

EMPOWERING TECHNOLOGY PERFORMANCE

A Strategic View of Technology

Presented by:
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What Does Investing in Technology Really Mean?

WHAT IS ROI?



Efficient Operations
“Keep the Lights On”



Investing in IT

Five Questions You Should Ask:

1. What are the key performance indicators I can use to measure my IT department?
2. Does the IT department improve franchise value?
3. Is the IT department aligned with our strategic vision?
4. How do we keep IT accountable?
5. Are non-strategic items costing me too much?

Everyone Has Valid Concerns

Key Stakeholders

BOARD OF DIRECTORS

EXECUTIVE TEAM

IT DEPARTMENT

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- Is IT aligned with our strategy?
- Can IT affect shareholder value?
- We are not technical.
- How do we keep IT accountable?

Everyone Has Valid Concerns

Key Stakeholders

BOARD OF DIRECTORS

EXECUTIVE TEAM

IT DEPARTMENT

- How does IT affect our efficiency ratios?
- Are we paying too much?
- How can we help our CIO to succeed?
- How do we measure ROI?
- How do we determine what is really needed?

Everyone Has Valid Concerns

Key Stakeholders

BOARD OF DIRECTORS

EXECUTIVE TEAM

IT DEPARTMENT

- These bankers just don't understand!
- It is always a fight to get projects approved.
- All Management cares about is cutting costs.
- Give me more budget!

A Strategic View of Technology

 IT Governance

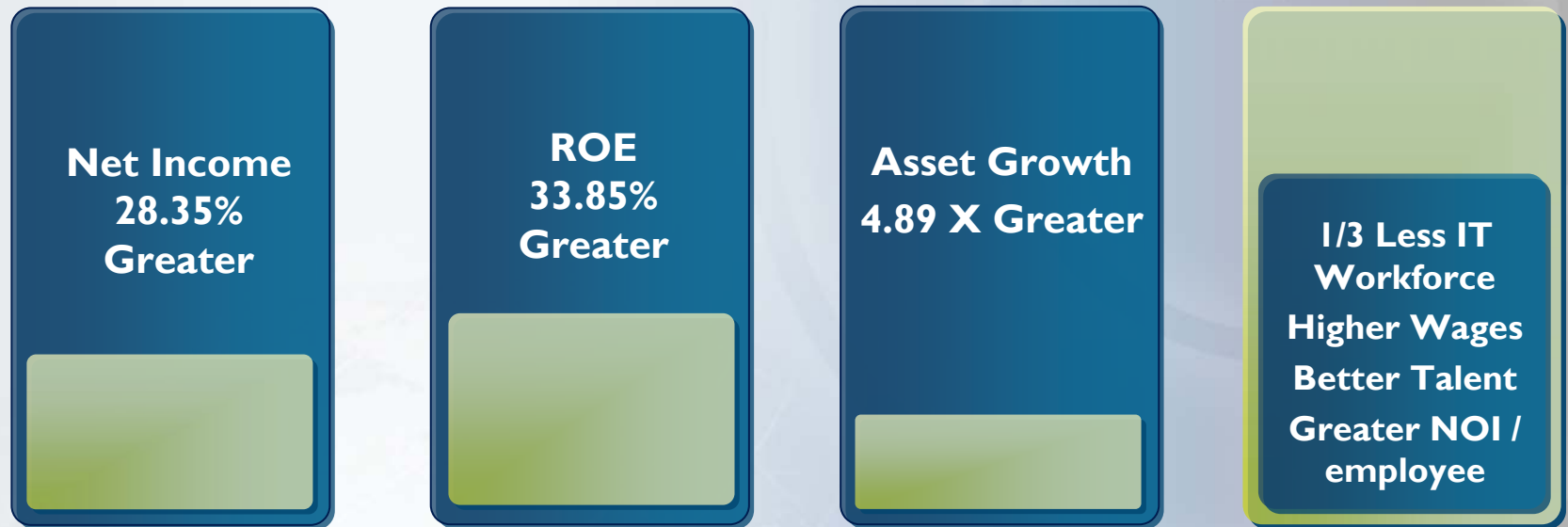
 Higher Returns vs. Conventional Investments

 Alignment with the Institution's Vision / Mission

-
- Is IT a never-ending escalating line-item on your budget?
 - Does the vision and mission of the institution lead IT, or does the tail wag the dog?
 - Are you Spending or Investing?

