Build, Buy, Partner

nCino

A Strategic Guide for Financial Institutions

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Unpacking the Modernization Challenge Behind the Legacy "Build-First" Mindset

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Major enterprise banks continue to heavily favour building their own technology solutions, with 61% still preferring to build banking software in-house.[1]

This strategy rarely stems from unique business requirements but is largely driven by legacy system dependencies, specifically core banking systems[2] which are the backbone of a bank's operations, and organizational constraints that have accumulated over decades of operations.

While the banking industry strives to shed its slow-moving reputation, many institutions remain tied to legacy systems. Some of them are even running on COBOL—a programming language over 50 years old that still powers 80-95% of daily transactions for major banks like JPMorgan Chase and Visa.[3]

Many institutions remain tied to legacy systems like COBOL—a programming language over 50 years old

This dependence creates a cycle where new features and integrations must be custom-built to accommodate aging systems.

Why not simply modernize core banking systems?

The risk is comparable to replacing an airplane's engine mid-flight—any disruption could halt millions of transactions and freeze account balances. Banks' "if it ain't broke, don't fix it" mindset has historically made sense given these stakes.

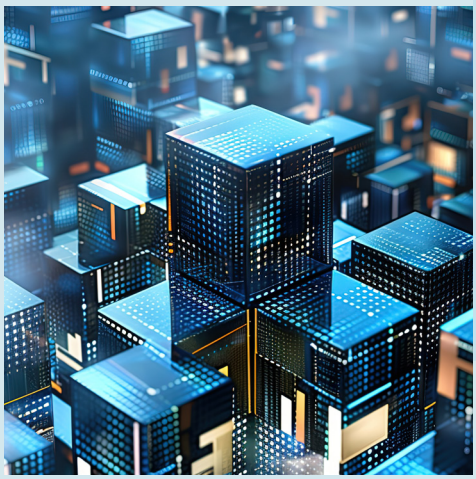
However, the landscape is changing. Modern composable, modular solutions now enable gradual upgrades rather than risky overhauls.[4] Cloud computing, AI, and SaaS offerings have made digital transformation more accessible than ever before.

In contrast, cloud-native fintechs, unburdened by legacy systems, demonstrate the advantages of modern infrastructure through rapid innovation and market capture. Their agility in deploying new features and responding to market demands shows what's possible with contemporary technology stacks. Some have even monetised this advantage and transformed their technology into Banking-as-a-Service offerings, creating new revenue streams.

Takeaway

While building in-house solutions has been the default approach for traditional banks, today's technology landscape offers more nuanced options. Modern cloud-native solutions and banking-as-a-service platforms have matured significantly, making the 'buy' option increasingly viable—and often superior.

Understanding when to build and when to buy has become a critical strategic decision that goes beyond just technical considerations; it encompasses organizational capability, risk management, and long-term competitive positioning in an increasingly digital banking landscape.



With this evolving landscape in mind, banks need a structured approach to navigate the build versus buy decision. While most global corporate banks still lean towards building in-house solutions, each technology investment demands its own careful evaluation. This brings us to the fundamental question:

How can banks be guided to make this strategic choice in a way that balances both immediate needs and long-term sustainability?

Chapter 2

Strategic Decision Framework

Strategic Decision Framework

While the pressure to modernize is clear, choosing between building and buying technology solutions requires careful evaluation of three critical factors: Speed, Resources, and Strategy. Let's examine how banks navigate these decisions.

1. Speed to Market: The Time Value of Technology

Time-to-market can make the difference between leading or lagging in today's competitive landscape. Fifth Third Bank's experience provides valuable insights:

> Fifth Third isn't a trillion-dollar bank—I don't have the IT capital that they have at JPMorganChase, where my counterpart there, Lori [Beer, global CIO of JPMorganChase], has a budget that's 20x mine [...] And so for us to be nimble, we had to strategically lean into partnerships and do a little bit more buy than build.
>
> **Jude Schramm, CIO, Fifth Third Bank[5]**

