From legacy to digital

Ensuring a smooth transformation journey

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1. Introduction: Facing the legacy technical debt challenge

Transform or fade away?

A cocktail of pressures is driving an urgent need to digitalise mortgage and savings systems:

- **Price wars** - as lenders fiercely compete for new lending, margins fall, increasing the need to improve operational efficiencies and reduce costs
- **Attracting retail deposits** – customers increasingly expect automated online savings applications and may walk away to brands offering a smoother digital experience
- **Brokers and borrowers demand a better online experience** as more of their day-to-day transactions with other lenders are seamlessly delivered digitally
- **Regulation** increases demands on lenders to provide easier access to servicing, better communication and improved outcomes for customers
- **Rising operating costs thanks to a 'double-whammy' of:**
  - increasing costs of maintaining old, legacy systems
  - the delayed ability to adopt efficiencies from digital capabilities

Technology risk has changed. The question is no longer whether to transform or not. It is now which legacy systems to transform and with which digital providers.

2. Key challenges of running legacy technology

Legacy systems are often deeply embedded across technology estates and highly integrated with other systems. Even if customer and colleague experience remains acceptable, their presence is likely to adversely impact the business in several ways, presenting a number of key challenges:

Key Challenges

- Legacy systems are a ‘burning platform’ and are often (or will soon be) out of support
- Legacy technology may be incompatible with newer platforms, making greater digital interaction harder to achieve
- The organisation’s ability to react and make changes is inevitably compromised – for example, adding new products or gaining deeper customer insights from the organisation’s data is heavy-going and frustrating
- Knowledge of legacy systems is likely embedded in a small number of critical (and aging) resources
- System security for such technology is increasingly difficult to maintain
- Business processes that rely on these systems cannot easily be made more efficient or fully automated, increasing costs and widening the customer expectation gap

Without transformation, outdated technology will have an increasingly problematic ‘drag’ effect on achieving key goals. Costs will continue to increase, and both customer and colleague experience will decline in a market where switching providers is increasingly friction-free.

3. Planning for success

With the need to replace legacy systems increasingly urgent, it is important to understand the factors that can make or break such activity. The following pages highlight these factors and, by understanding and acting on these points, transformation activity will be better positioned to succeed.

Success Factor 1: Establish a strong case for change

Business case is made and maintained	Ensure that there is a compelling case for change and that this is maintained throughout the programme. At each iteration, ensure the benefits continue to outweigh the costs and risks.
Consider the 'layer cake' problem, balancing business-as-usual with transformation	Alongside any transformation activity, it is important to ensure change relating to 'business as usual' continues if it is delivering any of the following: a) activity required to 'keep the lights on' b) activity required to deliver against regulatory expectation c) activity designed to deliver against immediate business priorities Legacy transformation adds another layer to the change 'cake' and it is vital that there is the leadership, cost and risk appetite to deliver the whole, as well as to manage often complex interdependencies.
A 'burning platform' alone is not a reason to act	The case for change may be based upon having a burning platform BUT it is important to challenge business colleagues to fully understand the features of new products and specifically how they can positively impact the business plan ahead of commencing activity.

3. Planning for success (continued)

Success Factor 2: Select the right vendor and product, establish supportive commercials.

Requirements	Understand your business and the change that you are trying to make. Be crystal clear on the problem that you are trying to solve and ensure all stakeholders agree on the problem definition.
Product: Core features	Product sales pitches promise much, however, all products have a 'core' functionality set and a configuration layer that is bespoke to the customer. Understanding how much is delivered via the core configuration and therefore within licence cost is critical to avoid cost shocks downstream.
Product: Maturity	Vendors naturally sell mature products enthusiastically until they have something new to sell. Organisations must therefore be mindful of the product roadmap for candidate solutions, exploring any implications (e.g. clarity on exactly when promised functionality is going to be available). They must also fully understand the potentially limited influence they may have on it now and in the future.
Integrations	Products may not support third party integrations that you wish to retain, e.g. document management, meaning extra work to integrate or a change of third-party product. This will impact budget.
Exit ramps	Given the complexity of the change, it makes sense to ensure there are commercial routes to exit from product and service providers in a worse case scenario.

