

# Euro-Conversion and Year 2000: A Review of the Project Situation

René R. Klösch  
Ernst & Young Management Consulting Austria  
Rene.Kloesch@at.eyi.com

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## 1. Introduction

In 1999 and 2000 major business events such as the European monetary union (EMU) and the year 2000 force organizations, where IT is critical to business survival, to set up and adequately fund according projects. The ability of the organization's IT departments to deliver timely and appropriate solutions will be critical to those companies.

While most companies and governmental organizations can use a period until 2002 to become Euro-compliant, especially financial industries such as banks face an extreme time pressure since they need to be Euro-compliant by the begin of 1999.

We have seen that there is no single best technical or business approach to making a system Euro-compliant. Based on the current situation in each organization, companies must choose from a wide range of strategies and approaches with different costs and benefits. Our experiences in Euro projects have shown that the overall goal of an Euro-conversion project is to choose the most appropriate mix of technical and business solutions to implement timely Euro-compliance. Cost have been shown to be of minor importance in this context.

## 2. Challenges and Experiences in Euro-conversion projects

While in the US year 2000 projects have received an increasing attention during the past years, this topic has been covered by the Euro-compliance issue in most European organizations. Especially the financial industries have focused mainly on becoming Euro-compliant by the beginning of 1999. For these industries a timely and successful adaptation to the Euro will be a key factor in defining business leadership for the next years.

During our project support in various Euro -conversion projects we have identified the following key challenges for such organizations:

- *Absolutely fixed deadline:* The IT project managers have to deliver their may be largest project ever at an absolutely fixed deadline in an environment of increasing IT staff shortages. Since almost all information systems of an organization need to be changed the IT managers are in an extreme dilemma: They need to finish new developments replacing out-of-date systems, while adapting the whole existing system portfolio to the Euro. Strategic new development projects that have not yet been started usually need to be postponed as a result of the staff shortage (in the IT groups but also business units).
- *Technical and business changes:* The Euro-conversion projects in the financial industries require both technical and functional changes to almost all information systems of an organization. Technical changes are required to support changed business processes due to new regulations as well as processing the new currency. On the other hand, the European monetary union offers new business opportunities and poses new threats such as a larger market or new competitors. Due to this fact new requirements for the existing IT portfolio arise which need to be realised in the Euro-conversion project.
- *Testing effort:* Significantly changing more than 80 percent of the applications in an organization where both the business process and the application function needs to be modified results in a major testing issue. While each changed system requires to pass through the usual testing cycle (e.g. unit, integration, and system tests) an additional test — we call it whole system portfolio test — needs to be performed to guarantee that all modified systems are able to work together again. This additional test is based on a business case driven approach whereas earlier stages of the test cycle

usually focus on function based tests. Choosing appropriate testing tools and optimizing the testing process has been shown to be essential.

- *System integration and implementation:* Furthermore, the integration and implementation of may be hundreds of systems in a very short time period is extremely complex and risky. Since the finish of the large number of projects within the overall Euro-conversion project is usually scheduled for the second half of 1998, about 80 percent of an organizations system portfolio has to be tested and implemented within a couple of months. This turns out to be a critical activity for the IT groups as well as business units in an organization. After having implemented the systems sufficient training is required to be able to offer new and advanced business services to the customers.
- *Staff shortages:* Due to the fact that many companies did not plan adequately for the impact of the Euro-conversion together with the year 2000 issue within a time period of 2 to 3 years, we currently can observe a dramatically increasing shortage of qualified IT staff. Limited staff availability especially of project managers has shown to be more serious than budget or technical issues. The fact that most competitors and even package vendors are in the same situation further worsens the problem.

### 3. Critical influence factors

There are several factors influencing the complexity and the success of an Euro- conversion project, such as:

- Size, age and complexity (i.e. interrelationships among systems) of the organizations current system portfolio
- Technical environment, i.e. the programming languages, number of different hard and software platforms, and available database management systems
- Existing project management and process environment, i.e. the experience of the available software development employees, or the maturity of the software maintenance processes
- Number and quality of third party software (vendor applications), i.e. the number of systems that are vendor dependend, and the reliability of those vendors to become Euro-compliant in time

Especially the area of vendor applications has shown quite different situations: Some vendors, mainly well known large package software vendors (e.g. SAP, etc.) have started

their Euro-conversion projects soon and are meanwhile successfully implementing Euro-compliant versions of their software. Other vendors are in a similar serious situation as many of their customers.

### 4. Euro-Conversion and Year 2000 Compliance

Several surveys have shown that many European financial organizations have neglected their year 2000 projects because of a focus on their Euro-conversion projects. In some cases they might have assumed that there will be sufficient time to complete the year 2000 project once the first phase of their Euro-conversion project is finished.

Meanwhile the awareness of achieving both Euro compliance and year 2000 compliance within one year (i.e. 1999 and 2000, respectively) has risen dramatically. Most organizations have understood that they need to start a year 2000 project in agreement with their running Euro-conversion project.

Although the year 2000 issue is mainly a technical project while — as we pointed out before — the Euro-conversion issue also deals with business issues, there are several areas to gain advantage from running those projects in parallel and strongly coordinate them.

### 5. Conclusion

While most non-European organizations can focus on becoming year 2000 compliant, many European companies need to be Euro-compliant in 1999 and year 2000 compliant in 2000, respectively. Those companies urgently need to perform an impact analysis and set up an appropriate project organization to successfully coordinate and finish both projects in the remaining 1,5 years.