

Onshore Outsourcing of Financial Services IT...Protectionism or Smart Business Practice?

A Conversation with Bart R. McDonough, Founder & CEO of Agio Technology

By ChiYin Cheung



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(ChiYin Cheung) Outsourcing of financial services IT is certainly not a new phenomenon; MSPs have been around practically since the birth of computers. So why do we see this issue being increasingly discussed lately?

(Bart McDonough) Besides the obvious reason, we have just completed a vigorous political season which always brings out those discussions, there are some very real reasons financial services executives are increasingly moving to outsourcing their non-core IT.

For financial services firms generally, and for our hedge fund clients in particular, there is one overriding consideration: the increasingly changing role of today's hedge fund CTO. Look at any of the top CTOs and what you see is a leader who is playing an active role in the success of their firm. They choose to focus their team's efforts on achieving important growth goals and not worrying about backups, patches and other day-to-day tasks, particularly when there are outside service providers that are infinitely capable of doing those tasks.

Beyond the need for more time to help grow their firm, there are three additional reasons that are at the heart of every outsourcing discussion: compliance, flexibility and cost.

The financial regulatory environment has changed, and will continue to change in the months and years ahead. Compliance, of course, is not a choice; one must simply comply and change whatever operations are necessary to meet the regulations. Often, legacy systems lack flexibility and require major costly, and time-consuming, overhauls to adjust to these new realities; this provides the perfect opportunity to look at alternative solutions. The build/buy/rent question is always with us, and in periods of accelerated change, that question becomes more difficult to answer. However, if the objective is to preserve capital, gain flexibility and control costs, the solution is clearly outsourcing.

(CYC) So, if outsourcing can help firms to grow, assure compliance, provide greater flexibility, reduce capital expenditures and help control costs, why the negative connotation so often expressed?

(BM) For the most part, politicians and the media have continued to define outsourcing as "moving jobs overseas," with all the connotations that phrase conjures up. In reality, "offshoring" would be far more descriptive of that particular activity. Outsourcing is simply moving a service from your internal staff to an outside specialist, who may be in the same town or even the same building where your firm is located, which would be "onshoring" not "offshoring."

(CYC) That raises the big question: It is generally believed the value proposition is heavily weighted towards the offshore provider. Accepting that premise, does not sound business practice demand that CTOs, and in your case hedge fund CTOs, look to offshore providers?

(BM) All things being equal, that would be the case. ALL things, of course, are never equal. To begin with, almost every comparison looks at IT provider costs from cities in developing countries around the world. These costs typically are compared to costs in U.S. cities such as New York or San Francisco, two of the highest cost cities in the world. That is an argument inane on its face. I cannot remember the last time I saw

offshore cost comparisons using comparable cities such as London or Tokyo. Furthermore, does anyone believe these developing world cities offer the same human and technological infrastructure, as do many of the lower cost locations in the U.S.?

(CYC) So, in an apples to apples comparison between a developing world city and a lower cost center in the United States, the costs might be closer, but the offshore provider will still most likely have a cost advantage, albeit a smaller one. Are there other relevant factors to consider?

(BM) Yes, there are a significant number of other factors that must be considered. For example, in founding Agio Technology we established as one of our most important goals the creation of a culture that was at one with our hedge fund clients. Walking into our operations center is like walking into a hedge fund, not only by physical design, but also by the ways in which we recruit, train and manage our team members. Critical to the success of any relationship is communication, and by establishing a cultural environment that is similar to our clients, it enables Agio to improve communication with our clients. Perhaps an equally important factor to consider is that we operate in the same time windows as our clients. Our "A" team and their "A" team are always coordinated. When they need us, we are there.

(CYC) Your corporate headquarters are in New York City, and your operations center is in Norman, Oklahoma, an interesting choice. Can you share with us some of the reasons for those decisions?

(BM) Obviously, New York was an easy decision – it is the world's financial capitol, and is unarguably the focus of the largest concentration of hedge funds in America. Where else would one get a true sense of the world of hedge funds? In addition, the fact that many of our initial clients were in the New York area made that decision even easier.

(CYC) OK, we get New York. Tell us about Norman, Oklahoma?

(BM) Surprisingly to many, Norman, Oklahoma, was perhaps an even easier decision. We had four major criteria for selecting a site for our op center: One, it must be in a community with substantial existing high-tech employment, we had little interest in being pioneers. Two, it must be within commuting distance of a major, research-oriented, university. Three, it should offer significant economic incentives for companies such as Agio to locate in that community, and four, it should offer our employees a great, culturally vibrant and affordable community to live in.

Agio found all four in Norman, Oklahoma. The city has a significant, and rapidly growing, governmental and private sector high-tech employment base, which are in no small measure due to it being the home of the University of Oklahoma, one of America's top research institutions. The Oklahoma "Quality Jobs Program" provides highly competitive incentives for tech companies such as Agio to locate there. Norman is a great, affordable place to live (it is in the top five of almost every list of great small towns to live in), with all the sports and cultural amenities that one typically finds in a major college town. Plus, as a suburb of Oklahoma City, its residents are less than an hour away from all of OKC's cultural and sports programs as well.

(CYC) So, it is the unique culture of Agio combined with a New York headquarters and an Oklahoma operations center that allows Agio to compete effectively when all the relevant factors are considered.

(BM) Without question! As Agio continues to win new clients in this highly competitive environment, and our client renewals and satisfaction scores continue to climb, the correctness of those decisions are reaffirmed every day.

About Bart R. McDonough, Founder & CEO of Agio Technology

A noted thought leader in the hedge fund technology space, Bart developed his career around building and maintaining superior technology solutions for some of Wall Street's best known firms during a time when the industry's technological complexity and data dependency experienced exponential growth. During his tenure as Managing Director at SAC Capital Advisors, Bart oversaw and architected tremendous infrastructure growth and developed cutting edge technology solutions to support SAC's dynamic environment.

Building on these experiences, the unique characteristics and culture of Agio – enterprise-class technology solutions, provided by a firm mirroring the unique, fast-paced and edgy culture of their premier hedge fund clients – took form. These unique characteristics have made Agio Technology the most talked about firm in the hedge fund managed services world, and led to the firm's wide recognition in the space, including Bart named most recently to Nine Lives Media's MSPmentor 250.

About Agio Technology (www.agioit.com)

Agio Technology provides superior managed IT services to the world's premier hedge funds through technology hosting, monitoring, management, disaster prevention & recovery and other high-end technology services. Our infrastructure, people and culture are of one with our hedge fund clients, allowing us to not only be responsive to their needs but, in many cases, anticipate them as well. We provide our investment management and technology executive clients with the comfort to focus on their core competencies knowing Agio has full control of the complex technology services they have entrusted to us.

To continue to earn their trust, we employ rigorous standards around customer service, hiring, training, learning and growth. We seek to mirror the dynamic culture, and the sense of urgency, surrounding a premier hedge fund.

Agio Technology is headquartered in New York City, with operational headquarters in Norman, OK, and offices in Boston, MA; Dallas, TX; San Francisco, CA; Seattle, WA; London, England and Hong Kong, PRC.



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