Findley Group Analysis

“We must begin planning technology performance now if we hope to compete, retain customers and improve franchise value over the next 5 to 10 years.” – Gary Findley



Performance Sample 2005: 100 banks between \$145M and \$2B

- Fifty demonstrating “Good IT Performance”
- Fifty demonstrating “Poor IT Performance”

Divide Strategic and Non-Strategic Investing

How much should I be spending on Strategic IT?

Hold technology investments to the same rigorous standards you would apply to any investment.

How much should I be spending on Non-Strategic IT?

Why based on assets?

Wouldn't it make more sense to base it on FTE count for non-strategic initiatives?

Discovering the IT Efficiency Ratio

$$\begin{aligned} & \text{Total Institution Assets} \\ & \div \text{Number of FTE's} \\ & = \text{Assets Per FTE} \end{aligned}$$



Estimate BASELINE vs. National Average

Variables:

Type of Institution?
Location?
Age?
Number of Branches?

Total Information Technology Budget

- Strategic Expenses
- Core Expenses
- Depreciation Expense

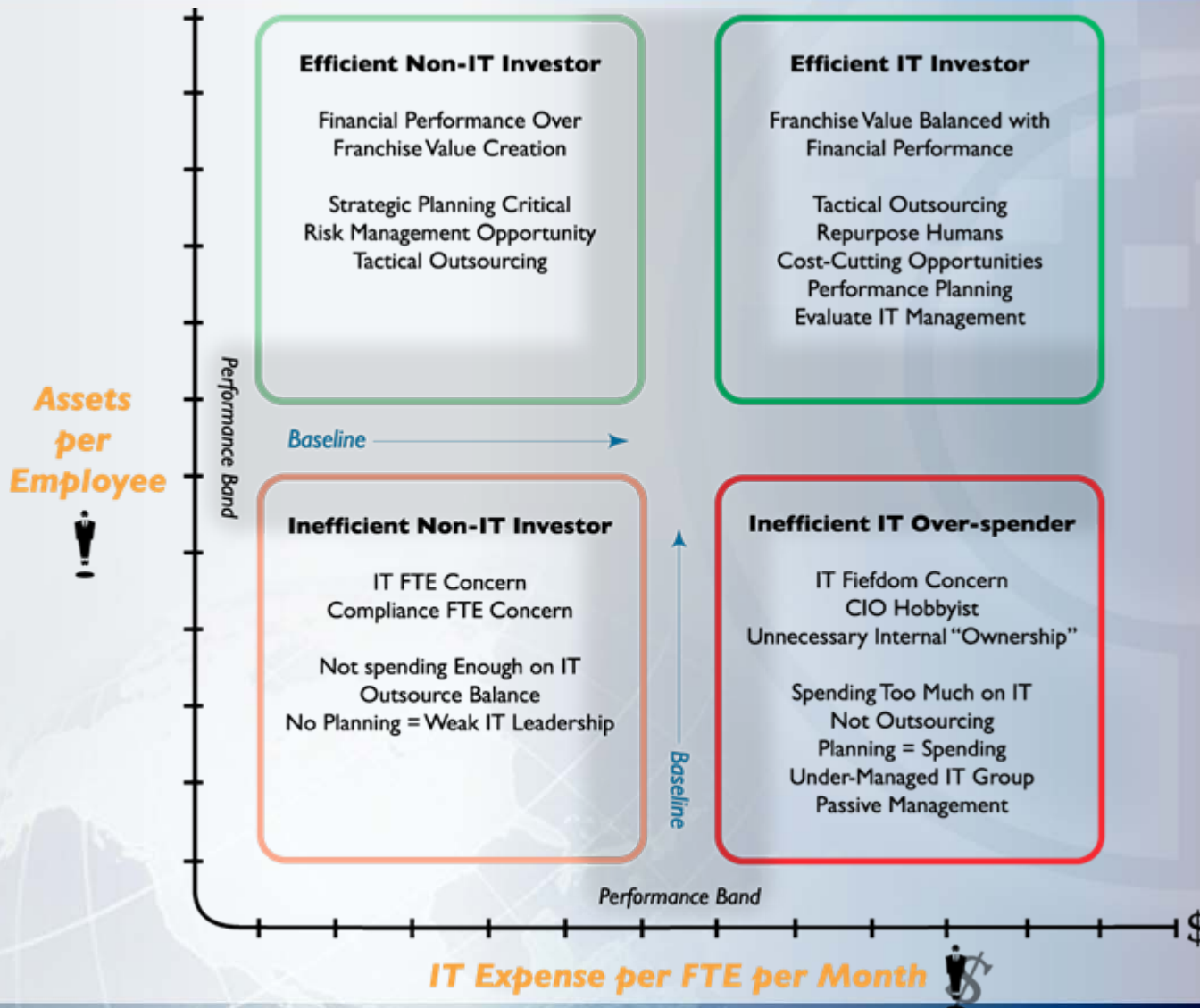
$$\begin{aligned} & \text{Adjusted. IT Budget} \\ & \div \text{Number of FTE's} \\ & \div 12 \\ & = \text{IT Expense per FTE per Month} \end{aligned}$$

