

The Ins & Outs of Going In to Out

A multidimensional look at outsourcing sees efficiency, security in the cloud.

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Cloud adoption among community banks and multi-billion dollar institutions is expected to grow even more rapidly this year than it has in the past. Moving IT infrastructure and critical systems to a hosted environment is said to boost efficiencies, provide greater scalability, reduce costs and bolster security. While these benefits have the potential to make a significant impact to a bank's bottom line, change of that magnitude can still make it difficult to pull the trigger. So, what actually moves banks to outsource, and what are their results?

For some banks, resource challenges are the primary drivers to outsource. Based in Bixby, Okla., since 1924, Mabrey Bank has over \$900 million in assets and serves the greater Tulsa area. The community institution recognized its need for more efficient access to expertise, which would be difficult and costly to employ in-house. Ensuring servers were securely and seamlessly running took too much employee time and a large amount of physical space. Mabrey Bank decided it was important for employee time to be dedicated to more strategic, customer service-based activities instead of infrastructure upkeep and maintenance.

For other institutions, the ultimate deciding factor to outsource is security concerns. First National Bank & Trust of Phillipsburg has been serving neighborhoods in Kansas for more than 100 years. The \$205 million-asset bank sought to maintain confidence that its operations were highly secure and that it was protecting customers' sensitive information and data as well as possible — especially in light of increasingly frequent and sophisticated cyberattacks. First National Bank & Trust knew that a strong outsourcing partner with proven security credentials would add a new depth of defense to its existing infrastructure.

Significant growth can also be an impetus for outsourcing. FirstBank of Nashville, Tenn., was in the midst of an acquisition while also experiencing tremendous organic growth when it considered such a change. The \$4.5 billion-asset bank had a small IT team and wanted this group to be freed up for activities that would contribute to this expansion and ongoing scale of products and services. As Dan Moore, vice president of information technology at FirstBank, puts it, "We wanted to be a bank, not a technology company."

Yes, not all avenues to outsourcing are created equal. While their reasons to outsource varied, each of these banks has enjoyed similar benefits since taking their infrastructure to the cloud.

Newfound Efficiencies and Employee Productivity

The efficiency gains experienced by these banks have been significant. Institutions can save countless employee hours by eliminating routine software maintenance and monitoring. When banks outsource tedious manual tasks, they allow their employees to focus on more strategic, high-level projects, boosting efficiency and overall productivity. Such a reallocation of resources also allows employees to focus on projects that support scale and growth.

The IT staff at First National Bank & Trust mirrors that of many other community institutions: a vice president and one part-time employee. Before outsourcing, two people were fully responsible for ensuring everything at the bank ran flawlessly and seamlessly from an IT perspective. Now, the bank doesn't have to worry about patches and upgrades and can instead focus on more strategic, customer-facing activities.

For Mabrey Bank, outsourcing has relieved its in-house IT employees from a cycle of ongoing maintenance to allow them to be more project and goal oriented. Carlisle Mabrey IV, chief operating officer, chief technology officer and executive vice president for Mabrey Bank, stated, "Moving to a hosted IT and core environment provides us with the scalability to introduce valuable customer-facing solutions quickly and the flexibility to scale and grow as needed. This new model allows us to move past the day-to-day burdens and more nimbly adapt to the current market and its opportunities."

Enhanced Business Continuity and Strengthened Security

Banks that have chosen to outsource have benefited from more confidence in their disaster recovery and business continuity plans. Recent severe weather events and unpredictable weather patterns provide an all-too-real reminder to banks that their hardware and software must be well protected.

Just as natural threats have increased in recent years, man-made threats continue to evolve as well. In today's cybersecurity landscape, the question is no longer if a cyberattack will occur but rather when. Continuous system monitoring to safeguard information and boost protection from fraudsters is an around-the-clock affair.

Mabrey Bank is now supported by a data center that is robust in both its physical barriers and cyber protections. Before outsourcing, Mabrey Bank was unable to recover 75 percent of its systems in 48 hours. Now, all systems can be failed over within a matter of hours. In addition to increasing network dependability, this has also helped the bank with succession issues. When key IT staff retires, for instance, the bank can be assured of a much easier transition for the training and management of general operations and cybersecurity initiatives.

FirstBank echoes a similar position. "Ever since switching to an outsourced environment, operations have been extremely secure, and there have been no performance issues to date," added Moore. Failover from one data center to the other now only takes four hours, instilling the bank with confidence in its ability to protect and quickly recover important information should an event occur. And the bank's disaster recovery site, which was previously far too close, is now a much more appropriate distance away from the institution.

Eased Compliance Concerns

Compliance remains a top area of spending and focus for banks, a number of institutions having cited its influence to delay innovation or any real IT development. By outsourcing, a bank is able to defer some of its IT regulatory compliance burden to the cloud provider to absorb — offering a guarantee that necessary requirements are being met. This transition of responsibility allows bank employees to spend less time acquiring knowledge on new and changing legislation and then working toward implementing changes year-round.

Some financial institutions have voiced concerns with outsourcing, unsure of what examiner feedback might be. FirstBank was pleasantly surprised to find that audits and exams have gone smoothly since making the move.

"Examiners appeared relieved when they found out we were using a reputable outsourcing partner that they're comfortable and familiar with," said Moore. "The auditors were able to easily locate everything they needed. The process went extremely well, and we encountered no issues."

As with any change, preparing to transition to an outsourced model requires the bank to conduct proper due diligence of potential partners, evaluating security certifications, business continuity strategies and customer service implications. While each institution's reason to migrate systems in-to-out is certain to be unique, there will be similar benefits regardless of asset size, IT resources or location. Outsourcing IT infrastructure and maintenance can radically transform an entire bank's operating environment and bring tangible benefits to its bottom line that will be felt both immediately and into the future.