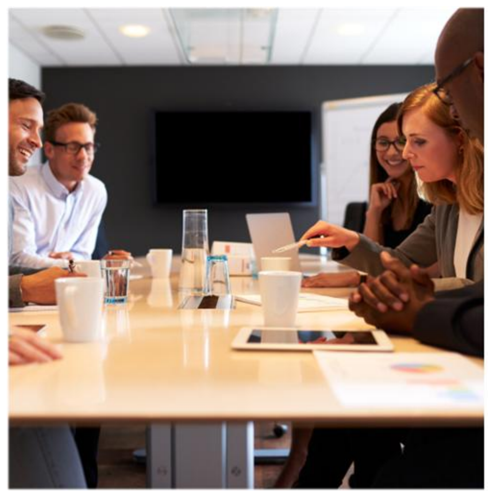
Navigating System Selections: Should FIs Hire a Consultant—and How to Choose the Right One

By: Peter Jeye, Founder & CEO of FintechVendors.com

Hiring a consultant for a major system evaluation, such as a core banking or digital banking system, is a strategic decision that warrants careful consideration. While every institution's circumstances differ, the benefits a consultant can bring often outweigh the costs, particularly for projects with significant scope and inherent risks.

Consultants can offer an independent perspective, free from internal biases. This objectivity can ensure an impartial assessment of all potential solutions. They also bring specialized expertise and lessons learned from similar projects across various financial institutions. This experience translates into practical insights on system capabilities, implementation challenges, and best practices, helping to avoid common pitfalls.



Furthermore, consultants bring process methodologies that streamline the selection journey. They can guide the institution through needs analysis, vendor demonstrations, and detailed due diligence, ensuring a comprehensive and structured approach. Leveraging market knowledge and negotiation experience, their insight into various pricing models and contractual nuances can lead to cost savings and more favorable terms.

Beyond advisory roles, many consultants can manage the intricate details of the project, including request for proposal (RFP) development, vendor communication, and project timeline management. This allows the institution's internal teams to remain focused on strategic oversight and their day-to-day responsibilities, minimizing disruption.

For critical initiatives where the stakes are high, an independent advisor not only helps mitigate risks by identifying potential issues early but also provides reassurance throughout what can be a complex and demanding undertaking. Therefore, considering the magnitude of investment and operational impact, engaging a consultant for major system evaluations can be a prudent decision that should significantly enhance the likelihood of a successful outcome.

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Evaluating Consulting Firms: Key Considerations for Your Institution

If you've decided to engage a consulting firm, the next step is determining which differences truly matter to your institution. Here are eight essential factors to consider:

1. **Scope of Services**
   Evaluate the firm's level of involvement. Some consultants provide a framework, tools, and high-level oversight and advice. Others are more hands-on with day-to-day engagement, applying more time on a regularly scheduled basis. Consider which approach aligns best with your needs. Also, confirm their onsite participation, especially during important vendor meetings where your specific objectives, requirements, and related commitments are discussed.

2. **Resource Assignment Strategy**
   Will the firm assign a single consultant or a team? This ties closely to their level of involvement. For complex systems like core platforms, a team with subject matter expertise across your business lines is often more effective. This enables the firm to align consultants with backgrounds in the areas being assessed (e.g., a consultant with commercial loan expertise working with your commercial lending team).

3. **Role of the Lead Consultant**
   Will the lead act primarily as a project manager or as a strategic advisor? While task management is crucial, having a consultant who can offer insights into system capabilities, architecture, and integration can be invaluable. Also, inquire about how many projects the lead is handling so you can become comfortable with their planned level of dedication to your project.

4. **Open-Mindedness**
   It is natural for consultants to involve the leading vendors across many engagements. It's best to work with them to also explore other proven, newer solutions with a clear understanding of their benefits and risks. Ask firms to present a vendor landscape overview during the proposal process that includes the leaders and emerging providers. A breakdown of vendor wins and losses from their past engagements will also provide good insight.

5. **Project and Selection Methodologies**
   Understanding the firm's methodology helps establish common expectations and sets the stage for a successful partnership. Approaches vary in terms of involvement, researching unique technical concerns, project duration/timelines, and process to uncover the details. A lighter approach from the firm may suit your organization; however, most institutions benefit from a deeper relationship with their consulting partner.

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6. **References & Experience**
   Don't shortcut checking their references, as this process will provide valuable perspectives and you will also receive peer insights on your upcoming project. Seek validation of the firm's involvement, experience and expertise, timeliness, and level of success achieved. Ask to meet the proposed lead consultant to assess compatibility and, if possible, talk to client references who have worked with the same individual.

7. **Cost Analysis**
   In addition to project management and advisory fees, many firms charge a contingency fee to assist with contract negotiations, which is based on savings achieved from standard vendor pricing. These fees and related payment schedules can be noteworthy and should be clearly outlined in the consultant's proposal. It is also recommended to have the firms submit travel expense estimates and supporting policies.

8. **Choosing the Right Fit**
   While cost and cultural alignment are always important, you should also focus on the quality and breadth of services provided by each firm along with the positive results they've accomplished with similar clients. There are many respectable consulting firms in the industry—choosing the right one for your institution is the first step to ensuring a highly successful system implementation.

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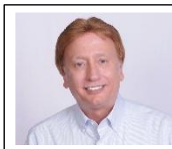

Peter Jeye has helped hundreds of financial institutions select new systems. Prior to FintechVendors.com, he was Founder & CEO of Next Step, a leading consulting firm to community banks and credit unions.