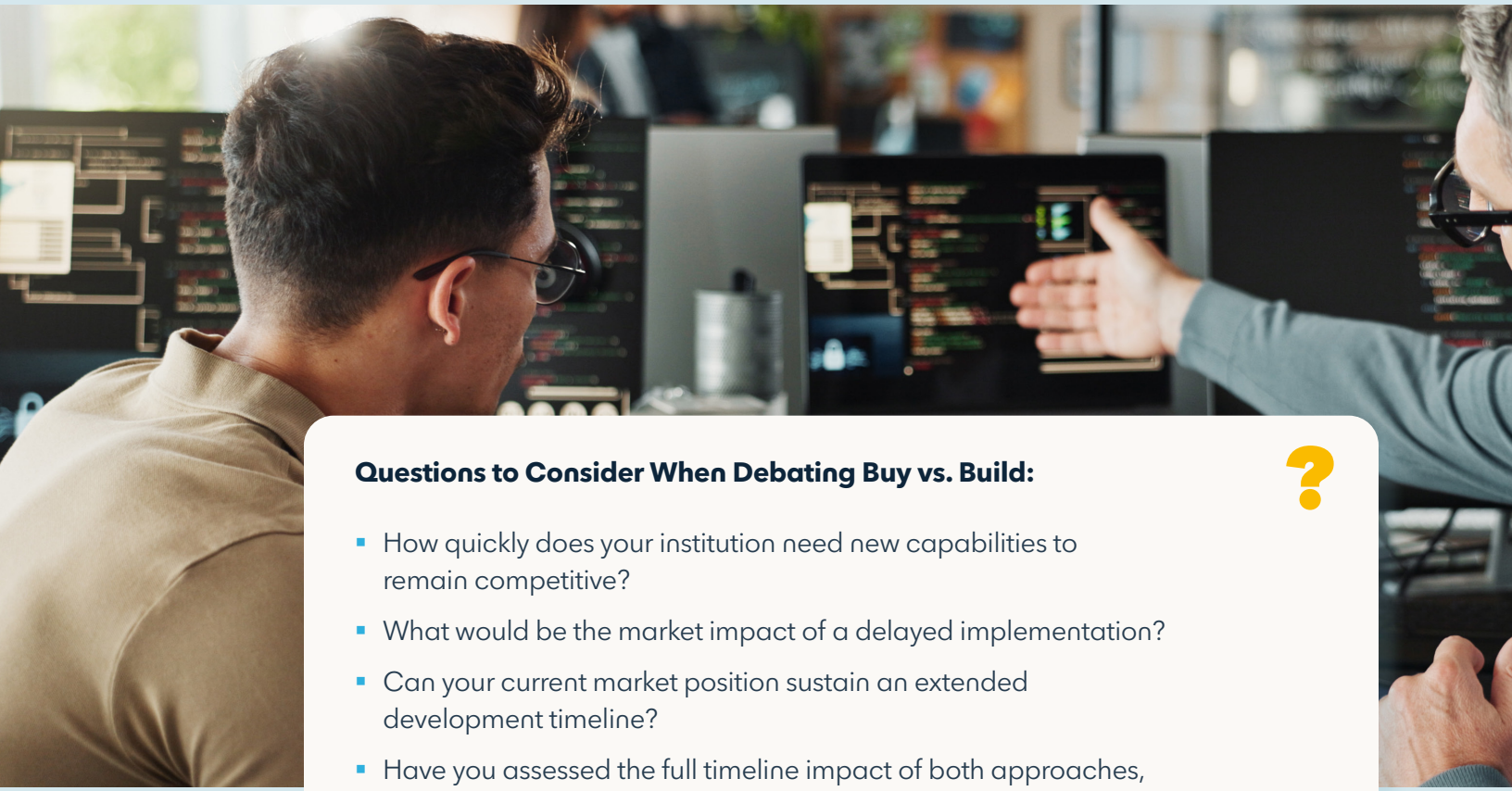
Building that same system at Fifth Third would have taken five times longer and probably cost twice as much, estimates Schramm.

Their implementation of the nCino Commercial Loan Origination System revealed stark realities:

5X	Developing in-house would have taken five times longer.
2X	Custom development would have cost twice as much.
SPEED	The decision to buy led to faster market entry and response.

Time to Value Comparison

BUILD	BUY
Months or years to deploy	Weeks to implement
Custom feature development	Immediate feature access
Extended testing cycles	Pre-tested solutions
Internal training development	Ready-made training materials
Gradual functionality rollout	Rapid full-feature deployment



Questions to Consider When Debating Buy vs. Build:

- How quickly does your institution need new capabilities to remain competitive?
- What would be the market impact of a delayed implementation?
- Can your current market position sustain an extended development timeline?
- Have you assessed the full timeline impact of both approaches, including testing and training?

2. Resource Investment: Understanding True Costs

The financial impact of technology decisions extends far beyond initial development costs.

For example, Harvard Business Review highlights the substantial talent investment required:

> "Rolling your own code is neither simple nor cheap. Software engineers are highly paid. In the United States, that means six-figure salaries. The costs of finding and hiring engineers often involves search firms, which charge 15% to 30% of the first year's salary."
>
> **Harvard Business Review [6]**

Potential Costs of Building

- Technical debt accumulation
- Infrastructure and environments
- Training and documentation
- Security and compliance monitoring
- Disaster recovery planning
- Continuous innovation investment

Real Costs of Building

- 70% of bank IT budgets go to maintaining existing systems[7]
- CIO of Firth Third Bank estimates that building a Loan origination system in-house would have been 2x more expensive

Questions to Consider When Debating Buy vs. Build:

- Have you calculated the total cost of ownership beyond initial development?
- Does your institution have the specialized talent needed for custom development?
- What percentage of your IT budget currently goes to maintaining existing systems?
- How would either choice affect your ability to invest in other strategic initiatives?

