



The State of Minnesota's Drive to Excellence

Transformation Roadmap

March 2005

Table of Contents

A. Summary..... 1

The summary is a high-level, brief overview of why the project was undertaken, how it worked, and the resulting recommendations. It is a quick, yet complete briefing on the process of the Transformation Roadmap and the recommendations.

- Why The Drive to Excellence: A Proactive Response to Change 1
- What is the Drive to Excellence?..... 1
- The First Phase: The Transformation Roadmap 3
- A Team Process and Product: Developing the Transformation Roadmap 3
- Identifying Opportunities for Improvement: Summary of Business Transformation Areas and Case for Change 4
- Timing and Sequencing for Implementing Transformation Roadmap Business Cases 13
- Financial Benefit of Transformation Roadmap Business Cases 14
- Structures to Support the Recommendations 15
- Business Organization, IT Governance and Policy Recommendations 18
- Conclusion 20
- Contacts 21

B. The Reasons Behind the Drive to Excellence and How the Transformation Roadmap Project Worked: Collaboration..... 22

Outlines the compelling reasons for a proactive response to our current and future environment and how the project progressed

- Reasons Behind the Drive to Excellence..... 22
- How the Transformation Roadmap Project Worked: Collaboration..... 23

C. Areas for Improvement: What and Why 27

Briefly summarizes the case for change and the future vision for each of the eight areas identified for improvement (Business Transformation Areas)

- Sourcing 27
- Information Technology 31
- Licensing, Regulation & Compliance 34
- Customer Service Innovation 35
- Grant Management 39
- Real Property 44
- Human Capital Management 47
- Enterprise Planning & Budgeting 50

Transformation Roadmap

D. When to Implement the Recommendations: Project Sequencing 53

Identifies the recommended project implementation sequence, including interdependencies. Charts identify benefits, one-time costs, redeployment figures, and necessary state staff resources

Roadmap of Projects—Chart 1	53
Initial Estimate of Benefits—Chart 2.....	56
Initial Estimate of Cash Investment Required—Chart 3	58
Initial Estimate of State Staff Hours—Chart 4.....	59
Initial Estimate of Staff Redeployments—Chart 5	60

E. How the Drive to Excellence Will Work: Transition Structure 61

Explains the temporary framework that will support the Drive to Excellence going forward, including governance (who makes what types of decisions), structures (such as a program management office), and funding options

F. How the Drive to Excellence Will Work: Ongoing Structure 80

Outlines the recommendations for the ongoing organization, governance and policy changes to sustain the success of the Drive to Excellence

Business Organization Recommendations	80
Information Technology Governance.....	86
Future Vision.....	87
Policy Recommendations.....	110

Appendix A: Summary of Project Business Cases 111

Summary of each business case, including a summary table with facts and data, a description, qualitative benefits, and a high-level summary of milestones

Appendix B. Additional Information Technology Recommendations..... 224

Recommendations for IT architecture, IT security, an enterprise IT tool, and e-Government, to provide IT infrastructure to support the Business Transformation recommendations

Appendix C. Glossary of Terms 252

A. Summary

Why The Drive to Excellence: A Proactive Response to Change

Changing times and demands are constant pressures felt by every organization, including Minnesota state government. The institutions that succeed in this environment are those that are nimble, embrace change, and continuously improve.

State government has a monopoly on many of the services it provides. Inertia, political pressures and a lack of competition have tended to remove the forces of competition that drive thousands of businesses to either change or fail. In recent decades, American businesses facing tough domestic and international competition have been forced to improve customer service, strive for the best quality, and do things in more cost-effective ways. Those that failed to adapt have failed to succeed.

In his 2003 State of the State address, Governor Tim Pawlenty outlined a vision for transforming Minnesota state government based on three primary factors:

Faster, better, more efficient. Citizens and businesses expect the State to deliver services faster, better, and more cost effectively. The same speed and ease of use that citizens experience in the private sector is expected of state government.

Budgetary pressures. Ongoing budget challenges and rapidly rising health care costs require state government to be leaner and more effective so that resources can be dedicated to core priorities, such as education, transportation, health care, and the environment.

Changing state workforce. The Baby Boom Generation will soon begin to retire. By 2015, 47 percent of state employees will be 60 years and older, setting off a massive wave of retirements. This provides an enormous opportunity

to enhance state services and consolidate functions without large-scale layoffs.

Minnesota is up to the Governor's challenge. The changing times are viewed as a new opportunity to do things better. The State of Minnesota Transformation Roadmap is a significant first step in our pursuit of continuous improvement.

The major task of reinventing state government will be a long-term endeavor aided by leading technologies and the dedication and commitment of the thousands of men and women who serve in state government. This roadmap is a critical first step.

What is the Drive to Excellence?

The **Drive to Excellence** is a bold, proactive move to create a long-term solution for the challenges and opportunities that lie ahead. It is a cultural shift in how the State views its business.

The intent is to ensure that the individual agencies within Minnesota's government work together to reach enterprise goals. The State's enterprise goal is to serve the citizen. The Transformation Roadmap is the strategy and initial action plan.

The State of Minnesota must "move from the current practice of each department being relatively autonomous, to a more enterprise or 'whole State' approach."
-- Gov. Tim Pawlenty,
Sept. 9, 2004

Transformation Roadmap

A. Summary

In Minnesota's current government structure, each agency independently serves its constituency. This puts the burden on citizens to know where services come from and how they need to interact with the various agencies.

"Moving from the current practice of each department being relatively autonomous to a more enterprise or 'whole state' approach," explained Governor Pawlenty in his September 9, 2004, press release, "is an important step towards making state government more accountable.

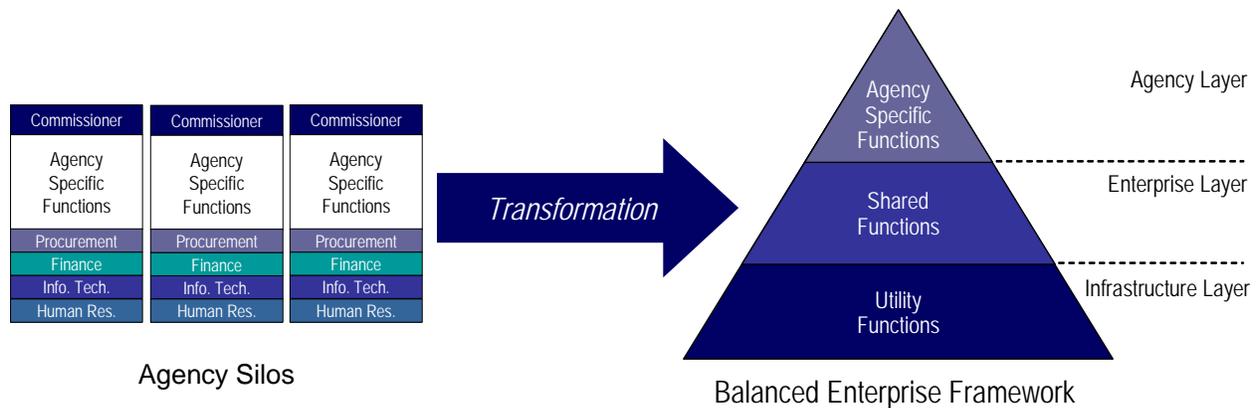
Right now, there are too many overlapping functions in state agencies, and we can do better."

The transformation from an individual agency model to an enterprise model is shown in the following graphic that envisions a balanced model that includes three levels of functions:

Agency specific functions: Unique "front line" services and programs for citizens that are delivered by each agency, based on their mission and purpose.

Shared functions: Shared business and technology functions that can be grouped together to promote effective delivery of front-line services.

Utility functions: An infrastructure of daily operational functions that, if performed by one dedicated team, allows agencies to focus on their core business.



The structure of the effort itself reflects the culture Minnesota is building with collaboration and cooperation across all agencies, employees, and political parties. To succeed, the Drive to Excellence will need to continue its unique combination of grass-roots input and top leadership endorsement, all working to put the citizen first.

The First Phase: The Transformation Roadmap

The first step in the Drive to Excellence was to develop a Roadmap: a guide to what can be improved, how and when. The goal of the Transformation Roadmap project, summarized in this document, and each specific recommendation it contains, is to meet the growing and changing needs of citizens through:

- **Quality of Service:** Both internally within government and externally with citizens, the focus should be on quality of service delivered within a culture of continuous improvement.
- **Innovation in Service Delivery:** Continue the Minnesota tradition of creative, out-of-the-box thinking, making innovation ongoing and part of the fabric of state government.
- **Reducing Cost:** The goal is not simply to cut costs. The goal is to take advantage of scale, technology, and innovation to manage budgets and resources for maximum effectiveness.

The State of Minnesota must “move from the current practice of each department being relatively autonomous, to a more enterprise or ‘whole State’ approach.”
-- Gov. Tim Pawlenty,
Sept. 9, 2004

A Team Process and Product: Developing the Transformation Roadmap

The Transformation Roadmap was created over a period of five months, from September 2004 through January 2005. It involved hundreds of state employees sharing their expertise and ideas. Specifically, the project was executed with a core team that consisted of over 200 State of Minnesota staff and a team from Deloitte Consulting LLP (“Deloitte Consulting”). Hundreds of additional state staff participated in surveys and interviews, and dozens of commissioners, deputy commissioners, assistant commissioners, and many chief information officers (“CIOs”) participated in the Steering Committee, an Enterprise Workgroup, and other working groups.

The project was divided into three phases:

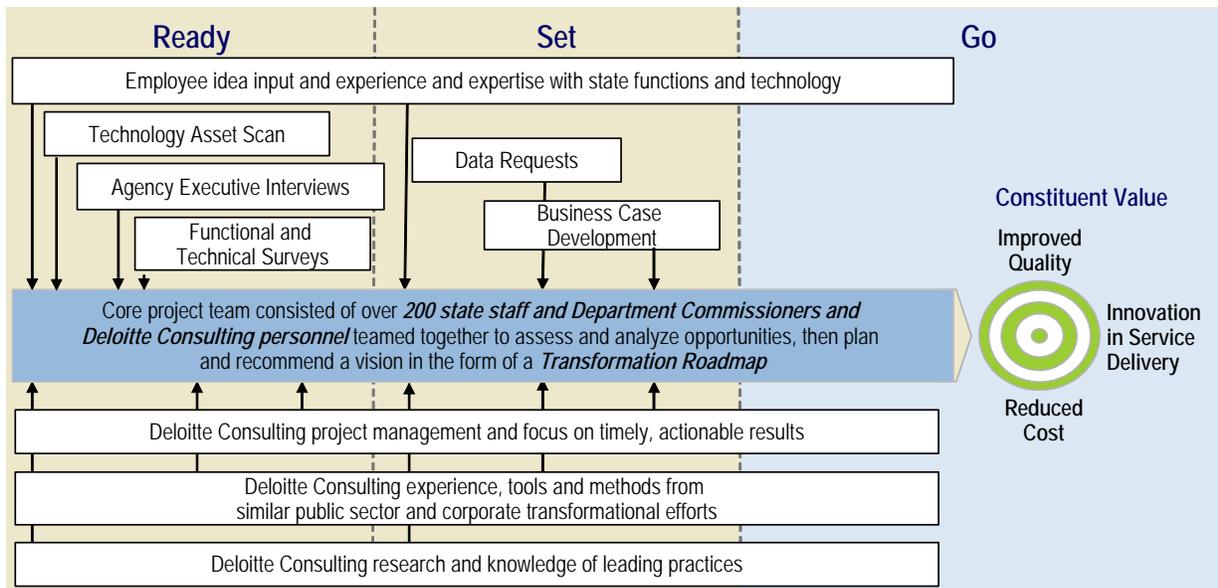
Ready: Data gathering—surveys, interviews, and idea generation to identify areas for improvement.

Set: Research into the ideas and data to identify valid opportunities for improvement. The opportunities were organized into eight broad categories, named “Business Transformation Areas,” which were then developed into initial business cases by the teams.

Go: Sequencing the business cases, identifying interdependencies, and developing governance, policy, and structural recommendations. All of that information was then formed into the Transformation Roadmap.

Transformation Roadmap

A. Summary



Identifying Opportunities for Improvement: Summary of Business Transformation Areas and Case for Change

The Transformation Roadmap project identified eight initial Business Transformation Areas for improving and transforming state government from agency silos to an enterprise model:

- Sourcing/Procurement
- Information Technology
- Licensing, Regulation, and Compliance
- Customer Service Innovation
- Grant Management
- Real Property
- Human Capital Management
- Enterprise Planning and Budgeting

Following is a brief description of the current condition in each Business Transformation Area and a brief list of recommended projects that were developed from the opportunities identified earlier in the Transformation Roadmap project.

Sourcing/Procurement – Case for Change

Reform

Manage the purchasing of goods and services to make the best use of the State's buying power to create cost savings.

Rationale

The State spends approximately one billion dollars annually to buy commodities and services from 25,000 different vendors.

A changed organizational structure will improve the State's ability to harness demand for goods and services to buy goods and services more cheaply.

Recommendation

Create a changed organizational structure for demand management goods and services. This structure will improve the State's ability to analyze, expenditures and drive down life cycle costs.

- Take a lifecycle approach to purchasing, streamline procurement business processes, implement technology, and apply economies of scale to realize savings from frequently purchased commodities and services.
- Consolidate purchasing activities. This will allow vendors to offer significant discounts and increased service options because they can plan for larger and more regular orders. Consolidated purchasing streamlines processes for vendors and the State.

Results

- Increased buying power creates cost savings through discounts on consolidated purchases.
- Better forecasting improves the efficiency and accuracy of State and increases vendors' ability to plan for providing commodities and services.

Information Technology – Case for Change

Reform

Create an enterprise technology organization and strategy that promotes shared systems, architecture, and tools. Use technology to deliver new and better services to the citizen.

Rationale

The State's technology that has been built over time was designed to meet agency-specific business needs without a wider, enterprise perspective. Results include disparate systems, redundant expenditures, fragmented security, and limited compatibility. Technology buying power is limited, standards are not consistent, and information cannot always be shared.

State information technology spending, estimated to be \$600 million per year, flows through more than 66 different agencies.

State agencies have developed and are operating over 500 different websites.

There are approximately 1,000 separately managed networks statewide.

All of the Business Transformation Areas include recommendations that propose technology to implement better and more efficient processes. Those recommendations depend on a stable, efficient, and secure technology infrastructure.

Recommendations

A New Enterprise IT Governance Structure/Model—create a new IT structure to balance enterprise perspective with agency business needs.

Update Telecommunications—replace Centrex systems with Voice Over IP services in more agencies.

Consolidated Data Center—consolidate over 90 Saint Paul-area state data centers for improved performance, economy, and security.

Enterprise Software Licensing—create new purchasing process for standard software licenses, including aggregation of purchases and statewide licenses.

Shared Applications Development—shared development of new business applications; migrate from old, nonstandard applications to shared new ones.

Reengineer InterTech-Utility/Shared Services—analyze and recommend changes in the current IT service organization to improve service delivery and reduce cost.

Electronic Forms Acceleration—develop an electronic document management system to save printing and distribution fees.

Other Opportunities—other significant opportunities have been identified such as: email consolidation, help desk and other support systems, and elimination of redundant projects.

Results

- More effective business processes, reduced costs, and improved customer service based on better use of technology.
- An integrated approach to planning and operating the State's technology assets.
- A stable, efficient and secure technology infrastructure to support Transformation projects.
- More shared service, technology, IT professionals, and standards.

Licensing, Regulation & Compliance – Case for Change

Reform

Improve convenience, accessibility, and consistency in licensing and regulations to make it easier to do business in the State and with the State.

Rationale

One million business and professional licensing transactions are handled each year by more than 40 agencies and 800 state employees, using over 60 licensing systems.

Building codes are currently administered by five different state agencies.

85% of Minnesotans surveyed want licenses online. Only 18% of licensing transactions are online today.

This volume of licensing activity and disparate licensing systems is inefficient for both state staff and citizens. The current system minimizes the sharing of data and includes redundant systems development and maintenance costs. It requires the citizens and businesses to understand different individual agency processes for multiple licenses and permits.

Recommendations

The Drive to a “Licensing One-Stop Shop”—create one customer-centric, online licensing transaction center for professional, occupational, and business licensing.

Single Source State Building Construction Regulation—consolidate the construction regulation process from five agencies to one.

Third-Party Exams—provide third-party administration of professional exams.

Results

- Improved customer service; reduced costs; easier and more consistent access to licenses for businesses.
- Improved electronic access for citizens to conduct licensing activities, and reduced time required to process licenses.
- A single source for building construction regulation activities to reduce compliance inconsistencies, reduce job delays and stoppages due to jurisdictional disputes, coordinate state inspections, increase the relationship of service to fees, and assist the building construction industry in efforts to be in compliance rather than focusing on punitive efforts.
- Increased access to scheduling, accessing, and receiving results of professional examinations through third-party administration.

Customer Service Innovation – Case for Change

Reform

Develop consistent processes and internet-based access for improved customer transactions and services.

Rationale

In one year, the executive branch processes more than 90 million transactions spread out over 72 agencies through a variety of channels such as mail, phone, over the counter, Web, and fax.

Without a consistent way to handle those transactions and without shared data, the State cannot deliver customer-centric information and service.

Recommendations

Consolidated Contact Centers—consolidate multimedia contact centers to provide basic service to customers.

Enterprise Web Portal—provide further integration of the Web portal to channel all state online information and provide a single “face” to government.

Minnesota Kiosks—provide transaction kiosks for citizens at public locations and businesses throughout the State

Uniform Business Identifier—create one identifying number for each business for all transactions and communications with the State.

Internet Payments—establish an enterprisewide Internet payment system that supports both credit cards and electronic checks, moving the State to conducting its business electronically, tripling online transactions in five years.

Results

- Improved access to state services, making it easier to do business with the State of Minnesota.
- Contact Centers provide citizens with one number to get first-call resolution for basic needs; improve accuracy of information received through citizen interaction and increase resolution rates for citizens calls.
- Web portal allows citizens to conduct selected transactions through the state website; seamless, transparent access for the citizen regardless of agency providing the service.
- Kiosks bring state transactions to locations that citizens most frequently access; provide service 24 hours per day, 7 days per week; provide mobility through relocation of kiosks to changing locations of citizens; are managed remotely; provide an intermediate electronic access for citizens without Web access
- Uniform Business Identifier allows businesses to provide data to the State once rather than multiple times; reduces costs of duplicate data capture; reduces errors and cost of corrections; provides one up-to-date data set on businesses that can be shared across

Grant Management— Case for Change

Reform

Create an enterprise grant management structure to improve granting services, assist in identifying additional grant dollars, and improve accountability for the spending of state dollars by grantees.

Rationale

The State currently pursues, distributes, and manages more than \$1.1 billion of incoming grant money from more than 500 grants. It also monitors the performance of approximately 7,000 organizations that receive \$1.4 billion via 9,400 state grants.

This activity is managed through multiple agencies that currently collaborate on an informal basis but do not have one system for tracking information or one process for responding to and monitoring grants.

A group of state agencies recently spent \$8.6 million to develop technology to support grants management. An additional \$8.6 million is planned for another system to be used by two different agencies.

An enterprise grant management structure, policies, processes, and tools will improve how quickly and efficiently the State receives, distributes, and manages grant money.

Recommendations

Grant Management Governance and Process Improvement—create a new enterprise grant management governance and policy structure that will:

- Improve the State's granting services.
- Assist in identifying additional grant dollars available to the State.
- Improve accountability for the spending of state dollars by the State's grantees.

Grant Management Tools—develop a single grant management tool that can be used to meet the needs of 80% of state grant programs.

Results

- Greater efficiencies, increased accountability, faster grant processing and reduced costs.
- Clear and consistent communication with grantees.
- Improved performance management and accountability for grant dollars.
- Better trained grant personnel within the State and within grantees.
- Improved process for identifying and implementing leading practices in grant management.

Real Property – Case for Change

Reform

Create a shared structure to identify the best use of the State's properties, including potential sale of existing properties. Implement a property management system that optimizes rent, repair, maintenance, and ownership opportunities.

Rationale

Presently, the State has 14 "custodial" agencies that manage the State's more than 5,000 buildings and nearly six million acres of land.

The State's holdings have grown over time and are managed by various agencies with no single management system or inventory of all real property assets.

Coordinated planning will help state agencies manage property Facility sharing, economies of scale, and maintenance will be improved when assets are managed in one real property system.

Recommendation

Real Property Planning and Development—create an enterprise governance structure for property management and take an initial inventory of the State's real property. This will enable the State to make better use of properties and to identify surplus properties that could be sold.

Real Property Portfolio Management—use shared technology tools for managing real estate.

Results

- A clear overall strategy for managing the State's real property
- Statewide policies, processes, and performance goals.
- Ability to manage the real property as a collection of valuable assets.
- Improved decisionmaking for real property assets.
- Better managed assets, increased accountability, reduced costs.

Human Capital Management – Case for Change

Reform

Create a shared service organization to deliver Human Resources and Payroll services. This will allow the State to reduce costs, increase self-service, and provide specialized HR skills to all agencies.

Rationale

A higher percentage of state employees than ever before will be retiring in the next 10-15 years. To continue to meet the needs of state agencies and employees, the State must increase self-service options for employees and streamline its HR services.

Recommendations

Service Center—create a single enterprise service center for payroll processing, benefits administration, personnel file/data maintenance, and increased employee self-service.

Centers of Excellence—establish centers of excellence to provide specialized HR services (such as training, recruiting, and safety reporting/workers' compensation) to all agencies.

Results

- Reduced costs and improved services.
- Standardized systems and processes, adoption of leading practices, and a focus on continuous improvement.
- Improved agency access to expert HR resources.
- Enhanced training and recruiting capabilities to improve the State's ability to address demographic workforce trends.

Enterprise Planning & Budgeting – Case for Change

Reform

Create a shared organization to handle finance-related transaction processing. Acquire a new accounting and procurement system with expanded capabilities to better meet existing needs.

Rationale

Currently, each agency does an effective job of agency-specific planning, but more cost savings, greater efficiencies, and better service could be achieved with enterprise-level planning and financial management systems in place.

Recommendations

Finance Shared Services—create a shared services finance organization to process high-volume financial transactions (e.g., accounts receivable, purchasing, accounts payable).

Minnesota Accounting and Procurement System—acquire a new accounting and procurement system with expanded capabilities to better meet existing needs and to handle shared services improvements.

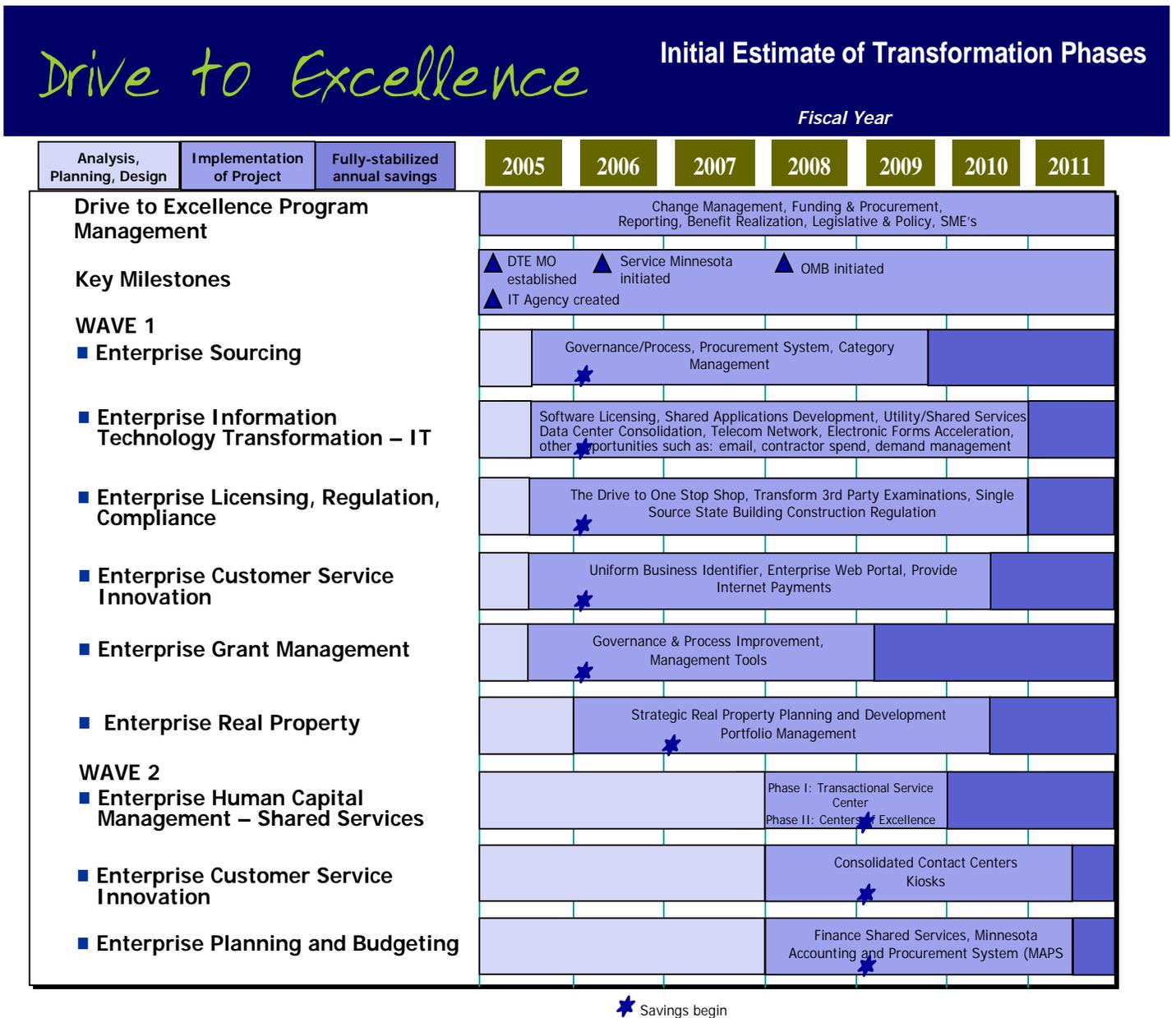
Results

- Improved planning and accountability, reduced costs, better funding decisions.
- Improved customer service and savings to Minnesota citizens and businesses.
- Improved management of business processes; improved data quality and data accessibility.
- Consolidated and streamlined business practices and administrative processes.
- Elimination of redundant systems.

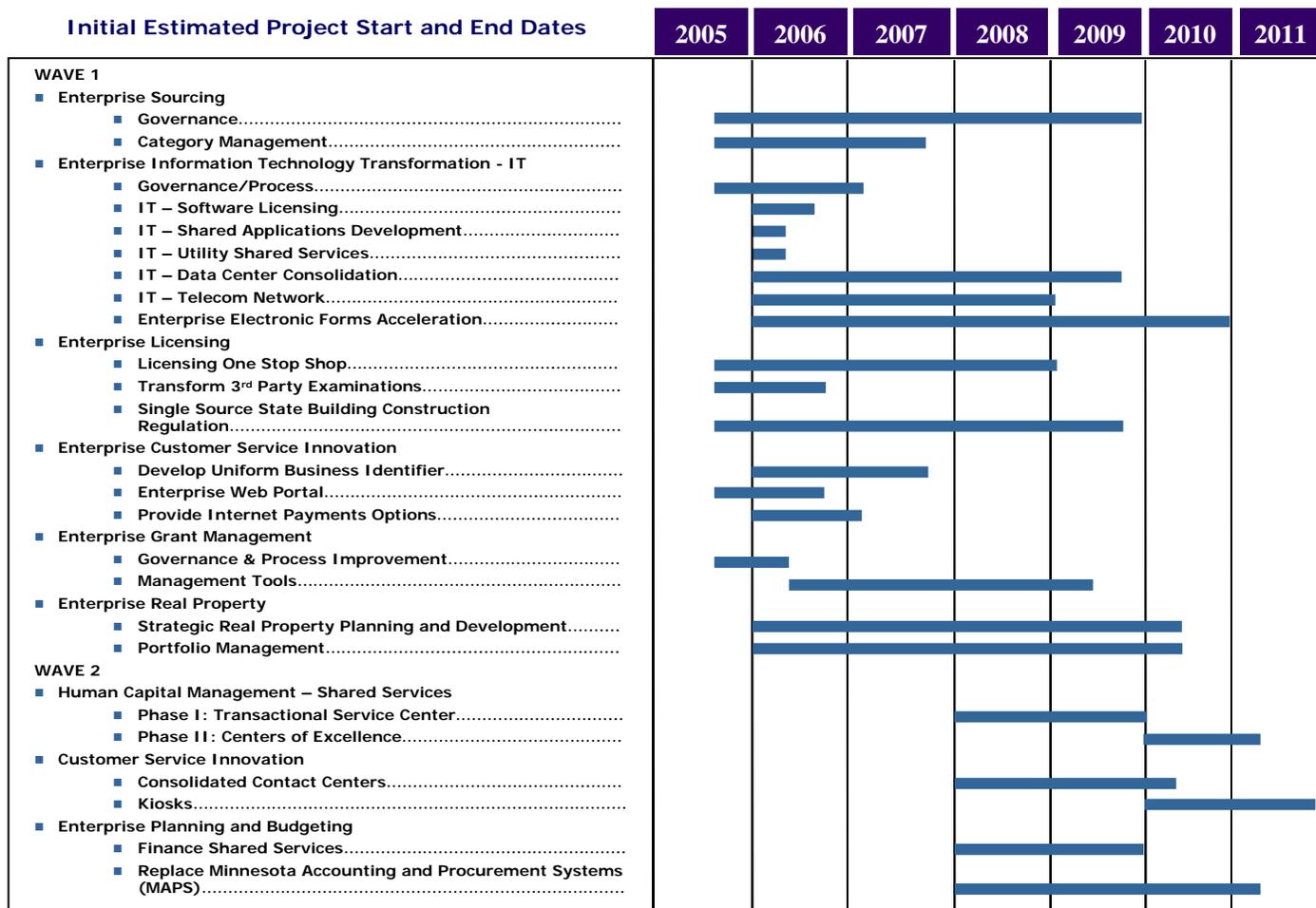
Timing and Sequencing for Implementing Transformation Roadmap Business Cases

The following charts show how the State of Minnesota can reach its vision of innovation in service delivery, improved quality, and reduced costs through the recommended sequencing and timing of projects. Projects have been grouped based on interdependencies and synergies. The following chart groups the interdependent projects that are necessary to make the Transformation Area listed on the left of the chart successful. The implementation is shown in two waves. The second chart shows a detail of the individual Roadmap projects.

Summary of Roadmap Projects



Detail of Roadmap Projects



Financial Benefit of Transformation Roadmap Business Cases

The financial benefit to the State of Minnesota created by implementing all of the projects within the Transformation Roadmap business cases is expected to be significant and sustainable.

Initial estimates indicate:

- **\$570,000,000** of cumulative savings from all of the projects (savings are from all funds) by the end of fiscal year 2011
- **\$216,000,000** of enterprise investments required to gain full benefits, and to sustain benefits over time
- **\$155,000,000** of annual savings (savings are from all funds) upon completion of the Transformation Roadmap projects at the end of fiscal year 2010

To produce these benefits, the State will need to make various investments of staff time and money. These investments are spread over the seven-year period and represent cash investments initially estimated at \$216,000,000. The timing of these initiatives is dependent

Transformation Roadmap

A. Summary

in part on the availability of staff hours required (opportunity cost regarding focus of their time). Of the initial investment, more than half is for Enterprise Resource Planning systems (i.e., integrated technology systems) in areas such as accounting, budgeting, purchasing, payroll, fixed assets, and grants management. This represents a key backbone investment, to be initiated during the 2008/2009 biennium, which enables estimated benefits to be fully realized and sustained over time.

A significant portion of the \$216,000,000 required investment will need to be made without the Transformation Roadmap. These are the costs to maintain and upgrade systems that currently exist centrally and in individual agencies to keep those systems operational and relevant.

This Transformation effort re-directs investments (and provides future cost avoidance) that would be made at individual agencies and with various central systems, to fund enterprise-level systems.

In re-directing those investments to an enterprise level (one enterprise system instead of several systems across the State), significant additional value is created for the State as demonstrated by the estimated annual savings numbers indicated in this document.

This Transformation effort re-directs investments (and provides future cost avoidance) that would be made at individual agencies and with various central systems, to fund enterprise-level systems.

Structures to Support the Recommendations

Just as teams of state staff from a variety of executive branch agencies developed the areas for improvement (called Business Transformation Areas) and the subsequent business cases, so too did teams of state staff develop recommendations in the following areas to support the implementation of the projects outlined in this document:

- Drive to Excellence Governance (including a Program Management Office)
- Funding
- Business Organization, IT Governance, and Policy Recommendations
- Information Technology Recommendations

Drive to Excellence Governance

For the implementation phases of the Drive to Excellence, the following temporary governance and organizational structure is being recommended:

- The Drive to Excellence Sub-Cabinet—the most senior level of the decisionmaking bodies provides an enterprisewide view, monitors results of, and provides direction to, all the Drive to Excellence projects.
- The Drive to Excellence Program Management Office (“DTE MO”)—a structure to manage the day-to-day rollout and implementation of the recommendations in the Roadmap. The office is segmented into five functions (Change Management, Funding and Procurement, Reporting and Issues, Benefit Realization, Legislation and Policy), each of which performs a different role. In addition, a cadre of subject matter experts will be drawn on for specific time-limited assistance.
- Project Leads Committee—focused on more tactical decisions in collaboration with the DTE MO, as well as those decisions that have a cross-project/agency impact or dependencies between projects.

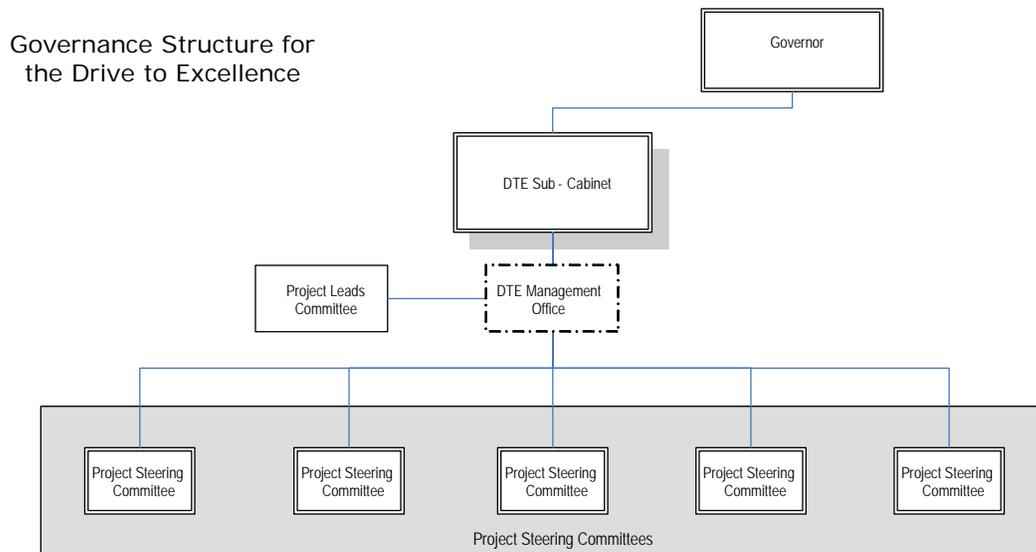
Transformation Roadmap

A. Summary

- Project Steering Committees—each individual project will have its own focused, exclusive steering committee. These committees are the primary decisionmaking body for their specific project.

Each of the above entities is formed specifically to implement the Transformation Roadmap and the Drive to Excellence, and is not permanent.

The diagrams below illustrate the temporary structure of the Drive to Excellence for strategy, decisionmaking, and implementation.



Funding

There is no dedicated fund earmarked for the Drive to Excellence or the projects recommended in the Transformation Roadmap. Overall, the Drive to Excellence will consider a variety of funding alternatives for implementation, including cost recovery, alternative services delivery, vendor savings/revenue sharing, a DTE project fund, payback in biennium, master leases and third-party leases, agency-sharing model, and direct appropriations. The primary focus is on self-funding approaches to implementation.

The funding for each Transformation Roadmap project will be determined prior to implementation. A summary of funding options developed from leading practices in other public sector jurisdictions is shown in the following table. The options are not exhaustive but rather provide direction and guidelines for possible financing models.

Funding Options

Funding Options	Portal Cost Recovery	The vendor develops and operates the portal at no cost to the state and is reimbursed on a per transaction basis for online services provided to constituents.
	Alternative Service Delivery	The vendor is not paid on a time and materials or fixed fee basis, but rather on an annual basis out of operating budgets, increased revenues or project savings. Vendor typically develops and maintains project behalf of the state.
	Vendor Savings / Revenue Share	The vendor is not paid on a time and materials or fixed fee basis but rather through savings generated or enhanced revenues.
	DTE Project Fund	As the projects begin to realize savings, a portion of these savings are placed in a project fund designed to provide the finances to launch new initiatives.
	Payback in Biennium	There may be new appropriations provided they are offset by savings that occur within the biennium
	Master Leases and Third Party Leases	Typically used for equipment purchases with some opportunity to include limited services and software costs, these agreements last 3 to 3.5 years with costs spread over that time frame.
	Agency Share Model	Impacted agencies share in the cost of the enterprise effort.
	Direct Appropriations	Appropriations from the legislature for projects that are on a critical path and must occur as a part of doing business.

Business Organization, IT Governance and Policy Recommendations

Business Organization Recommendations

The potential “end-state” model provides for a new shared service organization (“SSO”), an IT agency, and an Office of Management and Budget agency.

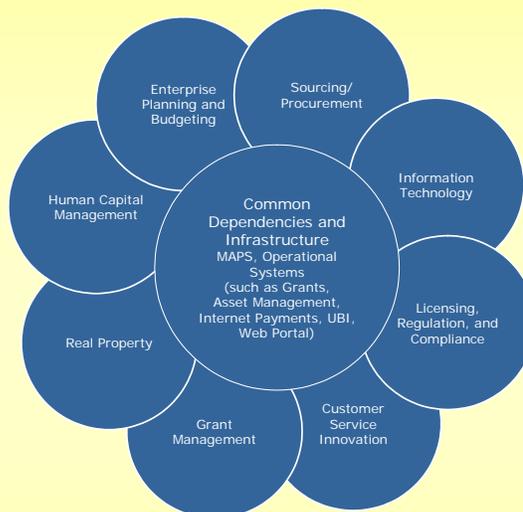
The SSO, or “Service Minnesota” (a sample name used for the purposes of this document), is run as an independent cabinet-level agency with the chief operating officer (“COO”) reporting directly to the Governor. Each project area will report to an operations lead, who will oversee transaction activities. The COO and customer service executive will oversee the SSO agency, and focus on both operations and strategy.

IT will be its own agency, allowing quicker response time as resources can be more devoted to IT activities. (For more information about the structure of IT and its agency, please see the IT Governance Recommendation section.)

The Office of Management and Budget (“OMB”) will be created in fiscal year 2008 to consolidate and execute the remaining activities of the Departments of Administration, Finance, and Employee Relations that are not considered as candidate activities and functions for SSO operations. In contrast to any future SSO, the OMB will focus more on economies of scope, instead of economies of scale. OMB will be a separate cabinet-level agency, and could potentially house certain of the Centers of Excellence recommended in the DTE business cases.

Why can't we incrementally implement some of the projects outlined in the Drive to Excellence without adding infrastructure and making organizational change?

Experience at the State and other organizations clearly demonstrates that these projects are dependent on each other to be successful. It is critical to establish a solid foundation of common technology systems and business processes to enable the success of the projects.

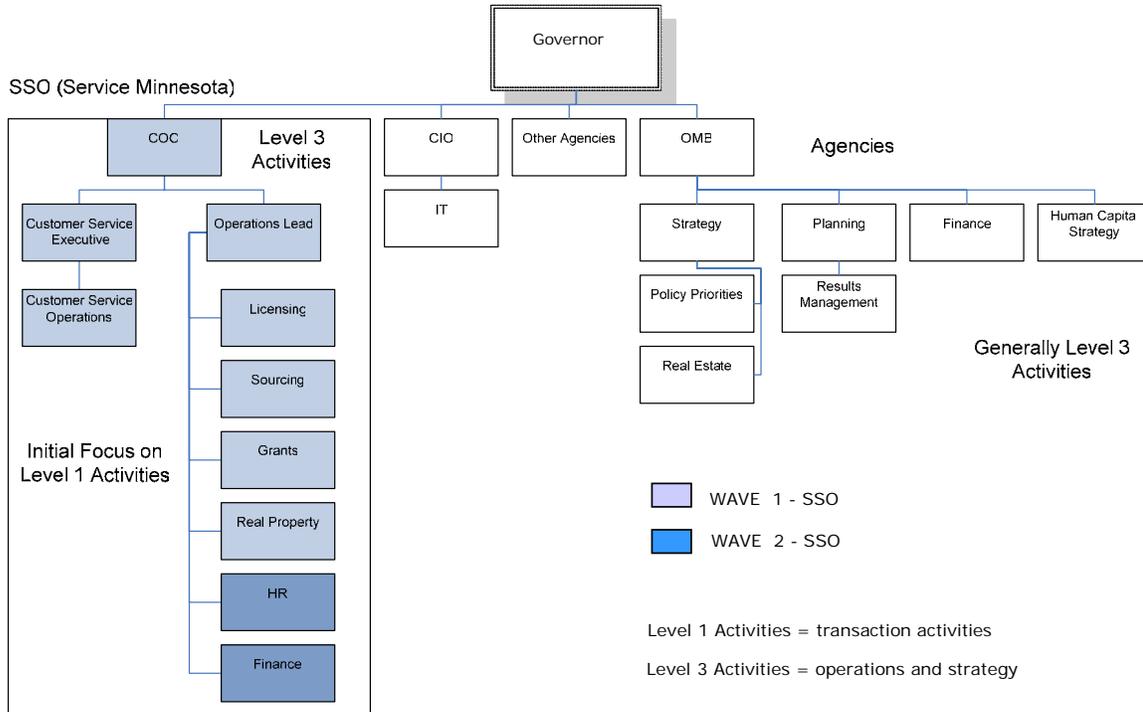


The Drive to Excellence is dependent on several fundamental elements, including:

- Strong executive leadership and program management
- Effective and powerful communications and change management
- Enterprisewide IT governance model
- Customer-centered services and initiatives
- Projects managed from an integrated Enterprise view to gain maximum benefits

Drive to Excellence

Potential “end-state” Shared Service Organization Model



• IT Governance

Information technology (“IT”) governance is most effective when governing bodies focus on the right issues, decisionmaking responsibilities are clear, and the performance resulting from decisions is monitored. The recommended structure for the State is designed to promote those three success factors.

The proposed IT governance model is based on what is known as the federal model of IT governance. The federal model balances central authority with agency control. Central authority provides adherence to strategy and standards, and opportunities for centrally managed issues, services and infrastructure. Agency control provides agility in fulfilling agency objectives. The model is based on a strong definition of roles within the State and distinct IT governing bodies.

