

# Grow up by going out

Outsourcing IT adds funds to invest elsewhere, but at what cost?

By BERNADETTE STARZEE

Charles Rutenberg Realty does not employ an in-house information technology professional. Rather, the firm relies on the services of an IT consultant.

"If we had to pay a full-time person, it would cost \$100,000 to \$120,000," said Joe Moshe, broker/owner of the 6-year-old Plainview-based real estate firm. "But we pay a portion of that, which frees up funds for marketing and staff training."

The decision for Wickers Performance Wear, a Commack-based manufacturer of thermal underwear, to outsource its IT functions was also based on cost. "We didn't need someone full time, and we use a consulting company that is very responsive when we need something — whether for troubleshooting, upgrading our systems or advising us on what programs work well for companies like ours," said Wickers Presi-

dent Diane Basso, president, who noted this arrangement has liberated dollars to invest elsewhere in the business.

The two companies have caught on to what many small firms have not, according to a new study by the CIT Group, a provider of global vendor financing solutions. CIT found the benefits of outsourcing IT services — lower costs and the ability to utilize greater resources and the latest technology — are not well understood by many small and midsized businesses. By better understanding the benefits these businesses find outsourcing some or all of their IT functions can help them grow.

## Out of sight, but see the savings

Rather than thinking of technology solely as a necessary cost, those companies that view it as a strategic investment tend to be more efficient, said Ron Arrington, president of the vendor finance division of CIT. Technology allows companies to increase productivity within their organizations — to help reduce overall costs while providing value-added services to customers, Arrington said. "Investments you make today can really put you ahead of your competitors, and can be a strategic differentiator resulting in improved customer service," he said.

Charles Rutenberg Realty receives varied services from its IT consultant, including the maintenance of a database of 1,200 listings and the configuration of the phone system so consumers calling in can type in the listing number of a property and be connected to the appropriate sales agent. The firm also relies on its consultant to enhance

its web site and communicate with its sales reps through video presentations.

"Since our consultant is working on the outside and with other companies, she has vast knowledge of different products that are being brought to market," Moshe said. The consultant is also on call on weekends to remotely troubleshoot any problems with the computer system.

Over the past five years, the growing diversity of IT tools and applications, the need for computers to be running 24/7 and the greater multinational involvement of even small businesses has made it difficult for a single IT person to handle it all, said Larry Shulman, owner of LMS Technical Services, a Farmingdale provider of IT support services to small and midsized businesses. "Even firms with multiple IT people use our services, because IT functions have become so diverse," Shulman said.

A proponent of outsourcing in general, Shulman said his own firm outsources back office functions. "My 15 employees would be 30 if I didn't," he said. "It makes us more efficient."

David Lerner Associates, a Syosset-based financial services firm, has an in-house IT staff handling most computer functions, including programming, network administration, security and desktop support. But it supplements its staff with consultants for certain projects, such as software development or new network implementation, that don't arise every day. "This allows us to ebb and flow without firing people a short time after hiring them," said Michael Blumenthal, senior vice president

and chief technology officer for DLA.

## Sometimes there's no place like home

Among smaller firms, common concerns about outsourcing IT functions are that it will be expensive, or they won't have control over their own infrastructure, said the CIT survey.

While DLA is happy with its consulting arrangements for certain projects, Blumenthal would be strongly opposed to sending the entire department out-of-house. In a previous position with a financial services firm of a similar size, he inherited an outsourced IT arrangement and was charged with analyzing whether an in-house IT department would make more sense. Blumenthal decided it would.

"Depending on the outsourcing arrangement, you might not have control over which employees are working on your business," he said. "Your ability to ascertain the character of the person and whether he or she fits in with the culture of your firm is limited."

Then there's the security issue. "Our client information must be kept private," Blumenthal said, noting there's an increased comfort level having trusted employees handling sensitive data.

Blumenthal also suggests in-house employees are more flexible about thinking creatively. "Internal staff members have more ownership and are more willing to be a jack-of-all trades and not just stick to a defined role," he said.