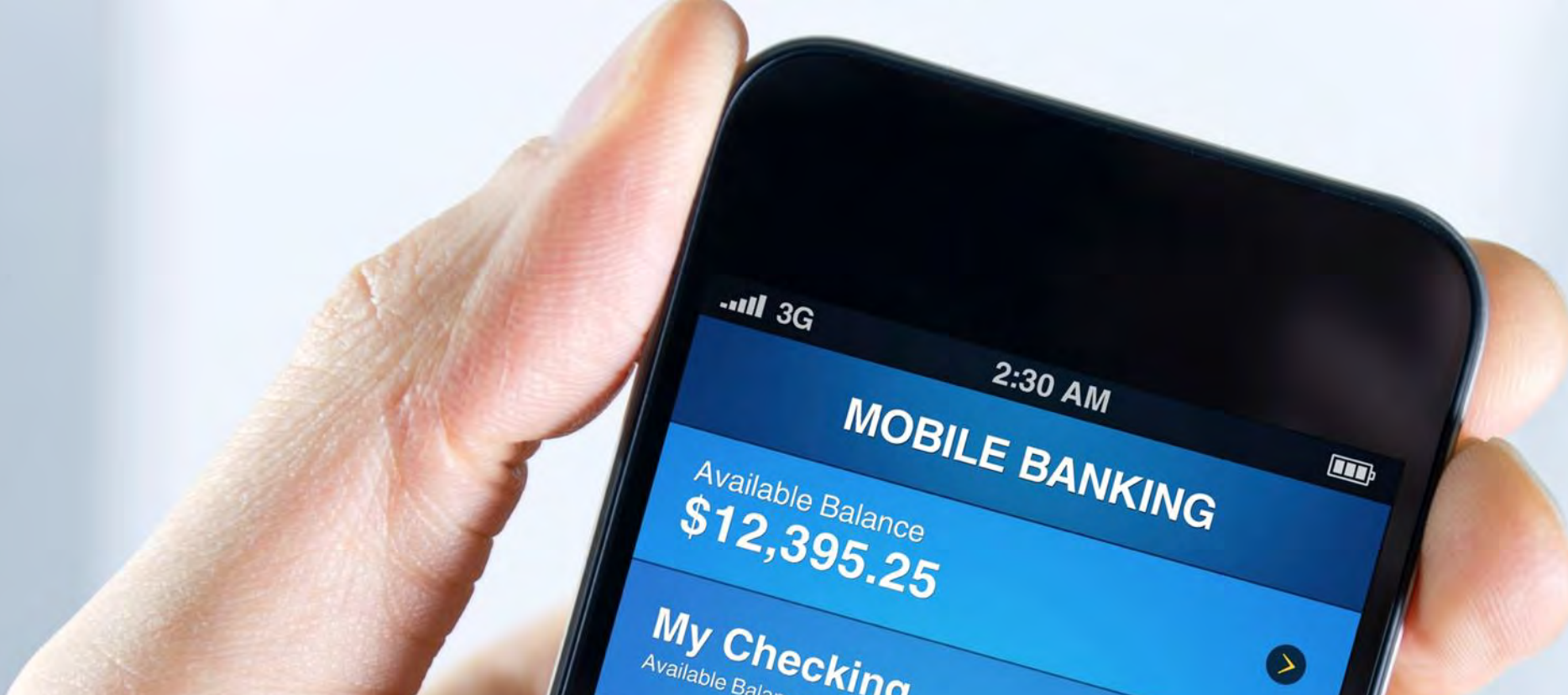
However, even institutions with the best of intentions often fall short when it comes to continuing education.

**"Typically, there's a flurry of training in the beginning and that's it. Banks always have staff turnover, while core system capabilities expand. The problem is, banks rarely exhibit the same dedication to training as they did at the time of implementation, which results in a knowledge gap," O'Neill explains. "(Banks) start asking their providers why they can't do this or that. The answer is often, 'You *can* do it; your people just don't know *how* to do it.'"**

In addition to a commitment to internal training, make sure you fully utilize all your provider has to offer, from webinars and online classes to user group conferences. These events offer excellent opportunities not only to hear about new features, but also to understand how other users work with the system. Their experience can help your institution maximize your organization's system value as well.

# MAXIMIZE YOUR CORE SOLUTION INVESTMENT BY:

Committing to ongoing training for new and existing staff.

**3**

Adopting a culture of continuous improvement.

**2**

**4**

Taking advantage of your core partner's training tools and events, including on-site consultations.

Eliminating outdated processes.

**1**

**5**

Annually assessing system features you have but aren't using.

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YOUR CORE HOLDS THE KEY TO THE FUTURE

# Your core holds the key to the future

Contact us now to learn more about CSI's approach to banking technology and partnership with our customers

Your core processing platform is, perhaps, the most important technology investment your bank makes. And with technology changing so quickly—and transforming customer expectations for banking services—it's important that you invest in a system that moves your bank forward.

**Your bank's strategy will be unique, so use this guide as a framework for making a strategic decision.**

And if you'd like to learn more about CSI's approach to banking technology, please feel free to contact us.

**CSI offers end-to-end financial technology solutions.**
Banks need a technology partner, not a core provider. For more than 50 years, banks have relied on CSI to deliver innovative solutions and first-class service to help them become more competitive, compliant and profitable

✉ getresults@csiweb.com

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