The specifics of the IT governance model include:

- Central decisionmaking on all IT spending across the State, including agency IT spending that is not explicitly included in the agency IT budget
- Office of the state CIO leads a collaborative IT planning and strategy process with the agencies/agency CIOs

Transformation Roadmap

A. Summary

- The enterprise IT strategy, plan, and related spending are presented to a governing council for review and approval
- The approved enterprise IT strategy, plan, and related spending drive IT budget priorities and agency business and IT budget planning
- Agencies have budget execution authority for approved agency-specific IT initiatives
- Agencies are accountable for execution of projects within the enterprise IT strategy

Policy Recommendations

The Transformation Roadmap includes an analysis of specific policy and procedural changes (Executive Orders, legislative changes, etc.) necessary for program implementation. In general, the Roadmap recommends:

- Prior to any policy changes related to specific recommendations, legislators and other affected stakeholders should be engaged through briefings, presentations, and focus groups, to better ascertain potential impacts.
- The changes vary widely from significant statutory change to simple internal policy updates; the differing level of policy change complexity will demand different levels of effort and political engagement. A thorough assessment of the statutory changes will be needed prior to some business cases' execution.
- Some policy changes will be minor; however, the more transformational recommendations call for substantive policy change: proactive engagement over time will be critical to developing support from internal, external, and community stakeholders.
- Many of the policy changes are related to the development of new, rigorous governance models that will foster accountability and effective management.
- As many of the cases are linked to the development of a shared services organization ("SSO"), care should be taken to plan for policy changes after new, enabling legislation is passed for the SSO.
- The final design and implementation of the new organizational structure will be directed by the DTE Sub-cabinet and the Governor's office as the various projects are implemented.
- The policy changes should be managed in an integrated manner, to ensure that the overall goals of the Drive to Excellence are realized.

Conclusion

Just as in other states across the country and in other parts of the world, Minnesota government is poised to shift from an old, "siloed" model and structure to one based on integrated service delivery in order to meet the needs of its citizens, the demands of the 21st century and the opportunities afforded by technology. The necessary integration requires a rigorous focus on improved quality of service, increased innovation in service delivery and "back-office" function, and the capturing of cost

Can This Transformation Happen?

Yes. In fact, it's already happening. The findings in the Transformation Roadmap were developed by more than 200 state staff from different agencies, working together to find innovative solutions for the whole enterprise, not just one agency. These employees are authors of and advocates for these recommendations and through their collaboration, have already started functioning as an enterprise.

Transformation Roadmap

A. Summary

savings to deliver critical services to citizens.

The “why” is clear—a shrinking workforce, changing citizen demands, and reduced budgets require a new way of thinking, enabled by technologies that allow us to operate in ways never before imagined. This document outlines the “what”—a catalog of change opportunities identified through the data gathering, analysis, and prioritization of resulting business cases that have been developed by state employees and outside specialists over the past five months.

One thing, however, is already clear: the ambitions of the Drive to Excellence to improve government service will succeed only with the continued involvement and collaborative partnership between state leadership, state employees, the legislature, the State’s business partners, and, eventually, other branches and units of government. The Drive to Excellence represents a true collaboration by and for the State of Minnesota, and holds the promise of reinventing government to match the changing needs and expectations of our citizens.

Contacts

For more information, visit the Excellence web site: www.excellence.State.mn.us. You can send questions to excellence@State.mn.us.

B. The Reasons Behind the Drive to Excellence and How the Transformation Roadmap Project Worked: Collaboration

Reasons Behind the Drive to Excellence

Minnesota needs to change on a fundamental cultural level, rather than on an agency level or a program level. The current economic and demographic conditions are forces that can't be ignored. They require Minnesota to take a bold and proactive approach to focusing government on the citizen, and thus, deliver better quality and increased innovation, at a reduced cost.

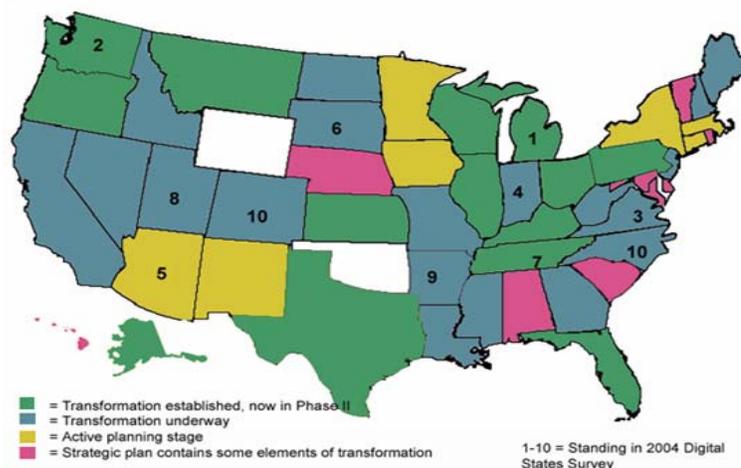
Minnesota has long been a national leader in innovative and effective government. However, due to a combination of external and internal factors not unique to the State, Minnesota faces an unprecedented collection of challenges that are testing the State's ability to provide the quality of service to which its citizens are accustomed.

- By 2015, up to 47% of state employees will be 60 years old, which for many means they can retire. With a huge wave of retirement and substantially smaller birthrates for the generation of workers coming behind us, the State needs to prepare for a smaller, but equally effective workforce.
- Minnesota faces another budget deficit in FY2006-2007, and demographers predict that the State will see slower revenue growth for at least 30 years. The time is now to create real efficiencies in how state government is run.
- Citizens and businesses expect the State to keep looking for ways to deliver services faster, better, and more cost effectively. In particular, citizens now demand the same level and speed of information and easy transactions available in the private sector.

The Drive to Excellence will create a long-term solution for the challenges and opportunities that lie ahead. It is a cultural shift in how the State views its business—the business of serving citizens and businesses.

Minnesota is not alone in embarking on this new path. Nationally, a new model of government is emerging to reinvent government service delivery. Called the network model, it focuses on redefining responsibilities to move away from managing people and programs in the siloed, agency format to coordinating service delivery across the enterprise and providing one-stop shopping.

Other States Engaged in Enterprise Transformation



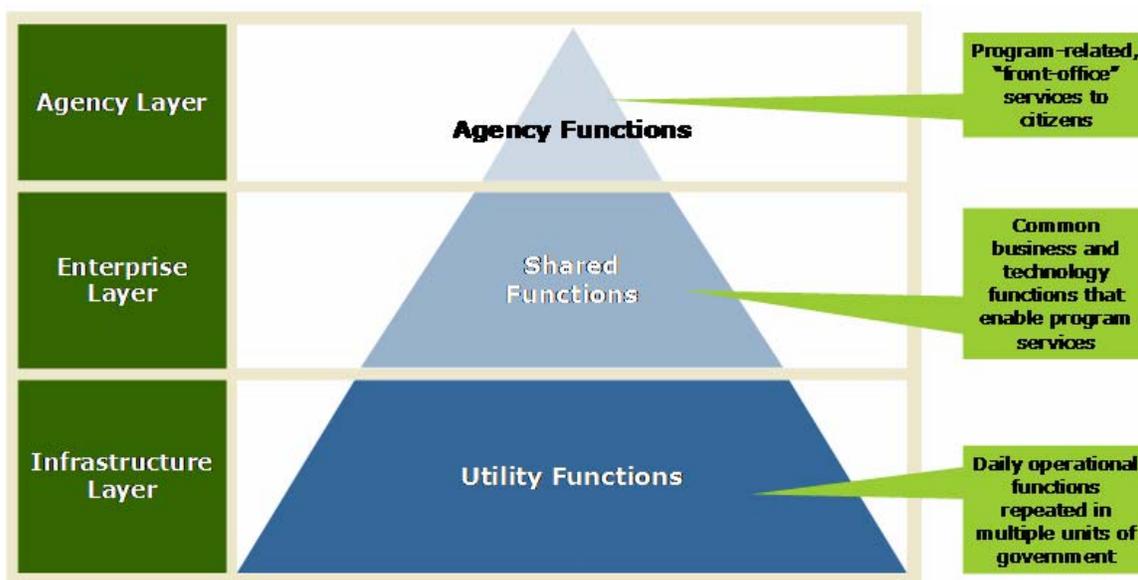
Transformation Roadmap

B. The Reasons Behind the Drive to Excellence and How the Transformation Roadmap Project Worked: Collaboration

The structure of the effort itself reflects the culture it is building, with collaboration and cooperation across agencies, employees, parties, and roles. To succeed, the Drive to Excellence will need to continue its unique combination of employee, grass-roots input and top leadership endorsement, all working to put the citizen first.

To get started, the Drive to Excellence launched a project to identify areas of improvement, assess those opportunities, and then develop initial business cases for implementation of specific projects. Called "The Transformation Roadmap," the project examined 66 agencies within the executive branch of state government, using more than 200 state employees and a team from Deloitte Consulting.

The Drive to Excellence outlines a way of working that preserves service to citizens, but moves precious dollars and people where they're most needed. It is about improved quality, increased innovation, and reduced cost. Focus moves from an agency-centered strategy and culture to an enterprise-focused strategy and culture. The enterprise and infrastructure layers noted below reflect the new strategy.



How the Transformation Roadmap Project Worked: Collaboration

The Drive to Excellence Transformation Roadmap project was launched in September 2004. The goal was to create a thorough, organized, **collaborative** process that could identify concrete means to improve the quality of services delivered to citizens, to increase innovation in state business process and service delivery, and to reduce costs. The project's first task was to assess what business processes and technology the State currently uses and then, based on the knowledge and ideas generated through the assessment process, to find areas for improvement.

What follows in this section is a more detailed description of the five-month process that resulted in the recommendations included in this document. It is important to note that not only was the process conducted by more than 200 state staff and a smaller team from Deloitte Consulting, but that all of the recommendations and the project business cases were written by teams. The Roadmap is truly a grassroots, collaborative document.

Transformation Roadmap

B. The Reasons Behind the Drive to Excellence and How the Transformation Roadmap Project Worked: Collaboration

The Roadmap project was organized in the following three phases:

Ready

- 1) **Collect** currently available baseline information on both technology and business functions/process within 66 agencies of the executive branch
- 2) **Assess** existing business functions and IT environment

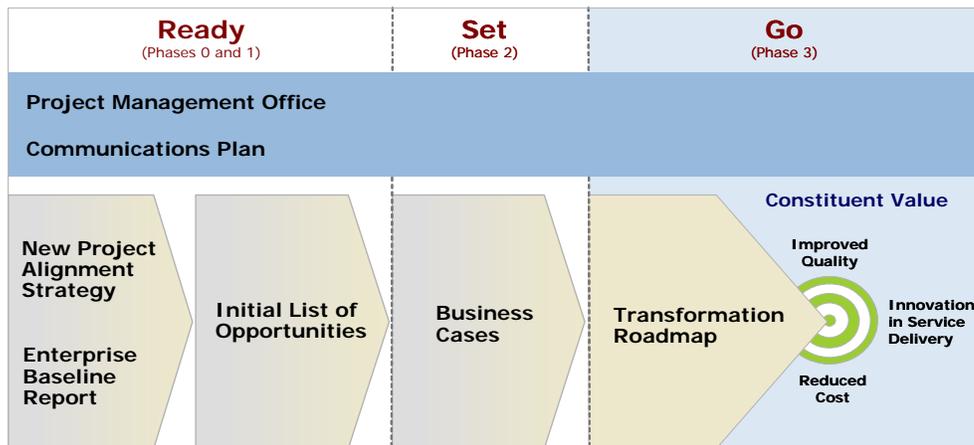
Set

- 3) **Analyze** improvement opportunities
- 4) **Plan** initial implementation

Go

- 5) **Recommend** transformation plans

Project Deliverables Overview



Ready (Collect and Assess)

The purpose of the Ready phase was to define the “as-is” state for both technology and business processes in the executive branch, thereby building a foundation on which to base recommendations. Key activities in this phase were project initiation and organization, including building blended teams of state and Deloitte Consulting professionals, inventorying IT assets, surveying agencies about both technology and process, and building an enterprise tool to store the data.

At the conclusion of Ready phase, 465 initial transformation ideas had been identified, based on data gathered from surveys and interviews as well as ideas submitted. The initial ideas were analyzed and refined to a list of more than 100 opportunities, that were then grouped into eight areas (based on the nature of the opportunities), called Business Transformation Areas (“BTAs”). A team consisting of state staff and Deloitte staff was formed for each of the BTAs to develop the business cases for each of the recommended projects housed within each BTA.

Transformation Roadmap

B. The Reasons Behind the Drive to Excellence and How the Transformation Roadmap Project Worked: Collaboration

Business Transformation Areas:

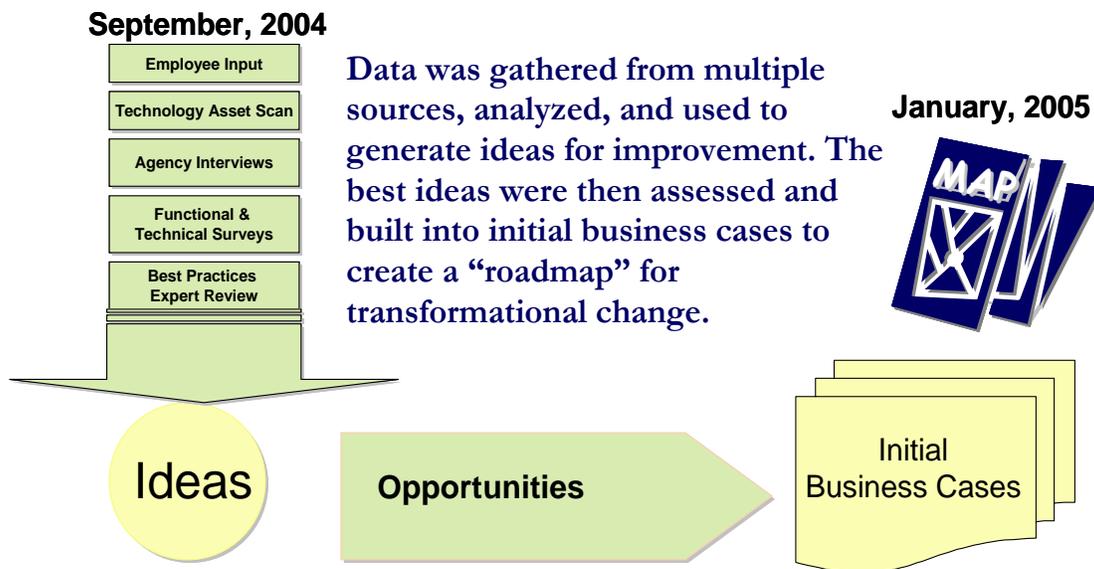
- Sourcing
- Information Technology
- Licensing, Regulation, and Compliance
- Customer Service Innovation
- Grant Management
- Real Property
- Human Capital Management
- Enterprise Planning and Budgeting

Set (Analyze and Plan)

Once the BTAs were identified by the teams and approved by the Steering Committee, the focus shifted to validation and prioritization. Within each BTA, individual business cases were developed, including a description, an explanation of expected benefits, a cost and resource estimate, and a risk assessment.

Go (Recommend)

As a final step in this first phase of the Drive to Excellence, the individual improvement opportunities were sequenced and woven, along with structural recommendations, into this overall Transformation Roadmap.



Transformation Roadmap

B. The Reasons Behind the Drive to Excellence and How the Transformation Roadmap Project Worked: Collaboration

A Collaborative Approach: Teams

In each phase of the Transformation Roadmap, teams were formed from a core group of approximately 200 state staff, and numerous additional state subject matter experts, to conduct analysis and/or develop recommendations. Approximately 30 Deloitte Consulting team members were also involved, as were national Deloitte subject matter specialists.

Here is a brief description of what the teams worked on in each phase.

Ready: During this information-gathering phase, five teams were each grouped around agency areas of focus. For example, one team focused on agencies that delivered health and human services. Sixty-six agencies, commissions, and boards in the executive branch were included in the survey and interview process. The teams worked together to deliver the surveys, conduct interviews and compile the data. In addition to the agency teams, one team focused exclusively on information technology assets (e.g., networks, hardware, and software).

Set: Once the ideas had been identified and validated—becoming what was labeled opportunities—they fell into eight categories or Business Transformation Areas (BTAs). To further develop the case for change in each BTA, as well as to develop the opportunities within that BTA into business cases, different teams were formed. They sought further validation for specific information, analyzed data gathered during the Ready phase, and collectively wrote the BTA “Case for Change” documents for each BTA as well as the individual business cases. (See Section C for brief summaries of the BTA “Case for Change” and Appendix A for summaries of each project business case.)

Go: During this last phase, yet another set of teams was formed. This time the goal was to look at what organizational and governance structures within state government might need to change in order for the business cases to be successfully turned into projects. A team also examined legislative and policy impacts. Called Recommendation Workgroups, these teams met frequently to brainstorm, study the business cases, and talk to subject matter specialists in order to develop reasonably credible, actionable, and sustainable recommendations. Those teams’ findings can be found in the Roadmap in sections E and F.

Throughout the Transformation Roadmap project, agency commissioners were also involved, both on the teams and as liaisons to their agencies, as were deputy commissioners and CIOs.

The nature of the project—to work together and look for innovative solutions—was a significant cultural shift away from an agency-centric, programmatic viewpoint toward an enterprisewide, customer-centric viewpoint. The result is not only this document and all of its recommendations, but a cross-agency team of individuals who have already begun, through their collaboration and innovation, to implement goals of the Drive to Excellence.

C. Areas for Improvement: What and Why

At the beginning of the Transformation Roadmap project, 66 executive branch agencies were assessed to identify how they conducted their business processes and what those processes were (both “back office” functions such as payroll as well as “front line” services such as providing hunting or fishing licenses). Commissioners and deputy commissioners were also interviewed. By combining all of the information, plus asking for ideas from each of the teams, more than 400 ideas were generated. Once similar ideas were merged together and validated, more than 100 opportunities (this term was used to distinguish it from the original “idea”) were identified and naturally fell into eight groups or categories. Called Business Transformation Areas (BTAs), the categories were each developed into a “Case for Change,” i.e., how does that area operate currently, as well as a “Future Vision.”

What follows is a summary of the Cases for Change and Future Vision from each of the eight Business Transformation Areas (shorter descriptions can be found in this document’s Summary).

Sourcing BTA

The Case for Change: Sourcing

The State of Minnesota spends approximately \$1 billion annually on commodities and services needed to operate state agencies. Additional background on procurement within the State of Minnesota includes the following:

- Purchases of commodities for use by Minnesota state agencies totaled approximately \$630 million in FY04 (10/21/04, \$ Spent by Commodity Class/Sub-Class from Materials Management Division [“MMD”]).
- Purchases of professional and technical services totaled about \$271 million in FY04, and have averaged \$369 million per year over the last seven fiscal years (10/19/04, Analysis of Professional/Technical Contracts Approved by the Commissioner of Administration).
- Functional survey results indicate that approximately 324 full-time equivalent staff (FTE) “procures goods and services.” Another 221 FTE “manage goods, services, systems and contracts in service.” Combined, this represents approximately 1.9% of the workforce.
- The combined operational cost of these two functions is \$89 million in FY04. This represents about 1.6% of total operational spending.
- About 80% of agencies have purchasing staff.
- 16 FTE within MMD establish and manage 1,550 contracts.

To the extent that declining resources and limited technology have allowed, the State has used some strategic sourcing techniques for the acquisition of goods and services. Recent innovations include:

- Minnesota currently operates the two largest multistate purchasing cooperatives in the country:
 - The Minnesota Multistate Contracting Alliance for Pharmacy (“MMCAP”) aggregates drug and medical supplies sales for over 4,300 eligible government health care facilities in 43 states plus the City of Chicago. Sales through this program exceed \$1 billion annually.
 - In 2004, based on its success with pharmaceuticals, Minnesota was asked to take on responsibility for the nationwide contracts for personal computers, printers, and LAN storage devices offered to public sector entities under the auspices of the National

Transformation Roadmap

C. Areas for Improvement: What and Why

Association of Procurement Officials (“NASPO”) and its Western States Contracting Alliance (“WSCA”). In 2003, 49 states availed themselves of these contracts with sales of more than \$1.8 billion.

- Through contracts managed by other states, NASPO/WSCA also offers nationwide public sector contracts for industrial supplies, electronic monitoring, wireless, infant formula, and public safety radios.
- Minnesota’s “cooperative purchasing venture” provides aggregated-volume contracts for 480 political subdivisions in Minnesota, including cities, counties, and school districts. Local governments purchase in excess of \$700 million annually from these state/local governmentwide contracts.
- The State has experimented broadly with reverse auctions to achieve significant cost savings in commodities for which there is a competitive market and to reach agreement by agency users on specifications. Costs for nonstandard vehicles, standard devices like GPS and flat panel monitors, and law enforcement uniforms and equipment have been reduced through the use of reverse auctions. Through FY04, the State had notable success in its use of reverse auctions with potential savings through the full contract term of \$2.4 million. More recently, the Departments of Administration (via the Materials Management Division or MMD) and Public Safety (“DPS”) have successfully held two reverse auctions for computer consultants that saved DPS \$40,000. MMD should be commended for their aggressive use of this sourcing technique and encouraged to look for additional applications.
- The State often employs user groups to develop common specifications for commodities, consolidate vendors, and otherwise leverage economies of scale. Standing user groups include hazardous waste management, furniture, computer technology, professional/technical contracts, environmentally responsible products, and customers of MINNCOR (prison industry) products.

Although Minnesota uses many of the progressive sourcing techniques that helped other entities (commercial and not-for-profit) save money, there is still opportunity to obtain best value by transforming current supply chain management practices through wider and more consistent application of additional strategic approaches to sourcing.

Companies and governments worldwide that consistently apply more varied and strategic approaches to sourcing goods and services have saved upwards of 30% in specific expense categories. Industry metrics indicate typical savings in the range of 10%—20% on overall spending through more strategic approaches to purchasing, including basic demand and category management techniques.

Although all parties agree that additional strategic sourcing techniques can generate savings, savings of this magnitude are unlikely given the level of strategic leveraging (often on a national scale) that is widely in place. The category management business case speaks directly to our findings and includes assumptions, costs, benefits, and risks associated with the State’s specific opportunity for strategic sourcing.

While the State applies some very progressive sourcing techniques, the following issues round out the picture of sourcing operations within the State of Minnesota, underscoring opportunities for improvement:

- Procurement statutes differ for commodity and service, professional/technical services, and construction-related acquisitions. Best practice sourcing policy reflects consideration

Transformation Roadmap

C. Areas for Improvement: What and Why

for inherent program risk in what is being purchased and establishes flexibilities needed to address the diversity of goods and services purchased across an enterprise.

- The current volume of master contracts (1,550 contracts) and FTE with master contract management responsibilities indicate missed opportunities to leverage volume and manage demand, especially when contract use is optional for common items like office supplies, cell phones, and personal computers.
- Often, several vendors/contracts offer similar supplies and services (e.g., six master contracts for cleaning supplies and floor care products).
- MMD delegates purchasing authority to individuals in agencies after training and certification.
- A recent audit by the Office of the Legislative Auditor on state agency professional/technical contracting found that the agencies reviewed often did not follow state statutes or guidelines or effective management principles.
- The current procurement business model (system in which people are arranged to do work) was occasionally characterized as adversarial, with tension cited between efforts to exercise oversight and agency independence in making purchases.
- Oversight was characterized as highly prescriptive and unresponsive to program needs. Oversight is sometimes viewed as capricious, and occasionally unwilling to consider program needs.
- There are user groups that design specifications for specific commodity areas, and there are forums for sharing best practices. However, executive interviews strongly suggest the need to educate agencies about more advantageous contracts, current standards, contracting performance expectations, and operational innovations.
- Business users within agencies have varying levels of experience and interest in procurement. Historically, few agencies have been interested in seeking delegated authority. The vast majority of those agencies seeking delegated authority for contracting have received it.
- While some transactions for procurement can be done online, contract development processes are often paper-based.
- Budget “use-it-or-lose-it” rules do not support getting the right goods and services when they are needed.
- Current levels of authority for local purchasing of goods and standard services have been in place since 1997 at which time levels of available delegated authority increased by five times the previous level. (Levels are not indexed to inflation.) Some agencies have been given more autonomy by the Commissioner of Administration, per statute, based on demonstrated performance capabilities (Minnesota Pollution Control Agency), or via waiver for specific types of purchases (Mn/DOT’s purchases of construction services).
- Information about spending that helps purchasers make more strategic decisions is difficult to obtain via current technologies. Spend data is not viewed as credible, and contract managers are not generally able to conduct deep market analysis in their commodity areas to inform purchasing decisions.
- While there is a procurement module within the State’s central financial management system (MAPS), getting reliable data about spending is difficult (miscoding, inconsistent use of codes, etc.). Numerous advancements have become available since its implementation, many of which are essential for effective strategic sourcing analysis.

Transformation Roadmap

C. Areas for Improvement: What and Why

- Agencies build and maintain their own systems to help track procurements. Large agencies typically have more than one application for purchasing support. Improved technology and data collection mandates are needed that result in consistent, comprehensive spending information.
- Large areas of spending on contracts (medical services and employee health benefits, for example) are not systematically approached from an enterprise perspective to better understand where consolidation and scale might be used to drive down costs. These programs and associated procurement are currently conducted at the program level.

Future Vision and Projects: Sourcing

Strategically sourcing commodities and services entails taking a life-cycle approach to purchasing, streamlining procurement business processes (risk informing oversight and using performance information to determine focus) and applying economic and scale-related levers to realize savings from frequently purchased or commodity-oriented goods and services. It may also entail consolidating purchasing activities and using a limited number of vendors to provide a service or product where multiple vendors were providing it previously. By consolidating expenditures, vendors can offer significant discounts and increased value because they have more certainty about purchased volumes, allowing them to plan better and the State to benefit from economies of scale. This approach, however, will require a shift in agency-driven demand for choice and flexibility and will likely impact the level of opportunities for state vendors, both small and large.

The business case (Category Management) describes a new business model and weighs the associated costs and benefits of adopting a more strategic approach to sourcing commodities and services used by the State for operational purposes.

The purpose of a truly strategic sourcing business model that is an acknowledged asset to the enterprise is to:

- Obtain the best value for the enterprise (considering total cost of ownership)
- Promote (via technology and other means) the ability of staff to buy smarter and more efficiently and effectively, including knowing when, what, and how to buy
- Operate ethically within the law and promote fair and open competitive opportunities
- The outcomes associated with having an effective sourcing business model include the following:
 - The enterprise saves money
 - The ability to plan/forecast needs is improved
 - Procurement operations are improved
 - Vendors find it easier to do business
 - Vendor performance matters and poor performing vendors will be dealt with quickly and effectively
 - Agencies' needs are met as determined by the user group
 - Resources dedicated to managing inventory are reduced

The proposed sourcing business model is designed with the following values in mind:

- Ease of use
- Timeliness

Transformation Roadmap

C. Areas for Improvement: What and Why

- Cost-effective—getting the best value for programs that pay for goods and services, taking into account the total cost of ownership
- Flexible/agile—able to adapt to circumstances (implies awareness of how contexts are changing)
- Legal, ethical, fair, and open competition
- Sustainable—continuously improving processes, people, tools, methods, etc.
- Accountability for defined results

The recommended project from the Sourcing/Procurement BTA is:

- **Create a new category and demand management organizational structure** - this structure will provide a method for analyzing expenditures, identifying cost drivers, and developing and implementing strategies to reduce lifecycle costs.
- This structure includes taking a lifecycle approach to purchasing, streamlining procurement business processes, implementing procurement systems, and applying economic and scale-related levers to realize savings from frequently purchased commodities and services.
- This structure also includes consolidating purchasing activities to allow vendors to offer significant discounts and increased ongoing value because the vendors have more certainty about purchased volumes allowing them to plan better, and allowing the State to benefit from economies of scale. Re-engineering the purchasing supply chain streamlines and improves processes for both the state staff and vendors.

Information Technology BTA

The Case for Change: Information Technology

The State's current information management environment—processes, relationships, and technologies—was created largely without strategic vision or agency coordination to align technology decisions to one another and to common statewide business processes. As mission, resources, and organization evolved, so too did the systems that supported them. The result of this agency- or program-centered approach was divergence in technologies, limited sharing of common information, and redundant development projects. Opportunities for shared functionality have rarely been realized because of a lack of a shared business vision, of resources, or of motivation.

It is estimated that the State, in aggregate, spends several hundred million dollars annually on information technology and related services. To improve efficiency and effectiveness of this large investment, the IT BTA recommends a significant reorganization of how IT systems and services are managed. This change will entail moving a significant portion of the State's IT infrastructure, management, and spending from an agency specific model to an enterprise infrastructure and shared services model. Please see Appendix B for additional information.

Transformation Roadmap

C. Areas for Improvement: What and Why

Future Vision and Projects: Information Technology

Below is a listing and description of key cost-savings opportunities that are enabled by the proposed IT governance model and recommended projects. These items comprise an initial list of opportunities assessed during the course of the Transformation Roadmap effort. Additional opportunities have been identified for subsequent analysis and are listed on the following page.

Proposal	Hypothesis	Action	Cost Impact	Time to Impact	Indicative Saving*
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Voice Over IP/IT Telephony

Renegotiate network sourcing	Multiple disparate networks services are sourced and managed separately. Unfavorable legacy contracts exist with room for renegotiation.	<ul style="list-style-type: none"> Collect data on current contracts Seek opportunities to rationalize current network and telecom usage (e.g., cancel unused lines) Define service requirements and technical standards <ul style="list-style-type: none"> Initiate contract tender and negotiations process 	<ul style="list-style-type: none"> Lower tariffs Lower administration costs 	6-12 mos.	10-25%
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Consolidation of Data Centers

Consolidate data centers	Multiple data centers exist which could be rationalized or consolidated	<ul style="list-style-type: none"> Conduct cost/benefit analysis of consolidating data centers Instigate rigorous program of equipment rationalization, reorganization, and retirement 	<ul style="list-style-type: none"> Lower cost structure (employees, space) Significantly reduced occupancy costs 	6-12 mos.	15-40%
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Enterprise Software Licensing

Retire redundant software licenses, hardware & applications	Licenses/Data storage/applications are maintained when they are rarely used or provide little benefit	<ul style="list-style-type: none"> Gather usage data to identify redundant, rarely used or low value-added items Drop redundant licenses and renegotiate retained licenses based on actual usage Retire redundant and underutilized hardware (servers, desktops, storage devices, network devices) 	<ul style="list-style-type: none"> Avoided License fees More competitive deals from vendors Reduced hardware and software costs Reduced maintenance Reduce physical hosting costs 	1-3 mos. (licenses) 3-6 mos. (data, apps, hardware)	10-20%
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Shared Application Development Planning

Standardize software development methods & tools	Software projects use a variety of methods and tools that prevents technical resources from easily switching projects and increases maintenance costs	<ul style="list-style-type: none"> Standardize on one software development methodology Train all technical staff in method and tools 	<ul style="list-style-type: none"> Reduced technical resource costs through easier reallocation of resource Reduced maintenance through standardized development style 	1-2 yrs	15-25%
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Reengineer InterTech—Utility/Shared Services: Implement a project to analyze and recommend changes in the InterTech organization and environment to obtain improved delivery of agreed to services at reduced costs and move toward enterprise management of technology.

Transformation Roadmap

C. Areas for Improvement: What and Why

Additional IT Opportunities

<i>Proposal</i>	<i>Hypothesis</i>	<i>IT Governance Assumptions</i>	<i>Cost Impact</i>
Cut contractor spend	Contractors are being hired for activities that could be done in-house or are not worth the extra expense	<ul style="list-style-type: none"> Enterprise IT PMO will evaluate requests for contractors. It will reallocate other resources evaluating the entire portfolio of IT projects 	<ul style="list-style-type: none"> Reduced contractor fees and contractor administration costs
Eliminate redundant or marginal projects	Redundant projects exist within or between groups; duplicated development projects exist. Some projects have questionable ROI	<ul style="list-style-type: none"> Enterprise IT projects will be prioritized and evaluated by Office of the State CIO. IT projects falling under the agencies will not be effected 	<ul style="list-style-type: none"> Reduced technical and project resource Reduced maintenance costs in medium and longer term
Set more demanding targets for project delivery	Projects could be delivered in a shorter timeframe without losing much functionality	<ul style="list-style-type: none"> Controlled by Enterprise IT PMO 	<ul style="list-style-type: none"> Reduced project teams costs Savings on contractors Lower testing & maintenance costs if systems are simpler
Reduce bought-in goods & services	Lower-cost alternatives exist for a proportion of goods and services	<ul style="list-style-type: none"> Enterprise IT spend will be prioritized and evaluated by Office of the State CIO. IT projects falling under the agencies will not be affected 	<ul style="list-style-type: none"> More cost-efficient methods & processes are discovered
Centralize common services and remove duplicated services	Services are provided to each group that could be shared to improve efficiency and certain services are provided by central IT function <i>and at a local group level</i>	<ul style="list-style-type: none"> Reallocate infrastructure processes to central IT. These include operations, desktop, help desk and other support, etc. 	<ul style="list-style-type: none"> Reduced support costs (headcount and infrastructure) through higher utilization and de-duplication
Standardize, rationalize and consolidate hardware devices	Hardware is frequently sized to serve peak utilization and for growth. A lack of standardization has led to an overcrowded fragmented data center environment	<ul style="list-style-type: none"> Baseline reporting processes and communication will locate potential opportunities for consolidation. Business Technology Council will review opportunities and request consolidation/retirement plans 	<ul style="list-style-type: none"> Reduced hardware costs through increased utilization
Introduce demand management for infrastructure services	Internal services such as desktop support, help desk, and network services are demanded with little regard to costs and there is a pattern of similar problems being continually raised	<ul style="list-style-type: none"> Dependent on service level management strategy selected. IT Shared Services will also influence. 	<ul style="list-style-type: none"> Reduce cross-charges for services Reduced support headcount through reduced demand
Ensure compliance to standard architecture	Although a standard set of software, hardware, tools, packages, etc. has been defined, it is not consistently being used	<ul style="list-style-type: none"> Coordination mechanism between Central IT and agency IT. CIOs will also be accountable for compliance. 	<ul style="list-style-type: none"> Reduced maintenance of exceptions & customizations Reduced design costs as reduced number of combinations are embedded
Manage all IT projects as one portfolio and apply evaluation criteria to optimize	The range of IT initiatives is often uncoordinated and projects do not support each other	<ul style="list-style-type: none"> Enterprise IT projects will be prioritized and evaluated by Office of the State CIO. IT projects falling under the agencies will not be affected 	<ul style="list-style-type: none"> Avoided investment spend as ill-timed or marginal projects are not undertaken Reduced project staff through better-focused project portfolio

Key:

- Proposal—Name of the opportunity
- Hypothesis—Assertions about the opportunity for cost savings
- Action—Actions to be taken to explore the cost savings opportunity
- IT Governance Assumptions—Components of the IT Governance model that enable the cost savings opportunity
- Cost Impact—Areas of cost that will be affected by the opportunity

Licensing, Regulation & Compliance BTA

The Case for Change: Licensing, Regulation & Compliance

The business transformation area for licensing, regulation, and compliance evaluated alternative models to improve efficiency and effectiveness. The team was organized around four threads of work:

Customer Intercepts:

- Online survey of new applicants and renewals
- Customer intercepts of walk-in applicants
- Phone survey of outstate licenses

Construction Codes

- Current state analysis
- Evaluating consolidation opportunities (logical and physical) across construction code entities: plumbing, fire, building, boilers, and electrical

Licensing: One-Stop Shop

- Current state analysis
- Leading licensing models and best practices review
- Evaluation of options and recommendations

Examinations

- Current state analysis
- Evaluating options and models for alternative delivery of examinations related to licensing

The **Customer Intercepts** team conducted original research into the behaviors and preferences of “licensing customers.” The research was a series of surveys/interviews conducted in person and online with actual customers applying for, or renewing, a license in the State.

These results were used to inform and refine the work of several of the teams.

The **Construction Codes** team evaluated alternative physical and logical consolidation models for the delivery of construction code related services in the State. The scope of this evaluation included the end-to-end processes of five state entities involved in the administration and execution of construction code services (licensing, inspection, compliance, and enforcement). The entities in scope included plumbing, fire, building, boiler, and electrical codes.

The **Examinations** team was chartered with evaluating third-party administered examinations related to licensing activities. Although many agencies currently use third parties across the exam life cycle (develop, administer, score, report, recordkeep), some agencies continue to administer this process internally.

The **Licensing One-Stop Shop** team evaluated options and alternatives around improving the efficiency and effectiveness of the licensing process. The scope and charter of this team was significant: licensing operations are conducted across approximately 40 executive branch departments and agencies, involve transaction volumes exceeding 11,000,000

Transformation Roadmap

C. Areas for Improvement: What and Why

transactions annually, and approximately 800 full-time equivalent (“FTE”) resources in the administration and management of licensing operations. The focus was across the various business, occupational, and personal licenses issued by the State.

Future Vision and Projects: Licensing, Regulation & Compliance

The “to be” vision for each of these areas is further articulated in the specific project business case summaries, found in Appendix A. In general, the goal is to simplify the process for the end-user, i.e., the citizen or business; to save money by eliminating duplication of effort; and to make better use of technology where possible.

The specific projects recommended from the Licensing, Regulation & Compliance BTA are:

- **The Drive to a “Licensing One-Stop Shop”** – create one customer-centric, online licensing transaction center for professional, occupational, and business licensing
- **Single Source State Building Construction Regulation** - consolidating the construction regulation process from five agencies to one
- **Third-party Exams** – provide third-party administration of professional exams

Customer Service Innovation BTA

The Case for Change: Customer Service Innovation

In one year, the executive branch processes more than 90 million transactions spread out over 72 agencies through a variety of channels—mail, phone, over the counter, Web, fax, etc. Without a consistent way to handle those transactions and without shared data, the State cannot deliver customer-centric information and service. Five different business cases look at how the State can improve its customer service, through improved quality and increased innovation. Three of the projects are recommended for earlier implementation: Enterprise Web Portal; Uniform Business Identifier; Internet Payment Options.

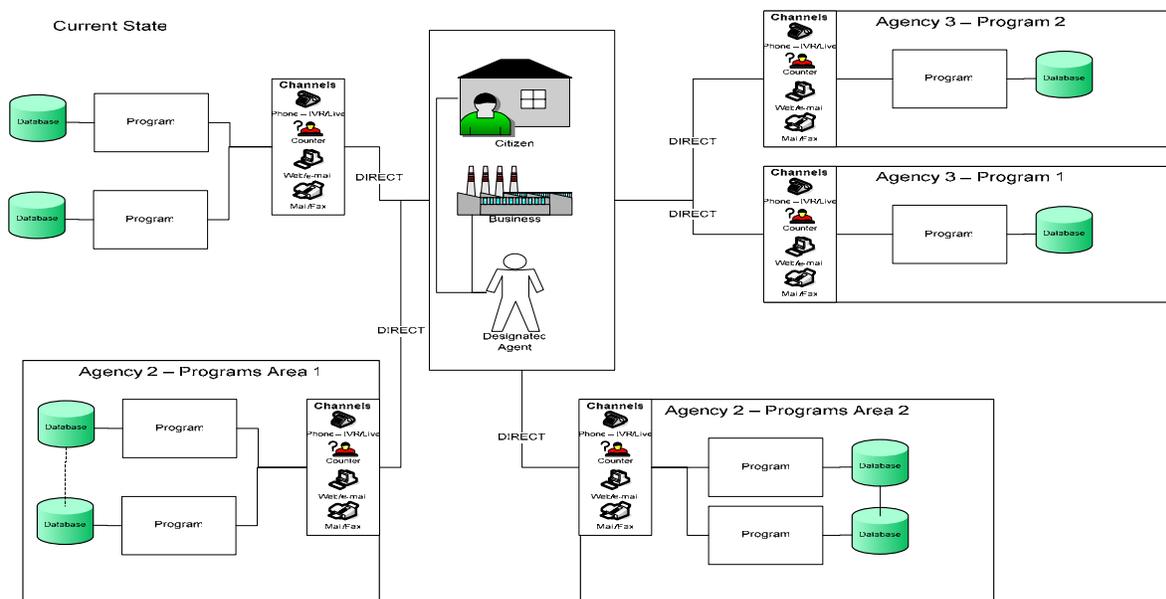
What Is Known

Constituents interact with the State through a variety of channels. The primary channels used are counter, call center, mail/fax, and Internet (online). Some programs have implemented advanced channel strategies and complementary systems and improved the service to constituents; others have not realized such successes.

Following is an illustration that shows the current state of constituent relationship channels within the State. Agencies are using multiple channels, and there is no set standard for providing the services consistently across channels within an agency, let alone across agencies. Current constituent interactions are shown as follows:

Transformation Roadmap

C. Areas for Improvement: What and Why



Currently, there is no single, integrated view of state-constituent interactions, and constituents' channel choices are often uninformed; thus, their interactions not consistently "rich." The State does not have a unified customer (constituent) relationship strategy that is supported by an integrated approach to the delivery of services via multiple channels. Providing information and services from a constituent perspective (rather than a program perspective) will improve the quality of service and constituent satisfaction, as well as keep the focus on constituent needs and desires at the forefront of agency activities. The key to achieving a unified constituent service strategy is establishing a governance structure that can provide an enterprisewide approach to customer service initiatives.

Based on the survey conducted at the beginning of the Transformation Roadmap project, a total of over 90 million external constituent transactions were estimated annually. These transactions were provided via the following channels:

Online	48%
Telephone (live)	6%
Telephone (IVR)	2%
Mail	20%
Counter/In person	14%
Other (i.e., fax, EDI, etc.)	10%

Considerable money could be saved by moving a number of the higher-cost transactions to lower-cost channels—while maintaining (and improving) customer satisfaction. The result would also include improving the value of government to businesses and citizens.

Why is channel preference important?

New channels are now available for serving constituents, and many constituents demand more options for obtaining services. Some of these channels are considerably less costly than others. The State has an opportunity to provide services to constituents in a way that constituents want, with greater accessibility and flexibility, at a potential cost savings, and ultimately making the value of government to taxpayers more appealing. One major activity

Transformation Roadmap

C. Areas for Improvement: What and Why

of the Customer Service Innovation project will include conducting constituent validation research to ensure that constituent voices are heard and channel preferences are documented.

Future Vision and Projects: Customer Service Innovation

The Customer Service Innovation vision for the future of Minnesota includes a governance structure that supports a unified view of constituents and promotes enterprisewide implementation of initiatives and technologies to more effectively service constituents as well as allowing the State to leverage staff resources in the most efficient manner.

The team recommends the creation of a new statewide shared Customer Service Innovation organization. In no other organization would the key principles of the Drive to Excellence be so obviously embraced. Ideally the organization would have authority over all executive level agencies and not be limited to the 66 agencies currently involved in the Drive to Excellence project.

