

CAPCO

NAVIGATING THE COMPLEXITIES OF A CORE BANKING SYSTEM CONVERSION



Many banks have implemented a modern suite of digital and mobile tools to enable clients and advisors to interact with their accounts, access planning tools, and execute transactions. A complex web of legacy and modern computing, as well as cloud and data center storage are utilized to provide a spectrum of functionality ranging from interactive mobile applications to monthly paper statement generation. This disjointed mix of technology platforms complicates any effort to consolidate or upgrade these banking systems, and firms are finding it harder to plan for this type of transformation.

Whether it is driven by a merger, acquisition, or strategic decision to upgrade a current system to meet the shifting needs of the business and clients, there are many critical factors underpinning a successful banking system conversion.

Understand the true scope of the project

One of the biggest pitfalls companies encounter during a banking system conversion is underestimating the actual scope of what is required, which results in an overly optimistic timeline. A few of the common issues encountered during project planning are failing to fully understand the business, technical, or operational impacts of the conversion, allocating the appropriate resources and timing, or lacking a significant contingency for the unknown.

Banks often take a similar approach to system conversions as they do any other project and assume existing resources can spare the capacity required to support the project. However, evidence has shown that the conversion itself demands full-time dedicated resources.

Banks that effectively plan for the scope of their system conversion are careful to fully identify what systems are changing and understand the full range of data requirements. They also plan for client impacts, identify processes and procedures that require adjustments, plan internal training, create a post-conversion backlog, and involve their third-party vendor management team to address any required vendor off-boarding.

Identify associated dependencies and resource requirements

System conversions require integration with surrounding applications and databases, and the number of integration

points is typically proportional to the complexity of the ecosystem. These integrations drive the need for additional planning, development, and testing time in the program, as well as specialized architecture and API (application programming interface) development skillsets.

The nature of a banking system conversion requires stakeholders to be consulted and heavily invested from front-to-back across the organization. Accomplishing this requires implementing structured communication protocols, aligning on clear roles and responsibilities, and providing transparency around where information and support will be needed.

Once this framework is in place, it is time to begin eliciting requirements, operational nuances, manual exception processes, and any other factors that need to be woven into the conversion program. Identified activities can then be detailed in a timeline, including contingencies, dependencies (which may not be clear from the start), and allocations for vendors and third parties.

Furthermore, there will be a great deal of dependencies across workstreams, requiring realistic delivery dates across teams. An important consideration to keep in mind when planning delivery dates are other dependent, parallel projects utilizing the same pool of resources can cause delays. Banks do try to limit the number of concurrent transformation efforts and system conversions taking place across the organization, but inevitably there will be other projects competing for the same resources.

Plan for contingencies

System conversion programs are typically complex, and it is normal for implementation dates to shift due to evolving

requirements and the impact of other programs on available resources and hence the timing on the migration program. There is a natural tendency to adjust dates conservatively – for example a three-month impact from a dependency leading to the timeline being pushed out three months.

However, it is highly recommended to build contingency between large program efforts to absorb potential setbacks and allow migration work to continue without forcing frequent replanning efforts.

Having to continuously replan downstream activities due to missed milestones will have an adverse compound effect on both capital expenditure and opportunity costs, while also contributing to workforce fatigue. To successfully execute a conversion, banks need to ensure they have

ample resources and contingencies built into the plan to ensure ample time to replan and communicate, address deteriorating morale, and accommodate additional coordination with field operations, vendors, and customers.

Establish clear workstreams within a unified plan

To achieve success, it is important to involve a diverse team from various departments of the organization during the planning phase. This helps identify the overarching objectives and to formulate a comprehensive solution design. Planning will be immediately followed by splitting into workstreams to identify the details – such as work breakdown structure, vendor needs, requirements, dependencies – and then regrouping to pull everything together into a unified plan.

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1.1 Vision & Operating Environment Review	2.1 - Solution Validation						3.1 Implementation Planning
	Requirement Review	Fit / Gap Review	Product Configuration - Best Practices	Rollout Planning			
	2.2 - Journey & Process Design						Integrated Project Planning
Personas	Journey Maps	Process Taxonomy	Process Mapping	Business Requirements	Processing Models		
2.3 - System & Platform Integration						Resource Planning	
Architecture Planning & Design	Integration Design	Interface Planning	Co-Existence Design				
1.2 Target Capability Model Definition & Requirements	2.4 - Data Migration						Budgeting & Business Case
	Understanding the applications for Data Migration	Data Migration strategy/ approach	Define Migration Plan	Data Mapping			
	2.5 - Risk & Control						Program Infrastructure & Tooling
	Program Risk Evaluations	Control Planning	Process based Risk Controls				
2.6 - Organizational Change Management						Implementation Team Design	
Communications Strategy	Communications Plan	Training Strategy	Stakeholder Analysis				

Aligning capacity in a logical and appropriate fashion is critical to planning and executing a banking system conversion since all projects come with a level of uncertainty and many variables. Carefully managing resource capacity, expertise, relationships, institutional knowledge, and leadership abilities are central elements to building a robust team to execute a system conversion.