Estimate BASELINE vs. Performing Peers

Consider:

Safety, Soundness, Support.
Expense vs. Investment.
Understand Strategy.

Discovering the IT Efficiency Ratio



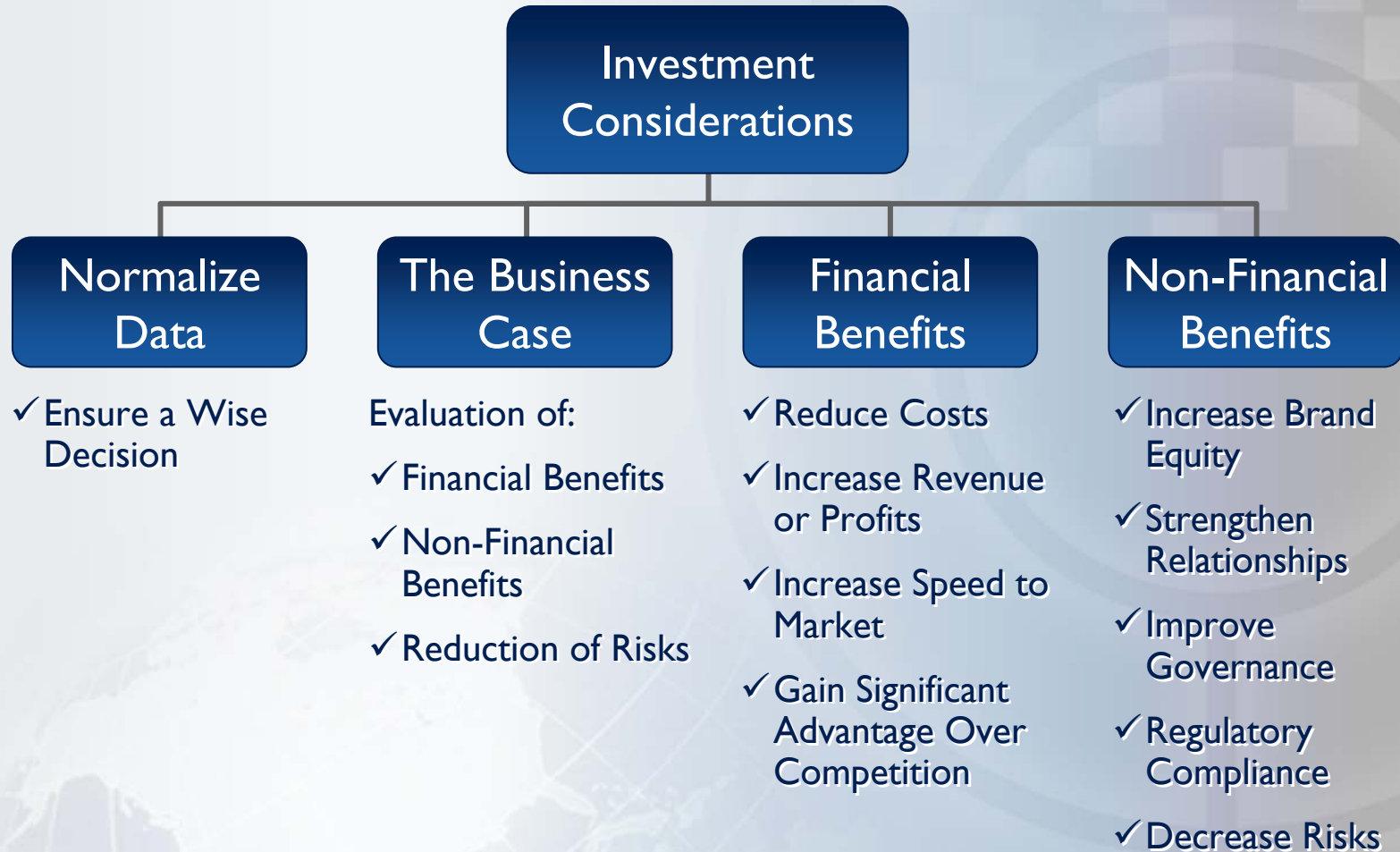
An “IT Efficient” Financial Institution

- Total IT Spending approximately \$350 / FTE / Month
- One (1) full time IT Expert for every 133 employees
 - Network Administration
 - Technology Compliance
 - End User Support