Governance responsibilities are recommended to reside within a shared Customer Service Innovation (“CSI”) organization with the purpose of:

- Setting strategic direction
- Setting business goals
- Measuring business goal achievement
- Financial authority—over customer service related spending. This would include a process whereby agencies would have to submit customer service plans before they could expend funds on customer interaction efforts. The CSI organization would also maintain financial responsibility over service improvement “accelerator” funds, should state leadership choose to create such a program.
- Establishing and monitoring customer service standards/policies
- Business operations

–

The following Customer Service Innovation goals guided the development of the business cases.

- Interactions will be as seamless as possible
- Information will flow across organizational boundaries
- Transactions will be fast and efficient
- There will be graceful hand-offs across channels
- Constituents will experience common delivery approaches (look and feel, infrastructure, components)
- Service cycle time will be reduced
- Government will be accountable to client needs (quality, timeliness, security)
- Duplication of effort will be eliminated
- Self-service will be offered as widely as possible
- Clients who need greater assistance will receive it
- Knowledge of and compliance with rules/regulations will increase as a result of easier access
- Geographic-independent service

Transformation Roadmap

C. Areas for Improvement: What and Why

- Service costs will decline
- Not all services will be provided through all channels

The following guiding principles articulate the key components of our Customer Service Innovation strategy.

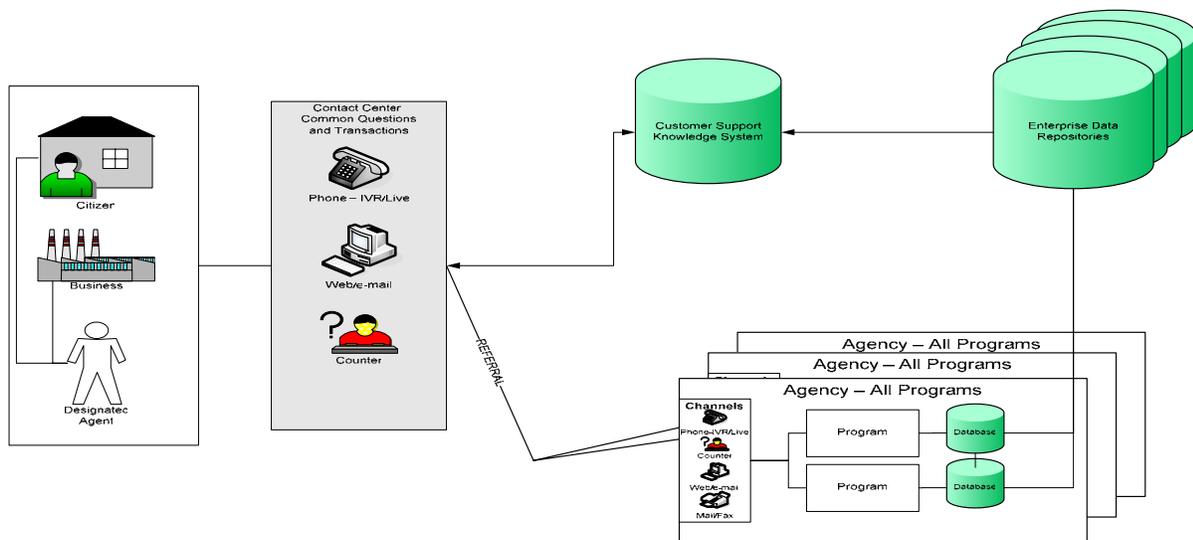
- Consistent: Services are consistent regardless of channel
- Integrated: Service approach is integrated from a constituent focus
- Listened-to: Constituents provide ongoing feedback to inform service delivery
- Empowered: Constituents will be able to “self-serve” where possible
- Secure: Transactions are secure and protect constituents’ interests
- Cost-effective: Services are provided in the most cost-effective manner possible, with access to appropriate channels
- Accessible: Services are easily accessible
- Proactive: Ongoing monitoring and improvement efforts

The vision for the future of Customer Service Innovation for the State of Minnesota includes streamlining and standardizing high-quality experiences across channels, so no matter how a constituent comes to the State, they receive the same information and service regardless of channel.

Constituent Interactions “The Future”

Below is an illustration of constituents coming to the State from multiple channels (online, phone, mail, and walk up) and receiving consistent service, regardless of channel. This standardization and consistency is made possible by the enterprise knowledge management system and enterprise data repository, as well as the standardization of processes already conducted within the agencies.

CSI Vision Phase III



Transformation Roadmap

C. Areas for Improvement: What and Why

Achieving this vision will require the establishment of a governance structure that provides funding for initiatives and enterprisewide authority for moving from an agency view to a constituent view, and second, the knowledge management system and enterprise data repository needed to provide the back-end support for consistent provision of service, regardless of channel.

The projects recommended from the Customer Service Innovation BTA are:

- **Consolidated Contact Centers:** Consolidated multimedia contact center to provide basic service to customers (i.e., to answer the frequently asked questions rather than those that require a subject matter expert)
- **Enterprise Web Portal:** Further integration of the Web portal to channel all state online information and provide a single “face” to government
- **Minnesota Kiosks:** Transaction kiosks for citizens at public locations and businesses throughout the State
- **Uniform Business Identifier:** Businesses use one identifying number for all transactions and communications with the State
- **Internet Payments:** Enterprisewide Internet payment system that supports both credit cards and electronic checks, moving the State to conducting its business electronically, tripling online transactions in five years

Grant Management BTA

The Case for Change: Grant Management

The State currently pursues, distributes, and manages over \$1.1 billion of incoming grant funds from over 500 grants and also monitors grantee performance against \$1.4 billion of outgoing funds in approximately 9,400 grants to over 7,000 grantees. These inflows and outflows exclude entitlement funds such as Medicare, Medicaid, TANF, and school district funding. Within selected agencies analyzed, over 480 FTEs support these inflows and outflows of grant funds. Their roles consist of performing both program and administrative responsibilities required by the grant management process.

Other highlights of the grants business line include:

- Over 500 incoming grants received.
- Over 7,000 organizations receive grants from the State.
- Recent investments into agency- and program-specific systems used for grant management were reported at approximately \$8.6 million with annual operating costs of \$2.2 million.
- Anticipated development of individual electronic grant systems within agencies such as Department of Human Services (“DHS”) and Minnesota Department of Education (“MDE”) are forecasted at \$9.6 million for seven agencies.

Transformation Roadmap

C. Areas for Improvement: What and Why

From this understanding of current grant management operations, the team identified the following common areas for improvement:

- Lack of governance and authority for grant management standardization in policies, procedures, and tools.
- Inconsistent process for aligning grant applications and pursuit with state mission and agency priorities.
- Limited collaboration between agency efforts in pursuing funding opportunities.
- No standard procedure for obtaining approval within agencies; performing cost/benefit analysis, administrative and indirect cost recovery; monitoring program performance or financial status of a grant; and treatment of interest on advances.
- Existence of manual paper-based workflow, verification, logging, review, and filing of grant-related documents.
- Lack of statewide instructions and system capabilities of MAPS and its functionality, including establishing grant budgets, system checks and controls in evaluating budgets and expense budgets, and ability to report grant amounts across state fiscal years.
- Inadequate interface with MAPS for grant financial accounting system. This leads to problems with encumbering future payments, no consistent point of entry, duplicate entry in nonstandardized/enterprise tools (Excel, Access, or agency-specific contract database), manual financial and programmatic reconciliation process using different systems, manual reentry of repayment information, manual report creation, and a manual closeout process.

Across the nation, federal and state entities are moving toward consolidated electronic grant management supported by enterprise governance. It is our recommendation that the State undergo a transformation in grant management that will establish proper governance, support, and tools for ensuring that the citizens of Minnesota get the greatest benefit possible from their grant dollars.

The State is not alone in this movement toward more effective grant management. On a federal level, the President's Management Agenda of 2002 singled out e-grant expansion as a key area of improvement. In support of this initiative, the federal government launched Grants.gov just over a year ago, and 3,000 organizations have already registered to apply for grants online.

In performing benchmark research and discussion, a number of public sector organizations were identified that have recently evaluated and implemented grants management tools. Accordingly, this combined need to ensure both proper management and governance of grant programs is addressed in the Government Performance Results Act of 1993, also known as "GPRA." This act includes three findings by the Congress:

1. Waste and inefficiency in federal programs undermine the confidence of the American people in the government and reduce the federal government's ability to address adequately vital public needs.
2. Federal managers are seriously disadvantaged in their efforts to improve program efficiency and effectiveness, because of insufficient articulation of program goals and inadequate information on program performance.
3. Congressional policymaking, spending decisions, and program oversight are seriously handicapped by insufficient attention to program performance and results.

Transformation Roadmap

C. Areas for Improvement: What and Why

In an effort to assess the congressional objectives of GPRA, the Program Assessment Rating Tool (“PART”) was created in July of 2002 by the Office of Management and Budget. PART “was developed to assess and improve program performance so that the Federal government can achieve better results. ...identify a program’s strengths and weaknesses to inform funding and management decisions aimed at making the program more effective.” The Bush administration has made the integration of performance and budget information one of five governmentwide management priorities under The President’s Management Agenda, [Federal] Fiscal Year 2002. And, importantly, low-scoring on the PART assessment increasingly means that a program’s funding may be reallocated to other agencies.

States are also leading the movement toward new e-grants systems. Pennsylvania’s Commission on Crime and Delinquency recently rolled out its new e-grants system that is designed to be 80% reusable by other agencies. However, it is now retroactively pursuing an enterprise governance structure that would support grant management across agencies. Similarly, Michigan’s Department of Education also recently developed a new e-grants system.

Key benefits typically realized by these grant management projects included:

- Less paper-intensive process from the constituent side
- Reduced turnaround time
- Online document review—paperless process internally
- Improved program and performance management capabilities
- Future administrative savings

The State could develop a more effective enterprise grant management governance process and structure supplemented by tools that would improve services, enhance quality, improve accountability, and reduce costs incurred in the grant management process.

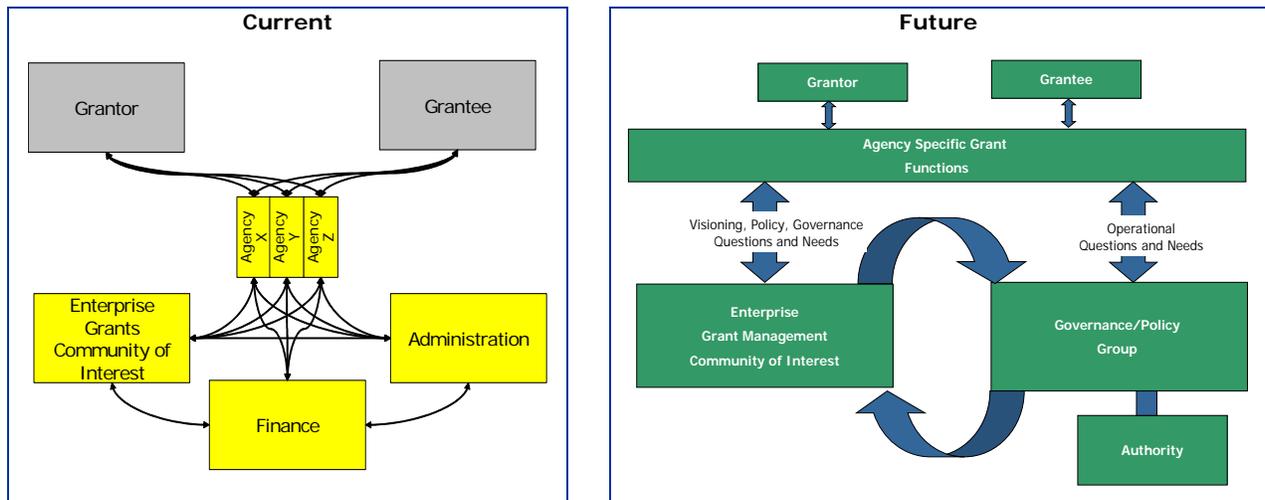
Future Vision and Projects: Grant Management

Evidence exists that an enterprise governance and authority structure supplemented with electronic grant management tools could greatly improve grant management processes.

The new grant management governance and policy structure would provide an enterprisewide view of grant processes. Overall, the new structure would consist of an authoritative governing body that receives input from state agencies and the Enterprise Grant Management Community (“EMGC”). This governing body would be formally chartered and appropriately empowered to manage grant policies and facilitate process improvements. This body must maintain credibility by being open to input from agencies involved in grant management, but must also be able to act independently of any specific agency’s influence.

Transformation Roadmap
C. Areas for Improvement: What and Why

Grant Management Governance Structure



A number of roles are envisioned for this new governing body. First and foremost, the body must be accountable for implementing new grant policies and standards across all agencies. This body would also be responsible for undertaking the expansion of the existing process documentation and system redesign efforts initiated by the EGMC to improve consistency of grant efforts and to identify necessary agency or program-unique processes that must continue. This documentation would lead to the development of standard business processes that all agencies can incorporate into their grant management systems. Other potential roles include conducting training on common tools, methods, and vocabulary and the capture and promotion of agency best practices. However, the roles of this governance body would be subject to change as the new governance structure leads to more coordinated efforts between agencies and the governing body receives feedback from agencies.

Organization

Potential Roles

Governance /Policy Group	<ul style="list-style-type: none"> • Receive direction and input from agencies and the EGMC on direction and priorities • Facilitate and communicate grant policies and standards from an enterprise view perspective • Be accountable for improvements in systems/processes • Facilitate and communicate common standards in grant document requirements • Conduct and coordinate training on common tools, methods, vocabulary • Capture agency best practices and coordinate/promote more broadly
EGMC	<ul style="list-style-type: none"> • A group of individuals from distinct agencies that increases collaboration in the grant process • Provide counsel and feedback to Governance/Policy Group from agencies regarding system requirements • Communicate information from Governance/Policy Group to specific agencies regarding tools, services, and functions available for agency use
Agency-Specific Grant Functions	<ul style="list-style-type: none"> • A group of agency grant personnel that communicates grant longer term process and system needs to EGMC • Responsible for spreading standardized grant process information agency personnel • Team with senior management to coordinate grant policy with other business processes

Transformation Roadmap

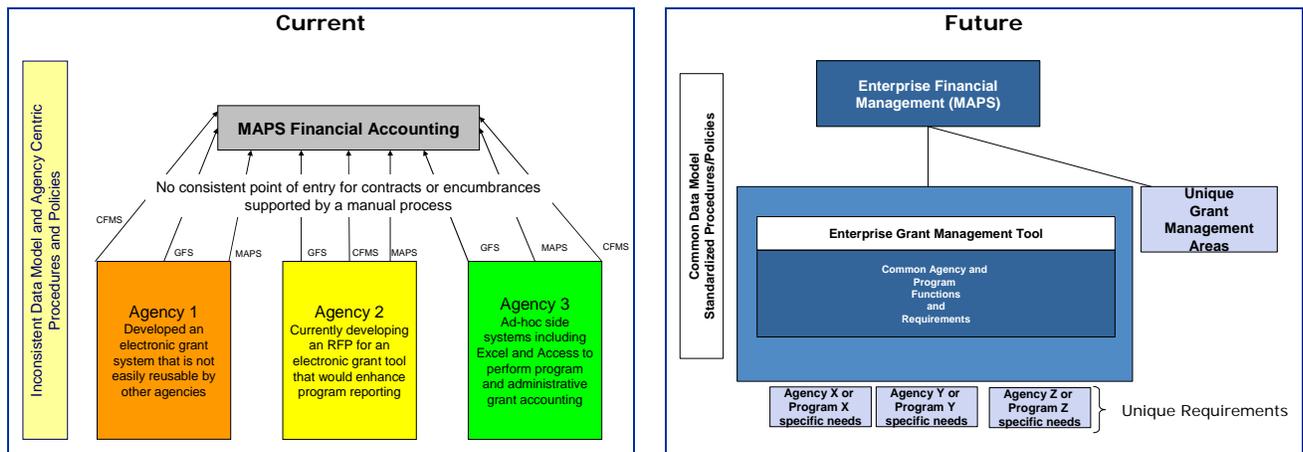
C. Areas for Improvement: What and Why

The initial task of the governance and policy body would be to implement short-term improvements. These policy and procedure improvements would positively impact grantors and grantees, and ultimately reduce employee workload. Example areas for short-term process improvement include:

- Cash advance policies
- Policies for the recovery of administrative costs
- Standard approval processes
- Improving compliance with Legislative Advisory Commission review and approval processes
- Grantee audit procedures
- Standard use of federal aid module
- Introduction of a single repository for posting all grant opportunities
- No significant changes in the “awarding” process are anticipated. However, opportunities may be determined in the process improvement effort.

Following on the foundation built through an enterprise governance model would be enterprise tools that support key common functions that are applicable to grantees and agencies regardless of programs. Some of these key functions would include:

- Multiple methods of application intake and distribution (specifically including Web, fax, and email)
- Automated process tracking/monitoring functions including contact logs, financial tracking, and status tracking
- Correspondence and program deliverable tracking with grantees
- Automated routing and retention of electronic documents
- Comprehensive financial and program reporting (including standard and ad hoc report capabilities)
- Automated communications/document generation
- Automated workflow management
- Grant Management Tools



Transformation Roadmap

C. Areas for Improvement: What and Why

Benefits anticipated include improved accessibility of grant dollars by potential grantees, reduced paperwork through an online application, improved automation of workflow and approval, electronic document management, a single data entry point, and improved financial and program data structures, reporting, and interfaces to MAPS. All of these measures would decrease the amount of resources expended on grant applications, improve program services for grantees, and simplify interaction with the grantee.

The projects recommended from the Grant Management BTA are:

- **Grant Management Governance and Process Improvement** – creating a new enterprise grant management governance and policy structure that will improve the State’s granting services as well as assist in identifying additional grant dollars available to the State and improve accountability for the spending of state dollars by the State’s grantees
- **Grant Management Tools** – developing a single grant management tool that can be used to meet the needs of 80% of state grant programs

Real Property BTA

The Case for Change: Real Property

The State’s real property holdings are extensive and diverse. As an enterprise, the State:

- Owns more than 5,000 buildings totaling 29 million square feet
- Manages more than 880 leases covering more than 6 million square feet of space and real property
- Spends more than \$66 million on non-State-owned leased property
- Manages 143 leases generating \$4.4 million from non-State entities
- Owns nearly 11 percent¹ of all Minnesota land—nearly six million acres
- Manages buildings statewide ranging from park shelters to the Capitol

Yet the State lacks a single view of its real property assets. Attempts to address this issue through facility condition audits and land inventories have yielded fragmented, incomplete databases that are insufficient for enterprise decisionmaking.

Current governance, or lack thereof, further inhibits the State’s real property management. The State is a hybrid of silos and shared real property functions. Rent, repair, and maintenance are handled within 14 custodial control agencies. Authority, governance, and accountability are delegated inconsistently. Budgeting and legislative processes are built on incomplete data and result in disjointed funding streams. Agency strategic plans do not consistently address long-term trends affecting space and resultant needs, and overall needs are not merged into a unified state strategic real property picture or plan.

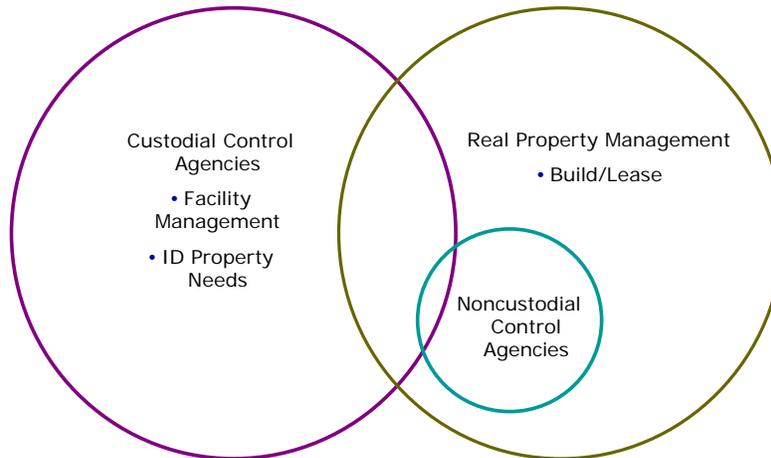
¹ 11% does not include tax-forfeited land.

Transformation Roadmap

C. Areas for Improvement: What and Why

If the State were able to “see” and manage its real property assets across the enterprise, significant savings could be derived. The State could:

- Identify significant savings through business synergies, including co-location of agencies and leveraging purchasing power
- Address deferred maintenance
- Identify and sell surplus properties



As-Is Operating Model: Current operating model lacks overall governance and strategic enterprise view

Future Vision and Projects: Real Property

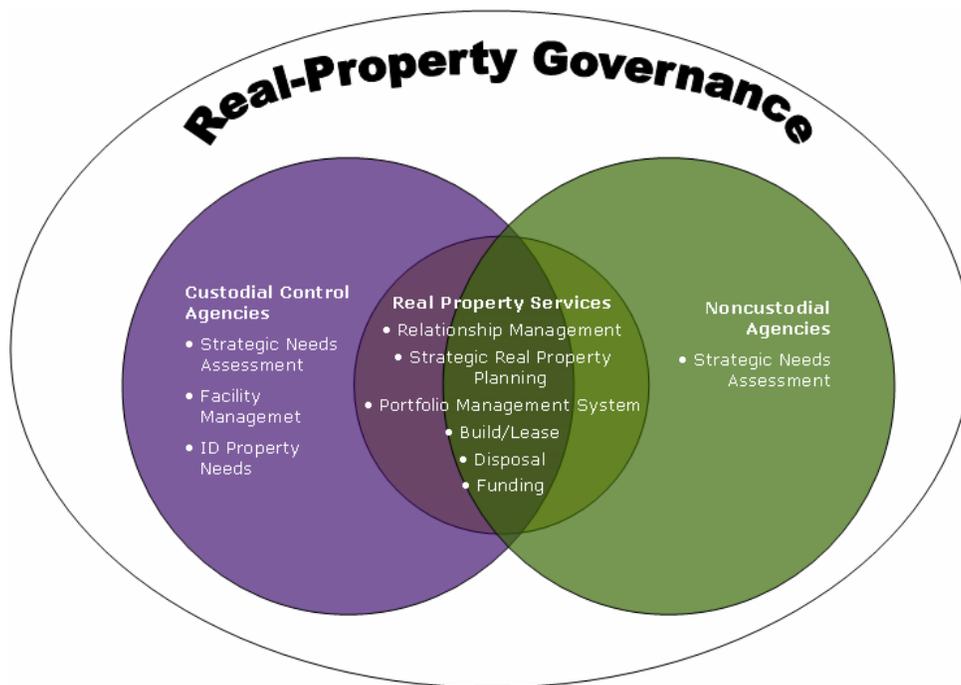
Vision: Develop real property management governance, strategies, and tools to support each state agency’s mission while optimizing overall costs of state government. Minnesota’s real property management will be:

- Effective: the right services, in the right locations, with the right tools
- Efficient: the right size, with the right financial structure

Through this vision, Minnesota’s real property management will be transformed to include:

- Enterprisewide real property policies, processes, and performance goals
- A framework to manage the real property as a portfolio of valued assets, covering organizational capabilities, operating processes, and tools to enable the capabilities and processes
- State Strategic Real Property Plan to address real property across the enterprise
- Agency strategic plans that define their space needs relative to their mission and trends
- Data that enable a single “look” across the enterprise at assets in the State’s portfolio
- Rational funding decisions based on strategic direction and sound data

Transformation Roadmap
C. Areas for Improvement: What and Why



To-Be Operating Model: Recommended model transforms real property governance and management, through enterprisewide policies, procedures, data, and strategic planning

High-Level Roles and Responsibilities among Real Property Service and Agencies

Real Property Governance Establish policies, procedures, and guidelines	
<p>Real Property Services</p> <ul style="list-style-type: none"> • Manage real property site selection, acquisition, and disposition • Define space standards • Optimize space utilization through aggressive portfolio management • Drive cross-business synergies, i.e., co-locations • Manage real estate projects and service delivery • Support business case through analysis and justification • Drive approval process for real estate transactions • Consolidate and report on real estate financial forecasts • Support project, construction, and facilities management • Forecast and aggregate global supply and demand of space • Select and manage real estate vendor contracts • Define and manage to performance metrics • Provide centralized property database with consistent data standards 	<p>Agencies</p> <ul style="list-style-type: none"> • Forecast supply and demand requirements of space and headcount by location • Develop furniture, fixture, and equipment standards* • Capital and expense budgeting and planning* • Operating expense management and tracking • Scope and communicate space requirements • Manage occupancy by location* • Champions of real property initiatives • Designate senior real estate champion • Accounts payable and receivables • Real property management and operations* • Design and construct program-specific facilities as delegated <p>* for agencies with Custodial Control</p>

The projects recommended from the Real Property BTA Are:

- **Real Property Planning and Development** – creating an enterprise governance structure for property management that includes an initial inventory of the State’s real property to enable strategic analysis regarding the best use of properties and identification of surplus properties that could be sold
- **Real Property Portfolio Management** – utilizing shared technology tools for managing real estate

Human Capital Management BTA

The Case for Change: Human Capital Management (“HCM”)

The State of Minnesota is currently faced with a number of important challenges. Two of the most significant are:

- Diminishing resources—for the foreseeable future, State of Minnesota revenues are not expected to keep pace with constituent service expectations.
- Aging workforce—a large number of State workers are expected to retire in the coming years.

These trends create an environment in which the Human Resources (“HR”) function will be called upon to do more with less. To meet this challenge, new methods and approaches are required.

Current Model

Human capital management (Human Resources) is currently delivered to State of Minnesota job applicants, employees, and agency management through a federated model. This model includes a centralized and compliance-oriented Department of Employee Relations (“DOER”) and distributed authority and support provided by agency HR organizations. This structure, which serves 55,000 employees, is guided by the Human Resources Directors’ Partnership (“HRDP”), a collaborative effort of the 25 cabinet-level agencies, together with DOER. The HRDP is committed to excellence in human resources management through knowledge sharing, continuous improvement in the delivery of value-added human resources services, and strategic business partnering. The system has evolved over the years, most recently allowing agencies to have delegated authority to implement certain HR functions and procedures. In doing so, some gains have been made in terms of meeting agency needs, but issues and concerns have also been identified within the current structure. These issues are most frequently related to costly duplication of agencies’ efforts, inconsistent tracking and reporting of employee/employment data, complex and inconsistently applied administrative procedures, and declining resources.

Despite a decentralized delivery model for many HR services, the State has implemented enterprise systems to support payroll, benefits, online recruiting, and other functions. This common platform provides a solid foundation upon which improved business processes could be built. In addition, this technology should allow the State to satisfy increasing

Transformation Roadmap

C. Areas for Improvement: What and Why

expectations of citizen applicants and employees that more information and government services be accessible online.

In recent years, agencies have been aggressively seeking cost savings in all areas, including human resources. Research conducted by the HCM workgroup with the assistance of the HRDP indicates that the ratio of HR staff to state employees (a common measure of HR efficiency) at the State of Minnesota is slightly better than cross-industry averages. This information suggests that realizing significant and sustainable improvements or savings is not likely, *within the current structure*.

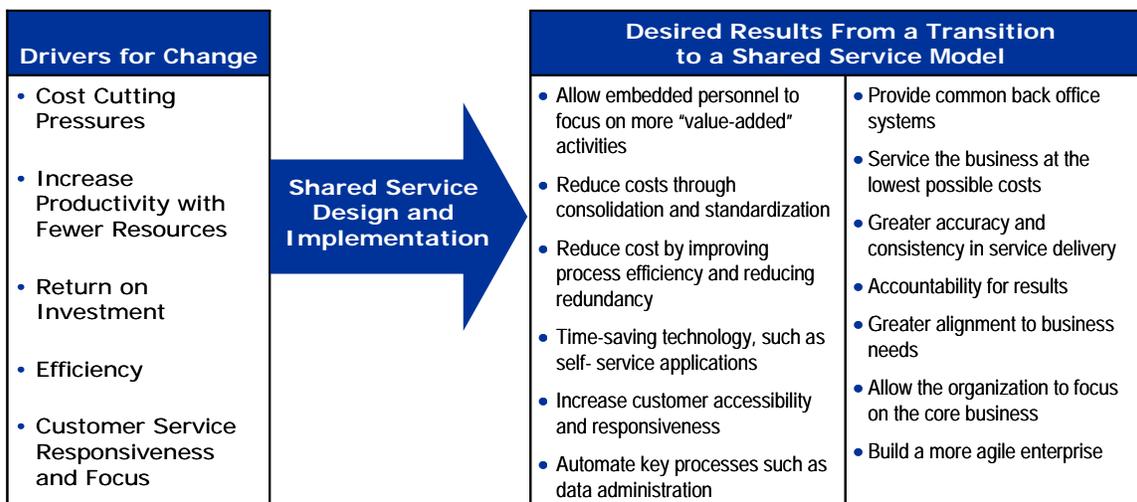
In order to exceed average performance and reach world-class levels of service and efficiency, the State must adopt a new model for delivery of HR services.

Future Vision and Projects: Human Capital Management

- The future vision consists of a transformation of the Human Resources function achieved through implementation of a shared services organization using a phased approach. The high-level steps in this migration are:
 - Implementation of an HR/Payroll Service Center that delivers standardized and enterprisewide transaction processing (i.e., payroll processing, benefits administration, personnel file/data administration) and business process support.
 - Establishment of Centers of Excellence where HR consultants, freed of administrative encumbrances, focus on consultative and analytical interactions with managers and supervisors and provide more value-added services. These services will include both customized and mandated training, employee recruitment, safety, and workers' compensation administration.
 - Adoption of a continuous improvement approach for identifying additional human resources related business processes for optimization via incorporation into the shared services model.

Proposed Model

The HCM work group recommends that the State adopt a shared service model for delivery of Human resources and payroll services.



The shared services concept has been widely recognized as a leading practice because it offers ways to respond to several macro business trends through one highly effective

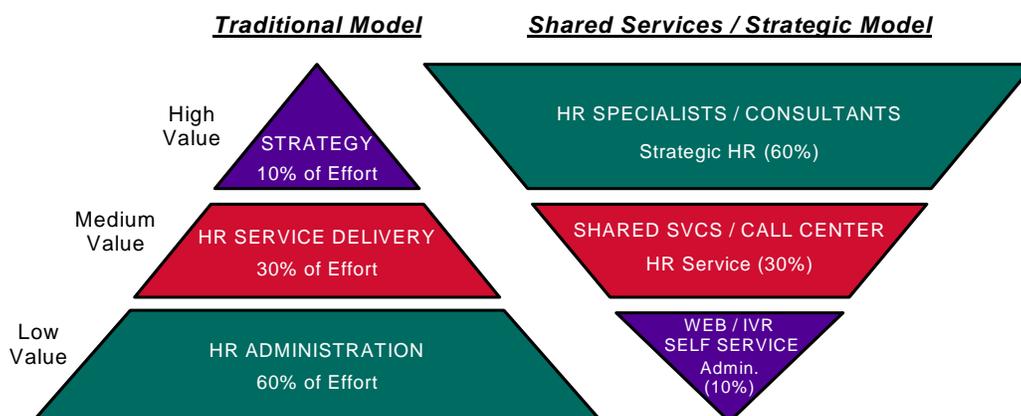
Transformation Roadmap

C. Areas for Improvement: What and Why

initiative. HR organizations, like the organizations they belong to, are grappling with challenges such as:

- Cost-cutting pressures
- Using technology to increase productivity
- Improving customer service, responsiveness, and focus
- For the HR organization, shared services can be a powerful tool in meeting these challenges and simultaneously allowing HR to shift from a traditional to a strategic role that focuses on adding value by improving the use of the enterprise's "human capital"
- Costs are reduced by improving process efficiency and reducing redundancy
- Time-saving technology, such as self-service applications, can be more easily implemented
- Customer accessibility and responsiveness are improved by the creation of a new customer-oriented service organization

As depicted in the model below, implementing shared services can significantly transform the look of the HR organization. By automating and streamlining high-volume and lower-complexity administrative activities, HR staff and managers have more time to focus on value-added services and strategies.



Benefits of HR Shared Services

Organizational Effectiveness—By performing noncore and low value-added services in a shared services environment, HR organizations are able to deploy non-shared services resources in strategic and high value-added roles.

Cost Improvement—Organizations that have implemented HR shared service models report that they are able to realize significant reductions in the cost of providing HR administrative and transactional services by:

- Creating economies of scale
- Redesigning HR business processes and eliminating redundancies
- Standardizing systems and processes across the organization
- Implementing leading best practices
- Creating an environment of continuous improvement

Transformation Roadmap

C. Areas for Improvement: What and Why

Customer Focus—an HR shared service center can provide a real-time, one-stop shop for all employee and manager HR needs. For example, one phone number can give an employee immediate access to expert assistance with HR, payroll, and benefits issues. Frequently, a shared service center is able to elevate the timeliness, accuracy, and accessibility of HR services. By adding self-service applications, customer service can be further improved while costs are reduced.

The projects recommended from the Human Capital BTA are:

- **HR Shared Services Model, Service Center:** A single enterprise service center for payroll processing, benefits administration, personnel file/data maintenance, and increased employee self-service
- **HR Shared Services Model, Centers of Excellence:** Centers of excellence located within agencies to provide specialized HR functions across all agencies, including such services as training, recruiting, and safety reporting/workers' compensation

Enterprise Planning & Budgeting BTA

The Case for Change: Enterprise Planning & Budgeting

The Enterprise Planning & Budgeting transformation area addressed improvements to statewide planning, funding, and budgeting processes in order to encourage careful planning, strategic leveraging of shared services, and cost-saving measures enterprise-wide. Currently, each agency does a good job of agency-specific planning, but more cost savings, greater efficiencies, and better service to those doing business with the State could be achieved with enterprise planning and financial management systems in place.

The Enterprise Planning & Budgeting Business Transformation Area encompasses four distinct business cases. This includes:

- Internet Payment
- Minnesota Accounting and Procurement System (MAPS) Replacement
- Finance Shared Services
- Uniform Business Identifier

In certain instances the opportunities pursued have some overlap or dependencies but for the most part each of these opportunities is distinct. The one primary exception is the strong interdependency between shared services and the MAPS replacement. If the State chooses to move forward with shared services, a new system implementation will be critical to success.

The case for change is unique for each of the identified opportunities, although the basic premise is to improve efficiency and effectiveness.

- **Internet Payment**—despite the move of the world into e-business, the State has few online payment offerings. There are only twelve agencies that offer online payment capability, and only five of those provide an Automated Clearing House (“ACH”) or e-check option to customers. One of the main reasons for this appears to be the costs to an agency of using the ACH option and the motivation to avoid accepting credit card payments and thereby eroding budget dollars on credit card fees.

Transformation Roadmap

C. Areas for Improvement: What and Why

- **Minnesota Accounting and Procurement System Replacement**—the current MAPS system was implemented in 1995. The vendor has indicated that they will discontinue support for the version after 2005. In addition, MAPS has limited functionality in some areas compared to newer systems available in the market today. The agencies are asking for a system that satisfies more of their business requirements and allows them to leverage a central solution rather than developing similar systems across multiple agencies.
- **Finance Shared Services**—every agency performs back-office finance functions across the State. This results in numerous locations performing high-volume, low value-added activities. In addition, many agencies perform these activities in multiple locations within their own organization. Combine this with the fact that there are multiple procedures, policies, and business processes for performing the same activity across the State and the result is inefficiency.
- **Uniform Business Identifier**—in many instances, a single business in the State of Minnesota registers with the Secretary of State, the Department of Revenue, and the Department of Employment and Economic Development. These businesses provide the same demographic information to each of the agencies, and each agency designates that business with an identifier unique to that agency. This process makes it extremely difficult for the agencies to easily share information regarding a single business and contributes to the difficulty of developing a consolidated customer view of licenses, grants, and bills to name a few.

Future Vision and Projects: Enterprise Planning & Budgeting

Internet Payments Vision: provide an enterprisewide Internet payment system that supports both credit cards and electronic checks (ACH)

- Internally provided and supported ACH capability has limited costs
- Easy integration with agency's business applications
- Limited reconciliation requirements between bank accounts and MAPS data

MAPS Vision: provide an accounting and procurement system that is expanded to meet requirements that are consistent across agencies.

- System will be the key enabler to finance shared services
- Increased automation and self-service
- Enhanced and additional functionality
- Web-based environment
- Robust, reliable, and scalable

Finance Shared Services Vision: consolidate high-volume, repetitive finance-related transaction processing into a shared services organization to achieve scale and maximize effectiveness

- Processes will be standardized, streamlined, and supported by an integrated system
- Services will be delivered to the agencies as if they were customers and SLAs will be jointly developed and agreed upon
- Processes initially contemplated include: fixed assets, accounts receivable (including remittance processing), purchasing/accounts payable, and travel and expenses

Transformation Roadmap

C. Areas for Improvement: What and Why

Uniform Business Identifier Vision: To reduce the recordkeeping burden and documentation error for businesses; and to allow for more cross-agency communication, information sharing, regulation, and enforcement regarding businesses in Minnesota

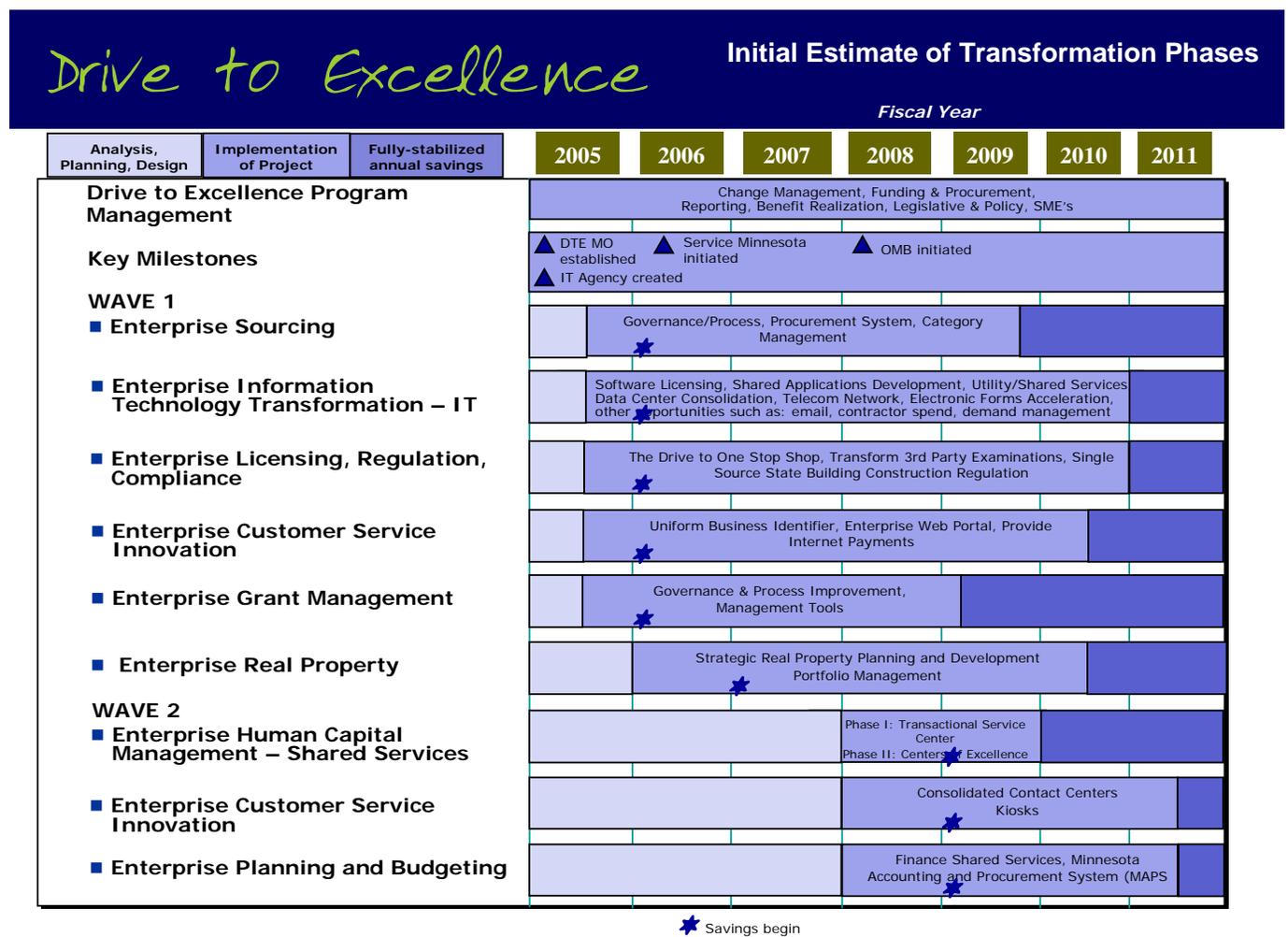
The Objective: To have businesses keep one identifying number for their transactions and communications with the State

D. When to Implement the Recommendations: Project Sequencing

This section focuses on charts that indicate the recommended implementation sequence and grouping of projects. Within each of the Business Transformation Areas (on the left side of the chart), there are multiple projects that have been recommended for near-term implementation and other projects that have been recommended for implementation in the future, due to the need for considerable planning, financial resources, or a dependency on the near-term projects. The timing of each project, as well as the interdependencies, is based on the analysis conducted by the teams as part of the business case development, the recommendations of the Transformation Roadmap project leadership, the Enterprise Workgroup, and the Project Steering Committee.

Roadmap of Projects—Chart 1

The following chart depicts the Business Transformation Areas (BTAs) and the specific project business cases clustered within each BTA. It also indicates the role of the DTE Program Management Office and identifies key milestones.



Transformation Roadmap

D. When to Implement Which Recommendations: Project Sequencing

The DTE Program Management Office is essential for creating a structure that enables the implementation of the Roadmap. This office is not permanent, rather it is temporary and transitional in nature. The office is responsible for change management, facilitating and approving funding and procurement, reporting and issues management, benefit realization tracking, assessing policy impacts, developing legislation, and facilitating the use of subject matter specialists.

The timeline for the transformation projects is also shown on this chart. Each project includes the phases of (1) analysis, planning, and design; (2) implementation of the project; and (3) realization of the fully stabilized savings resulting from the project.

The chart indicates two waves of transformation. Wave 1 is estimated to begin in February of 2005, and includes a number of “quick wins” such as Enterprise Sourcing; priority items that are customer-facing front-office, such as the Licensing One-Stop Shop; Customer Service Innovation projects (including Web portal and Internet payment options, which are enablers to the Licensing One-Stop Shop); and projects such as IT Governance that are essential to enable additional Transformation projects. The majority of Wave 1 projects will realize savings beginning in 2006. However, additional medium-term wins such as Grant Management and Real Property are also included in Wave 1. The Wave 1 projects will provide significantly reduced costs, innovations in service delivery, and improved quality of service.

