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## IT outsourcing trend computes for Dyonyx with high-profile deals

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Houston-based information technology firm **Dyonyx LP** has landed three new deals in two fast-growing sectors of its business -- IT outsourcing and IT security compliance in the electric utility industry.

The firm signed a two-year contract with three two-year options to provide IT services to El Paso Electric Co. The value of the contract is \$4 million a year.

Dyonyx also has inked a similar contract with Houston-based Superior Offshore International Inc. and has hired 10 new people to handle the work for that deal, which is valued at \$1 million per year.

Both contracts are a result of the companies deciding to outsource their IT operations, according to Chuck Orrico, co-founder and president of Dyonyx.

They come at the same time that Dyonyx has signed a contract to oversee IT compliance for Indianapolis Power & Light Co.

For the El Paso Electric deal, Dyonyx will provide service desk and call center staffing to the utility's customers out of Dyonyx's Houston service center. As many as 10 new jobs will be added in Houston and up to 25 in El Paso, with the new positions being offered first to current El Paso Electric employees.

In addition to the call center service, Dyonyx will provide IT oversight as it manages El Paso Electric's IT infrastructure, connectivity, communications and applications.

The firm will do the same for Superior Offshore, including providing support for Superior's fleet of vessels operating internationally.

In the last 18 months, Orrico says his company has seen a surge in IT outsourcing in both private industry and government entities.

"A lot of large organizations that have organically grown their IT departments suffer from the fact that it's not their main business," he says. "Their IT departments aren't able to capitalize on emerging technologies."

Indeed, Orrico says a major contributor to Dyonyx's growth over the last year has been the company's virtual server/shared services platform.

"(It) has allowed us to achieve economies of scale and support more customers with less people," he says. "A lot of the business is moving to virtual servers."

A virtual server is a computer that is not dedicated to running a single server's software. Virtual or shared servers are increasingly being used to co-host multiple customers, thereby cutting costs by making more efficient use of the server and space, as well as the amount of energy to power and cool the servers.

"Years ago, people bought data center space based on size -- now it's based on power," says Tim Barto, executive vice president of sales and marketing for Dyonyx.

That's because new IT technologies such as blade servers take up much less space, but require more power and more energy for cooling. In the virtual server environment, Barto says, "we use large servers, but they are high density with a low-heat footprint."

Walter Pritchard, managing director of San Francisco equity research firm Pritchard, Walter Cowen & Co., says data center automation is replacing manual processes in IT, just as it did in manufacturing.

"A data center needs to be automated and then you can either run it yourself or outsource it," he says.

But Barto points out that once the system is automated, it still needs to be run by personnel. And that is one part of the equation that Dyonyx provides.

Another driver pushing outsourcing is the need for compliance with burgeoning security regulations. About 70 percent of Dyonyx's business is providing IT security services for federal agencies, including managing the technology that the Department of Homeland Security and U.S. Customs and Immigration use in kiosks at U.S. points-of-entry.

Although not a government contract, one of Dyonyx's new assignments is the result of post-9/11 federal requirements imposed on energy and other industries to ensure that critical IT infrastructures are secure.

The North American Electric Reliability Corp. adopted cybersecurity standards for the electric utility industry in May 2006, and appointed Dyonyx to explain and demonstrate the new standards to utility companies across the country.

"There's been quite a bit of growth of security outsourcing because there are so many regulations and less time to do the monitoring," Pritchard says. "It's a growing market."

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