Market Commentary

Managed Services: Tackling the five big questions

What are the five questions banks should consider when moving to a managed services model?

"In a managed services model, the vendor should share the goals, and success should be measured by joint achievement."

Our discussions on the topic of managed services always raise many interesting questions. But there are some that we hear more frequently than others. Here are five of the most common points that customers are keen to explore when we're discussing adoption of this model.

1. **Are you sacrificing value by focusing too hard on the cost of managed services?**

   Of course, there's a cost associated with moving to a managed services model, and a continuing subscription cost for maintaining it. But this should be considered in light of what it saves.

There's no upfront capex expenditure required, nor any need for upgrade and maintenance of infrastructure. There's also significant value in the simplicity of managed services, helping to lower total cost of ownership (TCO). With no need to manage and synchronize multiple vendor relationships and products, banks also save resources and gain on efficiency. In some cases, we've seen customers achieve 40% efficiency with managed services. Through increased agility, reduced risk, and best-practice operations, including standardized integrations and automation, managed services really justify the upfront costs.

About the author

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Julian Lee has worked in capital markets technology for over 25 years as an enterprise architect, strategic advisor and program director. He was employed at a senior level by banks, brokers and buy-sides and more recently he has brought this experience to software providers and services companies to provide clients with product-led, control oriented and data-driven solutions. Today, Julian works for Finastra leading the Transformation initiative – helping clients move from an installed instance of our products to the new Finastra managed service.

2. **Is there the potential to free up non-value adding costs by outsourcing your non-core functions?**

Absolutely. This question goes to the heart of what it is to be a bank. Traditionally, financial institutions were compelled to run major IT operations in-house, as there was neither the infrastructure nor the skilled resource available to outsource areas such as risk and application management. Yet few banks today have the appetite to run every aspect of their technology themselves. When their core purpose is to be best-in-class financial institutions focused on customers, they can now cost-effectively outsource a growing range of functions to managed service providers. This can encompass everything from infrastructure and IT service management to customer support, upgrades and technical operations. Ultimately this gives banks the freedom to focus on achieving their strategic objectives.

3. **Are your technologists focused on output instead of outcomes?**

If it's implemented on time and on budget, an IT project is often deemed to have been a success. But what has it contributed to the organization as a whole? What if it's an upgrade that isn't compatible with systems elsewhere in the enterprise? There's often a risk that measuring success on a project-by-project basis misses out the overall impact. Success in one silo could mean nothing (or even damage) to the bottom line. Taking an outcome-oriented approach, on the other hand, starts by looking at business goals and building back from there. In a managed services model, the vendor should share the goals, and success should be measured by joint achievement.

4. **To what extent are security and regulation on your priority list today?**

In Leveraging Cloud Technology and Managed Services, a report we commissioned with Greenwich Associates, security concerns were cited as the biggest hurdle to migrating to managed services. Yet this fear is misplaced. Infrastructure-as-a-service operations experience 60% fewer security incidents than traditional data centers, which are often reactive and unable to take advantage of the latest security upgrades and innovations. By using highly robust cloud infrastructure from a leading cloud provider, managed services can provide significantly stronger security than in-house data centers. The bank's data can be secure in a combination of simple yet sophisticated ways to be both safe and compliant with increasingly tough regulation. Performing regulatory reporting can be greatly improved too, given the scalable and powerful processing, and advanced analysis features available.

5. **What should you look for in a managed service provider?**

The most important factor is partnership. The ideal provider should be work in a collaborative way, with clear accountability and ownership of service delivery. Second, they should have the depth of specialist expertise to be able to understand your needs and your markets and personalize their offer to match. To benefit from a true banking as a service model, banks need to start offloading the whole function to the cloud as opposed to individual point-based systems. To achieve this, it's important to select a vendor that offers end-to-end solutions. An outcome-oriented approach, where the vendor works toward your agreed business goals, is the true foundation of success in managed services.

To find out more about Finastra Managed Services, click here.

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About Finastra

Finastra is building an open platform that accelerates collaboration and innovation in financial services, creating better experiences for people, businesses and communities. Supported by the broadest and deepest portfolio of financial services software, Finastra delivers this vitally important technology to financial institutions of all sizes across the globe, including 90 of the world's top 100 banks. Our open architecture approach brings together a number of partners and innovators. Together we are leading the way in which applications are written, deployed and consumed in financial services to evolve with the changing needs of customers. Learn more at **finastra.com**

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