Wave 2 projects are estimated to begin in July of 2008, and include projects that are medium to longer-term wins. These involve more significant financial investment and larger commitment of personnel resources. However, they also involve very significant savings and significant improvements in internal back-office processes.

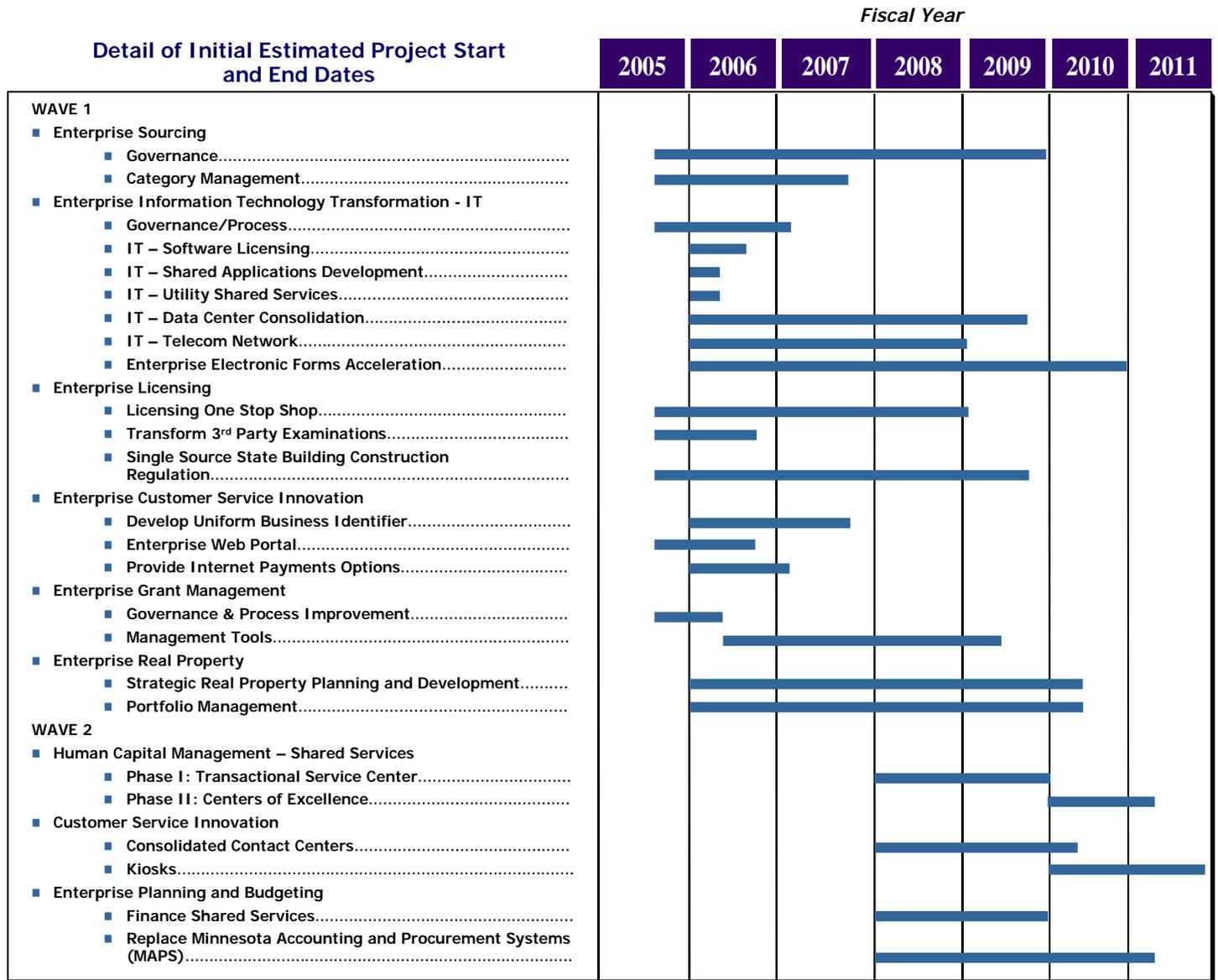
Enterprise Human Capital Management—Shared Services Phase I is a Transactional Service Center that involves designing and implementing a service center for delivery of payroll processing, benefits administration, and personnel file/employee data maintenance services for state agencies. Phase II is designing and implementing Centers of Excellence for delivery of recruiting, safety reporting, workers’ compensation, and training services to state agencies. Each of these phases involve the reorganization of human resources, payroll, and other administrative service to a shared services organization model.

The Customer Service Innovation projects included in Wave 2 are Consolidated Contact Centers and Kiosks. Enterprise Planning and Budgeting projects in Wave 2 include a Finance Shared Services model that provides support to internal finance customers that eliminates redundant processes, systems, and organizations, and the replacement of the MAPS system with a new system that meets the agencies’ business requirements.

Transformation Roadmap

D. When to Implement Which Recommendations: Project Sequencing

Detail of Transformation Roadmap Projects – Chart 1A



Transformation Roadmap

D. When to Implement Which Recommendations: Project Sequencing

Initial Estimate of Benefits—Chart 2

Chart 2 shows the magnitude of the estimated financial benefits expected to result from implementation of DTE business case initiatives. The benefits shown are cross-tabulated by Transformation Area and fiscal year (i.e., each number in the body of the chart represents the total benefit expected in that year from the initiatives comprising that Transformation Area). The combined benefit (of all initiatives) expected in each year appears in the bottom row of the chart. The total benefit expected from each Transformation Area, over the seven-year timeframe, appears in the rightmost column.

Chart 2—Initial Estimate of Benefits (in Millions)

	2005	2006	2007	2008	2009	2010	2011	TOTAL
WAVE 1								
Enterprise Sourcing	\$0	\$20	\$30	\$41	\$52	\$53	\$55	\$251
Enterprise Information Technology Transformation	\$0	\$1	\$9	\$16	\$21	\$25	\$25	\$97
Enterprise Licensing	\$0	\$11	\$15	\$15	\$15	\$14	\$14	\$84
Enterprise Customer Service Innovation	\$0	\$0	\$0	\$1	\$2	\$2	\$2	\$7
Enterprise Grant Management	\$0	\$1	\$1	\$4	\$6	\$7	\$7	\$26
Enterprise Real Property		\$0	\$0	\$0	\$2	\$2	\$4	\$8
WAVE 2								
Enterprise Human Capital Management			\$0	(\$1)	\$4	\$8	\$8	\$19
Enterprise Customer Service Innovation			\$0	\$0	\$2	\$2	\$2	\$6
Enterprise Planning and Budgeting			\$0	\$0	\$5	\$29	\$38	\$72
TOTAL	\$0	\$33	\$55	\$76	\$109	\$142	\$155	\$570

Note: These figures are estimates for the purpose of comparing business cases to help determine relative financial (ROI) merit for moving forward into the Transformation Roadmap and into the first stages of implementation. The financials calculated are based on a mixture of historical actual data of differing levels of quality, benchmarks, and assumptions.

Financial benefits are expressed in current year dollars throughout the seven-year time horizon (i.e., benefits are not inflated in years 2006-2011).

The financial benefits shown in Chart 2 are estimates of the value of operational improvements expected to be made during implementation of the business case initiatives. The types of improvements contributing to the estimated financial benefits shown in the chart are:

- Business Process Efficiencies—being able to perform the same or equivalent business functions using fewer people and reduced overhead. The calculated benefit in these cases represents the estimated reduction in the cost of performing the function.
- Revenue Enhancements—being able to collect more revenue from currently existing sources. The calculated benefit in these cases represents the estimated increase in revenue.
- Costs of Goods and Services—being able to procure the same or equivalent goods and services, at current volumes, for reduced cost. The calculated benefit in these cases represents the cumulative effect of per unit price reductions.

Transformation Roadmap

D. When to Implement Which Recommendations: Project Sequencing

There are a number of other types of significant benefits expected from DTE that are not included in calculation of expected financial benefits. The chart does not include estimates of the value of the following expected benefits:

- Additional opportunities identified in the IT Governance business case that indicate 8 percent to 13 percent annualized IT spend savings
- New revenue from sales of surplus properties
- Enhanced revenue from improved collection of accounts receivable
- Cost Avoidance—improved loss prevention and risk management
- Service Improvements—enhancements in the content, quality, and timeliness of internal and external customer service provided by state organizations
- Supplier Performance—enhancements in the content, quality, and timeliness of customer service provided to state organizations by vendors and suppliers

Transformation Roadmap

D. When to Implement Which Recommendations: Project Sequencing

Initial Estimate of Cash Investment Required—Chart 3

Chart 3 shows the magnitude of cash investments required for implementation of the business case initiatives. The estimated costs in this chart comprise expected payments to external organizations for one-time purchases of hardware, software, or consulting services. The costs shown in Chart 3 do not include state staff time or internal charges among agencies.

Chart 3—Initial Estimate of Cash Investment Required (in Millions)

	2005	2006	2007	2008	2009	2010	2011	TOTAL
DTE Management Office	\$2	\$4	\$4	\$4	\$4	\$2	\$1	\$21
WAVE 1								
Enterprise Sourcing	\$0	\$6	\$6	\$12	\$6	\$0	\$0	\$30
Enterprise Information Technology Transformation	\$0	\$9	\$4	\$4	\$0	\$0	\$0	\$17
Enterprise Licensing	\$0	\$6	\$8	\$6	\$0	\$0	\$0	\$20
Enterprise Customer Service Innovation	\$0	\$6	\$2	\$0	\$0	\$0	\$0	\$8
Enterprise Grant Management	\$0	\$1	\$1	\$1	\$1	\$0	\$0	\$4
Enterprise Real Property		\$1	\$5	\$2	\$0	\$0	\$0	\$8
WAVE 2								
Enterprise Human Capital Management			\$0	\$8	\$6	\$0	\$0	\$14
Enterprise Customer Service Innovation			\$0	\$1	\$0	\$0	\$0	\$1
Enterprise Planning and Budgeting			\$0	\$29	\$34	\$25	\$5	\$93
TOTAL	\$2	\$33	\$30	\$67	\$51	\$27	\$6	\$216

Note: These figures are estimates for the purpose of comparing business cases to help determine relative financial (ROI) merit for moving forward into the Transformation Roadmap and into the first stages of implementation. The financials calculated are based on a mixture of historical actual data of differing levels of quality, benchmarks, and assumptions.

Investments are expressed in current year dollars throughout the seven-year time horizon.

Initial Estimate of State Staff Hours—Chart 4

Chart 4 shows the estimated amount of work, by year, required from state staff to perform one-time tasks associated with the implementation of DTE initiatives.

Chart 4—Initial Estimate of State Staff Work Effort (in FTEs)

	2005	2006	2007	2008	2009	2010	2011	TOTAL
DTE Management Office	4	10	10	10	10	5	3	52
WAVE 1								
Enterprise Sourcing	5	41	36	39	39	0	0	160
Enterprise Information Technology Transformation	5	27	8	5	0	0	0	45
Enterprise Licensing	5	93	54	20	1	1	1	175
Enterprise Customer Service Innovation	0	15	11	0	0	0	0	26
Enterprise Grant Management	0	8	10	12	7	7	0	44
Enterprise Real Property		13	44	22	18	18	0	115
WAVE 2								
Enterprise Human Capital Management				24	23	0	0	47
Enterprise Customer Service Innovation				4	0	0	0	4
Enterprise Planning and Budgeting				86	143	97	17	343
TOTAL	19	207	173	222	241	128	21	1,011

The FTEs shown in Chart 4 are allocations of current state staff hours, not additional new staff. It is assumed that ongoing improvement efforts are part of every employee's job. The work described in Chart 4 represents the collection and organization of many of those hours into the Drive to Excellence.

Initial Estimate of Staff Redeployments—Chart 5

Chart 5 represents the estimated reduction in staff work hours needed to perform business functions within each of the Business Transformation Areas. These reductions are expected to result from process improvements and efficiencies created by DTE initiatives. The reductions are presented in terms of FTEs (i.e., in units of approximately 2,000 hours). The figures presented reflect changes from the previous year, not cumulative changes from all preceding years.

Chart 5—Initial Estimate of Staff Redeployments (in FTEs)

	2005	2006	2007	2008	2009	2010	2011	TOTAL
WAVE 1								
Enterprise Sourcing	0	0	0	37	37	38	38	150
Enterprise Information Technology Transformation	0	0	20	63	50	33	0	166
Enterprise Licensing	0	43	96	61	30	1	1	232
Enterprise Customer Service Innovation		0	7	8	14	0	0	29
Enterprise Grant Management		7	7	35	35	17	0	101
Enterprise Real Property		0	0	0	0	0	0	0
WAVE 2								
Enterprise Human Capital Management				72	73	0	0	145
Enterprise Customer Service Innovation				0	0	0	0	0
Enterprise Planning and Budgeting				0	93	167	202	462
TOTAL	0	50	130	276	332	256	241	1,285
Average Historical Attrition (2000-2004)	2,500	2,500	2,500	2,500	2,500	2,500	2,500	17,500
Redeployments as a % of Attrition	0%	2%	5%	11%	13%	10%	10%	7%

Note: Historical Attrition includes dismissal or non-certification, resignation, not return from leave or enhanced separation, retirement, early retirement incentive, and death.

Historical employee attrition figures are provided for purposes of comparison. Staff redeployments resulting from DTE initiatives are expected to be minimal in comparison to current levels of employee attrition.

The costs, benefits, staff hours, and redeployments reflected in the charts 1–5 above include only estimates for the 24 developed business cases. Additional significant improvement opportunities have been identified for future development, but the corresponding benefits and investments have not been estimated.

E. How the Drive to Excellence Will Work: Transition Structure

Recommendations for Decisionmaking, Organizational Structure, and Funding for the Duration of Drive to Excellence

The purpose of this section is to provide the State of Minnesota with a framework for implementing the Transformation Roadmap for the Drive to Excellence. This framework comprises structural components necessary to position the DTE for success. These components are not permanent structures but rather transitional and focused on assisting in the execution of Roadmap projects. The components that the state team investigated and developed recommendations on include:

- **Governance**—the recommended structure of the governance bodies, members, and the roles and responsibilities for those who make Drive to Excellence related decisions.
- **Management Office**—the recommended structure, the types of resources as well as the roles, responsibilities, and skills required.
- **Funding**—the recommended funding options for the individual projects.

The Drive to Excellence Governance Model

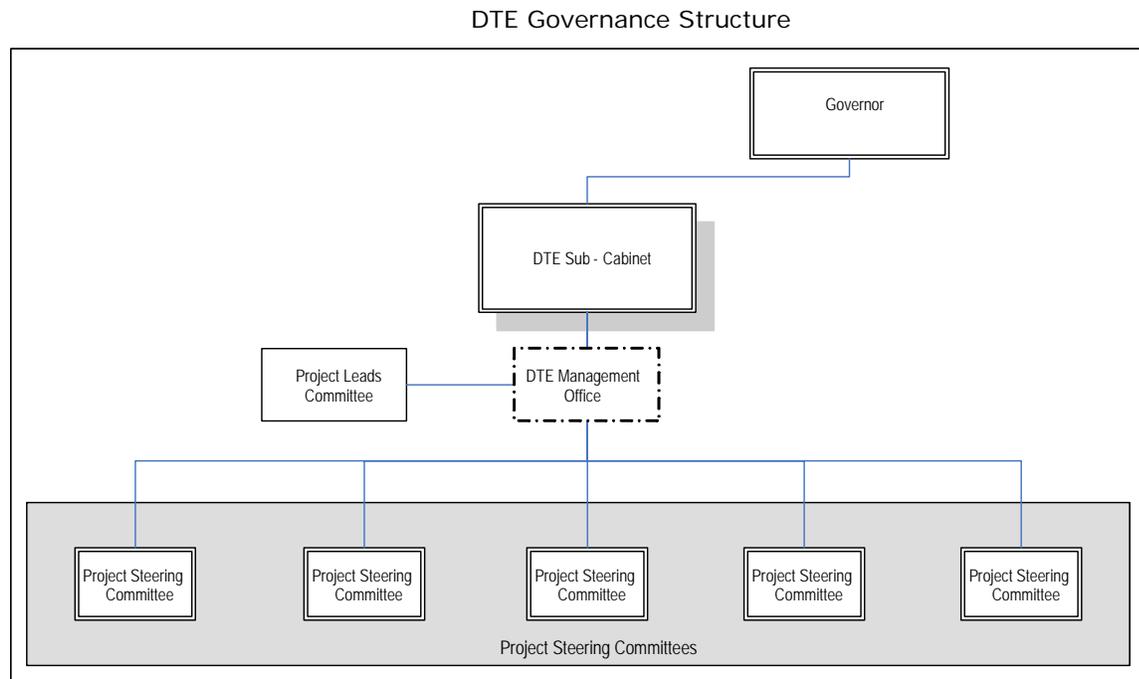
Governance is focused on ensuring that the appropriate leadership, structures, and processes are in place such that related investments can sustain and extend the organization's strategies and objectives. Governance provides a framework in which the decisions are made to align projects with the overall business strategy and culture of the enterprise. It is about decisionmaking per se—not about how the actions resulting from decisions are executed. Governance is concerned with setting direction, establishing standards and principles, and prioritizing investments; management is concerned with execution. Governance is concentrated on providing the structure required to support strategy and direction for the DTE effort.

The recommended governance structure for DTE is represented in the following chart and consists of three primary layers of decisionmaking:

- **The Drive to Excellence Sub-Cabinet**—the most senior level of the decisionmaking bodies. It provides an enterprisewide view to the DTE and has visibility into, and provides direction to, all the DTE projects.
- **Project Leads Committee**—focused on more tactical decisions in collaboration with the DTE MO, as well as those decisions that have a cross-project/agency impact or dependencies between projects.
- **Project Steering Committees**—each individual project will have a steering committee that is focused almost exclusively on that project. These committees are the primary decisionmaking body for their specific project.

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure



DTE Sub-Cabinet

Purpose

The purpose of the DTE Sub-Cabinet is to provide high-level decisionmaking, strategic planning, and direction to the DTE Transformation Program as it moves various projects into implementation.

Roles and Responsibilities

Change leadership and visible advocates of the DTE transformation effort—one of the key roles members of the DTE Sub-Cabinet will fulfill is the change leadership role. Visible executive commitment is a prerequisite for success of any large-scale project. Sub-Cabinet members will need to be advocates of the DTE program and participate in communication activities to both internal and external stakeholders. In addition, it is imperative that the Sub-Cabinet provide visible support for customer service improvement and enterprisewide cooperation.

Approval of funding model and new projects—the funding model pursued by each project must be approved by the DTE Sub-Cabinet. The Sub-Cabinet will make the decisions regarding the use of savings generated through the implementation of projects.

Selection of lead agency and approval of steering committee and project team—the need for an enterprise focus and collaboration amongst multiple agencies on all the DTE projects requires leadership and a structure conducive to meeting these needs. Through discussions with impacted agencies, the Sub-Cabinet will ultimately select the agency that will lead the transformation effort for the project. In addition, the Sub-Cabinet will approve the composition of the steering committee and project team to ensure appropriate involvement across agencies. The lead agency will be the key representative of a cross-agency transformation effort, but the steering committee and project team will have representation from impacted agencies as appropriate.

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure

Approval of changes—all significant changes to projects require approval of the Sub-Cabinet. Notable changes include prioritization of project objectives and outcomes, budget, timelines, key outputs, or deliverables. The Sub-Cabinet is responsible for approving or rejecting these changes to the project, and for ensuring that additional resources are provided, if they are required, for incorporating these changes.

Monitoring and review of the project—the DTE Sub-Cabinet reviews the status of the DTE Transformation Program and its projects, and determines whether the project team(s) should progress to the next phase or recommends action needed to resolve projects that are stalled or at high risk. In addition, the Sub-Cabinet reviews the programwide performance reports and key performance indicators.

Resolution of project conflicts—the DTE Sub-Cabinet may be needed to resolve issues or conflicts that cannot be resolved by the project lead, the project’s steering committee, or the DTE Management Office.

Formal acceptance of project deliverables and recognition of achievements—the DTE Sub-Cabinet formally reviews and accepts or rejects project outputs. The Sub-Cabinet also ensures that achievements are appropriately recognized throughout the project cycle.

Executive oversight of the DTE Management Office—the DTE Management Office reports to the DTE Sub-Cabinet. It is the Sub-Cabinet’s responsibility to ensure the DTE Management Office is delivering value to the program and projects.

Composition:

- Reports to the governor
- Five executive branch commissioner-level individuals
- Chair and members appointed by the governor
- The DTE Management Office director will report to the sub-cabinet chair
- The DTE Management Office will reside in the chair’s agency
- DTE Management Office director—serves as executive staff and is responsible for the administration of and support staff for the DTE Sub-Cabinet
- Subcommittees—can be formed to address unique issues as needed. Members of these sub-committees may include individuals outside of the Sub-Cabinet who may offer unique input into the issues. Subcommittees could include external stakeholders.
- Administrative support for the Sub-Cabinet and subcommittees would come from the DTE Project Management Office.

Project Steering Committees

Purpose

The Project Steering Committee’s purpose is to provide direction to individual project teams within the DTE Transformation Program. The committees are responsible for decisions, strategy, and issues related to the specific project.

Roles and Responsibilities

Roles and responsibilities of the individual project steering committees largely mirror those of the DTE Sub-Cabinet. The difference lies in the area of focus, with the steering

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure

committees operating at the project level with an understanding of enterprise implications and DTE dependencies of their project.

It is important to note that although the project steering committee is chaired and led by a specific agency, this is on behalf of the enterprise. Both the steering committee and the project team ultimately report to the Sub-Cabinet and act in the best interest of the enterprise, not an individual agency.

Some of the key roles and responsibilities of the project steering committee include:

- Advocacy for the project and communication to internal and external stakeholders
- Foster an enterprise view to continuous improvement with a customer-centric approach
- Review and approve project plans and changes to plans
- Monitor and review project status
- Address conflicts
- Identify issues/ideas that should be presented to the Sub-Cabinet which cannot/should not be addressed at the individual project level
- Formally review and accept final project deliverables

Composition

- Project Steering Committee reports to the DTE Sub-Cabinet
- Five to seven members
- Chaired by commissioner or commissioner's designee of agency that leads the project
- Project manager
- DTE Management Office representative
- Senior representative from agencies that are heavily impacted by the project
- Business/citizen representatives as appropriate
- CIO or designee for projects with significant dependencies on technology
- External consultant as appropriate
- Subcommittees/workgroups may be formed as appropriate to address unique areas in the project plans, e.g., business community stakeholders, citizens' groups

Project Leads Committee

Purpose

As individual projects move forward, it will be critical to address cross-project issues and successes. The Project Leads Committee will provide a forum for those discussions. It will focus on activities and areas of need, concern, or interest that cross more than a single project. It facilitates an environment of knowledge sharing and best practices across projects.

Roles and Responsibilities

- Communicate individual project status and activities to other "project leads"
- Identify cross-project issues and discuss resolution of those issues as appropriate

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure

- To prepare reports and recommendations for review by the DTE Sub-Cabinet on issues, resource requirements, risks, and other challenges that must be addressed at an enterprise level
- To attend DTE Sub-Cabinet meetings where and when appropriate
- To serve as advocates for the DTE transformation effort and foster an enterprise perspective of continuous improvement in a customer-centric government
- Share “lessons learned” across projects

Composition

- Chaired by the DTE Management Office director
- Project leads/managers of individual DTE Transformation Projects
- External consultants/business advisors as appropriate

Program Management Office

The Need for a Drive to Excellence Management Office (DTE MO)

A program management office (“PMO”) is involved with planning and controlling projects, but its primary focus is providing support that enables the tactical execution of those projects. Program management offices have become common management tools to drive and support large-scale government change initiatives and provide prioritization, monitoring, performance measurement, and coordination of enterprise projects that cross agency or department boundaries.

Implementation of enterprisewide and/or cross-agency initiatives requires resources with specialized skills. Other public sector jurisdictions have implemented program management offices and leveraged the use of specialists to provide these requisite skills. In addition to internal government resources, the program management office typically hires and manages external consulting resources required to deliver a particular competency in the planning, development, and/or implementation of an initiative. For a large-scale transformation effort of the nature of the Drive to Excellence, a program management office that provides key supporting skills to the numerous projects is a key to overall success.

The Drive to Excellence Management Office

This section is focused on the Drive to Excellence Program Management Office, which will be referred to as the DTE Management Office as shown below. As mentioned previously, the DTE MO is responsible for program management activities that assist in the coordination and implementation of projects. The implementation role played by the DTE MO pertains to those threads of activity that cross multiple projects.

Purpose

The DTE Management Office’s purpose is to provide program leadership, support, and coordination of cross-agency transformation initiatives. This role includes addressing challenges that cut across projects, such as workforce transition and change management. The DTE MO is not at the strategic decision level, but at the program level, managing and coordinating activities across multiple projects.

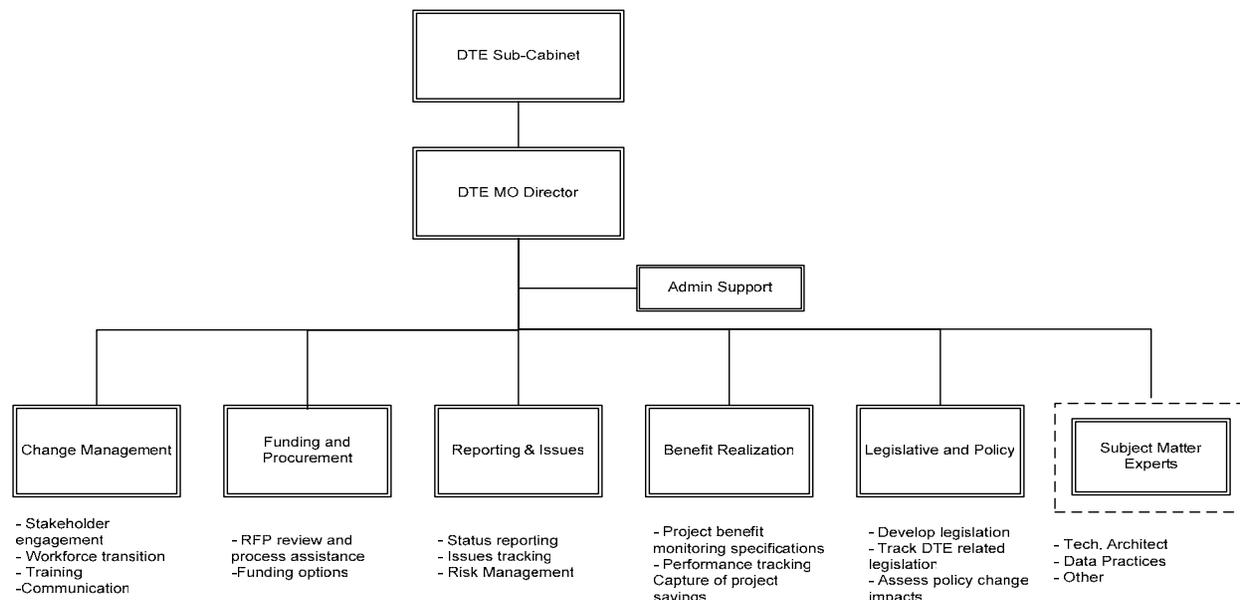
DTE Management Office Organization

The figure below outlines the recommended structure and types of resources required in the DTE Management Office. This organizational chart is functional in nature and does not

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure

reflect actual number of positions or classifications for each activity. It is important that these activities are resident in the DTE Management Office and that staff have the right skills to carry out these activities.



DTE Management Office Structure

The DTE Management Office is segmented into five functional areas and a thread of subject matter specialists who can be drawn on for specific time-limited assistance:

- Change management
- Funding and procurement
- Reporting and issues
- Benefit realization
- Legislation and policy
- Subject matter specialists

Change Management

Assist projects in meeting the change management requirements and developing sufficient project plans and strategies to address change issues. Activities include:

- Internal and external communication to stakeholders to keep them well informed of the projects' activities to date and the direction going forward.
- Workforce transition to provide a central leadership and direction-setting role in assisting individual projects and agencies deal with the challenges faced by implementing initiatives that result in redundant positions for personnel. This function will provide the leadership to assist project teams in understanding those impacts and provide the support to help the teams develop plans and tactics to manage personnel.
- Knowledge transfer will be one of key challenges faced by the State in the implementation of multiple projects and in the management of the DTE Management Office. It is critical that a clear plan for transferring knowledge and capability from consulting/vendor staff to

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure

state staff occurs in both the DTE Management Office and at the project level. This often entails knowledge transfer contracts and planned training prior to the departure of external support.

Funding and Procurement

Assist the project in determining what funding mechanism is the most viable for the project and in the RFP (request for proposal) processes, such as RFP development, RFP review, RFP approval, vendor selection, and vendor contracting and negotiations.

Reporting and Issues

Focus on monitoring and tracking the progress of the projects through status, risk, and issues reports. Raise key risks and issues to the appropriate level in the DTE Management Office and the DTE Sub-Cabinet for resolution.

Benefits Realization

Play a critical role in the measurement of the success of the Drive to Excellence initiatives. The key activities include:

- Develop consistent reports/templates for use across the teams to track benefits
- Work closely with each of the projects to develop the appropriate performance measures that will be used to follow the success of the projects
- Create roll-up performance reports that provide visibility to the Sub-Cabinet of project results
- Assist the project teams in determining how benefits and savings will be tracked
- Assist the project teams in identifying how savings will be realized. This could involve significant complexity and includes activities such as determining how savings are captured, the amount or percent of savings that go to the general fund or a DTE Project Fund or remain with the agency.

Legislation and Policy

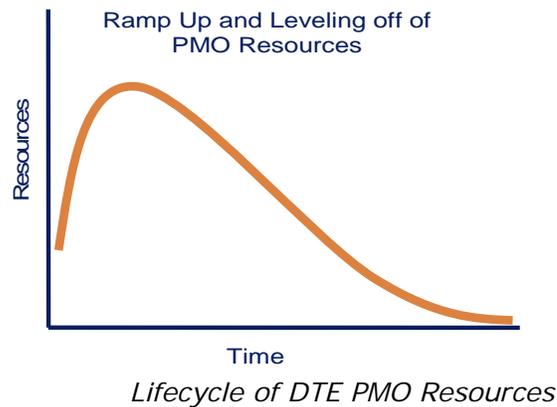
Assist the individual projects in identifying and drafting/developing appropriate legislation and policy changes required to support implementation of the DTE effort and the associated projects.

Evolution of the DTE Management Office

Given the challenges facing the Drive to Excellence and the projects that lie ahead, the DTE Management Office will require a number of highly skilled, experienced resources and will need to draw on external assistance. These resources will be most critical during the initial phases of the Drive to Excellence Roadmap implementation. As the projects mature and the internal state staff gain experience by working in the DTE MO and knowledge is gained through transfer from external assistance, the mix of internal and external staff will evolve. The ultimate goal of a PMO is to minimize the dependency on external resources and eventually dissolve itself. It is a temporary organization that should have the objective of evolving the composition of its staff and the type of leadership, support, and activities it provides in line with the projects it is coordinating and supporting. See below for a visual depiction of how the staffing and, thus, activity levels of the PMO change with time.

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure



In the initial stages, there will be a strong focus on funding and planning. Each project will need to determine target cost, reduction goals, performance metrics, and the method for tracking cost savings. Change management, issues resolution, risk management, and tracking will become more prominent activities for the DTE Management Office as projects move to implementation. As the focus shifts from planning to implementation, the actual number of resources and the type of resources will change as the Management Office matures and the needs of the State change. Staffing of the office will be adjusted according to demand.

The key message to distill from this section is that the DTE Management Office is not a static organization. It is to be established with the goal of dissolving upon the realization of certain events. These events are first and foremost: the kickoff of all waves of projects in the plan; second, stability of the projects implemented; and finally, a level of comfort in the organization that the DTE Management Office has largely served its purpose. Once these requirements are met, the DTE Management Office should be eliminated.

DTE Management Office—Roles, Responsibilities, and Skills Required

The table that follows provides recommendations on the positions required for the DTE Management Office. It indicates the required roles and responsibilities and skills necessary for each position.

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure

DTE Management Office Roles, Responsibilities, and Skills

Functions	Roles & Responsibilities	Skills Required
DTE Management Office Director	<ul style="list-style-type: none"> • Lead the DTE MO • Provide strategy and direction for the DTE MO • Review budget/approve initiatives • Communication • Maintain strong working relationship with DTE Sub-Cabinet and Project Steering Committees • Discuss and resolve issues with project leads • Assess and manage project risks • Provide quality assurance • Manage day-to-day operations of the DTE Management Office, including initial Management Office planning, logistics management • Provide assistance with project prioritization • Identify the need for and bring in subject matter specialists as and when required to support the projects 	<ul style="list-style-type: none"> • Understanding of government transformation efforts • Understanding of technology solutions (high-level) • Program management experience • Well respected leader, with ability to communicate with agency executives • Understanding of technology solutions • Experienced in working with consultants/vendors • Deliver senior-level presentations
Change Management	<ul style="list-style-type: none"> • Provide change management leadership • Review project plans and assess change management needs • Provide leadership on internal and external communication • Assist projects with change management planning related to different phases of implementation • Provide leadership in assessing workforce transition needs and development of workforce transition plans • Assess knowledge transfer needs and coordinate appropriate training and knowledge transfer activities 	<ul style="list-style-type: none"> • Understanding of government organizational barriers • Clear understanding of transformation efforts at a state level • Strong organizational analysis skills • Strong stakeholder analysis skills • Strong communication skills • Experience with workforce transition planning in a union environment • Ability to work effectively across projects, business units and with multiple levels of personnel within state government • Understanding of the business needs in the project teams
Funding and Procurement	<ul style="list-style-type: none"> • Provide assessment and planning assistance to project teams regarding project funding options • Assist projects in developing RFPs • Assist projects in moving RFPs through the procurement processes 	<ul style="list-style-type: none"> • Knowledge of project funding options available within state government context • Knowledge of RFP processes and procedures • Strong teamwork skills • Ability to work on multiple projects at a given time
Reporting and Issues	<ul style="list-style-type: none"> • Provide leadership in development of status, issues, and risk reporting structures • Work closely with project teams on ongoing reporting 	<ul style="list-style-type: none"> • Knowledge of project status reporting procedures and methodology • Knowledge of and experience using with different types of reporting tools • Issues and risk assessment experience

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure

Functions	Roles & Responsibilities	Skills Required
Benefits Realization	<ul style="list-style-type: none"> • Provide leadership to project teams in assessing benefit measures and establishing baseline reports • Provide leadership in tracking benefits produced via DTE projects • Coordinate the capture of project savings and other areas of improvement 	<ul style="list-style-type: none"> • Strong financial management skills, including cost-benefit analysis • Knowledge of government financial rules procedures • Benefit tracking experience
Legislation and Policy	<ul style="list-style-type: none"> • Provide legislative and policy expertise • Assist project teams in determining requirements for new legislation • Assist project teams in assessing the impact of proposed legislation • Assist project teams developing legislation 	<ul style="list-style-type: none"> • Considerable knowledge of legislative processes • Considerable knowledge of policy and procedures within the State of Minnesota environment • Experience reviewing and drafting legislation

Staffing—FTEs

The table that follows provides an initial recommendation on the number of internal and external FTEs required to support the DTE Management Office. The actual number will depend on the number and type of projects initiated under the DTE umbrella. The titles “High” and “Low” refer to the level of the resource and the associated cost with the assumption that the cost for external resources will be significantly higher than internal resources. It is important that state resources work closely with consulting resources, so that internal people are well positioned for knowledge/capability transfer.

Position	Internal		External		Total
	High	Low	High	Low	
DTE Management Office Director	1		1		2
Change Management	1		1	1	3
Funding and Procurement	1				1
Benefits Realization	1		1	1	3
Reporting and Issues	1				1
Legislation and Policy	1				1
Admin		1			1
Subject Matter Specialists	TBD				TBD
Total	6	1	3	2	12
Total Internal	7 + (subject matter specialists)				
Total External	5				

Figure 12—Internal and external resources for the DTE MO

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure

DTE Management Office Activities

The chart below provides an illustration of the program management activities necessary for the successful completion of the Drive to Excellence effort. A more detailed explanation of each activity is provided in the tables that follow.

Management Office Activities	Scope Management	Establish program scope, define change control process and metrics.
	Work Planning & Scheduling	Define Work Breakdown Schedule (WBS) for Program and projects and define program schedule with interdependencies and linkages.
	Cost & Financial Management	Develop program budget process and build program resource plans.
	Organizational Management	Develop a program organization, governance structure and HR strategies appropriate to the program and cultural needs. Build executive sponsorship.
	Issue Management	Define issue management process and issue resolution metrics.
	Risk Management	Define processes to manage key internal and external risks to protect the integrity and outcome of the program.
	Quality Management	Define quality management standards for program and monitor adherence to standards.
	Communication & Mgmt Reporting	Develop and establish communications framework.
	Procurement Management	Identify program procurement requirements and manage evaluation/selection process of vendors and contractors.
	Logistical Management	Define program office facility, equipment and networking requirements. Define on-boarding and off-boarding for program staff.
	Capability/ Knowledge Mgmt	Facilitate capability transfer to staff through coaching, training and develop enterprise approach to share lessons learned and knowledge.
	Benefits Realization	Develop and maintain program Business Case and track benefits realization for the program.
	Portfolio Prioritization	Facilitate SWOT analysis and dissemination of strategic rationale for effective portfolio prioritization.

Scope Management	
DTE MO Role	<ul style="list-style-type: none"> Review project scope management materials. Report scope management issues to DTE Sub-Cabinet.
Project Management Role	<ul style="list-style-type: none"> Manage day-to-day scope of project. Report scope changes to DTE Management Office and project steering committee. Implement authorized scope changes.
Tools	<ul style="list-style-type: none"> Statement of Work, project plan tracking
Considerations	<ul style="list-style-type: none"> Reporting against detailed project plans with effective oversight can greatly assist scope management outcomes.

Work Planning and Scheduling	
DTE MO Role	<ul style="list-style-type: none"> Review project work plans and determine possible scheduling conflicts, given multiple project view
Project Management Role	<ul style="list-style-type: none"> Develop, update, and report work planning and schedule
Tools	<ul style="list-style-type: none"> Project work plan
Considerations	<ul style="list-style-type: none"> Common work plan and scheduling documentation across projects is preferred Key milestones should be developed for all projects and timing of projects should be tracked according to the milestones

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure

Cost and Financial Management	
DTE MO Role	<ul style="list-style-type: none"> • Manage expenses relative to budget for the DTE MO • Coordinate cost and financial reporting from projects • Manage projects to budget and be proactive if costs begin to become higher than expected
Project Management Role	<ul style="list-style-type: none"> • Manage day-to-day cost and financial management processes at the project level. Report budget relative to incurred expenses to the DTE MO on regular basis
Tools	<ul style="list-style-type: none"> • Cost-tracking templates developed by DTE MO
Considerations	<ul style="list-style-type: none"> • Reporting to the DTE MO should not entail huge overhead for the projects. It is something they will be doing regardless, and thus the tools should be consistent at the program and project level. • Summary reports should be provided to the DTE MO

Organization Management	
DTE MO Role	<ul style="list-style-type: none"> • Develop the management office organization, processes, and procedures • Build executive support for the project
Project Management Role	<ul style="list-style-type: none"> • Develop project organization, processes, and procedure in adherence with DTE Management Office procedures • Identify the project steering committee members required to support the project • Determine external stakeholder involvement in the project steering committee
Tools	<ul style="list-style-type: none"> • The DTE MO will develop templates and process flows to support appropriate organization management • Many of the processes and procedures resident in the DTE MO should be leveraged at the project level (e.g., the risk management process, etc.)
Considerations	<ul style="list-style-type: none"> • It is critical to not make this activity overly structured and bureaucratic. In many instances, guiding principles and simple templates are more than sufficient.

Issues Management	
DTE MO Role	<ul style="list-style-type: none"> • Develop issues management processes and templates • Review issues elevated from project teams and work to resolve issues with project steering committee and Sub-Cabinet • Track issues and issue resolution
Project Management Role	<ul style="list-style-type: none"> • Identify issues • Move to resolve issues with the project steering committee • Report issues that cannot be resolved to DTE MO
Tools	<ul style="list-style-type: none"> • Issues tracking and resolution report
Considerations	<ul style="list-style-type: none"> • The key to effective issues management is elevating issues to the right decisionmaking level authority in a timely manner

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure

Risk Management	
DTE MO Role	<ul style="list-style-type: none"> • Develop risk management processes and templates • Assess risk management issues on projects • Review risks elevated from project teams and where appropriate elevate to the DTE Sub-Cabinet • Work with projects to develop and implement risk mitigation strategies for cross project risks • Track risk levels and impacts
Project Management Role	<ul style="list-style-type: none"> • Complete risk management assessment and report information to the DTE Management Office on an ongoing basis
Tools	<ul style="list-style-type: none"> • Project Risk Assessment template
Considerations	<ul style="list-style-type: none"> • Aggressively manage cross-project risks at the program level

Quality Management	
DTE MO Role	<ul style="list-style-type: none"> • Coordinate quality assurance activities with internal or external quality assurance vendors
Project Management Role	<ul style="list-style-type: none"> • Comply with quality assurance (“QA”) activities • Identify areas of risk for quality assurance
Tools	<ul style="list-style-type: none"> • Quality assurance reports
Considerations	<ul style="list-style-type: none"> • The type of QA advisor will depend on the project. External quality assurance vendors are recommended for projects of high complexity or considerable cost.

