

## EXECUTIVE BRIEF

# 12 Essential Steps to a Smooth Digital Process Transformation



Consider your office environment today versus that of 20 years ago, or even 10. During these years, there has been a considerable focus within the financial services industry to migrate data from disparate systems into combined universal environments. This has had a tremendous impact on day-to-day workflows and has begun to revolutionize the industry. The process has not been easy. While this migration will continue to have major benefits for both efficiency and customer service capabilities, it is very challenging. If not done properly, it can create unintended circumstances for your employees and customers.

This summary explores 12 essential steps to ensuring a harmonious path to digital transformation within your financial institution. Whether you are working with third-party vendors or developing systems internally, these steps will serve as a roadmap to your end goal of integrated workflows, top notch client experiences, and efficient data usage.



## The 12 Steps to Success

- STEP 1:** An Honest Evaluation of Current Systems
- STEP 2:** Establish open lines of communication
- STEP 3:** Begin With the End in Mind
- STEP 4:** Do the Numbers
- STEP 5:** Breaking It Down (to Build It Up)
- STEP 6:** To Build or Buy? – That Is the Question
- STEP 7:** Vendor Selection and Management
- STEP 8:** Establishing a Firm Timeline
- STEP 9:** Dotting I's and Crossing T's
- STEP 10:** Training Champions
- STEP 11:** Go Live – Your New Journey Begins
- STEP 12:** After-Action Reviews and Next Generations

## Step 1: An Honest Evaluation of Current Systems

Before you can determine which path your organization is going to take, you must first spend some time discovering which processes and systems are holding you back. Are there systems you are currently using that are costing too much money or diminishing your service delivery? One example in recent years has been commercial loan origination. Hundreds of financial institutions have replaced manual processes with more automated origination systems for both consumer and commercial loans. For the most part, their goal was to increase internal efficiency and ensure better access to data for managing portfolio risk. In the process, many also found that the new systems could ease internal workflow, reduce client confusion in the lending process, and improve loan yields.

Within this step, your management team must be willing to take an honest look at current processes. Since 2008, there has been a digital renaissance in financial loan management. This has changed the way many institutions receive data as well as how they treat, store, and display that data once they gain access. Chances are, your institution could make significant gains in efficiency by exploring these new technologies. Beyond efficiency, though, many institutions have deployed new systems to shorten loan underwriting and production time, thus enhancing customer experiences. Much of this has been driven by the competitive environment, mainly the threat of fintech lenders entering the market.

Regardless of the type of system you seek to transform, this first step provides you with a solid foundation on which to make key decisions regarding the scope of your project, and whether to build or buy any necessary solutions. If you attempt to jump into a new system without completing this step, the project will be in jeopardy from the start. You must identify where you are before you can decide where you are going.



*First you must identify where you are before you decide where you are going.*

## Step 2: Establish Open Lines of Communication

In any organization, change is often viewed as a disruptive force. When preparing for change, you will always need to consider the impact it will have on your employees as well as your clients. It is critical to acknowledge their fears by including them in every phase of the project. Perhaps the worst action you can take is to execute change without including the employees who will be impacted.

Fear is a natural emotion we must confront any time we are seeking to find a new path. A certain amount of fear is healthy. It can produce results in the form of change. It can drive us to action. Too much fear, however, can stymie action and force us to be trapped in a rut. The best way to help your employees deal with fear is to open the entire process up to daylight. Involve them in all 12 steps, from fact-finding and identification onward.

True leadership involves encouraging others to take ownership in the solution. It is the process of showing the path for others to follow rather than driving them down a path they fail to understand. The process of leadership should never look like a cattle drive. Managing change of any kind in an organization requires teamwork. It requires buy-in. It calls for key employees to become change champions, helping to light the way for others to follow.

## Step 3: Begin with the End in Mind

The late Stephen Covey stated, “To begin with the end in mind means to start with a clear understanding of your destination. It means to know where you’re going so that you better understand where you are now and so that the steps you take are always in the right direction.” For this reason, step one was critical to our process. When charting any course, you need to establish both a point of entry and a desired ending.

Having moved through steps one and two, step three is where you initiate one of the most critical assessments in any migration project. You begin to envision both the client’s journey and your employees’ journey through the new process. In this way, you begin to define what success feels like for both parties. Visualize the results you expect and the benefits they will bring to your organization. By maintaining a clear vision of your outcome, you will help to ensure your project stays on track.

Let’s take commercial lending as an example. To envision the process means to break it down to its smallest levels. What do the workflows look like and feel like to your lenders and applicants? How is a request initiated? How do you receive financial information? Who touches it once it is in your institution? What are the potential outcomes, and how do you move the application to its final resolution? All of these and more should be detailed, so that you can find the points of inefficiency and create a better experience.

## Step 4: Do the Numbers

Now that you have “dreamed big” and understand what you need to create an awesome experience for your clients and employees, it’s time to get down to the numbers. You might have the greatest vision in the world, but if you cannot afford it or it does not make economic sense for your organization, it may need to be scaled back. A project of any significance typically involves a financial commitment. To satisfy your board members, you will need to justify the use of those resources.

When you are lending money to businesses in your community, you often expect to see a business plan, including financial forecasts, financing needs, and more. You should require no less from your team when planning for investment in new systems. Seek to understand the financial commitment over time, the cash flows associated with that commitment, and the return on investment as you move toward completion.