 - Strategic Initiatives / Planning
- Optimum in-source / out-source balance (non-core)
 - 25% / 75%
 - \$2.75 in value for every \$1.00 outsourced

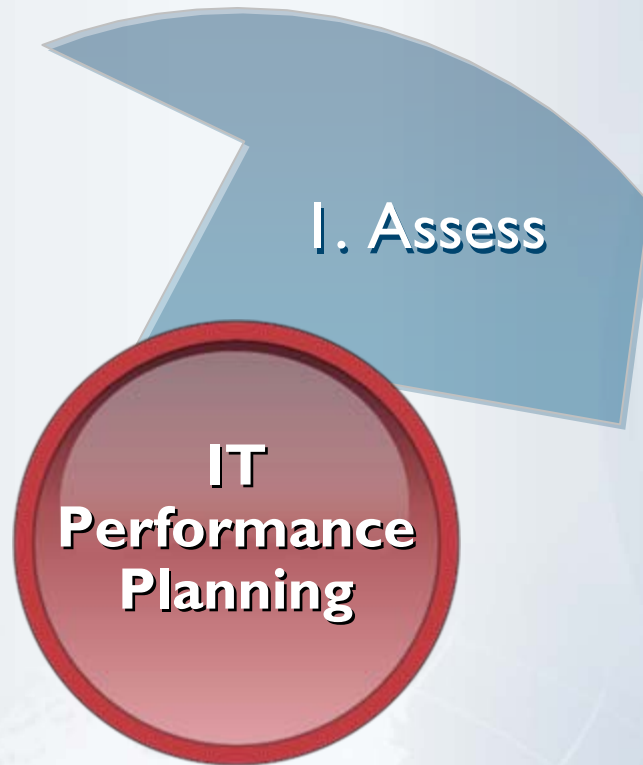
Defining Performance: What is “Investing” in IT?

- View IT Initiatives as Investments
- Check Alignment to Mission
- Measure ROI
- Hold Teams Accountable for ROI
- Monitor Progress

How Do You Decide On the Right Investment?