Communication Management and Reporting	
DTE MO Role	<ul style="list-style-type: none"> • Assist projects in designing communications to stakeholder groups. Provide consistent messaging across DTE projects. • Status reporting to Sub-Cabinet
Project Management Role	<ul style="list-style-type: none"> • Developing communications and providing necessary information for status and special reporting
Tools	<ul style="list-style-type: none"> • Standard templates for memos, emails, press releases, and status reports
Considerations	<ul style="list-style-type: none"> • Depending on the projects selected, the need for communication resources can vary considerably

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure

Procurement Management	
DTE MO Role	<ul style="list-style-type: none"> Assist projects with Request for Proposal (RFP) processes Assist projects with assessing initial project funding options
Project Management Role	<ul style="list-style-type: none"> Develop project request for proposal Review RFP responses Select vendors Coordinate contracting with appropriate state counterparts.
Tools	<ul style="list-style-type: none"> Vendor evaluation handbook
Considerations	<ul style="list-style-type: none"> Level of assistance needed will depend on number of projects moving forward within the DTE effort, timing of projects, need for external vendor contracts, and level of complexity

Logistics Management	
DTE MO Role	<ul style="list-style-type: none"> Manage day-to-day logistics for the DTE Management Office
Project Management Role	<ul style="list-style-type: none"> Manage day-to-day logistics for the project team
Tools	<ul style="list-style-type: none"> eRoom, scheduling, staff loading, org charts, work station set-up
Considerations	<ul style="list-style-type: none"> The amount of time dedicated to logistics management will be a function of how large the project or management office is in terms of staff and the level of equipment required

Capability and Knowledge	
DTE MO Role	<ul style="list-style-type: none"> Provide leadership in assessing, developing, and delivering knowledge transfer training
Project Management Role	<ul style="list-style-type: none"> Work with DTE MO staff to determine needed knowledge transfer plan for the project Actively participate in knowledge transfer activities
Tools	<ul style="list-style-type: none"> Knowledge transfer templates and contracts
Considerations	<ul style="list-style-type: none"> Number of staff needing knowledge transfer Critical path knowledge transfer should occur first Knowledge transfer should be ongoing, not a one-time event

Benefits Realization	
DTE MO Role	<ul style="list-style-type: none"> Provide leadership to project teams in establishing baseline measures, key performance indicators, and tracking mechanisms for monitoring benefits
Project Management Role	<ul style="list-style-type: none"> Work with DTE MO in designing baseline measures and tracking mechanism determining realized and actual benefits Assist DTE MO in capturing realized benefits
Tools	<ul style="list-style-type: none"> Scorecards and reporting templates
Considerations	<ul style="list-style-type: none"> Options around benefit capture will be dependent on the final structure of the reinvestment fund/DTE benefit fund In many cases it will be difficult to track the exact amount of the benefit and the precise location of the benefit (e.g., within which department in which agency)

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure

Portfolio Management	
DTE MO Role	<ul style="list-style-type: none"> Assist the DTE Sub-Cabinet in assessing the prioritization of projects, the timing and interdependency among projects for Wave I Assist the DTE Sub-Cabinet in determining the prioritization of projects, the timing and interdependency among projects for subsequent waves (e.g., Wave II, Wave III, etc.)
Project Management Role	<ul style="list-style-type: none"> Provide required information to DTE MO and DTE Sub-Cabinet as needed
Tools	<ul style="list-style-type: none"> IT and portfolio templates
Considerations	<ul style="list-style-type: none"> The projects implemented within each wave will be dependent on the timeframe for realized benefits, the organizational readiness for implementing the project, ease of financing, and the level of stakeholder support for project completion

Funding the Drive to Excellence

The purpose of this section is to provide direction for funding the projects recommended as part of the Drive to Excellence. The intent is to provide guidance and direction for various funding options that the individual projects could pursue.

Innovative Funding Models

Given the tight fiscal environment, it is important to look to innovative funding mechanisms to finance the DTE projects. The Roadmap Recommendation Workgroup looked at applicable funding models in a number of other jurisdictions, a summary of which is provided in the following chart. The options are not exhaustive but rather provide direction and guidelines for possible financing models.

Funding Options

Funding Options	Portal Cost Recovery	The vendor develops and operates the portal at no cost to the state and is reimbursed on a per transaction basis for online services provided to constituents.
	Alternative Service Delivery	The vendor is not paid on a time and materials or fixed fee basis, but rather on an annual basis out of operating budgets, increased revenues or project savings. Vendor typically develops and maintains project behalf of the state.
	Vendor Savings / Revenue Share	The vendor is not paid on a time and materials or fixed fee basis but rather through savings generated or enhanced revenues.
	DTE Project Fund	As the projects begin to realize savings, a portion of these savings are placed in a project fund designed to provide the finances to launch new initiatives.
	Payback in Biennium	There may be new appropriations provided they are offset by savings that occur within the biennium
	Master Leases and Third Party Leases	Typically used for equipment purchases with some opportunity to include limited services and software costs, these agreements last 3 to 3.5 years with costs spread over that time frame.
	Agency Share Model	Impacted agencies share in the cost of the enterprise effort.
	Direct Appropriations	Appropriations from the legislature for projects that are on a critical path and must occur as a part of doing business.

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure

1. Portal Cost Recovery—a number of states have innovative funding models to support services delivered via their Internet portals. “Texas Online” and “Access Indiana” are two models in which the vendor developed and now operates the portal at no cost to the state. The vendor is reimbursed on a per transaction basis for online services provided to constituents. The State of California, as part of its “Rx for Change,” is looking for innovative ways to fund some IT initiatives from its Internet portal to support government services by:
 - a) Selling advertising and sponsorships
 - b) Offering an online state store
 - c) Public/private partnerships
 - d) Hosting local government sites
2. ASD—the Province of British Columbia (“BC”) leveraged an Alternative Service Delivery (“ASD”) model to avoid significant capital outlay for large-scale projects. In the ASD model (e.g., outsourcing, public/private partnerships, etc.) vendors are not paid up front, but rather on an annual basis out of operating budgets, increased revenues, or savings from the projects. The vendor typically implements, transitions and maintains the service provided on the behalf of the state for a fixed period of time. ASD has been used for large-scale IT projects such as data centers and has also been used for business transformation outsourcing (“BTO”). In the data center model, fees are typically paid out of operating budgets that are transferred to the vendor. In BC, the revenue and accounts receivable BTO efforts are funded through vendor share in the increase in revenue collected as well as a direct transfer of the responsible agency’s operating budget.
3. Vendor Savings/Revenue Share—Oregon, Maryland, Wisconsin, and Illinois are a few of the jurisdictions that have pursued this type of model. In this model a percent of the savings or revenue generated is paid to the vendor following realization of the benefits. The key difference between this model and ASD is that in this model the vendor does not manage and operate on behalf of the State. The vendor’s involvement typically ends following implementation, and savings are calculated and shared based on the negotiated contract. This model is often found in strategic sourcing arrangements where the vendor assists in the entire process beginning with determining the areas of opportunity and culminating in signed agreements with vendors.
4. Project Fund—Virginia created a mechanism to fund large-scale IT projects through the creation of a project fund that retains some of the savings realized from large IT projects. As projects are implemented and begin to realize savings, a portion of these savings go back into the general fund and a portion could go into a specific fund designed to provide the financing to launch and implement additional projects.
5. Payback in the Biennium—new appropriations that are offset by savings that occur within the biennium is a desirable funding mechanism. Projects with business cases that have a payback (i.e., cost neutral impact) within the biennium may be brought forward for consideration by the legislature.

This option supports bundling projects. For example: A valuable customer service project that does not have payback within the biennium could be bundled with a project with quick savings (e.g., sourcing) so that the net biennium cost is \$0.

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure

6. Master Lease Arrangements (“MLA”) and Third Party Leasing (“TPL”)—leasing arrangements currently in place at the State of Minnesota that are made on behalf of InterTech (an MLA) or the agencies (a TPL). Typically used to purchase equipment over a three-year timeframe at desirable rates. MLA has a dollar amount (e.g., \$20 million) that is drawn against, and TPLs involve an RFP where the bidder with the best terms is selected to finance the project. Master leases can only be applied for equipment such as hardware and fleet with a limit on service and software fees that can be applied to the total lease of 20 percent.
7. Agency Share Model—where appropriate and agreed upon by the agencies, there is the opportunity for the agencies participating in a specific DTE project to pool funds to finance a project. The amount contributed by each agency and where the money comes from would be decided among the agencies.
8. Direct Appropriations—although not the ideal funding option given the tight budget environment, there may be select instances where an appropriation is requested to fund a specific project.

The exact funding approach pursued for each project will depend on the type of project and the timing of implementation. The decision regarding this approach will be made by the specific project with the assistance of the DTE Management Office (as outlined in the DTE MO section).

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure

Pros and Cons of Funding Models

The table that follows provides pros and cons for each of the funding model identified in the previous section.

Funding model pros and cons

Model	Pros	Cons
1. Portal Cost Recovery	<ul style="list-style-type: none"> Minimize capital and operational support funds required System may be developed, managed, and operated by an organization with significant experience in the field 	<ul style="list-style-type: none"> Specific to online initiatives Legislature may resist a fee increase (if required) Constituents may resist a fee increase for services (if required)
2. Alternative Service Delivery	<ul style="list-style-type: none"> No up-front large outlay of capital required Move more service delivery to the private sector with experience and expertise in the area and have the State focus on its core competencies 	<ul style="list-style-type: none"> Some up-front funds are required for the RFP, contract, and negotiation process which can be extensive in a multiyear, multimillion dollar project Concerns about potential transfer of state positions to private vendor
3. Vendor Savings/Revenue Share	<ul style="list-style-type: none"> No up-front cost to State, good for tight budget times Vendor has strong incentive to perform; the vendor only wins if the State wins The State need not worry about cost over-runs 	<ul style="list-style-type: none"> Ultimately can be more costly to the State due to the requirement to share savings and revenue with vendor (compensate vendor for risk incurred)
4. DTE Project Fund	<ul style="list-style-type: none"> \$ could be significant Projects are funded out of savings and new appropriations are not required 	<ul style="list-style-type: none"> Decreases the amount of savings to general fund There is a long timeframe to realize many of the savings Will be difficult to determine exactly what the savings are, which agency or area they are harvested from, and how to fairly decrease budgets so the dollars can be moved to the DTE Fund
5. Payback in Biennium	<ul style="list-style-type: none"> No negative impact on the general fund, even with appropriations Ability to fund projects that are beneficial to the State that might not otherwise be funded 	<ul style="list-style-type: none"> Even with the most solid business case based on conservative assumptions, there is still a chance that anticipated savings will not be realized in the assumed timing that could result in a negative biennium impact
6. Master Lease Arrangement (MLA) and Third Party Leases (TPL)	<ul style="list-style-type: none"> Ability to finance a project over a longer period of time rather than bear a large one-time cost 	<ul style="list-style-type: none"> Limited amount of financing (20% of lease total) can be applied to service and software costs. Many of the projects identified will have much higher service and software fees.
7. Agency Share Model	<ul style="list-style-type: none"> Creates a collaborative atmosphere as a result of multiple agencies contributing funds Projects are funded out of funds already allocated so no additional ask required 	<ul style="list-style-type: none"> In the tight budget environment, agencies will have limited ability to contribute to an enterprise initiative May be issues of control depending on which agencies contribute the most money
8. Direct Appropriations	<ul style="list-style-type: none"> Eliminates possible premiums paid to vendors for innovative models, as all savings and benefits go directly to the State 	<ul style="list-style-type: none"> Limited desire from the legislature to fund additional projects that do not pay back within the biennium; may be difficult to get funding

Transformation Roadmap

E. How the Drive to Excellence Will Work: Transition Structure

Internal Resources

Although there is a direct cost to agencies for internal resources, the assumption is that the internal resources required to assist in the Drive to Excellence efforts will be agency-funded. Personnel may be brought onto the project for a fixed period of time based on project requirements combined with the individual's skill sets. The expenses for the internal resources in the DTE MO or on a specific project would be funded directly by the agency from which the personnel came.

One successful approach for staffing internal resources on a large-scale government transformation effort involved a job-posting and application process for management office resources. The project was viewed as a high-profile, highly desirable work opportunity that people applied, interviewed, and were specifically hired for. This ensured that skilled, motivated people were brought into the transformation program and resulted in clear expectations for what roles, responsibilities, and commitment staff would be required to fulfill.

F. How the Drive to Excellence Will Work: Ongoing Structure

Recommendations for Business Organization, IT Governance, and Policy

Most, if not all, of the Transformation Roadmap business cases have implications for how the executive branch is organized, for how IT is governed, and for issues of policy and legislation. A team of state staff, including subject matter experts, examined the organizational and structural recommendations in each business case to develop analysis that includes:

- FTEs (what expertise would be needed, the cost of the FTEs, where the FTEs should be located)
- Governance (funding, reporting)
- Risks and barriers

Several of the business cases recommend a shared services organization (SSO) for future service delivery. To keep government streamlined, various scenarios for this organization were developed and analyzed to avoid increasing the number of direct reports to the governor but to provide services in a more efficient and effective way. The name used for the SSO in this document is "Service Minnesota," only one of many names considered for this newly proposed entity.

Another team focused on IT Governance, a crucial element to support all of the specific IT project business cases, as well as numerous others that rely on technology for success.

What follows in this section is an explanation of: (1) the organizational impacts; (2) IT governance; and (3) the potential legislative impacts that need to be considered to successfully implement the Transformation Roadmap.

Business Organization Recommendations

Key Structural Recommendations

The team developed key structural recommendations related to organization needed for successful implementation of the business cases. The recommendations are as follows:

- Focus on creating accountable enterprise-level governance for the newly proposed shared service organization.
- Create an enterprise shared service organization with a chief operating officer to provide direction and leadership.
- Finalize IT governance and organization as they are critical enablers across the transformation initiatives.
- Create an enterprise customer service executive who can begin to define enterprise-level customer service direction and ensure that a customer-centric orientation and state-of-mind informs and influences all executive branch activity.
- Clearly communicate roles, responsibilities, authority, and senior management support across the transformation initiatives.

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

Approved Business Cases

The chart below represents the business cases approved by the Steering Committee and their relationship to a shared services organization, FTE impacts, and the suggested “waves” in which they will be implemented. Wave 1 may begin as early as February 2005. Wave 1 (continued) will begin as early as possible, but will be dependent on the availability of state resources. Wave 2 will follow, and is scheduled to begin as early as July 2007, with some of the business cases incorporated into a shared service model. Finally, after Wave 1 and Wave 2 have been implemented, kiosks can then be considered for implementation.

The approved business cases include those that are enabling projects, such as the Uniform Business Identifiers (UBI) business case, which is set to start in the first “wave.” UBI is expected to support and enable key elements of the Licensing, Internet Payments, and Enterprise Web Portal business cases. Similarly, the Minnesota Accounting and Procurement Systems (MAPS) business case, which is scheduled to begin in Wave 2, will support and enable the Sourcing and Grant Tools business cases, although the Sourcing and Grant Tools business cases implementation in Wave 1 will use existing MAPS functionality.

The chart below contains additional detail about the business cases and their organizational implications:

Wave 1		Wave 1		Wave 2		At end of Wave 2	
Business Case		Business Case		Business Case		Business Case	
Licensing One-Stop-Shop ●		Grants Management ○		Human Capital Mgmt.—Shared Service Center ●		Kiosks ○	
3rd-Party Examinations ○		Grants Tool ○		Human Capital Mgmt.—COE ●			
Internet Payments ○		Real Property—Planning ○		Consolidated Contact Centers ○			
Sourcing ●		Real Property—Portfolio Mgmt. ○		Finance Shared Services ●			
IT Governance*		Building Codes Consolidation ●		MAPS*** ○			
Enterprise Web ○		IT Cases					
Uniform Business Identifier** ○		E-Forms Acceleration ○					

***MAPS will enable Sourcing and Grants Tools

**UBI will enable Licensing, Internet Payments and Enterprise Web

Legend:	 SSO	 No SSO	 Maybe
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FTE Impact:	 High	 Medium	 Low
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- The shading indicates the applicability of a supporting shared services construct to the individual business cases.
- The circles contained in the legend represent the associated “people” impact (magnitude of potential change to existing human resource models) of the individual business cases.

Shared Service Organization (“Service Minnesota”): Potential Mission Statements

The team was tasked with considering the potential organizational impacts of implementing the business cases. The team first developed a “mission statement” to describe the overall purpose and intent of a shared service model for the State. The team created two versions that are presented for consideration:

Version 1

“Service Minnesota provides superior customer service in transaction processing and service delivery systems, enabling state agencies to focus resources on carrying out core government business functions.”

Version 2

“Service Minnesota facilitates agency business strategies through customer-driven service delivery.”

Service Minnesota: Design Principles

The team then developed a framework and set of principles related to the design of the shared services model. These design principles include:

- Focus on high-volume/low-complexity services that suggest a high potential for economies of scale, and coordinate these activities across the State.
- High value-added activities remain with partner agencies, who best understand the needs of their constituents and can best support complex activities and services.
- Customers will be both internal and external.
- Only enterprise activities/functions will move to the shared service model.
- Governance and operational management should be separate from the organization.
- Create and manage technologies and processes that serve to drive synergy across the enterprise.
- Develop people, processes, and technologies that promote learning and innovation across the enterprise.
- Business process reengineering must occur during the development of Service Minnesota.
- First wave is for existing activities/functions only; the SSO model should be proven before new services are added.
- Model should be net revenue neutral.

Service Minnesota: Potential Operating Principles

The team then developed a set of operational principles and guidelines describing key strategies, objectives, and outcomes of the shared services organization:

- Enable and extend but never constrain the mission of our agency partners.
- Operate as a business.
- Be the most cost-effective provider of services delivered by the State.
- Relentlessly measure and communicate performance through Service Level Agreements and highly transparent performance metrics.

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

- Services will be offered in a client-centric, easy-to-access manner that complies with the Data Practices Act.
- Embrace e-government capabilities to drive quality, access, speed, and reduce cost.
- Identify and deploy best practices in the delivery of services.
- Leverage technology to drive enterprise improvements.
- Proactively plan for future service delivery in advance of need.
- Be the “exclusive supplier” of the services for an initial period of time (2-3 years).
- Customers determine the ends, Service Minnesota determines the means.
- Leverage outsourcing to produce cost efficiencies and enhance flexibility while retaining accountability.

SSO Current State and Future State Models

- After developing a mission, design principles, and potential operating principles, the team also considered other inputs including:
 - Recent public-sector publications and thought leadership on shared services models
 - Other jurisdictions experience with shared services organizations
 - State of Minnesota experience with shared services (Department of Employee Relations, Department of Administration, InterTechnologies Group, etc.)
 - The current organizational model of the State of Minnesota executive branch agencies

Below is the recommended potential future-state for Shared Services. However, it should be noted that the Transformation Roadmap Category Management and Finance Shared Services business cases suggested different visions for location of procurement activities; this discrepancy will need to be reconciled as Drive to Excellence projects move into implementation.

Additionally, Centers of Excellence that were suggested in those business cases are not identified in the two future state models: they can be located in specific agencies as the business cases recommend, in a future Office of Management and Budget (see below), or in another agency (or SSO).

Current State

Currently, numerous agencies perform full functions at all levels, including IT, licensing, sourcing, grants, real property, HR, and finance activities as well as many other agency-specific activities. As each agency performs similar transaction-level functions, there is a synergy that can be created by combining these activities in a shared service model. In addition, the Departments of Employee Relations, Administration, and Finance are currently individual agencies. In the proposed new model, much of their transactional activities will be performed in the SSO, while the more complex operational and strategic activities will be combined into one new agency.

Future State

The future state model recommends a new organizational structure with three enterprise-level organizations: an SSO, an IT agency, and an Office of Management and Budget.

The SSO, or “Service Minnesota,” is run as an independent cabinet-level agency with the chief operating officer (“COO”) reporting directly to the Governor. The SSO would be

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

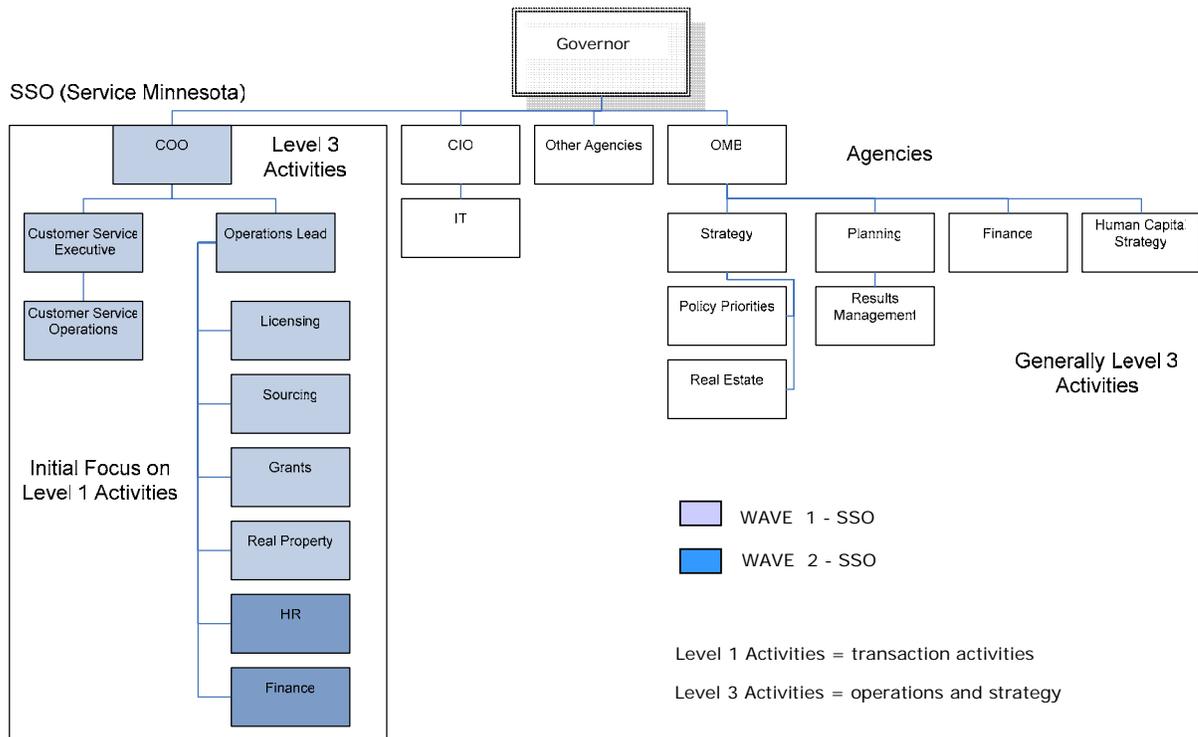
initiated in 2006. Each project area will report to an operations lead, who will oversee Level 1 activities (i.e., transaction activities). The COO and customer service executive will oversee the SSO agency, and focus on both operations and strategy (i.e., Level 3). The final design and implementation of the new organization will be directed by the DTE Sub-cabinet and the Governor's office as the various Transformation projects are implemented.

IT will serve as its own agency allowing quicker response time as resources can be more devoted to IT activities. This agency would be created in 2006. For more information about the structure of IT and its agency, please see the IT Governance Recommendation section of the Transformation Roadmap.

Finally, the Office of Management and Budget (OMB) will be created in fiscal year 2008 to consolidate and execute the remaining activities of the Departments of Administration, Finance, and Employee Relations that are not considered as candidate activities and functions for SSO operations. In contrast to any future SSO, the OMB will focus more on economies of scope, instead of economies of scale. OMB will be a separate cabinet-level agency, and could potentially house certain Centers of Excellence.



Potential "end-state" Shared Service Organization Model



Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

Summary Impacts

The following charts outline the organizational impacts of the Transformation Roadmap business cases.

Wave 1

Business Case	Impact	FTE Changes	Governance Changes	Issues	Risk Mitigation	SSO
Licensing One-Stop-Shop	●	Through a multi-year phased approach, over 800 FTE's will migrate from 40+ functional areas to more centralized functions; 550 future FTEs required.	Migration of management oversight to the centralized functions.	Numerous business and professional stakeholders, increased fees. Re-deployable resources	Develop strong business community support for expected efficiency improvements.	Yes
3 rd -party Examinations	○	Reduction of 3 FTEs estimated.	N/A	Dependent upon implementation of One-Stop-Shop Licensing Case	N/A	No
Internet Payments	○	1.5 additional FTEs required to develop and manage the process.	New staff report to either SSO or Dept. of Finance.	N/A	N/A	Maybe
Sourcing	●	125 FTEs in various agencies perform function, down from ~275.	Same reporting structure as current.	Re-deployable resources	Employee group engagement.	Maybe
IT Governance		Impacts assessed in the IT plan.				Yes
Enterprise Web	○	No new staff required, after stabilization.	Strong central governance of web presence.	Agency 'buy-in' to be developed.	Governor's directive for participation.	Yes
Uniform Business Identifier	○	Unknown: efficiencies at the agency level are expected.	Centralized maintenance of business info database.	Centralization of data governance.	Governor's directive for participation.	Maybe

Legend: ● High ○ Medium ○ Low

Wave 1 (continued)

Business Case	Impact	FTE Changes	Governance Changes	Issues	Risk Mitigation	SSO
Grants Management	○	Three new FTEs required.	New staff located in Dept. of Finance or SSO.	New staff funded through mobility assignments.	Clear communication of benefits of agency collaboration.	Maybe
Grants Tool	○	Five new FTEs required.	New staff located in Dept. of Finance or SSO.	New staff funded through mobility assignments.	Clear communication of benefits of agency collaboration.	Maybe
Real Property—Planning	○	Three new FTEs required.	New staff to be located in SSO.	Exact staffing requirements to be validated.	N/A	Yes
Real Property—Portfolio Mgmt.	○	1.5 new FTEs required.	New staff to be located in SSO.	Exact staffing requirements to be validated.	N/A	Yes
Building Codes Consolidation	◐	132.5 FTEs in various agencies perform function, down from ~142.5.	Consolidation of activities to a new SSO.	Centralization of resources.	Employee group engagement; business community support	Maybe
IT Cases*		Impacts assessed in the IT plan.				Yes
e-Forms Acceleration	○	Three new FTEs required.	New staff location TBD.	New staff funded through mobility assignments.	Clear communication of benefits of agency participation.	Maybe

Legend: ● High ○ Medium ○ Low

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

Wave 2

BC #	Business Case	Impact	FTE Changes	Governance Changes	Issues	Risk Mitigation	SSO
	Human Capital Mgmt.—Service Center	○	150 FTEs in various agencies perform function, down from ~271.	Consolidation of activities to the new SSO.	Re-deployable resources. Centralization of resources.	Employee group engagement.	Yes
	Human Capital Mgmt.—COE	○	109 FTEs in various agencies perform function, down from ~133.	Consolidation of activities into a few functional groups.	Re-deployable resources. Centralization of resources.	Employee group engagement.	No
	Consolidated Contact Centers	○	No FTE changes expected in the first five years.	Consolidation of activities to the new SSO.	Centralization of resources.	Employee group engagement.	Yes
	Finance Shared Services	○	745 FTEs in various agencies perform function, down from ~931.	Consolidation of activities to a new SSO.	Re-deployable resources. Centralization of resources.	Employee group engagement.	Yes
	MAPS	◐	Unknown; efficiencies at the agency level are expected.	N/A	N/A	N/A	Yes
	Kiosks		N/A	N/A	N/A	N/A	Maybe

Legend: ● High ◐ Medium ○ Low

Information Technology Governance

A team of state staff examined how an enterprise IT structure needs to function in order to better meet the needs of citizens, increase innovation, and reduce costs, paying particular attention to how the current IT process needs to transform in order to support the specific projects detailed here. The goal was to develop an IT governance model for the State of Minnesota that improves customer service management, supports efficient IT operations, and enables effective IT service delivery. The team’s philosophy for recommending a new IT governance model was to leverage the value that an enterprise IT organization can provide to all agencies, and therefore in turn, citizens and businesses.

- A recommended approach for developing a detailed organizational and operational model as well as further refining both hard and soft benefit objectives is outlined as follows.

Definition of Terms

The terms used to describe the governance model include:

- Enterprise—the total of central, shared, agency-specific, and programmatic IT issues, governance, and spending according to the definitions below. Includes all IT-related spending at the agency level. Encompasses executive agencies; while there may be collaborative opportunities among legislative, secretary of state, MNSCU, and the University of Minnesota entities, they are not included and were not addressed in this recommendation.
- Shared—those applications, infrastructure, or operations that can be leveraged across more than one agency.
- Agency-Specific—that portion of the enterprise as previously defined which is the responsibility of the agency organization. These are systems and technologies that are peculiar or particular to the services and operations of a given agency.
- Central IT—that portion of the enterprise as defined above which is the responsibility of the organization reporting directly to the state CIO.

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

The Case for Change: The “As Is” IT Governance Model

The current information management environment—processes, relationships, and technologies—was created largely without strategic vision or agency coordination to align technology decisions to one another and to common statewide business processes. As mission, resources, and organization evolved, so too did the systems that supported them. The result of this agency- or program-centered approach was divergence in technologies, limited sharing of common information, and redundant development projects. Opportunities for shared functionality were rarely realized because of lack of a shared business vision, of resources, or of motivation.

There are success stories in the current environment: some agency applications work well, agency IT dollars are spent on agency business needs; generally, agency IT service performance is good; and Central IT has appropriate processes and tools/templates in place.

Issues with the current IT governance model at the State can be summarized as follows:

- No enterprise IT strategy exists.
- No effective mechanism exists to make IT decisions for the greater good of the State: the IT function is fragmented organizationally, operationally, and directionally.
- While the State has positions and organizations with responsibility to address IT from an enterprise perspective, those positions and organizations have generally not executed effectively against that responsibility. The State does not have a good, enterprisewide picture of its current IT environment, nor does the State have the mechanisms to move forward strategic statewide decisions.
- Funding and chargeback mechanisms do not effectively allocate IT service costs based on value received, cost to provide, or other appropriate basis.
- Proper mechanisms are not consistently present across the enterprise to manage IT HR (determining appropriate staffing models, getting appropriate skill sets in place, etc.).

Future Vision

Effective IT Governance

IT governance is most effective when:

- Governing bodies focus on the right issues
- Decisionmaking responsibilities are clear
- Performance and results of the decisions are monitored

A framework that was used to create the Minnesota Vision and “to be” governance model was based on six key areas for IT decisionmaking:

Leadership—Addresses overall state IT direction and representation of key IT stakeholders

Policy—Addresses fundamental IT operating philosophy and internal IT standards, rules, and protocols

Planning—Addresses IT strategy contents, goals, and performance targets

Capital Allocation—Addresses resource allocation, capital investment decisions, and capital investment processes

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

Coordination and Compliance—Addresses standards enforcement policies and activity coordination between agencies

Monitoring and Control—Addresses benchmarking activities, progress reporting policies and processes, and corrective action policies, processes, and enforcement.

The Minnesota Vision and the “To Be” Governance Model

The proposed IT governance model is based on a federal model of IT governance. The federal model balances central authority with agency control. Central authority provides adherence to strategy and standards, and opportunities for centrally managed issues, services, and infrastructure. Agency control provides agility in fulfilling agency objectives. The model is based on a strong definition of roles within the State and distinct IT governing bodies.

The specifics of the IT Governance model include:

- The model governs decisionmaking on all IT spending across the State, including agency IT spending that is not explicitly included in the agency IT budget
- Office of the state CIO leads a collaborative IT planning and strategy process with the agencies/agency CIOs
- Enterprise IT strategy, plan, and related spending are presented to a governing council for review and approval
- The approved enterprise IT strategy, plan, and related spending drive IT budget priorities and agency business and IT budget planning
- Agencies have budget execution authority for approved agency-specific IT initiatives
- Agencies are accountable for execution of projects within the enterprise IT strategy

Benefits of “To Be” IT Governance Model

The “To Be” governance model balances the business needs of agencies to fulfill their missions with the value of enhanced enterprisewide perspectives where it makes business sense for the State to operate from an enterprise perspective. The to be IT governance model enables IT decisions to be made for the greater good of the State.

- Critical IT decisions and policies are made at the enterprise level
- Lays a foundation for strong enterprise and agency IT organizational role and mission clarity
- Sets a framework to support service delivery at levels required by the state enterprise
- Allows IT spending decisions that are aligned with an overall enterprise IT strategy by elevating enterprise IT to report directly to the governor
- Strengthens the mechanism to develop a single enterprise IT strategy and enable standardized technology adoption in accordance with enterprisewide technology strategy, direction, and architecture
- Provides visibility to and management of the financial, technical, and business requirements dimensions of IT spending plans across the state enterprise
- Allows agencies to be involved in IT decisionmaking
- Provides a conduit for standardized technology adoption in accordance with enterprisewide technology strategy and direction

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

- Facilitates alignment of the IT component of agency strategy with the overall enterprise IT strategy by establishing dual accountability for the agency CIOs to their respective agency commissioner and to the state CIO
- Enables the implementation of IT BTA business cases and lays the foundation for further change

Key Governance Components: Overview

The to be IT governance model comprises these key components:

- Role of the state CIO and agency CIOs
- State CIO-agency CIO accountability
- Governing bodies
- Supporting mechanisms
- Organizational elements

Key Governance Component: Role of the CIOs

In the new model, the state CIO and agency CIOs will serve distinct but complementary roles.

Role of the State CIO	Role of the Agency CIO
<p>Provide oversight, leadership, and direction of the delivery of IT services across the State to support business needs.</p> <ul style="list-style-type: none"> • Lead enterprise IT policy and strategic planning • Lead the delivery of Shared IT operations and services • Lead and approve enterprise IT spending plans • Review all IT spending plans • Review agency IT strategic plans for fit with enterprise IT strategy • Direct planning and execution of shared IT initiatives • Identify, escalate and sponsor enterprise IT and shared IT opportunities • Enforce enterprise IT standards and policies • Lead the development and deployment of enterprise IT architecture • Manage central IT resources and prioritize their deployment • Maximize use of Central IT resources and facilitate inter-agency resource sharing • Assign enterprise IT deliverables to agency CIOs as appropriate • Direct the shared IT Service Level Management program • Assume accountability for enterprise IT service delivery to agencies 	<p>Provide oversight, leadership, and direction of the delivery of IT services to support agency business requirements in accordance with agency and statewide business strategies.</p> <ul style="list-style-type: none"> • Lead the delivery of IT services as required to serve the agency mission • Lead and approve agency IT spending plans • Advocate and represent agency business needs to state CIO • Direct planning and execution of agency IT initiatives • Foster IT decisionmaking for the greater good of the enterprise • Collaborate, advise, and participate with state CIO to establish statewide IT strategic plans, standards, policies, and architecture • Deliver on enterprise IT assignments as agreed with the state CIO

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

Key Governance Component: State CIO—Agency CIO Accountability

Agency CIOs will be accountable to both the state CIO and their respective agency commissioner.

Agency CIO Accountability To State CIO	Agency CIO Accountability to Agency Commissioner
<ul style="list-style-type: none"> • Collaborate with the state CIO in setting enterprise IT direction • Execute enterprise IT strategy • Enforce enterprise IT standards • Align and follow enterprise IT governance processes and standards, including IT budgeting and funding approval 	<ul style="list-style-type: none"> • Understand agency business needs • Support the agency mission with enabling IT • Use IT to support current agency business priorities and advance the agency business strategy

Inherent in this model is the expectation that agency CIOs will dedicate a meaningful proportion of their energy and efforts toward enterprise-level activities.

The accountabilities of both the state and agency CIOs must be tied to individual and organizational performance measures. The evaluation of agency CIO performance will be led by the agency commissioner, with input from the state CIO.

Key Governance Component: Governing Bodies

The IT governance model will be supported by these primary governing bodies:

Governing Body	Role	Participants
Business Technology Council (“BTC”)	<ul style="list-style-type: none"> • Review and approve statewide IT strategy and direction • Confirm business and IT strategy alignment across the State • Review and approve enterprise IT spending • Approve thresholds, process, and decision criteria for IT spending plan and IT project review based on state CIO recommendation • Provide forum for addressing synergies across statewide IT • Develop strategic IT investment criteria • Review and recommend legislation • Recommend “people management” programs and organizational effectiveness improvements 	<ul style="list-style-type: none"> • Chaired by state CIO • 5-7 state agency business leadership (commissioner or COO) appointed by governor serve as voting members • May also include ex-officio members and external stakeholders as appointed by the governor
Enterprise IT Program Management Office (“PMO”)	<ul style="list-style-type: none"> • Manage all shared IT programs • Support agency IT initiatives as necessary to adhere to enterprise IT policies, standards, and architecture • Guide initiatives through the governance process • Monitor progress and spending for all IT programs (shared and agency) and report to the BTC • Manage service portfolio 	PMO director and staff

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

Governing Body	Role	Participants
Agency IT/Central IT Coordination Mechanism	<p>Serve as primary conduit for collaboration between agency IT and the Office of the State CIO:</p> <ul style="list-style-type: none"> Promote standardized technology adoption in accordance with statewide technology strategy and direction Establish a program to coordinate IT planning and IT resource allocation across the State Identify and propel enterprise IT solutions Evaluate and recommend technology best practices and adoption of mature technologies Advise the Business Technology Council on enterprise IT standards, policies, and priorities Provide advocacy of agency business needs to Central IT 	<p>Final structure TBD. May include:</p> <ul style="list-style-type: none"> Agency CIOs Deputy state CIO Agency IT liaisons (from Central IT) Other participants as deemed appropriate
Governance Working Committees	<p>TBD. In some entities, these working committees provide focused monitoring and management capability to support the overall IT governance objectives of the enterprise. Governing bodies could include standing subcommittees such as Security and Disaster Recovery, IT Architecture, etc; and ad hoc subcommittees as deemed appropriate by the state CIO and/or enterprise IT Board of Directors.</p>	<p>Final structure TBD. May include:</p> <ul style="list-style-type: none"> Agency CIOs Deputy state CIO Other participants as deemed appropriate

Key Governance Component: Supporting Mechanisms

In addition to the governing bodies, there are several mechanisms to support the governance model. These supporting mechanisms best enable:

- Service levels required by state constituents
- Customer service management
- Cost-efficient service delivery

Supporting mechanisms include:

Enterprise IT Strategy—Defines the current and planned use of funds for IT initiatives to meet state business goals

Service Level Management Program—Defines the framework for specifying and agreeing upon IT service levels necessary to meet business requirements, monitoring performance, and enforcing service level accountability

Enterprise IT Architecture—Defines the technology platforms that effectively and efficiently implement business goals as defined in the enterprise IT strategy

Key Governance Component: Organizational Elements

In order for governance to be successful, it must include certain key elements:

Enterprise IT Planning

- Develop IT strategic plans and direction and IT tactical plans for state CIO and Business Technology Council review
- Evaluate all state IT project proposals to identify and escalate enterprise and shared service project opportunities

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

- Develop and maintain IT governance processes
- Establish performance metrics and targets and monitor performance
- Set IT procurement policies and procedures; manage contracts and IT vendors
- Research needs, perform benchmarking, assess assets and capabilities
- Perform IT business management: central IT finance, organizational model maintenance, compensation
- Market and communicate IT to customers

Enterprise Architecture

- Maintain current enterprise technical, application, network, business architecture
- Perform proactive long-term architecture planning
- Develop enterprise architecture standards

Enterprise Infrastructure—Develops, maintains, and supports enterprise IT infrastructure services. The IT governance team recommended infrastructure services that present good opportunities for delivery through this centralized infrastructure function. An implementation plan will be developed by the state CIO in consultation with the agencies to confirm and validate the prioritization and return on investment for each infrastructure service opportunity.

The specific infrastructure services identified as candidates for centralization include:

- Voice networks
- Data networks (LAN, WAN)
- Security access and tools
- Servers, printers, PCs, and office automation (faxes, scanners, etc.)
- Desktop support
- Data center operations
- Contingency planning/disaster recovery
- Email systems
- Internet connectivity

Enterprise Projects and Systems

- Develop, maintain, and support shared systems
- Manage and deploy software development resources across the enterprise

Agency Projects and Systems—Manages and delivers agency-specific IT services

- Maintain and support agency-specific systems
- Manage agency-specific software development resources

Proposed State IT Organization

The proposed state IT organization elevates the IT function to a cabinet-level position. Central IT will be responsible for shared systems and infrastructure which, as previously defined, includes all systems and infrastructure that support business processes, activities,

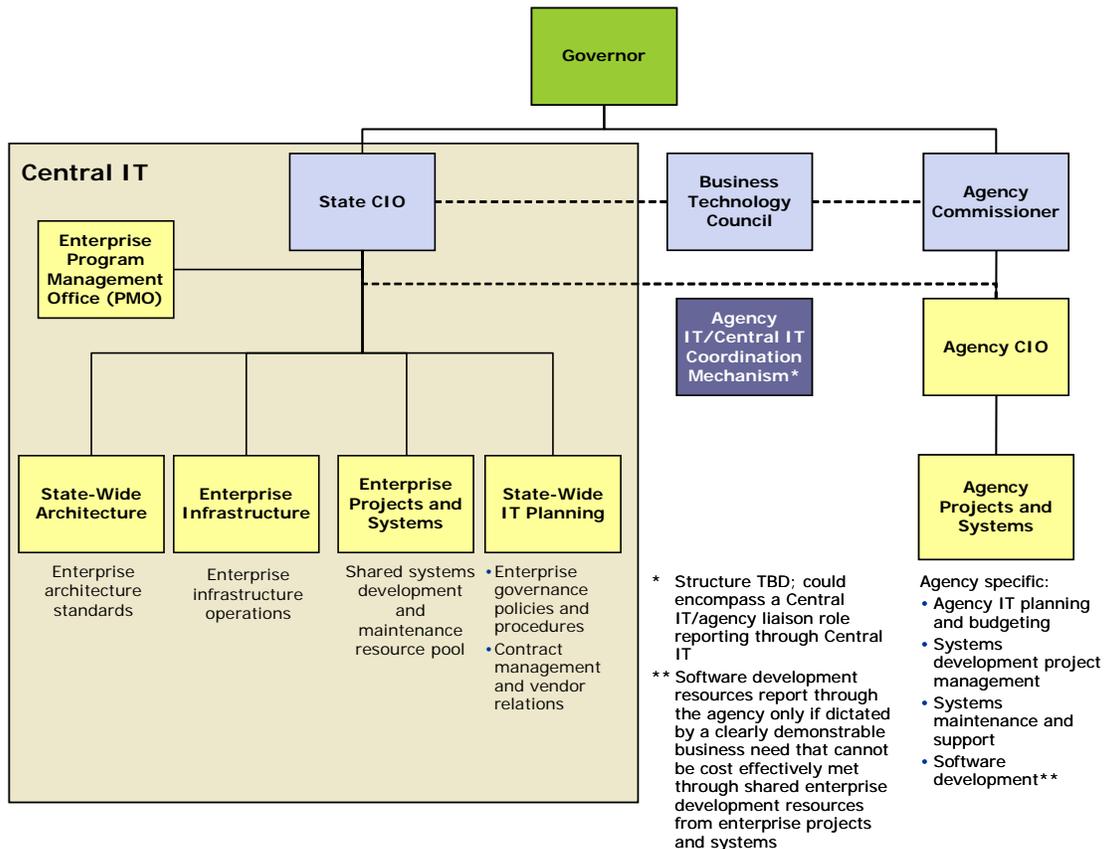
Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

or needs that are common across multiple agencies and are most cost-effectively supported by a centrally managed solution. Each agency will be responsible for managing and delivering agency-specific IT systems and technologies. Agency-specific systems and technologies as previously defined are those that are peculiar or particular to the services and operations of a given agency.

In the longer term, elements of enterprise IT operations initially managed and delivered through Central IT may migrate to be under the Service Minnesota umbrella and a shared services environment.

Proposed State IT Organization



IT Project Planning Model

A primary goal of the IT governance model is to enable the identification and escalation of opportunities for shared solutions, including extensions of existing systems or projects, enforcing enterprise standards, managing enterprise risk, and enabling more effective project implementation. This requires a collaborative day-to-day working relationship between agency and Central IT that adds value in project definition, qualification, approval, planning, and execution.

