



Western Independent Bankers
Annual Conference for Bank
Presidents, Senior Officers and
Directors
2008

Technology Evaluation, Selection and Contract Negotiations – Best Practices for the CEO



Ruth L. Razook, CEO
RLR Management Consulting, Inc.
www.rlrmgmt.com

AGENDA

- Technology Defined
- Technology Overview
- Technology Planning
- Technology Evaluation
- Technology Spending
- Contract Negotiations



Technology Defined

- Current technologies:
 - DP, IP, IIP, EB, ATM, ACH, EFT, RDC, SMS, WAP, VOIP...
- Monitoring technology:
 - KPI's, ROI, Performance ratios, COBIT, IT spending per FTE, Industry Averages ...
- You've got to be kidding!
- Do you care? Do you need to care?



Technology Overview

- FFIEC has identified approximately 150 firms that provide “significant information technology services” to commercial banks and thrifts
- Approximately 90 companies provide core processing services or software
- Companies range from Fortune 500 to small independently owned firms



Technology Overview (con't)

- Technology spending will continue to increase
- Consolidation among the providers will continue
- New vendors are aggressively entering the market

Technology Planning

- Realize that there are two “types” of Technology Plans
 - Tactical
 - Strategic
- The Strategic Technology Plan will identify what technology is right for your Bank



Technology Planning (con't)

- Tactical Plans
 - Identifies solutions to technical issues and problems that the bank is experiencing
 - Is typically driven from the IT department
 - Is a short-term fix to issues/problems

Technology Planning (con't)

- Strategic Technology Plans
 - Looks at Technology over the next 3 – 5 years
 - Includes a methodology to align technology with the bank's strategic plan, as well as to prioritize projects and monitor them
 - Continually looks out to industry trends and “what other banks are doing”
 - If done right, will minimize the “tactical” issues!

Technology Planning (con't)

- Key considerations
 - What technology do your customers want to be improved upon or want in addition to what they have?
 - What market are you targeting to retain or get into?
 - What do you want the customer experience to be?

Technology Evaluation

- Define your requirements (drive the solution, do not let the solution drive you)
- Do your research and identify all service providers offering the product/service
- Look to your core provider first (assuming you have a good relationship and no plans to change soon)



Technology Evaluation (con't)

- Take the time and publish a Request for Proposal (RFP) or Request for Information (RFI)
- Consider all the factors:
 - Feature/Function
 - Provider reputation, financial condition
 - Client References
 - Price

Technology Spending

- Remember the rule of thumb – you get what you pay for
- Cheaper is not always better
- Comparing pricing with your peers is not always the best idea
- It pays to shop around!

Technology Spending (con't)

- Think outside the box
- Don't be afraid to ask for what you want
- Use consultants that more than likely know the “best price” out there

Contract Negotiations

- Be Tough!
- Different rules for contracts that are in-house versus out-sourced
- Avoid long term contracts (ask for the ten year price for the five year term!)
- Include *tight* Service Level Agreements (SLA's) and penalties for non-performance (including termination of contract)

Contract Negotiations (con't)

- Ensure contracts address:
 - Security and Confidentiality of customer confidential information
 - Internal Controls (in addition to a SAS70)
 - Compliance with all state and federal regulations
 - Business Resumption and Contingency Planning



Contract Negotiations (con't)

- Contract Pitfalls:
 - Limitations of Liability
 - Liquidated Damages
 - GLBA
 - Information Security

Summary

- Prepare a Strategic Technology Plan
- Define the products and services your bank wants to offer
- Consider all alternatives
- Prepare to spend the money
- Negotiate a good, tight contract

Contact Information:

Ruth L. Razook

RLR Management Consulting, Inc.

(760) 771-5036

Ruth.razook@rlrmgmt.com

www.rlrmgmt.com

The logo for RLR Management Consulting, Inc. features the letters 'RLR' in a stylized, green, handwritten font. The 'R' and 'L' are connected, and the second 'R' is also connected to the 'L'. The letters are bold and have a slight shadow effect.

MANAGEMENT CONSULTING, INC.