



## CASE STUDY – CORE PROCESSING SYSTEMS SEARCH – LAKE SUNAPEE BANK, MAY-DEC., 2000

Following is a narrative detailing the consulting facilitation of a search for a new core processing solution for Lake Sunapee Bank (“LSB”). This narrative has been created to provide insight into the various phases of the process and describe the approach and methodology used to successfully debate, decide and deploy a core technology solution for a community bank.

The search was facilitated under the auspices of David Sidon, CPA, The Navis Group and Dan O’Sullivan, CPA, Shatswell Macleod.

### **Roundtable discussions.**

The bank scheduled three discussion groups and times at different locations across the bank’s geography. The sessions were aimed at both decision empowerment and intelligence gathering. Focus was placed on ascertaining if bank personnel felt that the system tools provided to them were adequate for a stellar performance of their duties, if they felt properly trained on the current system, and if a change was desirable. The results were documented and provided to management. One of the positive by-products of this process was the identification of thoughtful and focused search team members.

### **The Committee.**

LSB’s search committee consisted of 15 members, representing approximately 10% of the personnel base. The group included department heads, key members of operational areas, and a representative sample of customer support and front-line employees. Other banks have limited the committee to 4 to 6 department heads, minimizing the impact on day-to-day operations as the search progresses, and such an approach has proved sufficient. LSB’s approach, however, represented a larger up-front investment of personnel time, significantly beneficial in generating enterprise-wide “buy-in” to the new system, enhancing the conversion process itself, with an interesting by-product of identifying “stars” and “duds” within the organization. The system search at LSB resulted in new roles for some individuals who performed above expectation.

### **RFP preparation.**

#### **Gather bank descriptive details.**

The RFP described the bank’s size, product mix, system topography, branch network, etc. The RFP delineated the bank’s approach to the search process, identifying key players and timelines.

#### **Gather system feature functionality wishlist.**

Key to a system search is the identification of particular features or functions that are absolute requirements. Additionally, the bank developed a wishlist of a) features or functions that are desirable, and b) features, functions or reports currently provided by the incumbent system that should not be lost as a result of the conversion process.

#### **Identify “universe” of solutions; select RFP “players”.**

Matching the bank’s profile to the universe of solutions available relied on a number of factors. Bank personnel were familiar with various vendors as a result of working at other institutions prior to LSB. Bank management was familiar with a number of system providers via convention contact and sales calls. The major factor in the selection process however, was the consulting team’s experience, having attended many demo sessions and working with various banks running various systems. The selection process at LSB centered on in-house solutions. Other searches have been limited to service-bureau options only, or have added the complexity of considering in-house and outsourced solutions concurrently. At LSB, five vendors were identified for consideration, inclusive of the incumbent provider. Note: the incumbent provider was expected to demo their system as if LSB was to be a new client.

#### **Release RFP.**

The RFP was released in electronic format for ease of incorporating responses into a consistent format for analysis. The vendors were invited to provide supplemental info in their own format, but the RFP required response in the bank’s predetermined template format. The RFP dictated strict timelines for clarification and receipt of formal responses (approximately 6 weeks in total duration).

## **Coordinate vendor questions re: RFP.**

Consistency of response is important, consequently clarifications asked for by a particular vendor were shared with each vendor to maintain a level playing field. The consulting buffer serves to keep the clarification questions from becoming opportunities for extra sales pitches.

## **Schedule vendor demos.**

The bank allocated 2 days for each demo. Since 5 vendors were solicited, a 5 week schedule was offered, with demos occurring in the Tuesday-Thursday timeframe, prioritizing bank operational convenience above vendor scheduling ease. In all, 4 demos occurred, with 1 vendor declining the RFP invitation.

## **Demonstrations – timing, approach, management, debriefings.**

Our experience with system demonstrations suggests that 2 days be allotted for a comprehensive look, to allow for bank personnel to not lose complete touch with their day-to-day responsibilities, to manage attention spans, and to allow vendor “re-adjustments” to their presentations in order to address specific bank concerns. The role of the consultant during the demo process is to keep the vendor on task and help the committee get the answers it desires, tracking outstanding “we’ll get you that info” issues. It is important that the team deciding on the system get a clear understanding of the look and feel of the system and its relative user-friendliness. Vendors often strive to spotlight the “sexier” aspects of a system, and need to be re-focused on the nitty-gritty aspects of the operation of the system.

Specifically, at LSB, we established the following schedule:

Day 1 - (1) morning 9:00-12:00; executive overview in the first hour, including corporate information about the vendor; followed by (2) afternoon session 2:00-5:00. In the evening – dinner with vendor and interested committee members. This part of the process provided particular benefits, including “off-record” questions that team members might have been reluctant to bring up, and, since the demo process is mentally taxing, the R&R/bonding aspect of the evenings were seemingly beneficial.

Day 2 - (3) morning 9:00-12:00; (4) afternoon 1:00-3:00; followed by a debriefing session from 4:00 to 5:00 – we facilitated an immediate “download” of the committee’s thoughts about the system, documenting same. It is important to crystallize these opinions right away, because by the 4<sup>th</sup> or 5<sup>th</sup> demo, systems start to blend together and distinctions blur. The four demo sessions (apart from the executive overview) were designed to provide targeted time slots for functional area details, such as teller software, loan ops functions, etc. LSB brought in additional personnel for the targeted sessions. For example, the teller session included additional customer service and branch staff.

## **Site visits.**

At LSB, the demos resulted in a desire to narrow the number of candidates to three. With the vendors, site visits were arranged to meet with bank(s) running the vendor’s product. Two of the site visits included overnight travel, with approximately six individuals attending.

## **Decision.**

At LSB, we facilitated the decision process, designing a decision matrix based on features and functionality, excluding pricing. As part of the due diligence process, each committee member was required to provide a written recommendation delineating the reasons for choosing one vendor and the reasons for not choosing the others. In LSB’s case, the committee finished with 14 members providing written recommendations (an 11 to 3 vote if memory serves).

## **Post project observations.**

LSB’s decisioning process was clearly aided by the inclusion of so many individuals across all departments. In the end, however, management’s decision is driven by senior officers. In the case of LSB, the CEO was not a member of the committee, but rather successfully delegated authority to 3 key people, the COO, CFO and SVP-Retail, who were involved in every aspect of the process and drove the decision and analysis to its successful conclusion. The key observation here is that senior levels of management be thoroughly immersed in what is one of the major expenditures and projects that an institution ever undertakes.

Before releasing this document, and owing to the confidential nature of all consulting projects, I asked LSB’s COO to review this chronicle, asking permission to cite the bank specifically. His affirmative reply offers an additional post project observation:

***“Your document brings back fond memories! It presents an accurate description of the process and should provide a realistic approach for banks embarking upon a search. In hindsight, the round-tables and search committee composition, besides identifying and cultivating talent, broke down barriers which improved employee morale, fully integrated the recently acquired New London Trust personnel, provoked organizational structure change, and provided healthy discussions on the strategic direction of the Bank.”***