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Boosting Financial Institution Efficiency From Assessment to Implementation

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Why a Business Opportunity Assessment (BOA)?

- Focuses on the intersection of structure, process, and systems
- May assess a functional area, specific department, or entire organization
- Objectives of recommendations include efficiency, quality, control, and innovation
- Recommendations include staffing changes, process improvements, and/or system selection
- Goal is improved operational efficiency and effectiveness

Analysis of Current and Future State

Current State Summary

Future State Vision

Prioritization Matrix

Implementation Roadmap

BOA Next Steps

Business Opportunity Assessment (BOA)

System Optimization	System Selection	Contract Negotiation	Implementation
Discover ways to improve process and system efficiency	Choose systems that support efficient operations	Contract for system efficiency	Implement improvements and systems

Timeline Considerations

	Weeks		Months			
	Business Opportunity Assessment	System Optimization	System Selection - Core System	System Selection - Ancillary System	Contract Negotiation - Core System	Contract Negotiation - Ancillary System
Process	8-10	10-12	10-14	5-6	6-8	4-6
Implementation	Varies	Varies	6-12	4-8	6-12	4-8
Total	**8-10 weeks[1]**	**10-12 weeks[1]**	**16-26 months[2]**	**9-14 months**	**12-20 months[3]**	**8-14 months[3]**

[1]Not including next steps
[2]Ideal time to start is 18-30 months before current core system contract expires
[3]If implementing a new system

Why System Optimization?

- Focuses on process and system usage of a current system
- Identify process and system gaps between the current and target state
- Verify functional requirements
- Recommendations include process improvements and system configuration or selection
- Goal is better optimization of current system

Current State and Gap Analysis

Current State Summary

Functional Requirements

Future State Vision

Implementation Roadmap

Case Study

Institution assessed its loan operations and identified delays in the loan origination and approval processes.

As a result, loan origination workflows were restructured to eliminate redundant steps and streamline processes.

The loan origination system was enhanced to automate various stages of the loan process, from application submission to approval.

Enhancements were made to the integration between the loan origination system and other systems. This improved data flow and reduced processing times.

The institution significantly improved its loan processing efficiency, reduced errors, and enhanced satisfaction.

Considerations

- Existing technology versus new
- Technology integration
- Security and access controls
- Scalability
- Vendor management
- Test environment
- Predictive analytics

Why System Selection?

- Focuses on identifying and evaluating potential system replacement
- Perform a needs assessment, system analysis, and evaluate various options
- Conduct due diligence and understand any risks
- Select a system that supports the institution's long-term success
- Negotiate a contract with conducive terms at a competitive price
- Goal is selection of a new system

Strategic System Selection

Needs Assessment

System Analysis

Due Diligence

Select System

Contract Negotiation

Case Study

Institution signed an agreement in which all products had an initial term of seven years.

BUT the “start date” for the products was not well defined in the agreement:

Some product start dates began at execution, while others began at implementation.

Additionally, the products had different auto-renewal term lengths.

Also, new products were added by the institution throughout the term, each with unique expiration dates.

The institution was unable to terminate their existing agreement without incurring significant penalties.

Considerations

- Incumbent system
- Ancillary systems
- Technology integration
- Due diligence
- Role of third and fourth-party vendors
- Running dual systems
- Vendor management

Why Contract Negotiation?

- Focuses on proposed vendor system contract
- Identify strategic initiatives, needs, and overall system and vendor expectations
- Review the complete offering, and price, and appraise terms and conditions
- Negotiate a contract with conducive terms at a competitive price
- Goal is contracting for a system aligned with strategic initiatives

The Cost of Doing Nothing

Auto-Renewal on Existing Contracts

Non-Coterminous Contract Expiration Dates

Unmonitored Service Level Agreements

Long-Standing Master Agreements

Not Engaging a Trusted Advisor

Case Study

Institution signed an agreement in 2001, with a five-year initial term and a one year auto-renewal term.

Beginning in 2006, the agreement auto renewed for one year.

The agreement continued to auto-renew until 2024, when the institution decided to negotiate a short-term extension to provide time to begin a system selection.

The institution engaged their trusted advisor to review the current agreement. Their trusted advisor determined that the institution was paying fees significantly higher than fair market value.

Considerations

- Term length
- Pricing
- Contract language
- Service level agreements (SLAs)
- Ongoing vendor monitoring
- Ongoing SLA monitoring
- Business continuity planning

Why Implementation Advisory?

- Focuses on supporting system implementation
- Develop a detailed implementation plan
- Evaluate, communicate, and drive engagement
- Participate in training, test thoroughly, and conduct data validation
- Goal is successful system implementation, and users live transacting in the system

Successful Implementation

Dedicated Resources

Pre/Post Implementation Assessments

Ongoing Vendor Management

Case Study

Institution implemented a new core system without assistance from their trusted advisor

The new core system experienced frequent outages and performance issues, disrupting operations and external access

Data migration errors led to incorrect account balances and transaction histories

Technical issues led to a surge of complaints and a decline in satisfaction, impacting the institution’s reputation

The institution incurred costs for troubleshooting and fixing the issues, thereby increasing operational costs and affecting profitability

The issues attracted scrutiny from regulators, who were concerned with the impact on customers and the overall stability of the system

Considerations

- External impact
- Data quality and volume
- Technology integration
- Extensive testing
- Training issues
- Clear communication
- Unforeseen costs

Thank you!

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