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Customization is the New Standard – Ensuring Your Vendors Are Aligned With Your Needs Through RFPs and SLAs

by **Michael Barrack**
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Increasingly, community financial institutions are outsourcing technology management and software applications to third-party vendors. As the trend accelerates, it is critical for the institution to properly manage the vendor relationship and clearly define roles and responsibilities. More and more, we are seeing our banking and credit union clients fine tune themselves to, not only what they are looking for from their providers, but also the way in which they want those services delivered.

Today, customization of solutions to fit the institution's specific needs and way of doing business is the new standard. Service providers stubbornly keeping to their one-size-fits-all, cookie cutter offerings will quickly find themselves obsolete and a non-player in tomorrow's market. De novo or large, institutions are ensuring that solutions are fit to their unique requirements, rather than vice-versa, by specifying their needs and expectations through the RFP and SLA process.

Defining your needs through Request for Proposal

The Request for Proposal (RFP) process is important in that it helps the institution to clearly define and articulate their needs vs. what the vendor is trying to provide. Writing an RFP can be a daunting project, but when done correctly will help you save time in the due diligence and selection process, and enable you to truly compare apples-to-apples the benefits, costs and risks associated with each service candidate. The RFP should include your needs, how you want candidates to respond, and the selection criteria you will utilize. Avoid asking for information that you don't really care about. It's easy to create a monster RFP, but in turn can become very difficult to manage the resulting responses.

Beyond the writing of the document, you need a structured approach for review and selection. As a technology provider, we've been seeing more RFPs released into the market for bidding. Likewise, as a strategic resource for our clients, we are assisting a greater number of clients on RFP creation, management and vendor selection, especially in the core arena. This again demonstrates that bankers and credit union professionals are becoming more aligned with what they want to achieve with their technology. Furthermore, the process is being used to clearly outline what differentiators and advantages the banks are looking to achieve against competitors. RFP creation is typically not a core competency for most financial institutions, and you can turn to resources like Compushare to help manage and add value to the process.

Why it is important to establish Service Level Agreements with your vendors

The federal regulators, as outlined in the FFIEC Booklet on Outsourcing Technology Services, expect financial institutions to carry Service Level Agreements (SLAs) with vendors to provide protection for the institution in the event that the vendor neglects or fails to adequately perform its services for the institution. At a minimum, SLAs should be established with any vendor that plays a key role in the institution's mission critical operations, such as the core processing vendor, and technology management and security providers. SLAs plainly state the obligations and commitments of the vendor to the institution on performance and service quality standards. Therefore, SLAs can be used as a tool for:

- a. managing and mitigating the risks associated with technology outsourcing; and
- b. managing, measuring and monitoring vendor performance.

What to look for in your SLAs

Service Level Agreements are designed to provide you, the client, with an increased level

of assurance for your critical services. SLAs are established to ensure quality delivery, service stability and reliability through a quantitative benchmark. These benchmarks allow you to set expectations for good service and give the service provider a measurement of success to strive toward. The key to an effective SLA is objectivity. Both the institution and the vendor should be able to arrive at the same measurement of service using clearly established metrics defined in the SLA. SLAs should include:

- a. objective standards for measurement; and
- b. clauses to keep both the vendor and the institution accountable to their responsibilities to each other.

Many vendors will say standard Service Level Agreements are non-negotiable. In the past, institutions found themselves framing their needs into the context of standard SLAs provided by their vendors. However, the trend of today is that customization is the new standard in service delivery. The technology providers willing to negotiate SLAs to service levels that both parties can win from are those that you want to partner with into the future.

Meeting your needs through Compushare

At Compushare, we embrace this commitment to the client's needs. It's the axis around which our entire business model evolves. We endeavor to continually improve upon the quality of service and solutions delivered to our clients, and I take a moment to discuss some of our ongoing service quality initiatives. Since its implementation in 2008, our clients have been reaping the resulting benefits of an internal Quality Assurance initiative enacted to assess all areas of the client experience – from service touches to product delivery to billing. Each quarter, we reach out and get our clients talking. Only through this outreach can we spur the discussions to get first hand account on what's working and areas for improvement. Today, our client satisfaction scores are at the highest levels since we began formally measuring our quality of service in 2007 and greatly surpasses industry Net Promoter benchmarks. We strive to remain aligned with the needs of our clients and it starts with solution design where we fully uncover the needs and goals of the institution before presenting any solution. I thank our clients for your recent responses to our latest quarterly client survey and I look forward to sharing results with you through separate communications shortly.

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Compushare delivers viable and proven solutions exclusively for community financial institutions including areas of technology management, vendor management, information security, risk management, and business continuity and disaster recovery planning. Learn more about our approach toward **Strategy**, **Safety**, **Soundness** and **Support**.

To learn more on how your institution can benefit from a partnership with Compushare, contact your Client Solutions Executive or **education@compushare.com**.

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