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

Roles in Project Definition and Qualification

Agency	Agency IT/Central IT Coordination Mechanism	Enterprise IT Planning	Enterprise IT PMO
<ul style="list-style-type: none"> • Develop project concept for review through coordination mechanism • Define agency-specific project plan: <ul style="list-style-type: none"> ○ Business case ○ Business requirements ○ Technical architecture ○ Project budget ○ Project staffing plan 	<ul style="list-style-type: none"> • Review project concept • Identify opportunities for shared solutions, including extensions of existing systems or projects • Provide feedback and direction to agency in defining project plan 	<ul style="list-style-type: none"> • Provide collaborative, value-added feedback to agency: <ul style="list-style-type: none"> – Identify synergies across agencies – Identify opportunities for more cost-effective implementation – Suggest alternative approach, technologies, solutions, etc. • Assist agency in defining project • Review project plans <ul style="list-style-type: none"> – Adhere to enterprise architecture standards? – Consistent with enterprise IT strategy? – Adhere to procurement standards? – Is the level of risk acceptable to the enterprise? 	Provide program visibility to the BTC

Roles in Project Approval, Planning, and Execution

Project Type	Central IT Role	Agency IT Role
Shared Projects	<ul style="list-style-type: none"> • Approve • Prioritize • Fund and staff • Manage • Procure IT assets and services 	<ul style="list-style-type: none"> • Collaborate with central IT to determine proper funding and staffing allocation (TBD)
Agency-Specific Projects	<ul style="list-style-type: none"> • Approve • Monitor project progress and spending • Advise on project direction and scope • Enforce enterprise IT standards and policies • Set enterprise IT procurement policies and standards 	<ul style="list-style-type: none"> • Approve • Prioritize • Fund, staff, and procure IT assets and services according to enterprise IT procurement and staffing policies and standards • Manage

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

Measuring Enterprise IT Performance

The to be governance model will include mechanisms to set targets and provide feedback. Initial enterprise IT performance measures and targets have been defined as follows:

- Customer satisfaction rating
- IT operating spend as percentage of total state operating budget
- IT service level performance—percentage of service level agreement targets achieved

More detailed initial performance measures include:

Discipline	Expected Outcome	Performance Measure
IT Governance	<ul style="list-style-type: none"> • Quality service is ensured • Enterprise IT standards adhered to • Leadership, structures, and processes enable IT to sustain and extend organization's strategies and objectives, focusing on agency mission 	<ul style="list-style-type: none"> • Retention rate • % of compliance to approved governance procedures • Number of programs/projects successes
Operations	<ul style="list-style-type: none"> • Improved security, reliability, and performance of infrastructure • Workforce reliably conversant in standard desktop technology tools • Technology is operated and administered reliably and cost effectively at an acceptable level of risk 	<ul style="list-style-type: none"> • Enterprise budget/annual IT operating costs per FTE • System performance • Help desk metrics—calls, response time
Delivery	<ul style="list-style-type: none"> • Enterprise applications meet the needs of all agencies • Mechanism to bubble up needs/ideas exists • Agencies have input into enterprise solution/product requirements, selection, testing, etc. • Development and delivery of IT projects/programs and services are optimized to be on time, on budget and with an acceptable level of risk 	<ul style="list-style-type: none"> • Connectivity expansion, % accessibility • Projects on time/on budget • Business requirements satisfaction
Architecture	<ul style="list-style-type: none"> • Enterprise technical architecture is directive • Flexible and adaptable information, applications, and technology support effective, reliable, and secure enterprise operations and management 	<ul style="list-style-type: none"> • Architecture alignment to plan • Technology adoption rate • Percent of agency security systems integrated by architecture and technology

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

Discipline	Expected Outcome	Performance Measure
IT Strategic Planning	<ul style="list-style-type: none"> Improved enterprise technical planning and direction IT products and services are defined correctly for improved constituent satisfaction and mission performance Measurability of efficient and effective use of technology across the enterprise Greater emphasis on innovation, quality improvement, and cost reduction per the Drive to Excellence high-level goals 	<ul style="list-style-type: none"> Average ROI Planning cycle time Scorecard rating
IT Sourcing	<ul style="list-style-type: none"> Improved customer service (e.g., faster purchasing lead times) Lower per unit purchase costs Improved vendor service performance 	<ul style="list-style-type: none"> Volume discount negotiated (%) Unit cost improvement (%) for a given service level Percent of total vendors evaluated annually
CRM	<ul style="list-style-type: none"> Well-defined and communicated portfolio of IT services IT products and services are defined correctly for improved constituent satisfaction and mission performance 	<ul style="list-style-type: none"> Customer sign-off/customer acceptance Percent of constituent satisfaction relating to IT systems delivery and systems training Information relevancy/information requirements
Resource/Talent	<ul style="list-style-type: none"> Appropriate staffing models skill sets in place Effective IT career management Resources are provided at the right time, cost effectively Resources grow internally to meet enterprise goals and mission fulfillment 	<ul style="list-style-type: none"> System performance Employee recognition Technology adoption Employee satisfaction
IT Business Management	<ul style="list-style-type: none"> An organized culture that positions IT as an enterprise value center A MN IT strategic plan where IT is a value center, not a cost center 	<ul style="list-style-type: none"> Progress toward goals and objectives of the strategic plan Enterprise value management

The performance measurement system will require effective mechanisms to report performance between and among agency, enterprise, and shared IT structures. Specific mechanisms are to be determined. Examples include:

- Published annual report
- Enterprise IT strategy website
- IT scorecard
- User satisfaction surveys
- Help desk reports

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

IT Governance Model Next Steps

The to be IT governance model requires further definition in the next phase. Items to be further defined include the following:

Governance Element	Key Next Steps
Overall	<ul style="list-style-type: none">• Develop a strategic IT resource plan with state HR in order to determine the appropriate staffing model• Define in more detail the resource allocation and sourcing model with the goal of allowing agencies the flexibility to determine how best to serve business needs (subject to enterprise guidelines)• Tie individual performance measures to direct accountability
Business Technology Council	<ul style="list-style-type: none">• Determine how smaller agencies will be represented
IT Project and Spending Plan Review	<ul style="list-style-type: none">• Refine criteria to define agency-specific vs. SSO/Center of Excellence• Define standard project structure and tools• Develop detailed IT project and spending plan review process and decision criteria• Determine process to address when an agency budget or project request is rejected by central IT
IT Funding Model	<ul style="list-style-type: none">• Need to develop process to determine funding mechanisms:<ul style="list-style-type: none">- What is the enterprise IT financing model?- What is the impact on federal funding for IT?

IT Governance Model High-Level Implementation Approach

The first step to implement the governance model is developing a plan.

The objectives of the implementation plan include:

- Creating a blueprint that defines clearly what new organizational, process, technical, service, and procedural changes are required to support the implementation of the governance model
- Establishing a clear understanding as to when initiatives or projects should be implemented based upon available resources and dependencies
- Defining necessary communications and outreach
- Establishing the structure and approach for the further definition and implementation of the IT governance structures
- Defining resources and roles required to support ongoing operations and implementation efforts

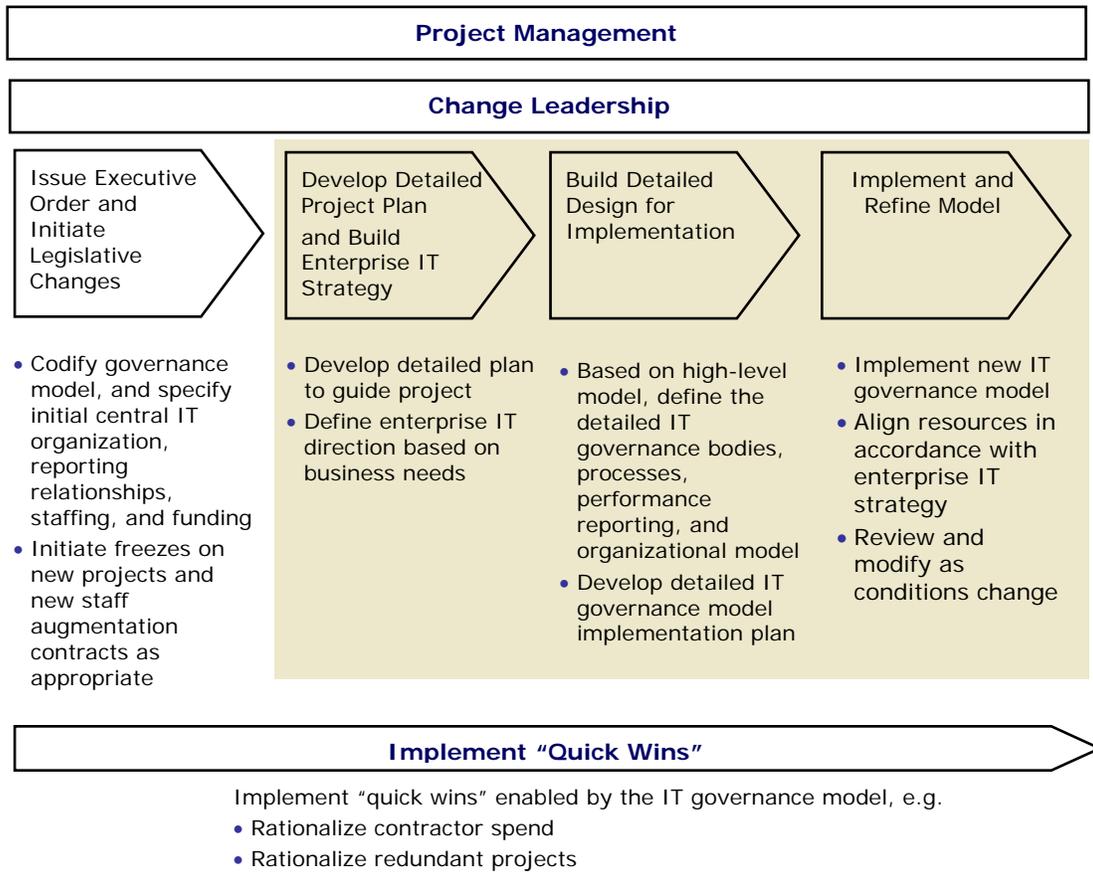
The implementation plan will address:

- Enterprise IT planning and performance management
- IT advisory and decisionmaking
- Enterprise IT management services
- Enterprise IT monitoring and compliance
- Running the central IT business

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

Overview of the approach for IT governance “start-up” (March 1 to July 1 2005):



Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

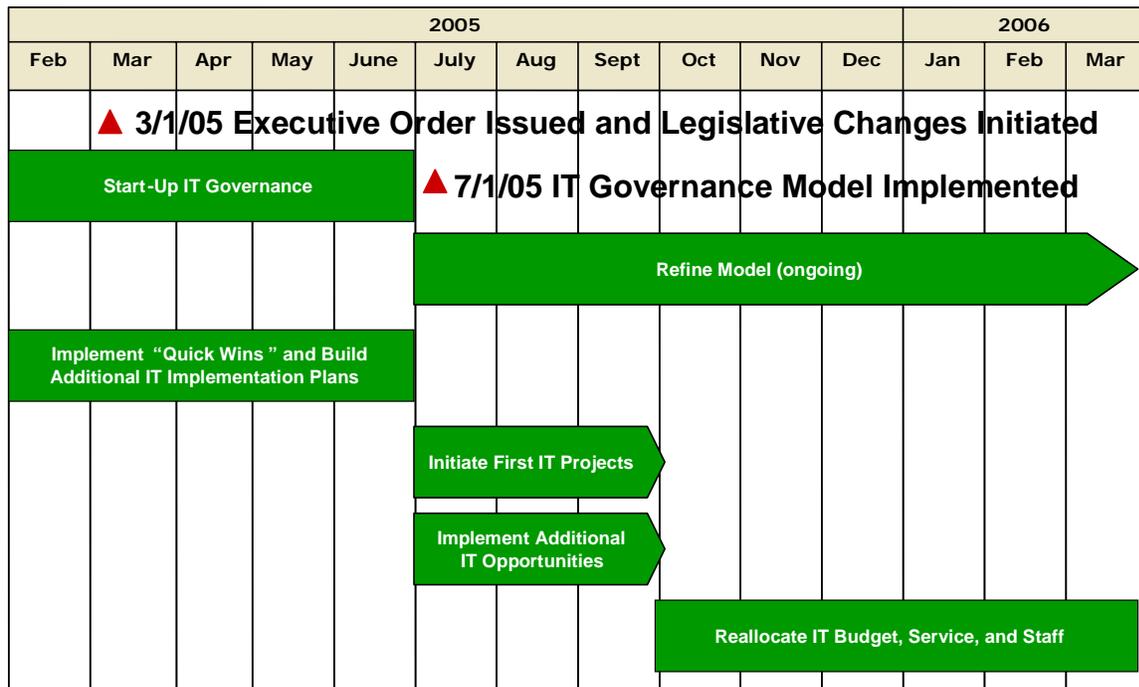
Detailed activities for the project planning, enterprise IT strategy, detailed design, and implementation steps include:

Step	Activities	
Develop detailed project plan and build enterprise IT strategy	Develop detailed project plan	<ul style="list-style-type: none"> • Detailed project work planning • Team roles and responsibilities • Project resource requirements • Expected outcomes/deliverables • Communication matrix
	Build enterprise IT strategy	<ul style="list-style-type: none"> • Define business needs and drivers • Link to business strategy • Develop enterprise IT performance goals • Develop enterprise IT spending targets • Define screening criteria for defining enterprise vs. agency initiatives and systems
Design IT governance model	Design processes	<ul style="list-style-type: none"> • IT planning and budgeting • Service level management • Risk management • IT strategy planning • IT governance change management
	Design governing bodies	<ul style="list-style-type: none"> • Roles and responsibilities • Operations (agenda, meeting frequency, etc.) • Performance measures
	Design central IT organizational model	<ul style="list-style-type: none"> • Organizational structure • Roles and responsibilities • Staffing requirements • Skill set requirements
	Develop performance reporting measures and framework	
Implement and refine	<ul style="list-style-type: none"> • Communicate model and train • Define initial agendas, mobilize governing bodies, and kickoff • Fine tune IT governance model • Align resources in accordance with enterprise IT strategy • Measure and review results (continuous) • Refine (continuous) 	

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

IT Governance Model Implementation Approach—High-Level Timeline:



Return on Investment

The IT governance model is an enabler of IT cost-savings opportunities. The projects listed in the IT business cases assume a working enterprise IT governance model. The governance model is therefore not a generator of ROI but an enabler of it. A long list of additional opportunities (see the IT business cases in Appendix A) would be developed once the model is in place.

Potential Risks and Risk Mitigation

Risk management will be particularly important in implementing the IT governance model due to the complexity, breadth, depth, and focus that the work will entail.

For statewide IT, risk is the possibility of any event occurring that can negatively affect the success of achieving the State’s intent or the specified mission or vision of statewide IT. Risk mitigation will include the identification of potential risks and strategies to mitigate the likely occurrence or the severity of the impact if a risk event occurs.

Implementing the IT governance model will require a proactive approach to risk management. This will entail:

- Encouraging proactive rather than reactive management
- Implementing steps to reduce or control risks
- Planning contingencies to mitigate consequences of risks

Potential Risks

The following table summarizes some of the potential risks associated with the design and implementation of the plan and the respective initiatives. A likelihood of occurrence as well

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

as an impact of occurrence (high, medium, or low) and possible mitigation strategies are described for each risk.

Potential Risk: Implementation	Possibility of Occurrence	Impact of Occurrence	Mitigation Strategy
Central IT will not be appropriately staffed and managed to effectively serve enterprise business needs	High	High	<ul style="list-style-type: none"> • Develop detailed organizational model based on business needs (roles, staffing requirements, and needed skill sets) • Identify “gaps” in the current organization • Implement a plan to address gaps (training, recruitment, etc.)
Lack of agency participation delays schedule and/or prevents acceptance	High	High	<ul style="list-style-type: none"> • Communicate benefits of participation to agencies • Obtain clear executive support (governor and directors) for project plan and goals • Create documented processes
Lack of executive sponsorship, alignment with governor’s priorities and business needs from BTAs	Low	High	<ul style="list-style-type: none"> • Commitment of implementation plan, approach, and timing by all key project stakeholders • Executive leadership; conduct “all-hands” work session to define common ground and ownership/accountability
Lack of available or skilled resources required to complete initiatives	High	High	<ul style="list-style-type: none"> • Look to agencies to supplement and support as appropriate • Create a prioritization scheme to select “critical” initiatives and focus on successfully completing a few • Consider obtaining external help as appropriate
Ineffective communication of enterprise goals, objectives, plans, policies, standards, or projects leads to poor stakeholder commitment	Medium	Medium	<ul style="list-style-type: none"> • Development of a detailed communication plan identifying all stakeholders, required communications, and communication channels • Active participation by state executive team in communication effort
Lack of human, technical or financial resources to successfully implement an initiative	Medium	High	<ul style="list-style-type: none"> • Agreement with governor’s office on inclusion of resource needs in budget submission
Resistance to change by State of Minnesota IT staff or customers	High	High	<ul style="list-style-type: none"> • Create communication on results and benefits • Implement a change leadership effort
Unrealistic goals or targets for initiatives including completion dates, participation levels, technical standards creates a pattern of failure	Medium	Medium	<ul style="list-style-type: none"> • Identification of resource requirements and required timeframes for initiatives • Development of detailed business cases • Validate plan with key stakeholders • Project oversight in place and regularly addressed

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

Key Assumptions

Mission Critical IT Organizational "Design Rules"

The following are key organizational design characteristics as rated by the IT Governance Project Team:

Support service delivery at levels required by the state enterprise

- Customer and business value focused service delivery
- Specialized skills can be mobilized when needed
- Improved ability to target IT resources and solutions
- Maintenance of technical excellence

Builds strong organizational role and mission clarity

- Ease of managing performance/accountability
- Strong collaboration and coordination

Enables cost efficiencies

- IT resource cost control
- Efficient; little or no duplication

Stakeholder Analysis

Stakeholder	Stakeholder Impact	Stakeholder Concerns	Level of Impact	Mitigation
All state employees	<ul style="list-style-type: none"> • Agency business staff utilize shared IT services for common IT functions and agency-specific IT services for unique agency functions 	<ul style="list-style-type: none"> • Perceive that there's no one-stop shop for IT services; confusion regarding "where to go for what" • Perceived increase in numbers of specialized staff supporting their needs rather than a few key office IT staff • Perceived loss of personal contact with local IT staff 	Medium	<ul style="list-style-type: none"> • Implement a change management program • Assign specialists to areas to develop working relationships and business understanding
Agency IT staff	<ul style="list-style-type: none"> • Agency IT staff is only focused on delivery of IT services for unique business processes • Staff currently involved with common IT services transition to an enterprise service organization 	<ul style="list-style-type: none"> • Workload impacts • Job security • Loss of direct customer contact • Potential job relocations • Potential of becoming too specialized and losing broader IT background and job role flexibility 	Medium	<ul style="list-style-type: none"> • Implement a change management program • Change union contracts for area seniority

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

Stakeholder	Stakeholder Impact	Stakeholder Concerns	Level of Impact	Mitigation
Agency commissioners & deputies	<ul style="list-style-type: none"> Commissioners work with Central IT and agency CIOs to ensure business strategy alignment and IT service requirements Communication required between agency programs and enterprise IT 	<ul style="list-style-type: none"> Loss of control over IT services Expected negative impact on service levels Prioritization issues between programs and central IT planning Concern that IT service will become more expensive and less responsive and flexible to business changes 	Low	<ul style="list-style-type: none"> Lay out true costs and benefits to get buy-in Develop enforceable SLAs Establish Business Technology Council
Agency CIOs	<ul style="list-style-type: none"> Potential transfer of staff and technology to the enterprise IT organization Work with the enterprise IT organization to develop the service requirements and SLAs for their specific agencies 	<ul style="list-style-type: none"> Supporting agency-specific IT staffs in small/medium-sized agencies may no longer be viable Loss of direct control over IT services Competition for IT resources with other agencies Service provided as a lowest common denominator Concern that IT service will become more expensive with less quality and responsiveness 	Low	<ul style="list-style-type: none"> Lay out true costs and benefits to get buy-in Establish enforceable SLAs Establish mechanisms for CIOs to provide feedback and issue resolution
Employee advocacy entities	<ul style="list-style-type: none"> Governance model will need approval Staffing moves and job description changes may require approval 	<ul style="list-style-type: none"> Work load impacts Labor relations concerns Loss of jobs Loss of levels/pay 	Medium	<ul style="list-style-type: none"> Implement a change management program Implement a communications plan Develop one IT HR team to resolve IT related labor issues across the department rather than per agency
HR directors	<ul style="list-style-type: none"> HR transitional services will be required HR will be focused primarily on the enterprise IT organization 	<ul style="list-style-type: none"> Labor relations planning for impacted personnel Clear job descriptions and career paths must be provided for personnel who remain under the new model Impacts to IT job levels and evaluations based on changes (reduced number and level of managers, supervisors, technical, etc.) 	Medium	<ul style="list-style-type: none"> Develop one IT HR team to resolve all IT related classification, evaluations, Hay ratings, training, relocations, labor issues, etc. across the department rather than per agency
Legislators and key legislative staff	<ul style="list-style-type: none"> Need to be knowledgeable of transition Communicate with constituents 	<ul style="list-style-type: none"> Communication from constituents and pressure regarding privacy concerns and job loss Concern that IT service will become more expensive 	Medium	<ul style="list-style-type: none"> Develop communication plans that outline costs, benefits, performance, etc. Established technology strategy and plan provides basis to approach legislature for IT funding

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

Stakeholder	Stakeholder Impact	Stakeholder Concerns	Level of Impact	Mitigation
Governor & cabinet	<ul style="list-style-type: none"> • Create an executive mandate for change • Provide executive sponsorship 	<ul style="list-style-type: none"> • Disruption of IT service within state government • Concern that IT service will become more expensive, lower quality, and less responsive 	Medium	<ul style="list-style-type: none"> • Develop communication plans that outline costs, benefits, performance, etc. • Established technology strategy and plan provides basis to approach legislature for IT funding

Agencies Impacted

Potentially all agencies will be involved or impacted by the new IT governance model.

Other IT Governance Models

As a frame of reference, below are IT governance models from other states and provinces.

Ohio

Overall Model: **Federal**

Overall Goal of IT Governance Change

- Improve efficiencies, decrease costs, maximize the use of resources
- Support an enterprise-wide approach to information technology strategic and long range planning
- Improve services to customer, reduce redundancies through centralizing information technology planning, investment and development

State CIO elevated from Administration agency CIO position.
 Agency CIO's have dotted line connection to State CIO. Governance Board oversees State CIO operations

	Central State	Agency
IT Spending Plans	Approves all project spends	Proposes project and application spends
IT Projects	Sets overall IT project portfolio	Proposes projects through agency's strategic plans Responsible for executing and maintaining application development
IT Priorities	Sets central and agency IT priorities	Proposes agency project and application priorities
IT Strategy & Direction	Sets enterprise strategy and direction	Propose agency specific
Policies and Standards	Sets enterprise policies and standards	

Primary Governing Bodies/Roles
<ul style="list-style-type: none"> •The Enterprise Information Technology Advisory Committee has the power to oversee all operations of the State CIO. •State CIO has three deputy CIO's each with four to six reports. •Three deputies responsible for Infrastructure, Enterprise Project Management and Oversight, and Strategy/Planning/Policy respectfully.
Accountability
<ul style="list-style-type: none"> •Agencies responsible for application development and providing strategic plans for the agency •Central State responsible for executing roles

Other Points:
<ul style="list-style-type: none"> •Benefit: Policy/governance separate from technology •The central agency implements and maintains enterprise applications, networks, and data

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

Pennsylvania

Overall Model: **Federal**

Overall Goal of IT Governance Change

- increase the effectiveness of product development projects
- reduce research and development investments
- enable volume hardware and software purchases
- enhance system compatibility and data sharing
- improve organizational efficiency
- streamline data collection and data sharing

Central IT Governance Board oversees all Agency IT. Board sets priorities, makes plans and policy.

	Central State	Agency
IT Spending Plans	Oversees all Investment and IT plans (recent not yet completely implemented)	Community of Practice agencies develop budgets and plans
IT Projects	Manages Project performance of Central IT projects	Agency implements and maintains applications.
IT Priorities	Sets Priorities for Central IT Staffing and Operations	Agency sets initial priorities and submits to Board
IT Strategy & Direction	Oversees all IT Strategy/Provide Counsel to Governor	Agency required to submit an IT strategy
Policies and Standards	Set and enforce Statewide standards	Participate in standards setting teams and Implement standards
Primary Governing Bodies/Roles		
<ul style="list-style-type: none"> •Central IT Governance Board is responsible oversight of IT and Interagency dispute resolution –Board made up of Secretary of Administration, Secretary of the Budget, the Governor’s Chief of staff, and Secretary of General Services •Board provides advice to Governor 		
Accountability		
<ul style="list-style-type: none"> •Board is accountable to Governor •Agency IT are accountable to State CIO • Central State responsible for hiring agency CIO and establishing all performance measures 		

Other Points:

- Procurement responsibilities for all State IT services over 100K centralized approval by CIO
- Centralize infrastructure and systems support accountability,

Michigan

Overall Model: **Monarchy**

Overall Goal of IT Governance Change

- Better management of IT investments
- More integrated enterprise planning of IT projects
- Standardization of processes, tools, software and hardware
- Increased economies of scale
- Improved services to customers and constituents of the State
- Shared resources

Operates under a strong central model. Agency Information Officers put in place of agency CIOs.

	Central State	Agency
IT Spending Plans	Sets all IT spending	Provides insight and consultation, advisor role
IT Projects	Sets all IT Projects	Provides insight into Project nuances, advisor role
IT Priorities	Sets all IT Priorities	Offers potential priorities list
IT Strategy & Direction	Sets all IT Strategy and Direction	Offers candidates for Strategy/Direction
Policies and Standards	Sets all Policies and Standards	Provides feedback on Policies and Standards
Primary Governing Bodies/Roles		
<ul style="list-style-type: none"> •Agencies operate through Agency Operating Agreements that cover roles and responsibilities. 		
Accountability		
<ul style="list-style-type: none"> •Central CIO holds a cabinet level and is responsible for delivering against Agency Operating Agreements •Individual responsibilities are laid out with in the AOA agreements 		

Other Points:

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

Ontario

Overall Model: **Federal**

Overall Goal of IT Governance Change

- Make Ontario better by leading e-Government
- Focus on citizen/customer
- Meet public expectations and create new opportunities for partnership with other levels of government, vendors, etc.

Ministries (Agencies) are served by seven IT clusters grouped on business themes. Allows cluster CIO's to focus on developing solution that support ministry business requirements.

	Central State	Agency
IT Spending Plans	Funding for e-Government centralized only for common systems (web, content management), most funding 80%+ is at the cluster level; Cabinet often targets funding to IT clusters.	IT clusters receive funding from ministries they report to.
IT Projects	Common services to enable the clusters are under development in the central e-Government group. All server services are now consolidated.	Address ministry/program-specific needs, including development, operation and contract management.
IT Priorities	Government initiatives are selected for greatest customer impact.	Innovative systems that address program-specific demands; inter-jurisdictional enablement (province-province, province-federal, province-municipal).
IT Strategy & Direction	Corporate CIO develops government wide strategy and policies. Is working towards an enterprise-wide platform,	Business-specific strategies.
Policies and Standards	Corporate CIO develops corporate polices and standards.	Cluster-only standards and policies.
Primary Governing Bodies/Roles		
<ul style="list-style-type: none"> •Management Board Secretariat oversees the Office of the Corporate CIO, which develops e-Government strategy •Ministries oversee IT clusters •Cabinet oversees Ministries and Management Board Secretariat 		
Accountability		
<ul style="list-style-type: none"> •IT clusters have dotted line accountability to Corporate CIO; hard line to ministries •Corporate CIO has hard line accountability to Management Board Secretariat 		
Other Points:		
<ul style="list-style-type: none"> • Strategic Partnerships – practitioner training / solution sets 		

Transformation Roadmap

F. How the Drive to Excellence Will Work: Ongoing Structure

Recommended Projects Enabled by the IT Governance Model

Below is a listing and description of recommended cost-savings projects that are enabled by the proposed IT governance model. These items comprise an initial list of opportunities that were assessed during the course of the Transformation Roadmap effort. Additional opportunities have been identified for subsequent analysis and are listed on the following page.

Recommended Cost-Savings It Projects That Are Enabled By The Proposed It Governance Model

Proposal	Hypothesis	Action	Cost Impact	Time to Impact	Indicative Saving*
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Voice Over IP/IT Telephony

Renegotiate network sourcing	Multiple disparate networks services are sourced and managed separately. Unfavorable legacy contracts exist with room for renegotiation.	<ul style="list-style-type: none"> Collect data on current contracts Seek opportunities to rationalize current network and telecom usage (e.g., cancel unused lines) Define service requirements and technical standards <ul style="list-style-type: none"> Initiate contract tender and negotiations process 	<ul style="list-style-type: none"> Lower tariffs Lower administration costs 	6-12 mos.	10-25%
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Consolidation of Data Centers

Consolidate data centers	Multiple data centers exist which could be rationalized or consolidated	<ul style="list-style-type: none"> Conduct cost/benefit analysis of consolidating data centers Instigate rigorous program of equipment rationalization, reorganization, and retirement 	<ul style="list-style-type: none"> Lower cost structure (employees, space) Significantly reduced occupancy costs 	6-12 mos.	15-40%
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Enterprise Software Licensing

Retire redundant software licenses, hardware & applications	Licenses/Data storage/applications are rarely used or provide little benefit	<ul style="list-style-type: none"> Gather usage data to identify redundant, rarely used or low value-added items Drop redundant licenses and renegotiate retained licenses based on actual usage Retire redundant and underutilized hardware (servers, desktops, storage devices, network devices) 	<ul style="list-style-type: none"> Avoided License fees More competitive deals from vendors Reduced hardware and software costs Reduced maintenance Reduce physical hosting costs 	1-3 mos. (licenses) 3-6 mos. (data, apps, hardware)	10-20%
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Shared Application Development Planning

Standardize software development methods & tools	Software projects use a variety of methods and tools that prevents technical resources from easily switching projects and increases maintenance costs	<ul style="list-style-type: none"> Standardize on one software development methodology Train all technical staff in method and tools 	<ul style="list-style-type: none"> Reduced technical resource costs through easier reallocation of resource Reduced maintenance through standardized development style 	1-2 yrs	15-25%
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Reengineer InterTech—Utility/Shared Services: Implement a project to analyze and recommend changes in the InterTech organization and environment to obtain improved delivery of agreed to services at reduced costs and move toward enterprise management of technology.

Transformation Roadmap
 F. How the Drive to Excellence Will Work: Ongoing Structure

**Additional IT Opportunities That Have Been Identified
 For Subsequent Analysis**

<i>Proposal</i>	<i>Hypothesis</i>	<i>IT Governance Assumptions</i>	<i>Cost Impact</i>
Cut contractor spend	Contractors are being hired for activities that could be done in-house or are not worth the extra expense	<ul style="list-style-type: none"> Enterprise IT PMO will evaluate requests for contractors. It will reallocate other resources evaluating the entire portfolio of IT projects 	<ul style="list-style-type: none"> Reduced contractor fees and contractor administration costs
Eliminate redundant or marginal projects	Redundant projects exist within or between groups; duplicated development projects exist. Some projects have questionable ROI	<ul style="list-style-type: none"> Enterprise IT projects will be prioritized and evaluated by Office of the State CIO. IT projects falling under the agencies will not be effected 	<ul style="list-style-type: none"> Reduced technical and project resource Reduced maintenance costs in medium and longer term
Set more demanding targets for project delivery	Projects could be delivered in a shorter timeframe without losing much functionality	<ul style="list-style-type: none"> Controlled by Enterprise IT PMO 	<ul style="list-style-type: none"> Reduced project teams costs Savings on contractors Lower testing & maintenance costs if systems are simpler
Reduce bought-in goods & services	Lower-cost alternatives exist for a proportion of goods and services	<ul style="list-style-type: none"> Enterprise IT spend will be prioritized and evaluated by Office of the State CIO. IT projects falling under the agencies will not be affected 	<ul style="list-style-type: none"> More cost-efficient methods & processes are discovered
Centralize common services and remove duplicated services	Services are provided to each group that could be shared to improve efficiency and certain services are provided by central IT function <i>and</i> at a local group level	<ul style="list-style-type: none"> Reallocate infrastructure processes to central IT. These include operations, desktop, help desk and other support, etc. 	<ul style="list-style-type: none"> Reduced support costs (headcount and infrastructure) through higher utilization and de-duplication
Standardize, rationalize and consolidate hardware devices	Hardware is frequently sized to serve peak utilization and for growth. A lack of standardization has led to an overcrowded fragmented data center environment	<ul style="list-style-type: none"> Baseline reporting processes and communication will locate potential opportunities for consolidation. Business Technology Council will review opportunities and request consolidation/retirement plans 	<ul style="list-style-type: none"> Reduced hardware costs through increased utilization
Introduce demand management for infrastructure services	Internal services such as desktop support, help desk, and network services are demanded with little regard to costs and there is a pattern of similar problems being continually raised	<ul style="list-style-type: none"> Dependent on service level management strategy selected. IT Shared Services will also influence. 	<ul style="list-style-type: none"> Reduce cross-charges for services Reduced support headcount through reduced demand
Ensure compliance to standard architecture	Although a standard set of software, hardware, tools, packages, etc. has been defined, it is not consistently being used	<ul style="list-style-type: none"> Coordination mechanism between Central IT and agency IT. CIOs will also be accountable for compliance. 	<ul style="list-style-type: none"> Reduced maintenance of exceptions & customizations Reduced design costs as reduced number of combinations are embedded
Manage all IT projects as one portfolio and apply evaluation criteria to optimize	The range of IT initiatives is often uncoordinated and projects do not support each other	<ul style="list-style-type: none"> Enterprise IT projects will be prioritized and evaluated by Office of the State CIO. IT projects falling under the agencies will not be affected 	<ul style="list-style-type: none"> Avoided investment spend as ill-timed or marginal projects are not undertaken Reduced project staff through better-focused project portfolio

Key:

- Proposal—Name of the opportunity
- Hypothesis—Assertions about the opportunity for cost savings
- Action—Actions to be taken to explore the cost-savings opportunity
- IT Governance Assumptions—Components of the IT governance model that enable the cost savings opportunity
- Cost Impact—Areas of cost that will be affected by the opportunity
-

Policy Recommendations

The team of state staff and subject matter specialists that was formed to assess the legislative impact of each of the business cases developed an analysis template, which includes data points that helped determine the policy changes required to enable the business cases. The dimensions of policy change that were identified include: relevant legislation (state, local, and federal), agency rules/operating policies, stakeholder impacts, data practices, compliance, and risks and barriers.

Summary Observations/Recommendations

In regard to the policy impacts of the business cases, the team developed the following observations and recommendations:

1. Prior to any policy changes related to specific business cases, legislators and other affected stakeholders should be engaged through briefings, presentations, and focus groups to better ascertain the potential impacts.
2. The changes vary widely from significant statutory change to simple internal policy updates; the differing level of policy change complexity will demand different levels of effort and political engagement. A thorough assessment of the statutory changes will be needed prior to most of the projects identified in the business cases.
3. Some policy changes will be minor. However, the more transformational business cases call for substantive policy change. Proactive engagement over time will be critical to developing support from internal, external, and community stakeholders.
4. Many of the policy changes are related to the development of new, rigorous governance models that will foster accountability and effective management.
5. As many of the cases are linked to the development of an SSO (Service Minnesota), care should be taken to plan for policy changes after new, enabling legislation is passed for the SSO.
6. The policy changes should be managed in an integrated manner, so that the overall goals of the Drive to Excellence are realized.

Integrated Policy Management Approach

The business cases in the Transformation Roadmap project demand varying degrees of legislative change, which include legislative, rule, and policy change. With the approved cases requiring greater than 100 currently identified changes, impacting more than 40 agencies, the policy changes need the oversight and expertise of legislative/rule experts, and integration with the activities of the proposed future Drive to Excellence Project Management Office.

Key considerations include:

- The need for consistent, skilled oversight of each project
- Alignment with DTE's operational and governance changes
- Integration with the Governor's broader policy and project priorities

An integrated approach to policy change is recommended. Specifically, policy resources should be assigned to the Drive to Excellence Management Office to coordinate needed legislative and rule changes.

Appendix A: Summary of Project Business Cases

The following is a brief summary of Transformation Roadmap business cases, each of which was written by a blended team of state and Deloitte professionals. As previously described (sections A and B), during the “Ready” phase collaborative teams of state staff and Deloitte staff generated more than 400 ideas from the executive branch of state government (from data, surveys, and interviews gathered from 66 agencies) that were then assessed and validated to see if they were, in fact, feasible opportunities. During the validation process, similar “ideas” (the classification term used during that phase) were merged together to narrow the list to more than 100 “opportunities” (another classification term used).

The identified opportunities naturally fell into what were called Business Transformation Areas (BTAs), or groupings of similar concepts. Eight BTA teams again comprised of state staff and Deloitte staff generated business cases for the following projects. It is important to note that as the project evolved, some business cases that were originally part of one BTA were moved into another BTA for implementation purposes.

Project Business Case Summary	Page Nos.
Category Management	112
Electronic Forms Acceleration	123
Leverage Telecom Network Investment (“VOIP/IPT”)	128
Consolidated Data Center	130
Enterprise Software Licensing	133
Shared Applications Development	135
Reengineer InterTechnologies—Utility/Shared Services	139
The Drive to a “Licensing One Stop Shop”	145
Single Source State Building Construction Regulation.....	149
Third-Party Examinations.....	152
Enterprise Web Portal	154
Uniform Business Identifier	160
Internet Payments.....	164
Enterprise Grant Management Governance and Process Improvement.....	170
Enterprise Grant Management Tools.....	174
Strategic Enterprise Real Property Planning and Development.....	177
Real Property Portfolio Management.....	181
HR Shared Services Model—Phase I: Service Center	184
HR Shared Services Model— Phase II: Centers of Excellence.....	189
Consolidated Contact Centers.....	194
Minnesota Kiosks.....	205
Finance Shared Services.....	208
Minnesota Accounting and Procurement System.....	217

Sourcing BTA (Wave One)

The State spends approximately one billion dollars annually to buy commodities and services. Although there is some consolidation already, a new organizational structure will allow the State to make better use of its buying power and capture functional efficiencies.

Project Business Case Summary: Category Management

Item	Description
Business Case Name	Sourcing—Category Management
High-Level Description	<ul style="list-style-type: none"> • Category Management should become a priority cost-reduction strategy because it offers ways to reduce costs that are potent, attainable with manageable risks, and achievable through leveraging and the standardization of State agency purchases. • Category Management is a method to analyze expenditures, identify cost drivers, and develop strategies to reduce life cycle costs. • The State of Minnesota spends approximately \$1.075 billion annually on commodities and services needed to operate state agencies; controllable spend is estimated at \$675 million. • By implementing a category management methodology, estimated per unit savings of 7% on targeted spend. • Current targeted cost savings as derived from Category Management strategic sourcing initiative is currently estimated at \$50 million with a full year effect and full compliance from all state agencies (in conjunction with the Business Transformation Area (“BTA”) Case for Change automation initiative). • The resulting NPV of the sourcing project is currently estimated at \$91 million at a discount rate of 5% over a 7-year period (in conjunction with the BTA Case for Change automation initiative).
Estimated Investment Required	<ul style="list-style-type: none"> • Considerable human resource effort will be required from both state and external resources in order to realize above-mentioned savings. • State resources will be required to drive this initiative forward, providing state-specific expertise and ensuring all the needs of stakeholders are incorporated into any new initiative. • External consultants will provide assistance to the State, taking a lifecycle approach to purchasing, including streamlining the procurement business processes, applying economic and scale-related levers to realize savings from frequently purchased or commodity-oriented goods and services. • Current cost estimate for external assistance is \$13 million over 2 years, including expenses. • An automation effort (described elsewhere in Drive materials) estimated at \$17.5 million is a precondition to achieving all savings targets.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Item	Description
Key Benefits	<ul style="list-style-type: none"> • Strategically sourcing commodities and services entails taking a lifecycle approach to purchasing, streamlining procurement business processes (risk informing oversight and using performance information to determine focus) and applying economic and scale-related levers to realize savings from frequently purchased or commodity-oriented goods and services. • In 2004, state agencies sourced product from approximately 25,000 unique vendors. The goal is to reduce this number significantly. • Standardizing vendors, sourcing common products, and leveraging purchasing power across state agencies will make a major contribution to cost-reduction targets for strategic sourcing. • Per unit cost reductions by incorporating demand management strategies. • Per unit cost reductions via vendor rationalization and the consolidation of purchasing activities; including the reengineering/streamlining of the purchasing supply chain. • Additional anticipated per unit cost reductions resulting in the capturing of detailed spend data which in turn can be used to negotiate further discounts with vendors (including item rationalization from existing vendor base). • Total costs of ownership reduction via standardization. • Reduction of FTE dedicated to purchasing and managing acquired commodities/services assets. • Simplified access to commodities/services. • Performance/service enhancements from renegotiating terms and conditions for purchase of commodities/services.
Net Annual Benefits (after stabilization)	<ul style="list-style-type: none"> • By consolidating expenditures, vendors can offer significant discounts and increased value-add because they have more certainty about purchased volumes, allowing them to plan better and allowing the State to benefit from economies of scale. • Re-engineering the purchasing supply chain will streamline process and eliminate unnecessary activities (such as matching of invoices with purchase orders) will contribute significantly to this end.
Payback	<ul style="list-style-type: none"> • 1 year (in conjunction with the BTA Case for Change automation initiative).
7-year NPV @ 5%	<ul style="list-style-type: none"> • \$92 million (in conjunction with the BTA Case for Change automation initiative).
Project Duration	<ul style="list-style-type: none"> • Significant effort is required from both internal and external resources throughout the first 2 years of the Category Management initiative. • Estimated that all six category waves identified in initial spend analysis will be at 100% of targeted per unit cost reduction in at the end of year 5.

Description

Category Management should become a priority cost reduction strategy for the State of Minnesota because it offers ways to reduce costs that are potent, attainable with manageable risks, and achievable through leveraging and the standardization of state agency purchases. Category Management is a method to analyze corporate expenditures, identify cost drivers, and develop strategies to reduce lifecycle costs.

Strategically sourcing commodities and services entails taking a lifecycle approach to purchasing, streamlining procurement business processes (risk informing oversight and using performance information to determine focus), and applying economic and scale-related levers to realize savings from frequently purchased or commodity-oriented goods and services. It may also entail consolidating purchasing activities and using a limited number of vendors to provide a service or product where multiple vendors were providing it previously. By consolidating expenditures, vendors can offer significant discounts and increased value because they have more certainty about purchased volumes, allowing them to plan better and allowing the State to benefit from economies of scale. Re-engineering the purchasing supply chain will streamline process and eliminate unnecessary activities, such as matching of invoices with purchase orders. This approach, however, will require a shift in agency-driven demand for choice and flexibility and will likely impact the level of opportunities for state vendors, both small and large.