3. Strategic Impact: Control vs. Flexibility

The build versus buy decision often centres on a perceived trade-off between control and efficiency.

However, today's banking platforms offer both control and flexibility through configurable frameworks. Banks can customize workflows, define specific rules and policies, and build unique features while maintaining a stable, compliant foundation.

This enables institutions to focus their development efforts on true differentiators rather than basic functionality.

The reality of modern banking technology challenges traditional assumptions about control.

Success no longer depends on owning every line of code – it comes from strategically choosing where to invest development resources for maximum competitive advantage. While legacy systems consume resources just to maintain basic operations, modern platforms free teams to focus on innovation and customer experience.

This fundamental shift in how banks can maintain control while accelerating innovation sets the stage for a new approach – one that combines the benefits of proven solutions with the flexibility to build strategic advantages. We'll explore this hybrid model in the next chapter.

Questions to Consider When Debating Buy vs. Build:

- Which aspects of your technology truly require custom development?
- How much configuration do you actually need to differentiate your services?
- Are you investing development resources for true competitive advantages?
- Could standardized solutions free up resources for strategic innovation?

Chapter 3

The Hybrid Approach

Buy your Foundations, Build your Advantage

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Breaking the False Dichotomy

The traditional view of build versus buy as an either/or decision no longer serves modern financial institutions effectively. Today's dynamic market demands a more sophisticated approach that harnesses the strengths of both strategies while mitigating their inherent limitations.

The optimal approach combines buying foundational components while building strategic differentiators. This creates a powerful synergy.

By embracing a hybrid approach, financial institutions can achieve maximum flexibility, allowing them to adapt swiftly to market changes. This approach optimizes resource utilization, ensuring that both human and technological assets are employed efficiently.

Furthermore, it significantly reduces time to market, enabling institutions to introduce new products and services faster than ever before. Such agility enhances competitive positioning, allowing firms to outperform peers and capture greater market share.

Finally, the hybrid approach fosters sustainable innovation capabilities, providing a foundation for continuous growth and development in an ever-evolving industry.

Value Creation Through Hybrid Implementation

The future of banking technology lies not in choosing between building or buying, but in strategically combining both approaches.

The nCino Platform provides the ideal foundation for this hybrid strategy, offering:

A proven, secure foundation

Flexible configuration capabilities

Rapid deployment options

Ongoing innovation support

Scalable architecture

Transform your banking operations through a proven three-stage journey

1 Adopt a robust foundation

Proven Enterprise Foundation

- 10+ years of banking innovation
- Large customer base with over 1,800 financial services providers

Ready-to-Use Features

- End-to-end lending workflows
- Automated Credit analysis
- Document management
- Collateral & Covenant management... and more

Enterprise-Grade Infrastructure

- Bank-level Security Standard
- High Platform availability
- Disaster Recovery plan

2 Adapt to your unique needs

Credit Policy Configuration

- Custom credit rules engine
- Risk rating frameworks

Tailored Experiences

- Segment specific workflows
- Personalized Dashboards

Seamless Integration

- Core Banking connectors
- API-first architecture

3 Evolve with market demands

Market Agility

- Rapid Product launches
- Fast go-to-market cycles

Expansion Capabilities

- New market penetration / lending business lines expansion
- Cross-sell optimisation

Future-Ready

- Built-in AI/ML capability
- Continuous innovation

Accelerated innovation, minimized risk, and sustainable competitive advantage

Conclusion

A New Era in Financial Services

Conclusion: A New Era in Financial Services

In the build versus buy debate, success isn't always about choosing one path over the other—it's about leveraging the best of both.

With the nCino Platform, financial institutions can gain access to years of industry expertise and cutting-edge technology, while retaining the flexibility to create a unique competitive edge.

nCino offers a trusted platform that brings together people and data and enables financial institutions to enhance strategic decision-making, risk management and customer satisfaction through the selection of best-in-class intelligent solutions that create experiences to fit their needs.

The nCino platform is built with flexible, modular components, enabling you to seamlessly implement new capabilities as your business evolves

With the flexibility to select, shape and implement multiple solutions simultaneously or one at a time, institutions have the power to create the experiences they desire with the benefit of an agile platform that scales.

Are you ready to propel your institution into a new era of financial services?

Learn more at **www.ncino.com.**

Sources

1. https://datacentre.solutions/news/63869/banks-build-their-own-technology-solutions
2. A core banking system is the primary software platform that manages a bank's key operations including:
   - Account management
   - Transaction processing
   - Customer records
   - Deposit handling
   - Loan administration
   - General ledger

   It serves as the bank's digital backbone, processing both front-end (customer-facing) and back-end operations in real-time, while ensuring regulatory compliance and data security.

   Modern core banking systems are typically cloud-based, enabling 24/7 banking services across multiple channels (mobile, web, ATM) with automated workflows and integrated reporting capabilities.
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Buy

Build

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