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Successful Technology Selection and Conversion

AN OVERVIEW FOR CREDIT UNIONS OF THE KEY STEPS AND MISSTEPS ALONG THE WAY TO NEW TECHNOLOGY

INTRODUCTION

Inclusiv has embarked upon an ambitious program of helping community development credit unions (CDCUs) optimize technology to build and grow their business. In a world of constant change and innovation, it is critical that credit unions keep pace with advances and invest in technology to build and grow their business.

While the pace of change is fast, planning for lasting and sustainable change should not be rushed. Decisions about how the credit union will review, test and select new technology and new technology partners must be carefully considered. No single technology decision is more significant than selecting or changing core data processors. The core data processing system is the foundation of all credit union functions, departments and new technological tools.

Through our experience in working with technology partners to develop a state of the art core data processing system for CDCUs, we have learned a lot about the essential steps - and potential missteps - a credit union takes when selecting and onboarding onto a new core system. We are pleased to be able to share these learnings with our members.

This guide will help you understand the conversion process and plan for a successful outcome, from system selection through onboarding. Each stage is critical and requires sufficient time and support to ensure an effective and successful conversion process. Timelines will vary, but general guidelines have been provided to help you with your planning.

Throughout each stage of the conversion process there will be areas in which we note the vital importance of staff engagement and training. While each credit union must identify a project manager to lead the effort, it is important to remember that converting to a new core processing system is a full-team endeavor. Inclusiv is available and ready to help you and your team in achieving a successful conversion.

> *"Core system conversions don't have to be feared. But they do have to be properly resourced and planned for. There is a technical side, which consists of executing on crazy project management work plans. And there is an artistic side, consisting of setting expectations and strengthening the culture before, during, and after the conversion. The two sides interact, of course! Managed well, they will deliver not only better technology for your credit union, but also a more capable and resilient team."*
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> *Jack Lawson, CEO, Clearwater FCU*

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STAGE 1: CORE SYSTEMS EXPLORATION & REVIEW

15 - 18 months prior to conversion

A: Determining whether a new system is right for your credit union

There are many reasons why a CDCU's management and Board may seek a new core technology provider. Principal among them are:

- the existing system or provider does not support products targeted to the needs of their members

- the CU has outgrown the ability for the system to support their work (either organically or through mergers)

- the existing system is old and in need of updates that are not prioritized

- cost for new features and functions is disproportionately high

- data reporting and analytics needs are not supported on the system

Regardless of the reason why a CDCU is considering converting to a new system, the road ahead requires careful planning and enough time and resources to make sure that you choose the right system and that the process of conversion is as smooth and painless as possible.

Credit union Boards and management should reveiw this guide carefully to make sure the timing is right for you. Each conversion is inherently risky – because of its impact on the credit union's members, and the credit union's financial health and its reputation. As such, a decision to undertake a core system conversion should be taken at the highest level, after detailed due diligence and thoughtful deliberations.

B: Choosing the right system: Requests for expression of interest

Inclusiv offers information and guidance to its members about core data processing systems through its Annual Conference, trainings and webinars. The best approach is to begin asking other CDCUs that are either similar or slightly larger in size about their own experiences with their systems. Meetings and phone calls with vendors that serve similar niche institutions and who demonstrate a desire to help you build your business are also important in the early, exploratory stages. However, it is critical that the credit union remain in control of the process and make sure your questions and needs are addressed.

Providers will eagerly offer to do demos of their system and will tailor the presentation to what they've learned about your credit union. These demos are helpful in getting a basic understanding of the functionality of various core products.

Some technology providers will conduct their own due diligence process, which may include conversations with credit union personnel and visual observations of the credit union's existing processes.

On a parallel track, the credit union will want to develop its own Request for Proposals (RFP) to share with a variety of core data processing system providers. RFPs will provide detailed information about each vendor's system and will address the essential operational needs and processes for each key area of a credit union's operations. The RFP should include a list of key functions to be supported by the system, and ask the vendor to address how its product supports the credit union's stated needs.

At the same time, the credit union will need to document key information from its existing provider(s) and carefully review its current contract. Knowing your current contract's terms, termination dates and de-conversion costs, will allow the credit union to create a realistic timeline and determine the costs for any conversion initiative, including the possible early termination of the existing agreement.

C: Preliminary assessment of how a system fits with existing and future operational needs

The completed responses to the RFP should be shared with credit union leadership who will review RFP for completeness in response for the most essential operational functions, while drawing high-level comparison with existing system strengths and deficiencies.

The credit union will form an internal team to review responses to the RFP in each of the areas of operations and request detailed responses from bidders on the capacity of the system to support identified functions and needs.

Credit unions shall request additional information as needed. If the credit union expresses continued interest in a provider's product, it should request an initial pricing sheet along with additional responses to the RFP.

The credit union can request that the pricing sheet include both system costs as well as the cost of conversion, identifying anticipated customization and/or new interfaces that will be required to support essential activity included in the RFP. Providers should be asked to identify major gaps that can't be easily bridged between the new system and current operations.

At the conclusion of this stage, the credit union shall have selected a system that it intends to move forward with. This is not a binding decision at this stage but rather a decision to prioritize moving forward with a single provider. It is not unexpected that the choice of provider may change as credit union management proceeds with additional review and negotiation.

Questions? Contact us at info@inclusiv.org.

About Us

At Inclusiv, we believe that financial inclusion is a fundamental right. We dedicate ourselves to closing the gaps and removing barriers to financial opportunities for people living in distressed and underserved communities. Inclusiv is a certified CDFI intermediary that transforms local progress into lasting national change. We provide capital, make connections, build capacity, develop innovative products and services and advocate for our member community development credit unions (CDCUs). Inclusiv members serve nearly ten million residents of low-income urban, rural and reservation-based communities across the US and hold over $99 billion in community-controlled assets. Founded in 1974, Inclusiv is headquartered in New York, NY, with offices in Madison, WI and Atlanta, GA. For more information about Inclusiv visit us at Inclusiv.org and connect with us on Facebook, LinkedIn and Twitter.

Inclusiv is the CDFI Authority for the Credit Union Industry

Inclusiv was instrumental in establishing the CDFI Fund in 1994, is a permanent member of the national CDFI Coalition, and is a certified CDFI intermediary. Today, CDFI certification is an essential credential for credit unions with a focus on financial inclusion. Inclusiv is the credit union industry's best resource for learning more about certification and technical and financial assistance grants.

Contact Us

For the full 28-page *Successful Technology Selection and Conversion* guide, please contact:

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