The State of Minnesota has had a number of positive previous experiences with leveraging strategic sourcing. Two excellent examples are:

- Minnesota's "cooperative purchasing venture" that provides aggregated-volume contracts for 480 political subdivisions in Minnesota, including cities, counties, and school districts. Local governments purchase in excess of \$700 million annually from these state/local-governmentwide contracts.
- The use of reverse auctions to drive down unit costs—the State has experimented broadly with reverse auctions, achieving significant cost savings in commodities for which there is a competitive market and agency users have been able to agree on specifications. Costs for nonstandard vehicles, standard devices like GPS and flat panel monitors, and law enforcement uniforms and equipment have been reduced through the use of reverse auctions. Through FY04, the State had notable success in its use of reverse auctions with potential savings through the full contract term of \$2.4 million. More recently, the Departments of Administration (via the Materials Management Division or MMD) and Public Safety ("DPS") have successfully held two reverse auctions for computer consultants that saved DPS \$40,000. MMD should be commended for their aggressive use of this sourcing technique and encouraged to look for additional applications.

Both initiatives are highly successful and illustrate how substantial reduction in spend was realized through a strategic approach to purchasing.

Leveraging/Standardization: In 2004, state agencies sourced product from approximately 25,000 unique vendors. The goal is to reduce this number significantly. Standardizing vendors, sourcing common products, and leveraging purchasing power will make a major contribution to cost-reduction targets for strategic sourcing.

Manageable Risk: Strategic sourcing is safe, with manageable risk levels. There will be some new risks involved in selecting supply partners and increasing our reliance on them, and streamlining processes may create some risk exposure as redundancy is eliminated.

Transformation Roadmap
Appendix A: Summary of Project Business Cases

The benefits for each of the category waves is outlined below:

Wave I—Office Supplies and IT Hardware

Legend

Service Innovation

Relative to current “as-is” state. Little difference = 1; extreme difference = 5.

Quality Improvement

Assess the expected quality of the goods and services relative to current “as is” state. Little difference = 1, extreme difference = 5.

Cost Reduction

Annual targeted cost savings below \$200K = 1; \$200K up to \$500K = 2; \$500K up to \$1 million = 3; \$1 Million up to \$2 million = 4; \$2 million or higher = 5

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Cost Savings— Office Supplies	<ul style="list-style-type: none"> • Assess state-operated facility versus private sector or other (US Communities contract) options • If state facility remains most cost-effective, standardize items available and mandate state agency use • If state-run facility is no longer best model, develop transition plan with union and legislative involvement • Will need to stay sensitive to green procurement standards 	3	1	3
Cost Savings— Office Equipment	<ul style="list-style-type: none"> • Good opportunity based on limited standardization and multiple award contracts • Need to coordinate with DTE IT recommendations • To fit in Wave I, may need to cancel existing AV contracts 	2	2	2
Cost Savings— Desktops (hardware, software & maintenance)	<ul style="list-style-type: none"> • Estimated as best single opportunity for commodities (10% on \$55 million annually) • Need to coordinate with DTE IT recommendations • Current multistate contracts offer good aggregated pricing for small purchases but State has not taken advantage of desktop standardization for further savings achievable under existing contracts • Early success in Wave I will require dedicated involvement of CIO, OT, and agency IT staff members to develop and enforce standards 	5	3	5+

Transformation Roadmap
Appendix A: Summary of Project Business Cases

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Cost Savings— IT Storage & Tape	<ul style="list-style-type: none"> • Opportunity ties to standardization • Need to coordinate with DTE IT recommendations 	3	2	3
Cost Savings— IT Peripherals	<ul style="list-style-type: none"> • Good opportunity based on standardization and leveraged buys • Need to coordinate with DTE IT recommendations • Existing contracts allow deeper discounts for volume purchases of standard products • Wave I success requires dedicated involvement of CIO, OT, and agency IT personnel 	3	3	4
Cost Savings— IT Servers	<ul style="list-style-type: none"> • Same as “IT peripherals” above 	3	3	4

Transformation Roadmap
Appendix A: Summary of Project Business Cases

Wave II—Telecom, Printing and Contract Programming

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Cost Savings— Telecom (LD, local & data)	<ul style="list-style-type: none"> • Role of ITG in managing state telecom services may be addressed in other DTE materials-may impact available strategies • Need to coordinate with DTE IT recommendations • Both the data and long-distance contracts run through 2007; early cancellation could require possible payments of sunk costs to vendors • Data contract currently leverages volume with MnSCU and U of M • Ability to reduce multiple award contracts for data limited by regional access issues • Projected savings opportunity assumes most savings will accrue from shift to newer technologies and significantly reduced usage of traditional telecom services • Local service contract may provide best short-term opportunity as contract extension point (June 30, 2005) approaches 	4	2	5
Cost Savings— Telecom (wireless)	<ul style="list-style-type: none"> • Opportunity ties to standardization • Opportunity for standardization and aggressive contract management in a competitive industry • DNR has been successful with agency-wide standardization 	3	1	2
Cost Savings— Telecom (routers & networks)	<ul style="list-style-type: none"> • Assess opportunity for further standardization and aggressive contract management • Need to coordinate with DTE IT recommendations • Requires close coordination with U of M and ITG 	2	2	2
Cost Savings— Printing	<ul style="list-style-type: none"> • Opportunity for expanded use of MINNCOR, master contracts and reverse auctions • Anticipate push-back from local business community, which has derailed strategic procurement of printing in other states 	2	1	5

Transformation Roadmap
Appendix A: Summary of Project Business Cases

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Cost Savings— Contract Programming	<ul style="list-style-type: none"> • Historically, agencies have tended to pay whatever their preferred vendors have charged • Major opportunity for savings (\$5 million annually) through significantly expanded use of reverse auctions and aggressive negotiations with vendors on price • Need to coordinate with DTE IT recommendations • New master roster program through OT • New mandates regarding the degree to which price must be considered in best value evaluations for professional services • Potential for reduced paperwork and processing time resulting from a focused sourcing effort 	5	1	5+

Wave III—Mail/Freight, Fleet, Travel, Furniture, and IT Mainframe

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Cost Savings— Mail/freight	<ul style="list-style-type: none"> • Limited opportunity as 83% of spend is with USPS and Central Mail; latter aggregates (sorts and barcodes) Saint Paul area mail to maximize postage discounts • A possible reduction in the overall need for this commodity by consolidating mailings, exploring more innovative ways of distributing information, etc. 	1	1	2
Cost Savings— Fleet 1 & 2	<ul style="list-style-type: none"> • Fleet 80% is net/net/net + \$100. As a result, fleet spend has been split for a more accurate estimate of targeted savings potential • Strategic sourcing techniques may already have been maximized with respect to automobiles and light trucks • Some remaining opportunity through standardization and volume buys for heavy-duty vehicles 	1	1	1
Cost Savings— Fuel	<ul style="list-style-type: none"> • Very limited opportunity with current pricing based on daily rack average • Governor’s exec order and legislative interest may support paying more but using environmentally friendlier fuels 	1	1	1

Transformation Roadmap
Appendix A: Summary of Project Business Cases

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Cost Savings— Travel (in and out of state travel)	<ul style="list-style-type: none"> • Assumed key savings opportunity is a reduction in travel driven by state budget constraints • Airfare negotiations have been difficult in single-airline-dominated market • Must determine how much convenience (layovers, early departures/returns) can be sacrificed for savings; will impact available options • Coordinate joint contracts for travel with U of M • Have already privatized short-term fleet program • Recently revised procurement process for hotels/conferences should already have impacted spend in this category • In-state travel potential savings will focus on negotiating statewide preferred lodging programs 	3	1	4
Cost Savings— Furniture	<ul style="list-style-type: none"> • Limited opportunity given that MINNCOR is primary contract vendor and dependent on this business for self-sufficiency 	3	2	2
Cost Savings—IT Mainframe (hard/software)	<ul style="list-style-type: none"> • Limited competition within the State's operating environment impacts ability to drive pricing • Contract with single source vendor recently negotiated, so will need a strategy and approach for revisiting • Biggest savings opportunity may be a transition to newer technologies • Need to coordinate with DTE IT recommendations 	4	1	4

Transformation Roadmap
Appendix A: Summary of Project Business Cases

Wave IV—Sand and Janitorial, Advertising, and Professional Services

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Cost Savings— Salt/Sand & Gravel	<ul style="list-style-type: none"> • Limited opportunity due to aggressive use of aggregation (State and local units consolidate salt buy), need for local suppliers (gravel) for cost-effective delivery, use of Department of Agriculture's staff to enforce contract terms (salt) and unsuccessful attempts to reduce pricing (salt) through reverse auctions • MnDOT and DOA also testing alternative de-icers which have environmental advantages but at significantly greater cost 	3	1	1
Cost Savings— Janitorial, HVAC, Waste Mgmt, Landscaping, etc. (Services + Supplies)	<ul style="list-style-type: none"> • Various levels of opportunity in this mixed category • Statutory expansion of reverse auction authority for general services (e.g., janitorial) needed • 17 of 28 janitorial contracts are outside of metro and none are multiple award; pricing from these family-owned small businesses not expected to improve through consolidation • Pilot in development to assess opportunities for private sector janitorial services in the Capitol complex • Some potential for consolidation and reducing off-contract spending on HVAC • Could assess cost-effectiveness of Administration's Resource Recovery Office versus alternatives • Multiple hazardous waste contracts pay a premium price to avoid environmental damage and related liability later • Most landscaping is covered in construction bids and not reflected here 	4	2	2
Cost Savings— Advertising & Marketing	<ul style="list-style-type: none"> • As with other professional/technical services, cost has not been managed aggressively 	3	1	3

Transformation Roadmap
Appendix A: Summary of Project Business Cases

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Cost Savings— Professional Services (non-IT)	<ul style="list-style-type: none"> • Major opportunity for savings (\$10.8 million annually) through significantly expanded use of reverse auctions (requiring statutory change) and aggressive negotiations with vendors on price • New mandates regarding the degree to which price must be considered in best value evaluations for professional services • Streamlining the contracting process (by reducing paperwork, eliminating unnecessary layers of oversight, providing better contracting training for project managers, etc.) will increase quality of services provided 	5	2	5+

Wave V—Engineering Services, IT Software, Food/Food Preparation, and Pharmaceutical

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Cost Savings — Architecture/Engineer- ing Services	<ul style="list-style-type: none"> • Major opportunity for savings (\$10.5 million annually) through significantly expanded use of reverse auctions and aggressive negotiations with vendors on price • New mandates regarding the degree to which price must be considered in best value evaluations for professional services 	5	1	5+
Cost Savings— IT Software & Maintenance	<ul style="list-style-type: none"> • Opportunity tied to standardization and volume buys • Need to coordinate with DTE IT recommendations 	2	3	3
Cost Savings— Food Items	<ul style="list-style-type: none"> • Strategic sourcing has been largely successful with limited opportunity remaining short of substituting less costly foods (done in Illinois, but viewed as having too adverse an impact on control of prisoners in MN) 	1	1	1
Cost Savings—Food Prep Services	<ul style="list-style-type: none"> • No multiple awards to consolidate and individual facilities have disparate clientele and locations • Could assess savings potential of “reverse privatization” 	3	1	3
Cost Savings— Pharmaceutical	<ul style="list-style-type: none"> • MMCAP pricing is so good that it is used voluntarily by 43 states • Remaining opportunity exists to reduce pricing by enforcing use of particular drugs and brands; this would need to be driven by health sector state staff, not procurement people 	3	1	1

Transformation Roadmap
Appendix A: Summary of Project Business Cases

Wave VI—Building & Land, Legal, and Insurance Services

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Cost Savings— Buildings & Land Improvement	<ul style="list-style-type: none"> Some opportunities through expanded use of master contracts More significant opportunities through statutory changes allowing best value and reverse auctions in construction and limiting use of QBS by the State Designer Selection Board; these will be controversial 	5	1	4
Cost Savings— Legal	<ul style="list-style-type: none"> Need to coordinate with Attorney General who approves use of external counsel Expand reverse auction authority to legal services 	2	1	2
Cost Savings— Insurance Services	<ul style="list-style-type: none"> The MAPS data suggests that this category may be the pre-tax health benefit accounts administered by Summit Benefits Group. Further analysis required to validate if spend is manageable. 	1	1	1

Major Milestones Summary

ID	Milestones	Target Months from Inception
1	Develop sourcing strategy for categories for Wave I, II, & III	2 months
2	Develop and execute change & category management communication plan	2 months
3	Execute “quick hit” opportunities from Wave I, II, and III	4 months
4	Develop benefits measurements reporting & tracking	6 months
5	Execute remaining opportunities from Wave I, II, and III	6 months
6	Review Wave I, II, and III strategy	9 months
7	Develop procurement & vendor management performance reporting & tracking	9 months
8	Develop sourcing strategy for categories for Wave IV, V, & VI	12 months
9	Execute opportunities from Wave IV, V, & VI	14 months
10	Review Wave IV, V, & VI strategy	24 months

Information Technology BTA (Wave One)

Although only one of the eight Business Transformation Areas in the Transformation Roadmap deals with how the State manages technology per se, all of the transformation areas include recommendations that propose technology tools to implement a better, more efficient process. Their recommendations depend on a stable, efficient, and secure technology infrastructure. The State’s technology has been built over time and, like many other systems in the State, was designed to meet agency-specific business needs without a wider, enterprise perspective. Results include disparate systems, redundant expenditures, fragmented security, and limited compatibility. Buying power is limited, standards are sometimes not met, and information cannot be shared. Without an enterprise strategy and organization for information technology that promotes shared systems, architecture, and tools, technology is not effectively used to deliver new and better services to citizens or to help the State run as an efficient organization.

Project Business Case Summary: Electronic Forms Acceleration

Item	Description
Business Case Name	Electronic Forms Acceleration
High-Level Description	The Electronic Forms Acceleration program will assist state agencies in migrating paper-based forms to electronically published forms, resulting in cost savings for printing and distribution fees. A team of state specialists, known as the Electronic Forms Acceleration Project Team (“EFAPT”), will assist agencies in “migrating” their forms by providing knowledge, a start-up approach, and access to existing software products owned by the State that can be leveraged at virtually no cost. State agencies will be required to provide resources for creating and maintaining electronic forms.
Estimated Investment Required	\$240,000
Key Qualitative Benefits	<ul style="list-style-type: none"> • State documents will be published electronically, resulting in better administration, quicker change times, and increased client accessibility. • State agencies will recognize cost savings from decreasing the amount of printing, distribution, and storage required for paper documents.
Net Annual Benefits (after stabilization)	\$2,033,000
Payback	1.5 years
7 Year NPV @ 5%	\$11,921,000
Project Duration	7 years

Description

Electronic document management is a very broad concept that includes a spectrum of technologies and services from simple to complex. Enterprise Content Management (“ECM”) is the IT industry term that encapsulates this field, which has been defined as the technologies, tools, and methods used to capture, manage, store, preserve, and deliver content across an enterprise. Application of electronic document principles to businesses that have large document processing or handling functions has proven to be an effective way to reduce costs.

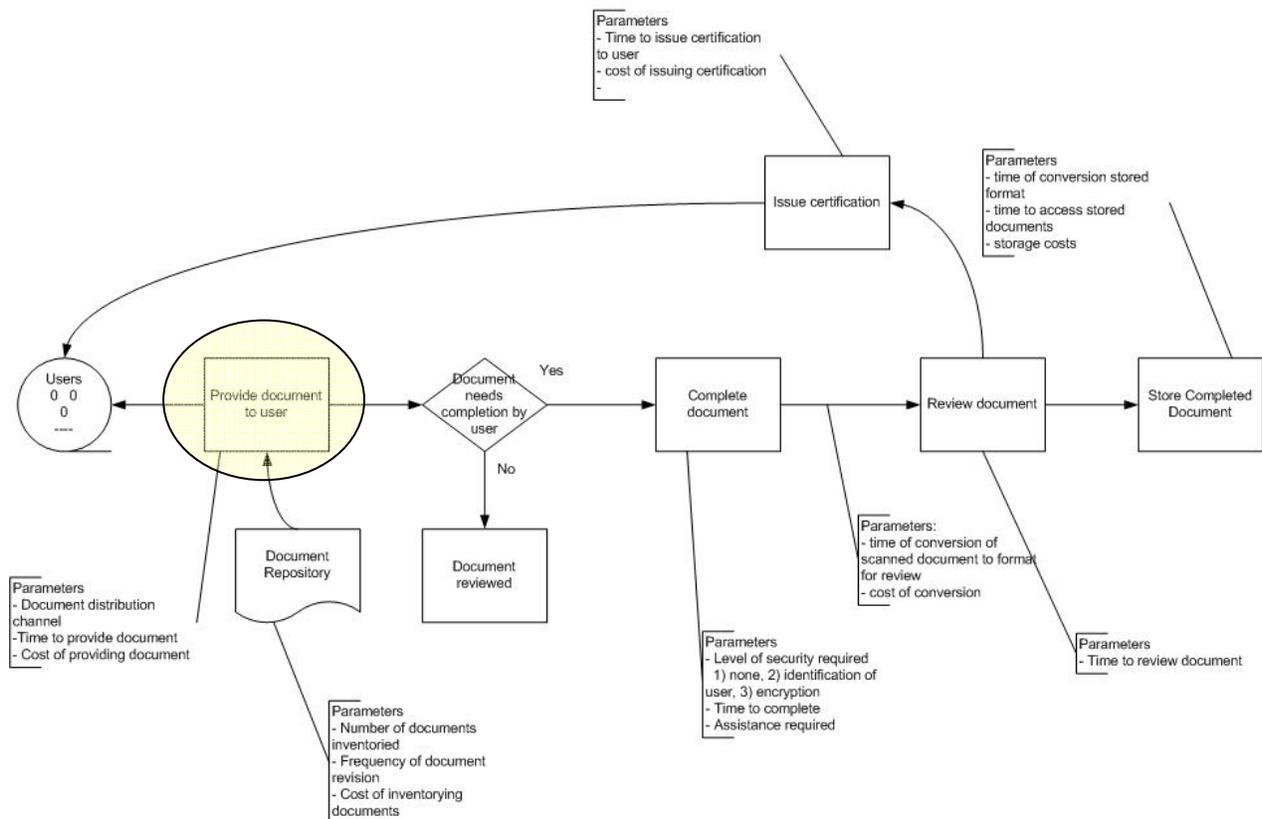
Transformation Roadmap

Appendix A: Summary of Project Business Cases

The implementation of ECM systems is under way, to varying degrees, across the State of Minnesota enterprise. These system implementations are long-term endeavors, with relatively higher investments required, both with respect to “buy-in” as well as real costs. In the short run, there are opportunities to leverage electronic form publishing systems, which have already been purchased, to effect short-term cost savings and other efficiencies.

The model below outlines steps in a generic document creation and management process, with the scope of this business case’s opportunity highlighted with the circle:

Generic Business model for document management



Efficiencies come not only from the lower cost of printing and distribution, but also from improved workflow related to electronic access for state staff.

Minnesota state agencies continue to explore and implement sophisticated document management systems, which respond to the long-term need for such solutions; this business case looks at a short-term leverage of existing technologies and the related cost savings.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Three Minnesota state agency e-forms implementations have been identified that demonstrate the cost reductions associated with such systems. They are:

- **The Department of Human Services (“DHS”)** has a system called the Electronic Document Repository—eDocs. This repository stores an electronic version of 1,129 forms and documents that DHS distributes. Many forms are available in multiple languages, and eDocs has proven to be an effective way to keep multiple language versions of forms up to date. The repository makes document administration and maintenance much more efficient. Because documents are not inventoried and most are distributed electronically, DHS calculated they saved \$1,000,000 in distribution and printing charges and avoided another \$500,000 in costs for FY04.
- **Department of Revenue (“DOR”)** automated collection of sales tax and withholding tax. In 2001, DOR began requiring businesses to submit withholding tax and sales tax electronically. DOR found that a large amount of savings was realized from the error checking section built into the new system. The error checking section notified taxpayers of errors at the time of filing. This allowed taxpayers to fix the error before submitting their return. As a result, DOR spent much less time adjusting errors in tax returns.
- **The Department of Labor and Industry (“DOLI”)** has a large investment in electronic document imaging. Beginning in 1995, all documents associated with workers’ compensation cases were imaged. Recently, DOLI expanded its system to allow for automated collection of “First Reports of Injury,” which is the first step in the workers’ compensation processing. At this time, 15% of the First Reports of Injury are collected via the automated system. An analysis of the cost per transaction of the automated vs. the manual system found that the automated system cost \$.98 per report and the manual system cost \$4.11.

All three of these examples were able to show significant cost savings in the second year of operations. A significant portion of the cost savings recognized by DHS and DOR comes from reduced printing and document distribution charges. However, there is also a significant reduction in costs from improved workflow and process transformation charges. DOR’s observation that much of their savings comes from automatic error checking proves how workflow analysis can have a major impact on document distribution. DHS has quantified cost savings associated with electronic forms, although assessment efforts continue.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

The chart below outlines the key quantitative impacts of the three electronic forms approaches:

	AGENCY		
	Human Services	Revenue	Labor and Industry
Description of electronic document processes	eDocs is an Electronic Repository of all DHS documents, including multiple translations of many.	Automated collection of withholding tax and sales tax	EDI First Reports of Injury, first step in the workers' compensation processing.
Past Situation	Documents and forms were stored in a central warehouse, distributed to numerous stocking locations within the 87 counties and 40,000 providers. Distribution was primarily manual.	Manual process	Manual processing of First Reports of Injury is still an option.
Past total cost of printing and document distribution	\$19,500,000	Withholding—\$350,000 Sales tax—\$450,000	\$180,000
Current Situation	eDocs form repository	Automated filing of tax	Automated entry using EDI for 15% of forms.
Start-up costs for e-doc mgmt.	\$400,000	\$575,000	\$8,000
Operating costs for e-doc mgmt.	\$300,000	\$400,000	\$4,000
Current total cost of printing and distribution	\$18,000,000	Withholding—\$100,000 Sales Tax—\$125,000	\$0
Net Benefits (annual savings)	\$1,200,000	\$175,000	\$14,000

Minnesota state government spent \$21,847,000 on printing last year and another \$43,535,000 on distribution costs (postage, mailing, and shipping services). These real costs can be impacted by accelerated development of electronic forms. In order to do so, an EFAPT should be created to assist state agencies with the steps required to migrate to e-forms.

The original impetus for this approach came from DHS, which proposed the expansion of their document repository to other agencies that handled large volumes of documents. This business case expands on this concept, and envisions inter-agency cooperation to share staff, technologies, and experiences. In order to best implement this change, a steering committee should be formed to develop standards and guidelines for electronic forms.

The EFAPT, with the guidance of the steering committee, will work with state agencies to identify electronic forms opportunities, and develop a prioritized list of forms that will result in the highest return on (time) investment. State agencies should also develop plans that will evaluate all electronic form systems and develop strategies for automating their development/management.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Revision of forms simplified	Electronic forms are easier to update because only the section that requires a change needs to be edited.	4	4	3
Support multiple language versions	The simplified revision benefits are especially relevant to forms that are required to be available in multiple languages.	5	5	5
Reduced storage space	Electronic forms greatly reduce the physical storage requirements for forms.	3	3	3
Expanded Web accessibility	Electronic forms can easily be placed on websites, increasing their access to users. Availability on the Web reduces printing and other distribution costs.	4	5	3

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Formation of Electronic Forms Acceleration Project Team and Steering Committee	2 months
2	Initial review of 20 agencies, electronic forms needs	+2 months
3	Develop and approve electronic forms standards and best practices	+3 months (concurrent with Stage 2)
4	Development of a prioritized list of electronic forms conversion projects (focus on highest rate of return)	+1 month
5	Implementation of high-priority conversion projects	+6 months
6	Develop plans for migration to electronic forms technologies for all agencies	+6 months
7	Implementation of "medium-priority" conversion projects	+6 months

Information Technology BTA (Wave One)

Project Business Case Summary: Leverage Telecom Network Investment (“VOIP/IPT”)

Item	Description
Business Case Name	Leverage Telecom Network Investment
High-Level Description	Accelerate the deployment of VOIP/IPT
Estimated Investment Required	\$12 million
Key Qualitative Benefits	<ul style="list-style-type: none"> • Improved ability to support other applications such as call centers. • Improved ability for agencies to manage moves, adds, and changes. • Voicemail more affordable and more availability to locations so increased use will improve customer service. • Additional features of IPT phones would/could improve worker productivity and customer service and make more data available under the Data Practices Act.
Net Annual Benefits (after stabilization)	\$3.5 million annually
Payback	3–5 years
7 Year NPV @ 5%	\$6,218,000
Project Duration	Three years

Description

Voice Over Internet Protocol (“VOIP”) and related telephone technology leverages the existing data networks to incorporate voice messaging services, replacing the redundant telephone network and hardware. This both reduces line costs and adds functionality that mimics the capabilities of custom key systems, private proprietary phone (“PBX”) systems, and the ubiquitous state digital Centrex service. Substantial savings can be realized in line charges, line management, maintenance, voicemail, and other advanced features, and in avoidance of long-distance charges for the most high-volume city-to-city connections. Additional benefits include greater ease of computer-telephony integration (“CTI”) of data for telephone-based customer service functions, including automatic call distribution (“ACD”) and interactive voice response (“IVR”) capabilities.

There is a substantial hardware investment required to replace existing analog and digital phones (where appropriate), and limits on rollout capability will require staging of a migration for many locations for up to three years. As can be seen from the detailed numbers, the full return on investment is not realized for approximately five years, but it is continuous thereafter.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Employee accessibility	VOIP/IPT will allow for a low-cost voicemail solution. This will allow agencies to consider voicemail for more employees. Also, the State would have one voicemail system allowing for improved communications and efficiencies.	2	2	Some savings for increased productivity
Customer service	VOIP/IPT will support newer technologies for call centers and other applications that run over VOIP/IPT technologies.	3	2	Some savings for increased productivity
Management	Improved ability for agency staff to manage changes in service.	3	2	Some cost reduction

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Develop RFP	Done
2	Award contract	Will be done before implementation
3	Contract complete	Will be done before implementation
4	Evaluate the best opportunities for conversion—agencies and locations for each phase of project	Could be done prior to funding availability. This would be a three-month effort
5	Implementation—Phase I convert 1/3 of Centrex stations to IPT (assumes investment dollars are available)	Complete 12 months from inception. Assumes funding beginning of FY06
6	Phase II convert 1/3 of Centrex stations to IPT	Complete 24 months from inception
7	Phase II convert 1/3 of Centrex stations to IPT	Complete 36 months from inception

Information Technology BTA (Wave One)

Project Business Case Summary: Consolidated Data Center

Item	Description
Business Case Name	Consolidated Data Center
High-Level Description	<ul style="list-style-type: none"> • Co-locate state agency data centers in the Saint Paul Metro area to improve security and reduce the long-term costs of operations • Long-term, consolidate data center operations into a shared services model
Estimated Investment Required	Scenario 1: Consolidate into Existing Data Centers— <i>Best Case</i> —\$5M; Scenario 2: Consolidate into Existing Data Centers— <i>Worst Case</i> —\$3.5M
Key Qualitative Benefits	<ul style="list-style-type: none"> • Improved security for state data centers • Improved system availability and performance • Reduced cost of adding/changing/upgrading applications and infrastructure • Increased support staff productivity • Increased scalability • Reduced risk of business disruption • Improved end-use service levels
Net Annual Benefits (after stabilization)	Scenario 1: Consolidate into existing data centers— <i>Best Case</i> —\$16.5 million; Scenario 2: Consolidate into existing data centers— <i>Worst Case</i> —\$6.5 million
Payback	Scenario 1: Consolidate into existing data centers— <i>Best Case</i> —After 2 years; Scenario 2: Consolidate into existing data centers— <i>Worst Case</i> —After 3 years
7 Year NPV @ 5%	Scenario 1: Consolidate into existing data centers— <i>Best Case</i> —\$50.9 million; Scenario 2: Consolidate into existing data centers— <i>Worst Case</i> —\$21 million
Project Duration	5 years

Description

The goal of the Consolidated Data Center project is to improve the effectiveness of state agency data center operations by improving security, reducing vulnerabilities, and reducing the long-term operational costs. Specifically, the goal of this case is to co-locate servers in the Saint Paul metro area into three or more existing centers with a view to consolidating servers and applications in the future.

As part of the Transformation Roadmap, agencies provided information about their current server rooms and data centers. According to the information provided by agencies:

- 62 state agencies operate data centers or server rooms
- Many of the servers are housed in locations that lack adequate physical security, backup power, fire suppression, and air conditioning.

SCENARIO 1. MOVE ALL ST. PAUL METRO-AREA DATA CENTERS (“DC”) TO ONE NEW DATA CENTER.

Move all DC locations in Saint Paul metro area to one new DC (or equivalent outsourced site).

SCENARIO 2. MOVE ALL ST. PAUL METRO-AREA DATA CENTERS TO 3–5 EXISTING DATA CENTERS.

Move all DC locations in Saint Paul metro area to three to five existing DCs.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

The first option involves consolidating virtually all Saint Paul-area data centers, including the current ITG data center, into one custom facility. The second option looks at consolidating into three to five existing departmental facilities with the capacity and connectivity to support additional servers and routers.

The latter proved to be the better of the two options. Key assumptions included: whether the projected space savings are achievable; the accuracy of the reported number of data center staff, the estimated number of staff needed in the To Be case; and whether the reduction of staff would lead to real cost savings. In order to address these differences, best- and worst-case scenarios were produced. The team felt that a more detailed study would be needed to verify the assumptions in all cases.

Even if this business case does not produce immediate savings, there are long-term benefits in consolidating if the migration is properly coordinated and done in the context of a broader strategic direction and new governance processes.

There are practical issues to be addressed in a comprehensive shared services center proposal, including capital budget needs, migration requirements, compliance with the Data Practices Act, and data center service level performance and cost agreements. These are not trivial, but with proper planning can be realized to the benefit of the State and its stakeholders.

Moving Forward

The first step in moving the data center consolidation business case forward is a detailed study of the costs and benefits of this proposal. This detailed study will require verifying data and assumptions presented in this case and gathering additional information beyond what has been gathered for the Transformation Roadmap. In addition to cost data, information needs to be collected and analyzed in a number of important areas:

- An inventory of existing servers, and the applications and databases the existing data centers support. It is likely that some currently supported applications will not perform acceptably on remote servers. Server hardware should be reviewed to see if it can be moved, or whether it should be replaced by new hardware at a new data center.
- More accurate details on current staffing of data centers.

Decisions need to be made relative to security concerns in a number of areas:

- Homeland Security concerns (e.g., away from a flight path or potential terrorist target)
- Disaster recovery and business continuity plans
- Level of physical security and environmental factors
- Limits on access as required by the Data Practices Act
- Another factor that needs to be studied as part of the detailed study is the own vs. lease vs. outsource question. Each of these options has advantages and disadvantages associated with it, including Data Practices Act implications. Before moving to implement any consolidated data center scenario, the State needs to consider these options and make appropriate choices.
- Funding. A project of this size may require capital bonding in order to move forward. Some options may not require bonding, but they still require legislative funding.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

The scenarios presented here look at costs across all state agencies. Operational costs, and the impacts these will have on agency budgets, need to be addressed as part of the detailed study.

A number of other initiatives in the Transformation Roadmap are proposing a shared-services model for programs. A consolidated data center would provide a platform to support these initiatives. Another Transformation Roadmap area of interest is information architecture. A more centralized architecture could change the look of any new data center by focusing on the most current server technology and shared infrastructure such as large storage area networks.

Implementation

Following the detailed rationalization study and a decision to move forward with one of the scenarios, a detailed implementation plan will be prepared.

For a number of reasons, actual migration to the consolidated data center(s) may take place over a period of years. Some applications, for example, may not perform adequately on a remote server and will need to be replaced. Some hardware may be too old to move; when it is replaced, the replacement equipment will be installed at the consolidated center.

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation and quality improvement.

Name	Description	Service Innovation	Quality Improvement
Security	Improved security for data centers and improved security for the data	3-5	5
Environmental factors	Adequate power and cooling for current and future needs	3-5	5
System availability	Increased availability of systems and support	2-5	3-5
Increased support staff productivity	Newer technology allows administrators to manage more servers	1	3
Disaster recovery	Many server locations and some data centers do not have backup or disaster recovery plans	3	5

Major Milestones Summary

SCENARIO 1: Consolidate into Existing Data Centers

ID	Milestone	Target Months from Inception
1	Data center rationalization study and plan	3 to 5 months
2	Data center improvement or outsourcing contract	6 months
3	Pilot move	1 month
4	Physical moves and testing	Three phases of 1.5 months each with 1 month in between each
5	Completion	~24 months to complete

Information Technology BTA (Wave One)

Project Business Case Summary: Enterprise Software Licensing

Item	Description
Business Case Name	Enterprise Software Licensing
High-Level Description	Develop Enterprise License Agreements (“ELA”) with vendors for high-volume software purchases across state agencies. Include local governments in ELA, increasing the volume of purchase to drive down the costs per seat.
Estimated Investment Required	<ul style="list-style-type: none"> • Two FTEs to manage and market ELA for the State and to local governments. • The increased initial cost of buying software through ELA from selected manufacturers.
Key Qualitative Benefits	<ul style="list-style-type: none"> • At-will software upgrades during duration of contract. • Training on software from vendor for limited number of technical support staff and e-learning training software installed on user desktops. • Technical support materials, website, and phone support. • Problem resolution support. • Home use discount prices for remote access. • Employee discounts on software for personal use.
Net Annual Benefits (after stabilization)	Estimated 5% to 8%
Payback	1 year
7 Year NPV @ 5%	\$2,930,000
Project Duration	8 months

Description

The State of Minnesota software purchasing practice allows each agency to purchase and maintain its own software contracts. Because of this practice, the State generally does not combine its purchasing power to procure high volumes of the same manufacturer’s software at a greater discount. Through the use of enterprise license agreements (ELAs), which would include software needs from all agencies, the State could reduce software costs, improve implementation and upgrades, and provide more consistent software support levels. The recommendation is to negotiate and implement enterprise agreements to ensure cost effectiveness in software acquisitions and increased upgrade and support benefits.

Enterprise License Agreements

An ELA is a software license contract that applies to and encompasses all or a combination of agencies. An ELA will include annual contract payments and software specifications, and it can include sub-agreements such as volume purchase and maintenance agreements.

ELA is a new trend in software agreements that provides government agencies with opportunities unavailable in the past. State ELAs allow large numbers of government agencies to use the same software product with one annual payment. Some states have already established forms of these agreements; however, ELAs vary depending upon the needs and size of the states’ information technology operations.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Reduce software costs	Software is acquired at a discounted price lower than each agency buying it at retail prices separately. At-will upgrades are included in the ELA.	3	3	5
Provide consistent software support	Established minimum and maximum levels of software support and provision on multichannel support resources	4	4	2
Improved software cost estimates	Cost of software will be known as a part of a proposed project before the State purchases	3	4	3
Lower total cost of ownership	Standardizing on software decreases software costs and improves workplace productivity	3	3	4
Reduce departmental resources being used for monitoring ELA	One enterprise team will be responsible for managing Enterprise License Agreements	3	4	4

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Assign agency responsibility and assemble procurement team	3 months
2	Conduct statewide assessment	2 months
3	Analyze expenditures and identify ELA opportunities	2 weeks
4	Pre-negotiate ELA	1 month
5	Decide which ELA to pursue	2 weeks
6	Complete final negotiations on ELA	1 month
7	Operationalize new ELA management and marketing process	Ongoing

Information Technology BTA (Wave One)

Project Business Case Summary: Shared Applications Development

Item	Description
Business Case Name	Shared Applications
High-Level Description	Migrate to shareable or enterprisewide applications for common use
Estimated Investment Required	\$264,000
Key Qualitative Benefits	<ul style="list-style-type: none"> • Reduced cost of development for common functions • Reduced overhead, training, and data sharing costs • Elimination of redundant or duplicative support functions • Develop modern, efficient applications of wide appeal and value
Net Annual Benefits (after stabilization)	Not calculated
Payback	Not calculated
5 year NPV @ 5%	Not calculated
Project Duration	Not calculated

Description

The goal of the Shared Applications integration area is to identify current and potential future software applications, primarily for internal use by state employees and business partners, in areas and functions which by their nature are either:

1. Generic in concept and application so as to provide value to users throughout the enterprise. Examples would be email, virus/spam protection, payroll, budgeting, accounting, scheduling, compliance with the Data Practices Act, and project reporting.
2. Fundamental to multiple operations and therefore able to provide the foundation upon which specialized extensions could be developed. Examples include registration, licensing, grants management, payment and document management, and case management.
3. Involve technical capabilities such as an employee Intranet portal, electronic data exchange portals, and other general facilities with distributed components.

The highest benefits will be derived with new applications that will support reengineered “back office” functions in multiple agencies or Centers of Excellence, to maximize the return on investment in a short timeframe. The next potential area would be with recently developed applications whose architecture supports new interfaces and has provision for multiple access channels, extensible logic, and common platforms. The least likely to provide significant return are legacy applications with obsolete or obsolescent technologies, limited capacity, highly specialized functions, or constrained access.

These applications will be most useful if developed in coordination with business process and organizational changes in supported functions, where the leverage enabled by technology is most widely available. In most cases, actual savings will only occur when the new technology replaces all instances of legacy applications, not merely adds new, but parallel, systems. This has the potential for significant stakeholder impacts, particularly on

Transformation Roadmap

Appendix A: Summary of Project Business Cases

customer-side applications supplanting traditional paper-based or personal-contact processes.

It is important in planning to recognize that these shared applications must deliver substantial existing value to all users; sub-optimization for the sake of economy of technology must be balanced against loss of needed business functionality. This is a risk that is avoidable with proper design.

The planning process addresses several problems that may emerge from a large-scale business transformation process: conflict over resources and challenges to agency capacity to make business process changes for multiple simultaneous shared application purposes. This process will also identify opportunities for sharing both technical and service skill sets across organizations during development and thereby facilitate the handoff to operations after implementation. Other potential decisions that may be enabled include organizational redesign around service area COEs, comprehensive service centers, and Web-enabled direct service. From the standpoint of human resource management, effective planning may allow more efficient deployment of staff with high-demand skills, and improvements in staff mastery of project management and development through broader experience with current tools and procedures associated with best practices in these areas.

The advantages here, given the design considerations identified above, are clear:

- Uniform interfaces and processes across agencies, including Data Practices compliance
- Potentially reduced total development time and overall cost of development for common functions
- Reduced costs of business support overhead, training, and data sharing
- Elimination of redundant or duplicative application hosting and support functions
- Ability to develop modern, efficient applications of wide appeal and value using contemporary architecture and design, and ultimately lower costs to modify and extend the useful life of these functions
- Uniform interface with customer-side, Web-enabled applications, with reduction in the cost and complexity of providing for the needs of non-English-speaking and disabled users
- Cost of data practices compliance is reduced

It must be understood that this is not a purely technological solution that can be grafted onto existing applications with the intended results. The process for identifying sharable functions, necessary extensions, and appropriate technologies must be based on comprehensive analysis of both the interfaces and the supported business processes, provision for migration of the functions and applications to the new environment, and planning for the agency-side impacts.

This common development environment involves coordination of development processes, support and maintenance, business continuation, and security measures for authentication and data privacy. It also can be tied effectively to facility and organizational planning, workforce transition and development, and customer service improvements beyond the immediate benefits to employee users.

As part of this process, the State should investigate best-practice approaches to these shared needs, and facilitate discussions at an enterprise level about:

Transformation Roadmap

Appendix A: Summary of Project Business Cases

- Acquisition strategies: purchased commercial off-the-shelf (“COTS”) software, in-house development, or a combination
- Hosting strategies: central management, distributed COE management, or outsourcing
- Development approaches: enterprise solutions such CRM and ERP systems vs. developing custom integrated solutions
- Funding mechanisms: direct appropriation, benefits-funded, or other creative funding

Qualitative Benefits

This is a planning process, and the deliverable is an analytical package and staging plan for shared applications. It is important to note that any cost reductions will be associated with the individual development projects selected, while operational savings will be related to individual agency business process implementation decisions. Benefits in this section are relative to current planning and decision processes. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Agency management	<ul style="list-style-type: none"> • A collaborative process for identifying and prioritizing major state development efforts • Effective, low cost Data Practices compliance • Ability to focus on agency-specific need and services 	3	4	n/a
Agency program or business process managers	<ul style="list-style-type: none"> • An enterprisewide plan to facilitate reengineering of common business processes in agencies • Ability to predict costs 	4	4	n/a
Users	<ul style="list-style-type: none"> • Common training, interfaces, and data definitions • Opportunities for expanded job responsibilities 	2	3	n/a
Developers	<ul style="list-style-type: none"> • Multiyear projections of costs and resource allocations for efficient development and staging 	3	4	2
Policymakers	<ul style="list-style-type: none"> • Multiyear development plan for financial and program decisions • Planned approach to service and program changes 	4	5	n/a
Enterprise IT	<ul style="list-style-type: none"> • Opportunity to achieve architectural integrity • Ability to schedule project oversight 	4	5	n/a

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Major Milestones Summary

ID	Milestones	Target Months from Inception
1	Develop planning process and team	.5 months
2	Identify target applications	1.5 months
3	Develop cases for action	3.5 months
4	Select projects	4 months
5	Develop development staging plan	4.5 months

Information Technology BTA (Wave One)

**Project Business Case Summary: Reengineer InterTechnologies—
 Utility/Shared Services**

Item	Description
Business Case Name	Project to reengineer InterTechnologies (InterTech or ITG)
High-Level Description	Implement a project to analyze and recommend changes in the InterTech organization and environment to obtain improved delivery of agreed to services at reduced costs
Estimated Investment Required	\$250,000
Key Qualitative Benefits	Focused organization providing shared services at the direction provided by agencies
Net Annual Benefits (after stabilization)	\$2 million
Payback	1 year
7 Year NPV @ 5%	\$9,430,000
Project Duration	8 weeks

Description

InterTechnologies Group (“ITG”) of the Department of Administration is an example in state government information technology of an enterprise shared services center—in this case, a center for mainframe computing and telecommunications services. There is much that is done very well by this group. However, there are also areas that can be improved, and there are responsibilities and activities that should be removed from the organization and placed in a more appropriate place.

This business case assesses opportunities to improve the cost effectiveness and business alignment of ITG. Goals for the reorganization of ITG, and enterprise IT management and service delivery in general, include:

- A clear separation between strategy development and service operation
- Strategy development directed to support enterprise objectives
- Service development and management activities that aggressively incorporate a strong external partnership orientation

Background on ITG costs

ITG is the State’s largest Information Technology (IT) cost center. The \$79 million annual spend at ITG² is approximately 35% of the reported \$220 million annual IT spend (as reported by the Transformation Roadmap technical survey).