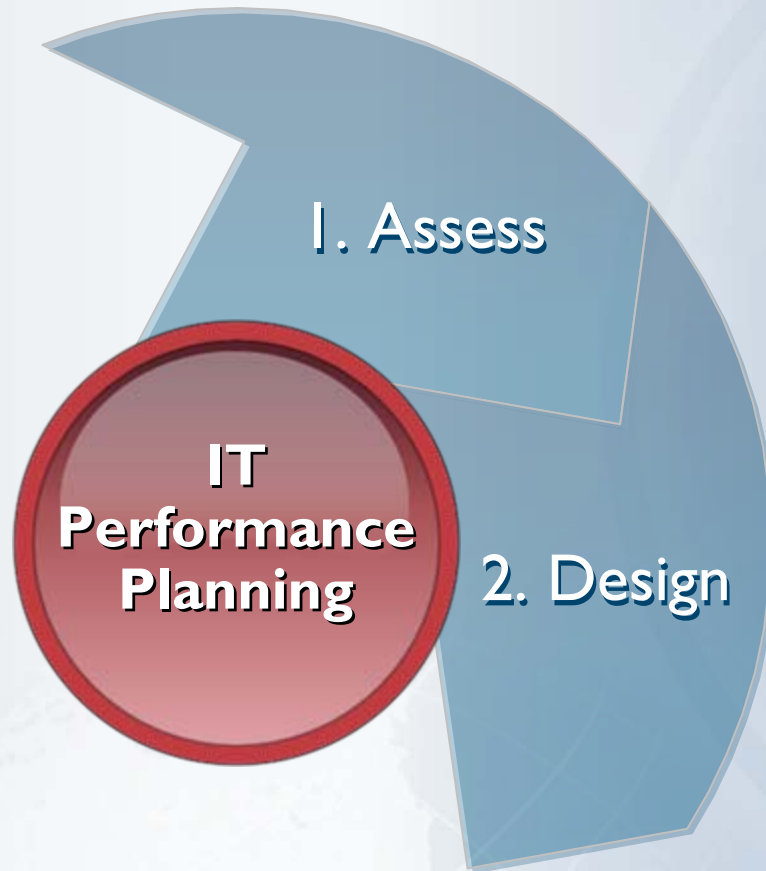


How Do We Do It?



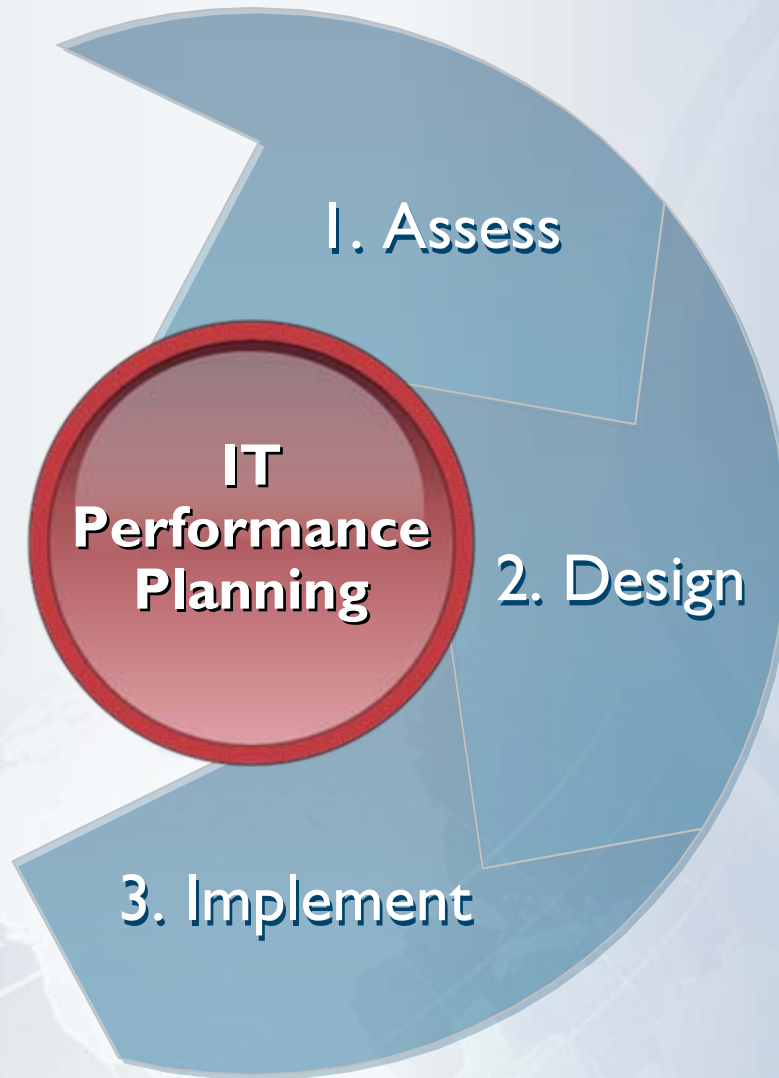
- ▶ Information Gathering
- ▶ Perform IT Risk Assessment
- ▶ Perform Strategic Assessment
- ▶ Identify Potential IT Entity List

How Do We Do It?



