



## Outsourcing Commodity-Based Technology Functions is a Best Bet for 2008

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Financial As if the writing on the wall wasn't enough, the first few weeks of the New Year have been littered with concerns over the economy. With financial services at the forefront of the battle, I anticipate some refocusing of priorities over the next 12-18 months; and I'm sure ratcheting down on operating expenses will be at or near the top of most community financial institution leaders' agendas.

As financial institution leaders become increasingly challenged to provide any sign of positive financial news for their stakeholders, IT leaders should be prepared to revisit spending plans while prioritizing initiatives even further. We've all heard it before – the old "I need you to do more with less" adage. As rusty as that statement may sound, it is a driving principle of technology as a whole. The central aim of technology is to optimize business processes and essentially do more with less while cutting costs, increasing revenues and minimizing risks. This is why we continue to invest and rely more heavily on the results and promises of technology in our business operations.

As we look under the hood for ways to make the IT engine more fuel efficient, we want to focus on areas that are being referred to as "commodity-based" services – those functions

or services that are akin to keeping the lights on, power readily available in every electrical outlet, and water flowing from the faucet. Just as we expect the lights to come on when we flick the switch, there are a number of IT provided services, such as email and telephone, which the business just expects to work. The tolerance threshold for downtime is slim to none. We expect these services to function as needed, when needed, with little oversight and management.

At a high level, these commodity services arise primarily from the need to provide a stable, secure, readily available and adequately performing computer system. Every business manager expects that their teams have the proper tools available that are needed to perform duties required. Increasingly, these duties are reliant on the use of a computer equipped with office productivity software, email and collaboration tools, and function-specific business applications. Easily said, yet if only the means to managing the range of these commodity services was as straight-forward as the need.

Fortunately, the market is driving the trend towards offloading the management of these commodity-based services to third party providers. Similar to the more mature trend of outsourcing core banking applications to third party providers, we are seeing a rapidly increasing shift towards outsourcing general IT services. These typically consist of general computing and infrastructure based services focused on the management of PCs, phones, servers and networking equipment. Essentially, those minimum computing services required to do business today. By offloading the procurement, implementation, support, maintenance and security of these commodity-based services to a third party provider, financial institutions can free up internal resources to focus more on top-line growth and core competencies (i.e. delivering financial services).

As with the core banking applications arena, it is a best practice approach to strictly limit the number of technology providers your institution works with and, even more importantly, to work with a provider that can offer more than a buyer/seller relationship. Every successful and happy business leader understands the value of creating strong business relationships. Long-term value is derived from strategic partnerships that provide mutual ownership and accountability where both parties can share in the successes, challenges and opportunities.

As this year of uncertainties begins to unravel and we hunker down to ride the wave of economic flux, we must keep in mind that an institution's ability to successfully leverage their technology will be significantly determined by where efforts are being focused. There are many more opportunities to increase revenues, develop new services, and increase competitiveness when we relieve the pressures from day-to-day management of commodity IT services. Keeping the lights on and the water running is critical to business functionality, yet sitting and focusing valuable time and energy on these functions is hardly neither efficient nor rewarding.