CORE BANKING IMPLEMENTATION PERILS

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A core banking implementation is no different to open heart surgery. You make a change in a live context, without disrupting business-as-usual. And therein lies the challenge

After 40+ global core banking implementations involving hundreds of suppliers, thousands of users and managing many man-years of effort, it is relatively easier to identify patterns of misconceptions and common errors that banks make. If you are in the middle of a core banking implementation or planning one, here are five things to address.

1. Is your core banking implementation a technology project?

Perhaps the most pertinent question that needs be to answered is: would you consider the core banking replacement purely as a technology initiative? If the answer is yes, it could be the graver of errors costing the programme, and the bank, dearly.

Building business ownership is not just about having a steering committee that constitutes leaders from all functions of the bank, but also about ensuring awareness of the larger end, and participation in the programme is institutionalised across levels: including a core business team that is engaged right from the point of selecting the solution, to engaging in the product run plan, parameterisation, migration of data, testing, simulation and cutover. The PMO and technology functions can facilitate in bringing together participation and supplementing the business role – but it would fail miserably as a mere substitute.

2. Have you got the supplier engagement model right?

The likelihood of a programme meeting its stated timelines and budget is higher when the engagement is driven on a fixed fee model with deliverable-linked payment milestones, and not on a time and material basis. More than 60% of core banking programmes are reportedly behind their timelines and exceed original budgetary estimates, and a majority of them do not have a tight payment model or rigour tied to delivery.

While it is now common practice to have third party service providers in the role of data migration and testing services, the model gets much more complicated when there are multiple solution providers. A tight engagement model and linked payment terms could well be the proverbial stitch in time that saves nine.

3. Have you imbibed the secret sauce: ‘Adopt & Adapt’?

A well understood, yet most common challenge with many core banking programmes is the degree of customisation. Keeping a reign on this is not only critical for the effort and the cost of implementation to remain under control, but also ensures that the complexity of interfaces, testing and integration is well managed. And this isn’t rocket science, if one sticks to what I call the secret sauce to success: Adopt & Adapt.

Adopt the right solution: Investing time, effort and money to determine the best fit solution is well worth it, as this is half the job done – of course, if done well. Picking the right solution, that meets the critical requirements, addresses all the mandatory needs of the bank – be it that of compliance or customer service, and ensuring it has the proof of concept demonstrated with
stakeholders, clearly preparing the stakeholders for the change and its impact, and identifying the timing and mode of communication. Informing a customer about a potential change to his/her account number or a channel downtime should be well timed. Too early may create panic, and too late will most certainly result in a poor experience. Setting right expectations, at the right time, is key.

5. The final countdown: are you ready?

It’s not just the system and its readiness, but also the elements surrounding it, that need to be in place before you can move to a new platform. Cedar’s RAPID framework is used to determine readiness across five key parameters: Resources; People, including user-readiness; Application: solution and surround systems; Processes: customer communication, business process understanding; Infrastructure: datacentre, networks, channels and branches; Data: migration and cutover plan.

If any one of the above is not in a state of absolute readiness, the post cut-over experience becomes sub-optimal and challenging. As stated earlier, a core banking implementation is like open heart surgery, and the stakes can be high for the bank. If you are looking to carry out an operation, the above five questions are worth watching out for!