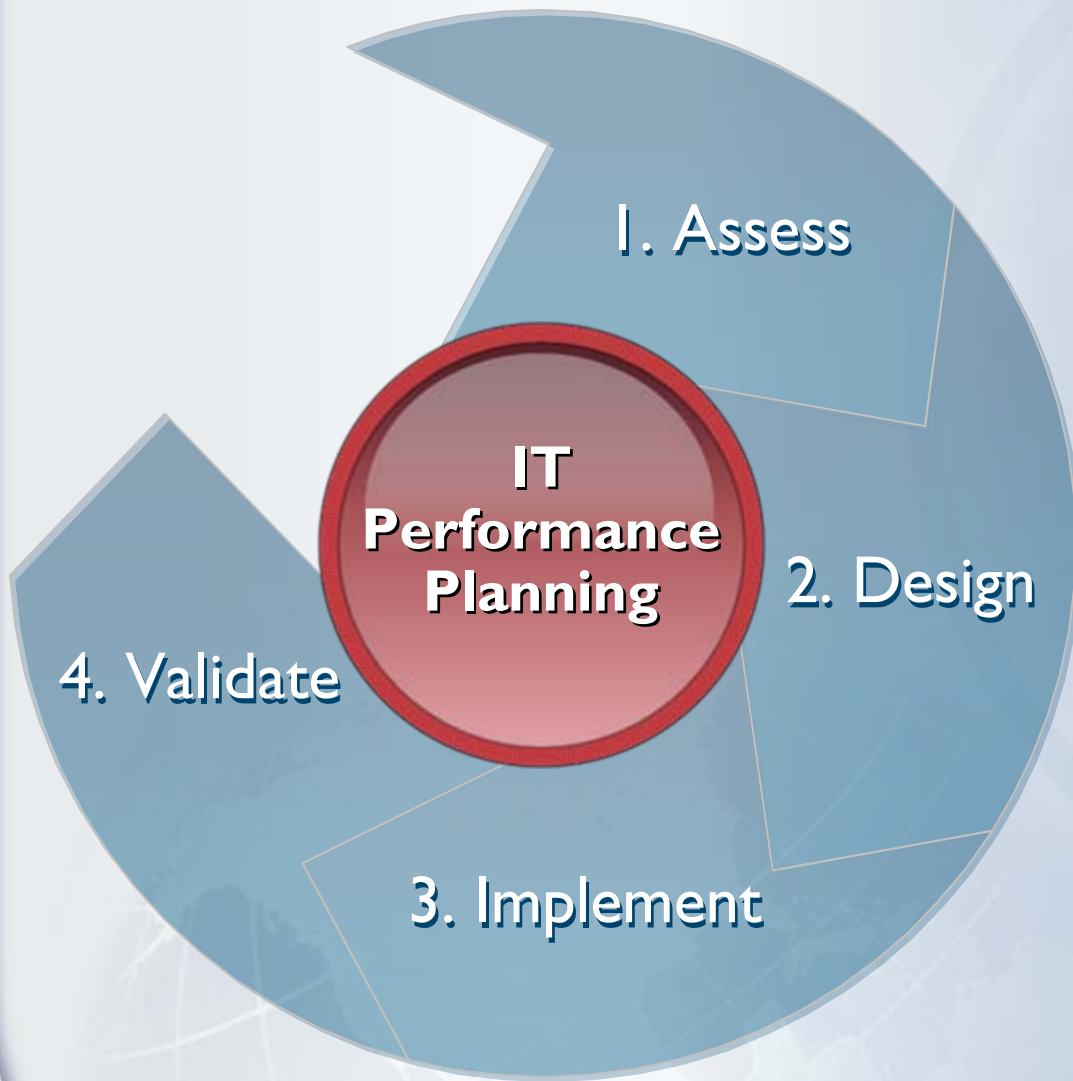
- ▶ Develop Normalized ROI Matrix
- ▶ Perform Business Case Development
- ▶ Obtain IT Entity Acceptance
- ▶ Develop Performance Metrics
- ▶ Develop Management Practices

How Do We Do It?