At this point, if you are anticipating that your project will involve a third-party vendor, they should be included in the cost justification process. If a vendor cannot explain their numbers in the form of ROI to your organization, don’t do business with that vendor. They have not done their homework. If they don’t know what impact their solution could have on your organization, how are they supposed to bring value to your team?

## Step 5: Breaking It Down (to Build It Up)

In step one, your team identified a process that required a new path. Now it’s time to break that process down into its own incremental steps. Evaluate its strengths and weaknesses. Determine where improvements can be made. Decide how it can best benefit from new, emerging technologies. Step five is really the culmination of steps one and three. After studying your current processes (your beginning point) and your desired outcomes (your end point), the path almost begins to define itself.

## Step 6: To Build or Buy? – That Is the Question

Given that we are on step six of 12, you might think that we would have already decided whether to buy an existing solution or build our own. The truth is that you can only make an informed decision after you have been thoroughly entrenched in the first five steps. You have evaluated your current condition, opened clear channels of communication with all key personnel, defined what success would look like given your goals and objectives, and fully established the financial foundation on which to base your decision. Now you have the information to decide regarding the build versus buy option.

You might be willing to devote the internal resources to build a system, but you need to weigh that against the time commitment. Don't overestimate your resources. Be honest about your capabilities. Third-party vendors are not always the best option, but neither is internal development. The homework you have done to this point will likely make the answer obvious, whether it is to build or to buy.



*There are two key components to any build or buy decision – time and money.*

## Step 7: Vendor Selection and Management

The number one word of advice when selecting a vendor is to use the team approach. Just as with the project, vendor selection should involve open and honest communication regarding vendor strengths and weaknesses as perceived by your selection team. Vendor due diligence has taken center stage in recent years, due to the sheer number of emerging technologies present in the financial sector. For this reason, you will find a lot of resources to help plan the vendor selection process. A lot of financial institutions have been down this path before you. Don't hesitate to learn from their experiences.



*A strong vendor realizes they are a member of your team, fostering internal communication, helping you identify every step toward success and the actions you need to take to get there.*

## Step 8: Establishing a Firm Timeline

Timelines are critical to set the expectation for everyone in your organization, from board members to key employees and even clients. They help you to break a very large project into more manageable bite-sized pieces. More importantly, they help you know whether you are on track at any point in time. These help in the goal-setting process by providing you with mile markers along your path. More importantly, developmental such as Gantt charts help you to overlay concurrent steps in the process. This is critical to team communication. Rare is the project where you are only doing one thing at a time.

This is another area where vendors should be able to guide your team. A strong vendor realizes that they are a member of your team. They foster communication. They help you identify every step toward success and the actions your employees will need to take to get there. They then overlay those steps against their own, allowing them to formalize a final plan for complete implementation.

## Step 9: Dotting I's and Crossing T's

System migration of any type involves a lot of technical and logistical details. It involves a lot of people moving toward a common goal. We have discussed the importance of communication and the use of time management tools to move the process forward. This allows you to know where you are on the path at any point in time. More importantly, it allows you to measure whether you are on track.

When so many people inside and outside of your organization are working in the trenches toward completion of a project, you must also have project managers whose job is to see it in its entirety. This is the basic forest and trees scenario. Many projects fail because there was no driver at the wheel. Someone in your organization must be at the helm. It is their job to make sure no steps are missed in the process.

## Step 10: Training Champions

As you may have guessed by now, all steps are related. Step 10 is the result of successfully completing step two. Through open and active communication, you have created champions for your cause. You have nurtured relationships and now have people inside and outside (vendors and clients) of your organization who also see the vision, and they believe in it.



*Don't skimp on training. It should be comprehensive and convert all team members into change champions.*

Before you can move to final deployment, you must train all employees and clients who will be impacted by the new systems. This is why having change champions is so important. They help to create enthusiasm for the new initiative, which is necessary for final success. Most importantly, don't skimp on training. The best systems in the world mean nothing if no one knows how to use them and why they are beneficial to your organization. Training should be comprehensive. It should show the trainees not only what they need to do to be successful, but why their actions have an impact. It should convert all your team members into champions. At that point, their enthusiasm will feed out into your client base.

## Step 11: Go Live – Your New Journey Begins

This step involves the actual deployment of your new solution, including both systems and processes. Communication is critical at this point. Step 11 is the culmination of months or years of preparation and will be your moment of truth. If you took any shortcuts, this is where you will have to live with the consequences. Let's say you failed to include a team whose daily workflows are impacted by your new solution. Oops! Time to backtrack. You cannot have long-term success without their buy-in and cooperation.

But let's assume you did not take shortcuts and now your vision is being realized. Take this time to celebrate the success of your team. Make special efforts to relay new processes to your customers. Communicate why you embarked on this journey to begin with. Tell the world what you hoped to create and how it will impact their daily lives. Once you are done, it's time to move on to the final step.

## Step 12: After-Action Reviews and Next Generations

Here is the most important rule of system deployment. Never, ever, ever set your new system in concrete. Here is the great secret – none of these steps are ever really permanently completed. In case you do not realize it, you are living in an evolutionary environment. Nothing ever stays the same for long, especially in financial services.



*Never, ever set your system in concrete. Nothing stays the same for long, especially in financial services.*

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