In our experience, capacity is typically the most critical element that is lacking. Also, overcommitting resources can put unnecessary pressure on project timelines and impact output quality, or even result in negative impacts on daily operations as project tasks overtake your subject matter experts' regular priorities. Every conversion effort includes a few key individuals who possess specialist expertise of the systems and business processes at the heart of the conversion.

System conversions that assign a higher proportion of employees to the program on an exclusive basis typically see a higher success rate. Additionally, large projects that have key resource dependencies will often use 'pairing' – backstopping key individuals with another employee to minimize the risk of capacity issues and support knowledge preservation.

In some cases, financial incentives are provided to increase retention rates for critical resources to remain with the company at least until the end of the conversion and mitigate the risk of key-person attrition while improving employee morale on the program.

As is often the case in any technology project, delays can occur in the testing phase. Compressing the testing timeline to accommodate earlier delays and maintain the desired release date can severely impact the overall quality of the release. This in turn potentially leads to production failures, reputational risk, and a negative client experience.

Scheduling (and defending the need for) adequate testing periods, including multiple rounds of mock conversions for data files, is an essential consideration when determining the project delivery date. In a system conversion, aspects of data mapping, data conversion and data validation demand

a uniquely high degree of rigor that is put in jeopardy if the testing timeline is rushed.

Ensure clearly defined alignment and ownership across the organization

Any successful program implementation starts with clear executive ownership. The most successful banking systems conversions are backed by a senior executive in the firm who advocates and communicates across the organization on behalf of the program.

Most banks are organized into business silos, which presents a challenge when it comes to firm-wide communication and prioritization. Transparent executive ownership of a program can ensure clear and focused messaging and reduce political challenges associated with competing priorities.

There is a significant need for cross-functional teams of SMEs during a system conversion— client-facing staff, operations, technology, data, integration, architecture, project office, change management, communications, and training. All will be key to successfully executing a conversion program, even if it may not be the highest priority for each area.

Strong executive leadership can ensure that the value of the project is communicated to all areas of the organization, while also underlining the importance of everyone's contribution. Large transformation efforts that lack a strong executive voice tend to lose organizational traction and team commitment over time.

Focus on strong internal and external communications

When it comes to ensuring business readiness and a seamless client experience, the importance of robust internal and external communications plans is an often overlooked aspect of a system conversion, with the focus instead falling merely on technical delivery.

Both require a significant amount of time to properly plan and execute. Additionally, communications to clients are often mandated by regulation and typically must be shared

either 30, 60 or 90 days in advance. It is important that communications are managed and led centrally, particularly when they relate to significant changes, as there is otherwise a real risk of overwhelming clients with messages or key communications being missed entirely.

Over and above the client impact banks need to be clear on the relevant regulatory communication requirements, as well as the scope of content creation efforts, the associated delivery channels, and lead times for each step to map out accurate delivery dates.

Planning effective resource deployment is highly dependent on this analysis, and banks must ensure they have sufficient dedicated resources available. This may involve temporarily adding consultants or vendors, hiring training and communication agencies, or tapping into shared project pools available within the bank. It is also advisable to review call center resource capacity with a view to planning for a surge in customer enquiries.

Clients are not the only impacted constituency given the degree to which a systems conversion can alter how a firm itself operates. Even if employees' tasks essentially remain the same, the processes and procedures required to complete them will almost certainly be different post-conversion.

While frontline employees need to understand and be able to articulate the impacts on clients, operations teams also need to understand the ramifications from a back office perspective. A focus on organizational change management is accordingly valuable prior to executing a system conversion to ensure the business change takes place in an efficient manner.

Crucially, firms need to do more than simply tell their employees what is happening – they also need to train them. The internal communications strategy should include an associated training plan with training resources and a central point of contact for questions. Underestimating the importance of communications and training will have negative impacts on the adoption and usability of a new system.

FINAL THOUGHTS

System conversion programs are complex and require special attention to people, processes, and technology. Understanding and managing the scope, resources, program management, client impacts and staff training are all critical steps, both in advance of and throughout a technology transformation.

At Capco we have extensive capabilities and experience in planning and executing banking system conversions. Please contact us to discuss how we can ensure your desired outcomes while minimizing impacts to your clients and operations.

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ABOUT CAPCO

Capco, a Wipro company, is a global technology and management consultancy focused in the financial services industry. Capco operates at the intersection of business and technology by combining innovative thinking with unrivalled industry knowledge to fast-track digital initiatives for banking and payments, capital markets, wealth and asset management, insurance, and the energy sector. Capco's cutting-edge ingenuity is brought to life through its award-winning Be Yourself At Work culture and diverse talent.

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