- ▶ Train on Practices and Metrics
- ▶ Oversee Implementation
- ▶ Manage Program Over Investment Lifecycle

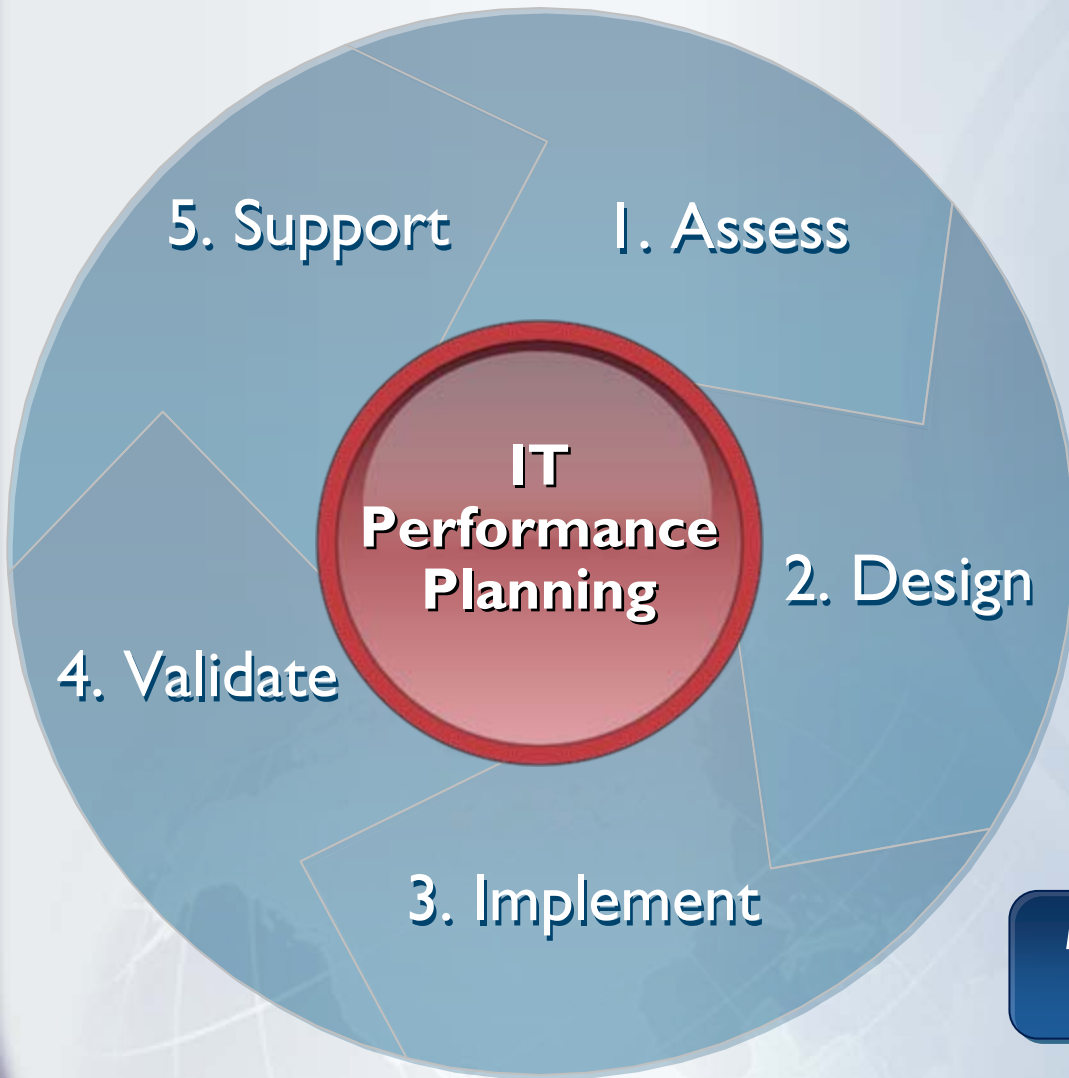
How Do We Do It?



▶ Measure Results

▶ Update Business Cases

How Do We Do It?



- ▶ Create and Post Regular Reporting
- ▶ Create and Post Annual Reporting
- ▶ Create Ongoing Performance Planning Process

ITPP is never complete. It is a dynamic program, not just a document.

Thank you

Questions?

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