

## *Core Systems: Getting Upgrades and Conversions Right*

When asked how a credit union's business strategy drives their choice of a data processor provider, I believe that we have to look at the industry in general (and often when we look for who we think should be industry leaders), and consider if there is any business strategy at all in how credit unions pick a data processor. I should be careful here, because I'm not saying there are not technical strategies involved. I'm not saying there aren't insider, political strategies at work. And I'm not saying that strategies related to status and "follow the pack" and trust the outside consultant are not involved.

I'm just saying I often wonder if a big-picture, credit union business strategy enters the picture with enough intensity to make decisions that will pay off quickly for the credit union and its members. (Let alone in the long term, when credit unions are strangled by contracts, paralyzed by project coordination, and trapped by big company mergers and acquisitions.)

These days, technology is embedded in everything we do, almost to the point of being invisible. Our members cannot separate their technical lives from their non-technical lives. The Internet, cell phones, and staying connected is like breathing to the average consumer today. They don't even think about it. And credit unions over think it. (They should think business, first and foremost.)

What I mean is, it's about the business model. It's about the partners you pick. It is about the networks where credit unions participate. David can't do business with Goliath, because Goliath takes David for granted, and charges him too much to play with the big boys (although we sign up like crazy so we can say we play with the big boys). In the end, Goliath's motivations, philosophy, and views about how to invest in the future are just too different from David's. David cannot chase Goliath. David needs to defeat Goliath and the hoards that accompany him.

This is not a challenge to agree with me, or another boring tirade about big versus small. This is a challenge for CEOs to work harder to make sure their choices about data processing providers are in alignment with their vision for the results of key partnerships.

While some in the industry may lament the fact that credit unions are too "afraid" of converting their core system, I think the idea of being "afraid" to convert is a little overstated. Because credit unions should be on alert to how difficult a project it is to convert core data processors today. But they should also be aware it's not going to get any easier in the future if they continue to procrastinate and therefore patch and add on to strategies and systems that just don't work.



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**Randy Karnes** has been CU\*Answers' CEO since 1994, and has been involved in the credit union industry since 1985. Previously, Mr. Karnes worked as Senior Vice President in charge of both thrift and credit union data processing solutions for Fiserv/Spokane, focusing on the development of the predecessor to the current CU\*ANSWERS flagship product, CU\*BASE®. Mr. Karnes leads a team of consultants that are expert in all areas of credit union concern, from accounting and compliance to member service and back office operations. As experienced CU and data processing professionals, CU\*ANSWERS consultants provide expertise on strategic planning for implementing technical solutions to operational needs, and are leaders in helping CUs form strategic alliances and partnerships.

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Credit union databases are becoming more and more disjointed. Key information is hidden away and trapped in solutions that are run by only one department or possibly even sitting dormant on a shelf. Maintenance and licensing agreements overlap, and the next thing you know, you pay more to get out of an existing relationship than most of the team expects you'll earn from the change.

The funny thing is, the existing relationship is probably more about the one you have with the software than with the company that provides it. With mergers and acquisitions, the business partnership can change overnight, but the options feel like quicksand beneath a CEO's feet.

It's a daunting task, but not a technical one. It's business. It is being committed to a new business strategy, to the point where you'll push through the issues, coach the staff and the members, and carry the vision long term to everyone involved.

In terms of easing the conversion process and making it successful, our first and foremost concern is protecting the business. CU\*Answers invests with the credit union in the change and does everything possible to lower the cost of converting. We share in the cost of exiting old relationships and do our best to make sure that the current annual does not reflect a lot of duplicate expenses from paying two vendors at the same time. We work with the CEO and the CFO to make sure that a conversion does not result in a negative blip on the 5300 radar.

We take risks. We assume that the payoff from converting a credit union will be earned from the long-term relationship. To that end, we try our very best to view each project based on the particulars related to the credit union's business, their members' needs, and the credit union staff's time and resources.

We take our time, we digitalize as much of the process as possible, and use tools that are designed to work with every credit union employee, one on one. Converting is more about people than it is technology. It's about managing the emotions related to what feels like overwhelming, sweeping change, but which should amount to the simple evolution of meeting member needs.

Of course we have all the technical tools, project managers, experienced conversion programmers, and ample road teams to get the job done. Our website outlines all of those investments. The one I hope that sets us apart is our awareness and investment in the people during a conversion.



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