3. Planning for success (continued)

Success Factor 3: Choose the right delivery approach, ensure the plan covers all activities

Effective 'discovery' process	Insufficient capability and capacity is often allocated to the early 'discovery' process leaving too many unanswered questions, 'unknown unknowns' and therefore uncertainty in the plan. The organisation must satisfy itself that the business change impact has been fully understood, that all integration points are known, all roles and responsibilities are covered, and that the data migration strategy is optimal.
End-to-end plan & budget	The delivery plan must cover all activities, i.e. be end-to-end. Product vendors typically provide detail of what needs to be done to their product to meet the requirements but may not offer a complete view.
Method & lifecycle	Time and expertise must be invested in agreeing the most appropriate approach for delivery of change activity relating to each of the technical, data and business aspects of the transformation. Supplier methods are often technology focused and therefore lack the breadth to deliver the required business outcomes. Consider whether the implementation should be phased to potentially reduce delivery risk.
Consider both business and technology change	Entire programmes can become focused on the solution and its technical implementation with business change and colleague impact forgotten. Does the plan and approach cover these?
Plan drift – projects slip one day at a time!	It is often the case that the risk of slippage is accepted (rather than mitigated) in the early days of the programme. Early minor milestones slip and this soon leads to drift for major milestones, impacting on the business plan and general confidence in the programme. This can be mitigated by building 'firebreaks' into the plan and protecting them. In our experience a plan can be revised but will lose credibility if it happens more than two or three times.

3. Planning for success (continued)

Success Factor 4: Assemble a strong capable team with clear roles and responsibilities

Clarity of end-to-end responsibilities – who is the systems integrator?	Often it is unclear who the systems integrator actually is. Customer and lead partner often believe that this is the responsibility of the other party. Look out for misaligned expectations around integrations, testing and data migration. Take the time to fully define detail around this specific activity up-front and ensure that supportive contractual arrangements are in place.
A strong partner requires a strong customer	For most organisations, legacy technology transformation almost certainly requires the use of product and delivery partners. It is critical that the transforming organisation has people with the experience and capability to drive, help and manage partners and internal stakeholders to deliver their obligations.
Client team capability and capacity	Transforming organisations may underestimate the amount of work required from their team and may have unrealistic expectations of what partners will do. There will inevitably be a significant draw on internal subject matter experts which may impact on BAU activities so ensure this is fully understood with time made available as required.
Capability of the partner	It is common for buying organisations engaging third parties to find that the team on the ground does not match the capability of the pre-sales team. The transforming organisation must hold the supplier to account for the quality and fit of the team to be dedicated to their transformation.

3. Planning for success (continued)

Success Criteria 5: Watch out for these….!

Data migration	Data migration strategy and approach are sometimes not developed early enough. Data mapping, profiling, cleansing and reconciliation then starts too late and causes delays later in the project.
Porting of existing integrations	The new partner does not own existing integrations due to be retained and expects the transforming organisation to own the design and testing of retained integrations.
Testing	Responsibility for key phases of testing falls on the customer because agreements are not clear, and the vendor is focused on testing its product. Ensure ownership of systems integration testing and non-functional testing is clear.
Coexistence and reconciliation	Delivery of a new solution may require coexistence with an existing solution for an extended period. As a result, reconciliation and (regulatory) reporting can become complex. Modular delivery approaches are helpful to reduce delivery risk, but this may add further complexity to the challenge of coexistence and reconciliation.

4. A four-step approach to transforming legacy technology

Considering the success factors and related pitfalls outlined in the previous pages, we recommended a structured four-step approach to any legacy system transformation activity.

Step 1: Establish the facts

Seeking momentum, it is tempting for transforming organisations to jump to a solution or dive straight into delivery. Experience tells us that a deep understanding of the 'as is' situation is a vital platform from which fully informed decisions can then be made.

Step 2: Build a solid case for change

A well constructed, considered and therefore credible case for change document provides the basis from which a successful change journey can be designed and planned.

Step 3: Solution decision

Identify the product(s) required to replace legacy systems. Decide how you will organise to implement the solution and ensure that costs are fully understood, and risks fully assessed.

Step 4: Mobilise for change

Define and establish the conditions both inside and outside the transformation programme that are necessary to deliver success.

Final thoughts

Experience has shown us that virtually all legacy system transformation programmes **require extensive manual process and workaround** across the implementation journey. It is this aspect of technology transformation that tends to be the factor most likely to threaten success.

To fully understand what this means for your organisation requires a clear view of **both the current-state and target-state operating models** in the context of the new technology solution. It is vital that this view should cover capabilities, roles and the planned transition states that will enable movement from 'as-is' to 'to-be' models.

This complexity means we would always recommend a third-part assurance service is considered. This is a relatively low investment that improves delivery certainty and can often save significant time and money by identifying sub-optimal decisions and taking steps to mitigate the early signs of programme-drift.

The details presented in this deck are drawn from the insights Partners in Change and Sagis have gained from our involvement in dozens of change and transformation programmes. Whether managing programme delivery or providing advisory and assurance services, our breadth of experience means we have a comprehensive view of the challenges of legacy technical debt beyond the narrow focus of technology alone.

Find out more about how we can help:

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