ITG creates an annual budget based on the expenses considered necessary in each of the organization’s cost centers. ITG then determines estimates for the volume of “service units” that will be consumed by agencies in this cost center area. For example, the ITG cost center

² The \$79 million annual spend is per budget documents for FY05; \$35 million is for computing, \$36 million for Telecom, \$3 million is for risk services, and \$5 million is for “emerging businesses” (includes Contact Center MN, North Star, Enterprise Strategic Planning, and others).

Transformation Roadmap

Appendix A: Summary of Project Business Cases

supporting mainframe disk space will determine all of the staff and other costs necessary to manage and support disk space and will then estimate the agency consumption of those disk space resources. The estimated costs are divided by the estimated agency service units consumed to produce the per service unit rate. These proposed rates are then reviewed and approved by the Department of Finance.

Agency expenses for ITG services are based on the rates per unit of service and the quantity of service units received from ITG. If the rates are set too high, or the quantity of service units consumed are greater than predicted, excess funds accumulate at ITG. Likewise, if rates are too low, or consumption is lower than expected, a deficit in this revolving fund would be created.

ITG takes a conservative approach to forecasting. The goal is to make sure that the rates and volumes adequately cover all the expenses for the year so that rates do not have to be raised and operations do not need to be reduced in mid-year. In recent years, this conservative approach to forecasts has resulted in excess funds at ITG. Over the last three fiscal years, ITG's budget has exceeded actual expenses by \$5 million twice and \$7 million once. (a portion of this excess was returned to agencies as rebates in the following fiscal year).

Summary Recommendations

While most of state government considers ITG to be primarily a service-oriented data center, their scope of operations also includes policymaking, research, regulation, procurement and other roles, and their rates subsidize a variety of activities, some of which are not related to their service role.

Agencies have identified a desire to maintain ITG as a center of excellence for its services, but to refine or clarify ITG's other roles to reduce conflicts and confusion.

For agencies using ITG's services, it is likely that savings could be obtained through:

- More aggressive cost-containment strategies at ITG
- Limiting the use of ITG funds to agreed to functions and activities

This business case proposes that a project be initiated to explore these potential and additional areas that may result in savings. The following is a list of general areas that will likely lead to additional savings:

1. Limit ITG rate-funded spending
2. Monitor and manage consumption and services provided
3. Move some applications off the mainframe
4. Improve administrative and support efficiency
5. Create an ITG Governing Council
6. Investigate and create competition for ITG services
7. Sell excess ITG capacity

Detailed Recommendations

1. Limit ITG rate funded spending

- a) ITG revenues exceed budget when rates (based on estimates) are set too high or when volume is higher than expected. During the year, these “excess” funds may be spent at the discretion of ITG. After the end of the year, any remaining funds are provided as rebates to agencies in proportion to their usage of the services.

There is concern within agencies that some of ITG’s expenditures do not align with or directly support the services for which the funds were provided. Of particular concern to agencies is their accountability for the use of dedicated funding that they ‘pass through’ to ITG. Organizations providing these funds (such as the Federal Government) audit usage, sometimes several years after the fact. There have been instances in which funding organizations have objected to the ultimate use of funds they provided, and have been reimbursed.

- b) Agency requirements should be driving the need for investments at ITG and the usage of ITG funds raised from agency budgets. In the past, ITG has sought to create new markets and new opportunities, such as Linux on mainframe. These new opportunities have not always been driven by broad agency demand or need, but by expectation that agencies would find uses for the new offerings. R&D efforts should be driven at the enterprise level by the enterprise strategic group (Office of Technology currently) and be funded at that location. New service offerings should result from agency-driven needs. R&D expenditures should be directed by agency requirements (see Governing Council recommendation below) or from the enterprise strategic group. The Governing Council should direct ITG’s creation of a disciplined process for developing new services.

Analysis of the last three years of spending indicates that ITG has spent at least \$2 million a year conducting R&D and developing new services. Eliminating these activities from the ITG budget would create cash savings of at least \$2 million a year, and has no implementation costs to the State.

2. Monitor and manage consumption and services provided

ITG does an outstanding job of monitoring resource consumption. Forecasts for growth and preparations for upgrades to the ITG environment are excellent. However, there is opportunity for cost savings in the area of *management* of consumption, by both agencies and ITG. There are no financial incentives for ITG to control or manage resource consumption. Higher volumes of consumption result in greater revenue to the organization.

Management of consumption of ITG services could be improved by creating a closer partnership with agencies, and joint ownership of expenses at ITG. Agencies focus on providing improved systems for their business partners. Periodically, ITG charges increase enough to impact agency budgets. Agencies then create “efficiency” projects to control ITG charges. ITG staff often participate in these efforts. These projects have included such activities as investigating high-cost programs to make them more efficient; eliminating unnecessary disk and tape usage; and “cleaning up” ITG invoices for incorrectly billed services.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

ITG should play a more active role at controlling agency costs at ITG. A partnership environment that promotes ITG and agency efforts to drive computing costs to lower levels should be created. Agency examples of consumption management were reviewed in this exercise. Commonly, two to five percent savings were achieved when agencies made a focused effort to reduce costs.

Several ITG staff should be redeployed to form an “efficiency expert team.” This team should take an active and ongoing role in managing costs of ITG mainframe services and in partnering with agencies to create more efficient agency applications in the ITG environment. This management will result in some immediate savings, but most of the savings will be a result of a significant slow down in the need to purchase additional hardware and software in the future.

In addition, ITG many times finds that it must maintain obsolete services and technologies for agencies. ITG does not have the proper levers to drive agencies to abandon high-cost, low-use technologies. The Governing Council should address this issue. Elimination of these obsolete technologies from the ITG environment will result in savings.

3. Move some applications off the mainframe

The mainframe environment is a sound computing environment. It provides scalability, security, and reliability. It is also an expensive computing environment. Over the last few years, many organizations have found that Unix and Windows processing environments can provide suitable scalability, security, and reliability. Agencies should investigate the most appropriate computing environment for their application needs in light of the need to drive IT costs down. It would be useful to the enterprise needs and costs if ITG was an active participant in working with agencies to find the most efficient and effective computing platforms.

The Departments of Employee Relations and Finance are investigating a platform change for SEMA4, moving from the ITG mainframe environment to either Unix or Windows. Research has shown there are several organizations that have completed similar migrations or are in process, such as the State of Indiana and Xcel Energy. Return on Investment (“ROI”) will depend on the current efficiency level of the mainframe environment and the complexity of the migration effort. Many times, as is estimated for SEMA4, significant project effort and upfront capital expenditures are needed. Initial ROI estimates for a SEMA4 platform change range from three to five years, depending on assumptions (mainframe rate projections) and include an estimated \$2 million per year savings compared to the projected mainframe costs.

There are applications that could be moved from the ITG mainframe environment for savings. To determine precise costs and savings will require detailed total cost of ownership analysis by agencies and ITG. Most of these types of projects are likely one to three years in length. The enterprise will see the savings through reduced expansion of the ITG mainframe environment and reduction in ITG costs, as future hardware and software leases and purchases can be delayed or avoided.

4. Improve administrative and support efficiency

It is likely that the ITG organization has not been streamlined to the extent that most other agencies have over the last few years. The budget reductions that other agencies have undergone have resulted in flatter and leaner organizations. An analysis

Transformation Roadmap

Appendix A: Summary of Project Business Cases

of ITG's organization chart suggests that there are opportunities to do the same there. For example, the total FTE for ITG has remained relatively flat (310 in FY02, 313 in FY03, 292 in FY04) while most administrative agencies have seen sharp declines in staffing over this time period. It is recommended that the current 10 vacant positions at ITG be left unfilled (current staffing level is 282). This reduction of staff positions from the original budgeted number of 292 will provide additional savings to ITG customers.

ITG and agencies should review the ITG organizational structure to determine where low-value costs are occurring. Those costs should be eliminated and staff redeployed to higher value opportunities. Overhead, support, and administrative functions that are not appropriately paid by the ITG budget should be identified and removed. Efforts to streamline ITG in ways that other agencies have done in the last few years should result in savings.

5. Create an ITG Governing Council

The value to agencies and the direction and cost effectiveness of ITG could be improved with the direct involvement of agency CIOs in the planning and decisions of ITG. A formal Governing Council working in close partnership and collaboration with ITG management is recommended. This Council should be composed of CIOs from the top 12 agency consumers of ITG computing services, along with the state CIO and the director of ITG, with an agency board member serving as chairperson (chair position to be rotated every two years). A charter should be developed to establish responsibilities and expectations. The board should meet regularly with ITG management. Meetings should be frequent enough to ensure spending decisions and planning directions can be affected. Among the duties of this Governing Council will be the responsibility to review ITG operations costs on an ongoing basis in order to ensure spending is appropriately aligned with agency directions. This should be done throughout the year in order to have an impact on spending decisions. This oversight would be in addition to the annual "rate approval" process.

There is strong support for the formation of a Governing Council, both within agencies and ITG.

Creation of a Governing Council should be the first step in accomplishing the objectives of this business case.

6. Investigate and create competition for ITG services

Various studies have been conducted at ITG's direction by the Gartner Group (Gartner Group is an IT research and consulting organization) to determine the efficiency of the ITG environment. These studies ranked ITG performance as high, but also indicated that there is room for improvement. In some areas, there are peers that are performing certain functions more efficiently than ITG. Gartner's most recent study (issued in 2002) indicated that ITG may have over-capacity:

- InterTech processor utilization level is below the average of all three peers (reflects the installation of an additional 239 MIPS).
- DASD utilization levels are also below the average utilization observed in the peer groups.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Below average utilization levels suggest that there may be an opportunity to rationalize capacity. This area deserves exploration.

7. Sell excess ITG capacity

Even after rationalizing the ITG environment, excess capacity will continue to occur at night and during weekends. The mainframe environment is sized to perform well during normal working hours when online usage is at the highest. The mainframes are underutilized during non prime time hours. It is recommended that ITG try to sell this off-hour capacity to other public entities and to the private sector. There may be opportunities to sell capacity to organizations that are 12 hours from the Central time zone.

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Focus on mission	Limit ITG spending to projects focused on meeting the mission of the shared services center and the agency requirements	3	4	5
Shared cost concerns	Monitor and manage consumption—and become partners with managing the rising budgets to run applications on the mainframes	3	3	4
Right platform	Find the most cost-effective hardware/software platform for agency applications while still providing required scalability, security, availability, etc.	2	2	4
Leaner organization	Improve administrative and support efficiency of ITG. Other state agencies have become flatter and leaner over the last few years.	1	1	3
Involve agencies	Create an ITG Governing Council.	4	5	3

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Analyze and recommend changes in InterTech environment, organization, and agency involvement	8 weeks

Licensing, Regulation & Compliance BTA (Wave One)

One million business and professional licensing transactions are handled each year by more than 40 agencies and 800 state employees, using 60+ licensing systems. For the State, the current system minimizes the sharing of data and maximizes redundant systems development and maintenance costs. It requires citizens and businesses to understand and pursue individual agency processes for multiple licenses and permits. Improving convenience, accessibility, and consistency will deliver better service, and make it easier to do business in and with the State.

Project Business Case Summary: The Drive to a “Licensing One-Stop Shop”

Item	Description
Business Case Name	Licensing—the Drive to a One-Stop Shop
High-Level Description	<ul style="list-style-type: none"> • Licensing operations are performed by 40+ state entities. There are over 500 kinds of licenses and over 10 million licensing transactions annually. 800+ FTEs and 60+ licensing systems support this activity. • Minnesota communities, businesses, and individuals are required to obtain and renew many types of licenses from a number of state entities. Consumers are frequently frustrated in this endeavor and voice their dissatisfaction with the complexity of the licensing process, the ambiguity of licensing criteria, the difficulty in determining required licenses and where to get them, the lack of electronic processing, and lengthy time to issue. • As a result of the significant resources consumed in licensing, as well as the numerous points of contact with constituents, this area presents a major opportunity to innovate, realize improved customer satisfaction, and drive efficiency in the processing and management of the licensing function. • The proposed solution is a phased approach that begins with a statewide licensing portal to focus customer navigation and ends with considerable consolidation of licensing processes, technology, and support. Along the way, all licensing activities and technology are examined, rationalized, and reengineered, where necessary, to optimize both efficiency and effectiveness. • Scope includes all licensing, permitting, and accreditation functions performed by executive branch agencies. Because a large segment of personal/recreational licensing activity has already been e-enabled, this conservative business case includes only the results for business and occupational/professional licensing. Post-licensing compliance activities are out of scope. • Some concurrent licensing initiatives, in various stages of progress, will continue to advance because of emergency deficiencies inherent in existing licensing systems. This proposal suggests implementing a moratorium on all other new licensing projects and investments.
Estimated Investment Required	\$16.3 million
Key Qualitative Benefits	Increased customer satisfaction with improved, efficient, and effective licensing operations that maintain a high level of public safety across the enterprise.
Net Annual Benefits (after stabilization)	\$12.9 million
Payback	1 year
7 Year NPV @ 5%	\$50.4 million
Project Duration	Through FY 2011

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Description

State of Minnesota licensing and permitting activities are regulated to ensure public safety and provide customer service to citizens and businesses. Licensing operations consisting of more than 500 license types are supported by over 800 FTEs in 40+ state agencies and boards, using 60+ independent licensing systems. The annual volume of licenses generated includes over 10 million personal/recreational licenses, almost 800,000 occupational/professional licenses, and 300,000 business/commercial licenses.

In 2004, only 18 percent of licensing transactions are conducted online, while 85 percent of citizens surveyed indicated a preference for online license applications and renewals. This one-stop solution, envisioned as a “virtual storefront,” would make it easier for individuals and businesses to conduct their operations by reducing the search and submission components of the license issue process. This Web offering would lead to significant shifts in channel selection for service: the targeted online transaction rate is 90 percent for personal and occupational licenses and 70 percent for business licenses. Moreover, representative cost savings from similar efforts indicate that the total cost of operations to the State would be lowered by about 31 percent.

The goal of the Licensing One Stop Shop is to design the “look and feel,” business processes, delivery mechanisms, and organizational/physical consolidation for a statewide licensing system. This project would create a single point of entry on the North Star portal for businesses and citizens to acquire all licenses and permits in a simple, easy-to-use process. By simplifying licensing and providing a central point of collection for data and fees, the Licensing One-Stop Shop will help individuals and business owners comply with state government requirements in one easy process. Similar initiatives have shown an increase in compliance after reengineering.

The magnitude of the project suggests that successful implementation requires a phased approach. The original plan was to minimize intrusiveness on agencies and boards during initial phases, while providing opportunities to study business processes, uncover commonalities, and examine the distribution of license types among issuing authorities. However, as this case developed, both business rationalization and business process reengineering were moved to Phase 0 at the beginning of the project. The acceleration of these processes increases the level of agency intrusiveness but provides great potential for long-term customer benefits and cost savings.

The solution would be supported by reusable e-components, a tool kit of best practices for managing the licensing function, and an approach to align this innovation with other Drive to Excellence initiatives. The Licensing One-Stop Shop could also present an opportunity to be an example of stakeholder-centered, single face of government through increased service, efficiency, and results.

In order to allocate development resources to the implementation of the Licensing One-Stop Shop, a moratorium must be imposed on all licensing initiatives outside the scope of this project. However, some concurrent efforts now in progress to alleviate emergency situations in the licensing operations of some boards and agencies will continue. Work plans will be modified, if necessary, to align with the broader Licensing One-Stop Shop project.

A related sub-team worked on the development of a business case on examinations conducted in connection with licensing requirements. This issue has been debated in state government for a number of years, and most agencies have either eliminated or greatly

Transformation Roadmap

Appendix A: Summary of Project Business Cases

reduced direct involvement in the examination process by contracting out examination responsibilities to third parties. There is almost universal consensus that third-party examination services, rather than state agencies, can provide effective testing in a secure environment and deliver fast, valid results at no additional cost to the State. The examinations business case is not included in the results presented herein.

The shape of this business case was guided by the following principles:

- Large up-front customer benefit (ease of use, saves time, 7X24 access)
- Focus is on the business process of licensing
- Moving from generally manual “high touch” processes to an e-enabled and highly automated licensing model
- Common front-end—“no wrong door” for licensing, requirements, and navigation rules
- Common data model for majority of data—“capture once, use many”
- Common transaction infrastructure for payment through fulfillment and issuance
- Solution can be phased in: quick hits through heavy organizational/statutory implications and impact
- Process reengineering is necessary to drive sustainable efficiency improvements

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Phase 0	<ul style="list-style-type: none"> • Portal enhancements (including logic and workflow) • Risk-based license rationalization • Common business process 	4	4	5
Phase 1	<ul style="list-style-type: none"> • Common input/data/payment/ fulfillment 	5	5	4
Phase 2	<ul style="list-style-type: none"> • Common technology platform 	3	4	3
Phase 3 (optional)	<ul style="list-style-type: none"> • Organizational/physical consolidation 	2	2	2

Transformation Roadmap
Appendix A: Summary of Project Business Cases

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Phase 0: Foundation <ul style="list-style-type: none"> • Technology assessment • Business process assessment • Logic/navigation/workflow development • Portal development • License rationalization and risk-based analysis • Common business process 	24 months
2	Phase 1: E-enablement <ul style="list-style-type: none"> • e-Form enabled • Common database • Common payment • Common fulfillment 	30 months
3	Phase 2: Common Technology <ul style="list-style-type: none"> • Common technology platform 	42 months
4	Phase 3: Organization Options <ul style="list-style-type: none"> • Organizational/physical consolidation 	Not Included: 42+ months

Licensing, Regulation & Compliance BTA (Wave One)

Project Business Case Summary: Single Source State Building Construction Regulation

Item	Description
Business Case Name	Single Source State Building Construction Regulation
High-Level Description	Consolidate construction regulation from five agencies into one
Estimated Investment Required	\$3.2 million
Key Qualitative Benefits	Better, more efficient service; quicker resolution of problems in a single, more transparent operation
Net Annual Benefits (after stabilization)	\$1.7 million
Payback	49 months
7 Year NPV @ 5%	\$2.7 million
Project Duration	2.5 years

Description

Design professionals, contractors, and other members of the construction industry would more efficiently and more cost-effectively interface with a single source for applicable state regulation. State regulation of the construction industry, which accounts for approximately 20 percent of the Minnesota economy, would be more efficient, effective, and less costly if the regulatory agencies with related and/or overlapping jurisdiction consolidated similar processes.

There should be one coordinator and one reviser to schedule and coordinate rule adoption. Technical staff from each section could focus on their respective role and not have to become part-time rules coordinators every couple of years. Staff time would be more efficiently used, and re-coordination of related code would not occur in response to multiple revisers.

One location to schedule, arrange, coordinate, and develop educational presentations would take fewer staff and allow them to be more efficient. There would then be a single source for people in the construction industry to check for code-related educational offerings from the State.

Many of the functions of these groups are similar, i.e., permits, inspections, occupancy/operating certificates, and recordkeeping for these activities. Shared software could be more cost-effective for both purchasing and support.

Depending on the number of people physically moved as part of consolidation, the number of managers, business management support staff, and supervisors could possibly be redeployed. Management structures for each agency could be reduced to a single structure. Groups with similar functions could be combined under a single supervisor. Mailing, copying, filing, and other support functions could be accomplished with fewer people in one location. Relationships with outside vendors and the Office of the Attorney General would be simplified.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Shared conference rooms, work rooms, generic stations for employees located outside the office, and libraries would lead to reduced overhead costs. Interagency coordination would be simplified, which would save staff time, as well as provide better service.

Building codes, elevators, plumbing, electrical, boilers, high-pressure piping, and fire all have people working in multiple regions of the State. Consolidation into regional service centers where possible would save the cost of equipment and services.

Consolidation of licensing processes would reduce existing staffing or staff time expenditures and/or contracts from all agencies. Current licenses include building official certifications, manufactured structures dealer licenses, mechanical contractor bonds, boiler licenses, high-pressure piping licenses, fire sprinkler contractor's license, sprinkler-fitter's license, electrician's license, and plumber's license.

Qualitative Benefits

Benefits provided to the construction industry include the following:

- A single source of access to state construction regulations for needed information, such as training and compliance issues.
- Fewer inconsistencies, so that a contractor complying with one rule is not in violation of another, thus saving time and money and reducing confusion.
- Consistent, coordinated interpretation of codes so that local officials and contractors do not receive conflicting messages.
- Quick elimination of job delays and stoppages due to jurisdictional disputes; it would no longer take days or weeks for final resolution.
- A single location for required permits and plan reviews, rather than multiple diverse locations.
- Simpler coordination of state inspections.
- A more obvious relationship between the fees in relation to services, and therefore higher degrees of accountability between the industry and the legislature.
- An attitude of helping the construction industry to be in compliance, rather than focusing on punitive efforts.

Each of these benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
User access	Single location, phone, fax, training, meeting	5	4	2
Coordinated rule adoption	Reduces problem-causing inconsistencies	4	3	2
Consistent interpretation	Single source for consistent coordinated interpretations	5	5	3
Conflict resolution	Immediate resolution of jurisdictional issues	5	5	3
One location for submittals	Single submittal location for required state plans, reviews, permits, etc.	5	5	2

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Coordinated inspections	One source to coordinate state inspections	5	3	3
Consistent attitude	Striving to achieve compliance, not do enforcement	5	5	2
Transparency & accountability	A more obvious relationship between fees and services	4	4	2

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Executive management directive issued	0 months
2	Vendor selected*	2 months
3	First lease renewal decision	5 months
4	Research completed	8 months
5	Executive order on consolidation	9 months
7	Legislative approval for fee change*	26 months
6	Technical development completed and staff trained*	24 months
8	Physical move completed	29 months
9	Move to consolidated agency governance	29 months

*The ability to accelerate the RFP process for both the initial research and the technical development, coupled with early completion of legislative approval, could reduce the time to implementation by seven months or more.

Licensing, Regulation & Compliance BTA (Wave One)

Project Business Case Summary: Third-Party Examinations

Item	Description
Business Case Name	Third-Party Examinations
High-Level Description	Contract with vendors to administer all written exams currently being administered by all state agencies and boards where there is not already a third-party vendor involved
Estimated Investment Required	\$63,000 (one-time)
Key Qualitative Benefits	<ul style="list-style-type: none"> • Accessibility—On-demand availability of exams throughout the State • e-Enablement—Ability to register and pay online • Results—Immediate availability and e-transfer of results to One-Stop Licensing • Customer satisfaction—Improved satisfaction due to flexibility in scheduling and results availability
Net Annual Benefits (after stabilization)	Ongoing cost at full rollout of \$175,000 in current dollars
Payback	NA
7 Year NPV @ 5%	<\$.6 million>
Project Duration	Coordinated effort with the One-Stop Licensing project

Description

The goal of the Third-Party Exam project is to provide an opportunity for agencies and boards to expand the e-enablement of their licensing exam processes while providing customers with more flexible exam scheduling and near instantaneous access to results.

The business processes impacted by this initiative are:

- Exam application
- Exam scheduling
- Payments
- Exam administration
- Exam scoring and result reporting

Third-Party Exam Project will provide agencies and boards with a framework within which they can use the One-Stop Licensing site to link with third-party testing vendors for all phases of the license exam administration. Working from a pre-approved exam vendor list, agencies and boards would be able to expeditiously integrate third-party testers into their overall Web-based license services. Vendors would be qualified and specifications would be built that allow chosen vendors to quickly work with agencies and boards to integrate into and through the Licensing One-Stop Shop to provide exam services to license applicants.

From a program perspective, the solution will initially focus on agencies and boards that desire to migrate their agency/board administered license exams toward a fully e-enabled environment with third-party test administration. Ultimately, it will allow agencies and boards that are currently using third-parties to migrate their vendors more fully to the One-

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Stop Shop with the vision that the exam process will be fully e-enabled before the beginning of the next decade.

The intent is to develop an integrated solution that can be used to manage the full exam administration process with third parties, but that the solution will allow for agencies/boards to continue to manage their exams on their own should business reasons so dictate.

The State may find additional value added should it be possible to combine RFPs among agencies and use combined bargaining power to hold exam fees down.

Qualitative Benefits

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Accessibility	On-demand availability of exams throughout the State	3	4	1
e-Enablement	Ability to register and pay online	3	4	1
Results	Immediate availability and e-transfer of results to One-Stop Shop	3	4	1
Customer satisfaction	Improved satisfaction due to flexibility in scheduling and results availability	3	4	NA

Major Milestones Summary

ID	Milestones	Target Months from Inception July 06
1	Issue RFQ to identify qualified vendors	2 months
2	Choose vendors to go on approved list	3 months
3	Agency/board issues RFP—Separately or in occupation sector clusters	6 months
4	Test implementation in conjunction with vendor	12 months
5	E-Ribbon cutting	15 months

Customer Service Innovation BTA (Wave One)

In one year, the executive branch processes more than 90 million transactions spread out over 72 agencies through a variety of “channels”—mail, phone, over the counter, Web, fax, etc. Without a consistent way to handle those transactions and without shared data, the State cannot deliver customer-centric information and service. Five different business cases look at how the State can improve its customer service, through improved quality and increased innovation. Three of the projects are recommended for earlier implementation: Enterprise Web Portal; Uniform Business Identifier; Internet Payment Options.

Project Business Case Summary: Enterprise Web Portal

Item	Description
Business Case Name	Enterprise Web
High-Level Description	<ul style="list-style-type: none"> • Online information and services via an enterprise Web through a portal that presents a single face of state government • Seamless, efficient, and secure access to State of Minnesota information and services online • Universal point of access to government information and services • Additionally, the enterprise portal will support state agencies, state call center, information kiosks, and other channels customers use to access government services and information
Estimated Investment Required	>\$2 million
Key Qualitative Benefits	<p>Customer Satisfaction</p> <ul style="list-style-type: none"> • Consistent, comprehensive, and consolidated information • E-enabled citizens will be able to perform selected transactions with government for themselves online <p>Accessibility</p> <ul style="list-style-type: none"> • Easy, seamless access for citizens regardless of which state agency provides the data or service
Net Annual Benefits (after stabilization)	Not calculated
Payback	Not calculated
7 Year NPV @ 5%	Not calculated
Project Duration	~2 year start-up

Description

An enterprise Web portal will foster innovative delivery of online services via an integrated enterprise Web and Web portal that presents a single face of state government—which means it will be easier for citizens and businesses to access and use the State’s information, products, and services.

Building on the enterprise portal, state agencies can begin to move more transactional services online. The portal will also be used by the offices of the agencies, the common call center, information kiosks, or any other channels customers use to access government services and information. All these access points should provide consistent, comprehensive, and consolidated information.

Governance

There are three basic models for the administration of an enterprise Web portal—decentralized, centralized, customer-centric. Minnesota’s current state is best described as decentralized, with 574 state-managed sites and only 14 on the North Star portal. Each state entity that has a Web presence implements its own strategy and manages its own Web infrastructure and initiatives. Web efforts are funded out of the entities’ operating budgets. This approach can be very responsive to the specific business units’ needs, and solutions can be very appropriate to the business. The specific business also has great control over priority setting and costs. However, this approach leads to redundant costs and the application of various architectural solutions. It is difficult under this model to make the most of knowledge transfer and best practice sharing. Clients can also find navigating from one program website to another relatively difficult.

In a centralized model, a single agency would coordinate Internet initiatives for the entire enterprise. Funding for the implementation and management of the enterprise’s Web presence is shifted to the central agency. Priorities are decided centrally from an enterprise perspective. There are great economies of scale to be had under this model. From the central agency, it is easier to control security and set uniform standards. However, this model takes a longer time to establish and the specific business units will most likely perceive that their constituents’ needs are not as well met through centralized decisionmaking.

The customer-centric model of governance is a hybrid of the other two models. There is an enterprise portal, but it does not host all the enterprise’s websites and applications. Based on agreed-upon uniform standards and common architecture, the enterprise portal links with and searches all sites maintained by individual businesses within the enterprise, creating a virtual solitary Web presence. There are dedicated Web funds and resources at both the central and business levels. This approach can achieve the level of integrity and security of the centralized model, as well as the responsiveness to the specific needs of the businesses. Web solutions are closely aligned with the individual businesses. This approach is much faster to implement. However, the cost includes continued redundancies, though not as high as in the decentralized model. There is also the high cost of communication of the enterprisewide, agreed-upon standards, which are evolving.

There are various approaches to blending the attributes of the three models. The Washington State portal “Access Washington” is an example of a different approach. The Washington portal’s governance and operating structure most closely resembles the hybrid model, but employs an outsourced search engine and outsourced, 24/7 customer online support for the enterprise as a whole. Virginia has a centralized model, which is both outsourced and self-funding.

Characteristics	Centralized	Decentralized	Hybrid
Authority	Single agency	Business units	<ul style="list-style-type: none"> • Business units for portal management • Enterprise work group sets technical standards
Accountability	Aligned with enterprise strategy	Aligned with business units	<ul style="list-style-type: none"> • Enterprise strategy implemented through standards/Applications solutions appropriate to specific business

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Characteristics	Centralized	Decentralized	Hybrid
Implementation time	Lengthy	Current state	<ul style="list-style-type: none"> • Quicker
Funding	Dedicated staff and resources at single agency only	Dedicated staff and resources at single agency and business units	<ul style="list-style-type: none"> • Dedicated staff and resources at single agency and business units
Customer focus	Enterprise focus	Business unit focus	<ul style="list-style-type: none"> • Customer centric

Accessibility

The biggest factor to determine the volume of usage of a government's website is the customer's perception of whether services are accessible. This assumption has driven leading governments to design and implement portals that are navigable by "user intentions" or "life events," instead of by organizational hierarchies. For example, the Washington State portal offers choices that include specific activities such as obtaining licenses, permits, and vital records, looking for a job, and looking for an employee. It does not necessitate navigation through departments (which are responsible for those and other programs) in order to find services or information.

State government must develop enterprisewide thinking that leads to easy, seamless access for citizens regardless of where data resides. Traditionally, government has not been organized for ease of access to programs and services. Instead, government programs are organized around funding and governance streams, which establish accountability. Through technologies that are used to power the leading Web presences, Minnesota can seamlessly bring together different government agencies and integrate services so that, from the customer's perspective, they are organized around the individual needs of the citizen.

Minnesota constituents using the enterprise Web portal will not have to know how the technology works. They will not have to know how the government works. All they will have to know is what information they want. And they will be able to access it anytime. If a constituent wants information about registering an automobile, for example, s/he will no longer have to wait in line in a specific office that is only open between 8 a.m. and 5 p.m. S/he will have the option of going online anytime.

Usability

Usability of an enterprise portal is key to its success. Usability is a measure of how well a website supports users in completing the tasks they wish to perform. The emphasis here is on the user's wishes. There are numerous studies of usability and various sets of benchmark criteria and guidelines. The following list is typical and informative:

- Browsing and searching
- Presentation and visual integrity
- Structure and hierarchy of information
- Navigation and efficiency of use
- Content
- Labeling and terminology
- Interaction and engagement (the extent to which the user is absorbed in the task rather than the website or the technology)

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Usability studies usually involve studying target audience members as they complete several tasks at a website. But usability goes beyond such metrics as clicks to complete task and common terminology. Studies that use website authors as participants and author-developed review criteria are obscuring the value that a usability study can bring to an enterprise's site.

An enterprise portal for government is not just an enhancement of customer service. The government has a vested interest in pulling individuals from other higher-cost channels of interaction to completing transactions in more cost-effective Web applications. To pull individuals to e-government transactions, a portal must be a product that government can "sell" to users with a clearly demonstrated value proposition of what the relevance is for the user. This requires a broader "user-centered design" concept. In that regard, the MSN Web design principles (Improving Website Usability and Appeal Guidelines compiled by MSN Usability Research, Kevin Keeker, July 24, 1997) are more comprehensive. They posit that there are five main attributes of appeal that increase site use. The site must:

- Provide relevant, high-quality content
- Be easy to use
- Be promoted effectively, both on the site and in other media
- Make the experience unique to the medium
- Evoke emotion

The enterprise portal envisioned in this business case is the necessary prerequisite to other components of the overall customer relationship management strategy. The portal will build the knowledge base that the consolidated contact center will use. A highly functional Web portal should minimize the demand for service from the contact center, which is the more expensive channel of the two. The portal will provide the best exposure for e-documents and its expanded use. The enterprise portal will provide a solid base so that services/applications can be e-enabled in an efficient and cost-effective manner. Kiosk applications can be informed by the design and success of Web applications that transact government business.

Privacy

Privacy and security are important to constituents, and rank high in constituents' concerns regarding use of the Internet. As state government works to become more accessible, it must also recognize its responsibility to protect the data it receives according to the Data Privacy Act and maintain appropriate security for online transactions. The State must also ensure the overall security of its computer network, relying not only on the latest technology (including firewalls), but also on a workforce well trained in security procedures so that data are appropriately protected. In addition, the portal should give constituents the level of control authorized by the Data Practices Act over the data state government has about them, and include client-access-only functionality when appropriate given the classification of the data.

Efficiency

An enterprise portal will also enable the State to leverage its buying power. Currently, several state agencies provide services over the Internet for which they allow fees to be paid by credit card or electronic funds transfer. However, each agency has made its own arrangements for processing credit cards or conducting funds transfers; the State pays for

Transformation Roadmap

Appendix A: Summary of Project Business Cases

similar capabilities several times over. With the enterprise portal, the State can procure one component for financial transactions for all agencies. This will save not only the cost of multiple financial transaction components, but also duplicate maintenance and enhancement costs.

A parallel benefit of an enterprise portal access to state government is that it allows state employees to focus on what they do best. If constituents are allowed to enter all agencies through one point of access, agencies need not concern themselves with providing electronic access themselves. They can concentrate on their own area of expertise—health care, human services, police work, tax compliance, etc.—rather than on the technology needed to deliver their services to their constituents.

Vision

State constituents will be able to easily access required and desired information and services. Customers will be empowered through centralized access to the State that will enable them to securely receive pertinent information and complete their transactions. A contact with a central access point will always be a right contact. Portal design and navigation will be customer-centric. Users seek information and specific services, not agencies or programs.

The central access will be multi-channel, integrating secure, consistent information among agencies. Customer access will not be inhibited by time, location, or technology. Central access, timely responses, and specialist referral processes will be a cost-effective use of state resources.

Over the phases of deployment, the redesign of Web-based business activities and the development of multi-channel support systems will allow specialists to focus on providing higher-value referral and consultation services.

Governance will be structured to ensure program/agency buy-in, and all programs will be accountable for compliance. As well, integrated performance management will be a strong component of the model; the State and its agencies will define and work toward common service metrics, which will reliably measure the real value and quality of services and help drive continuous quality improvement.

The clients focused on in Years 1-5 of this initiative will be citizens and businesses. However, the needs of other stakeholders, including employees, other governments, and vendors/partners, will be better served through this model.

Objectives

- Interactions will be as seamless as possible.
- Data will flow across organizational boundaries.
- Transactions will be fast and efficient.
- There will be graceful hand-offs across channels.
- Constituents will experience common delivery approaches (look and feel, infrastructure, components).
- Service cycle time will be reduced.
- Government will be accountable to client needs (quality, timeliness, security).
- Duplication of effort will be eliminated.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

- Self-service will be offered as widely as possible.
- Clients who need greater assistance will receive it.
- Knowledge of and compliance with rules/regulations will increase as a result of easier access.
- Geographic-independent service.
- Service costs will decline.
- Not all services will be provided through all channels.

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Customer satisfaction	<ul style="list-style-type: none"> • Customers will have one Web access point for state government information and selected services • Customers will receive consistent, comprehensive, and consolidated information 	4	4	N/A
Accessibility	<ul style="list-style-type: none"> • Customers can receive selected services and information when they want where they want via the Internet 	4	4	N/A

Major Milestones Summary

The rollout of the customer-centric enterprise portal discussed in this business case is estimated to take roughly 28 months from inception to portal rollout.

ID	Business Milestones	Content Management Milestones	Technology Milestones
A	<ul style="list-style-type: none"> • Identify a facilitator in CRM enterprise portal development and form cross-agency project team • Assessments: Deployment risk, customer needs, successful models 	Common information language	Technical requirements and IT architecture
B	Leadership alignment and organizational impact assessment	Knowledge content design and taxonomy; knowledge database for basic inquiries	QA and production infrastructure
C	Stakeholder analysis	Search engine	Business objects
D	Learning needs assessment and training	Content management processes	Operational support and recovery planning
E	Definition of roles and responsibilities	Content management workflow	Security
F	Communications		
G	Portal governance		
H	Business case validation		

Transformation Roadmap
Appendix A: Summary of Project Business Cases

ID	Business Milestones	Content Management Milestones	Technology Milestones
I	Business requirements		
	Rollout portal	Rollout portal	Rollout portal

Customer Service Innovation BTA (Wave One)

Project Business Case Summary: Uniform Business Identifier

Item	Description
Business Case Name	<ul style="list-style-type: none"> Uniform Business Identifier
High-Level Description	<ul style="list-style-type: none"> Establish a single series of characters that distinguishes a unique business entity for all state purposes
Estimated Investment Required	<ul style="list-style-type: none"> Initially, \$5.2 million; ongoing maintenance \$0.4 million
Key Qualitative Benefits	<ul style="list-style-type: none"> Eliminate cost of duplicate data capture Reduce errors and cost of corrections Improved service to business Eliminate the need for businesses to provide the same information multiple times to the State Reduction of red tape Enhanced ability for state agencies to share information about businesses Enable state agencies to utilize the most current information available when interacting with businesses Enhanced compliance
Net Annual Benefits (after stabilization)	<ul style="list-style-type: none"> \$0.9 million
Payback	<ul style="list-style-type: none"> 7+ years
7 Year NPV @ 5%	<ul style="list-style-type: none"> -\$2.1 million
Project Duration	20 months

Description

A Uniform Business Identifier (“UBI”) implementation would uniquely identify each business and retain the commonly required information about it in a shared database. This information would be available to state entities as authorized by law. Businesses would be able to register, update and report their information at one time, instead of separately, for each agency with which they need to interact.

A UBI is a single series of characters that distinguishes a unique business entity for all state purposes. In the current model, businesses are assigned multiple identifiers for their interactions with state government.

UBI implementation usually focuses first on the agencies that register businesses. In Minnesota, businesses file with the secretary of state to establish themselves as various forms of legal entities³, they register with Department of Revenue if they will collect or be

³ Businesses that must register with the secretary of state are: Business corporations; non-profit corporations; cooperatives; non-Minnesota business and nonprofit corporations and cooperatives; Minnesota and non-Minnesota limited partnerships, limited

Transformation Roadmap

Appendix A: Summary of Project Business Cases

liable for any kind of tax, and they register with the Department of Employment and Economic Development (“DEED”) if they will have employees. Different types of businesses may also interact with other agencies—to obtain required licenses to operate with or within the State, to obtain permits, or to do business with the State as a vendor.

A 1995 volume study found that over 90 percent of all businesses are touched by at least one of the three “registering” agencies mentioned above, with the Department of Revenue having the largest number of businesses registered (358,000 in 1995). As of December 2004, Revenue has 632,816 businesses registered.

The implementation of a UBI is a foundational element critical to the success of a multitude of cross-agency initiatives. Many of these initiatives are identified in other Transformation Roadmap BTAs such as Grant Management; Licensing, Regulation & Compliance; Customer Service Innovation; and Enterprise Planning & Budgeting. The actual financial quantification of the benefits provided by UBI are only applied to the registration process in three agencies yet the majority of the costs required to implement and support a multitude of benefits are estimated. This means that this business case is absorbing all the costs and only a portion of the benefits that will result from its implementation.

While assigning “one number” for each business is simple in concept, and delivers obvious benefits, agencies which have implemented a UBI or studied its feasibility warn that the “devil is in the details” of careful planning and implementation. A UBI requires multi-agency cooperation and collaboration over a number of years, yet those who have implemented UBI believe that the benefits were worth the effort. Both the State of Washington and the Canadian province of British Columbia cite savings related to reducing data collection costs, data reporting and data maintenance and improved relations with the business community. Savings to the business community are realized from only interacting a single time with the State to register, a single time to provide changes to business information and a single time to provide reporting information that more than one agency requires. In addition to the time savings benefit, there is a significant increase in perception of government efficiency and government’s desire and willingness to improve the interaction of businesses with the State.

Interest in a UBI for Minnesota goes back at least to the 1970s. However it was not explored in detail until a multi-agency steering committee consisting of representatives from the executive branch and constitutional offices studied the feasibility of adopting a UBI in 1995, and determined that it was both feasible and beneficial, both from an agency and business standpoint. Since then, a UBI has been considered and/or requested numerous times, but has faltered. One key barrier is that the value of a UBI to each participating agency is real, but the value to the collection of agencies and to the business community is significant. In addition, in 1995 technology was not as sophisticated as it is today, and middleware solutions that allow the seamless and secure sharing of data between the UBI hub and the agencies did not exist. Another factor that makes this point in time far different than 1995 is that the scope of opportunity that a UBI facilitates has greatly expanded. Examples previously cited of integrated grant management, consolidated licensing and permitting, and consolidated billing were not pressing requirements like they are today.

No one agency has sufficient time and motivation to carry out the entire project. Where a UBI effort has been successfully accomplished, it required strong executive support, backing, and resources from multiple agencies and a commitment to make it a reality.

liability partnerships and limited liability companies; unincorporated businesses using a name other than that of the owner (Assumed Name certificate); businesses wishing to reserve a name; businesses or individuals wishing to file for a trade or service mark. Source: <http://www.sos.State.mn.us/business/busfaq.html>

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Business burden	The burden of contacting the appropriate registering agencies will be shifted from the business community to the state agencies	3	1	1
One-stop registration and renewal/changes	Create a convenient, accessible, and timely one-stop system for the business community to register their form of organization prior to conducting business in Minnesota; and a convenient way to inform the State of renewals and changes and reporting information	5	3	2
Consolidated application	Consolidated application forms to be completed by any given applicant	3	3	2
Improved agency access to accurate and timely information	Reduce volume of return mail and enable more expedient services that improve efficiencies and service levels	1	1	2
Business burden	Reduce the paperwork burden on business and promote the elimination of obsolete and duplicative registration requirements	4	1	1
Improved compliance with licensing and regulatory requirements	In phase two implementation, provide information to the business community concerning all state licensing and regulatory requirements, and local and federal information (to the extent feasible)	4	4	1
Improved storage, retrieval, and exchange	State agencies more efficiently store, retrieve, and exchange business information with due regard to data practices statutes	1	5	3
Improved validation of registration	The State will be able to ensure that a business is duly registered	1	3	1
Improved perception of government by business community	Improve perception of state government (assumes that current business identification processes and lack of coordination are seen as inefficient and bureaucratic)	4	4	1
Improved debt collection	Improve the cost effectiveness of state debt collection efforts Provides foundation for consolidated billing	1	3	2
Accurate identification	The State can ensure more accurate identification of businesses already in the system	1	4	1

Transformation Roadmap
Appendix A: Summary of Project Business Cases

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Improved reporting	State agencies can create special reports based on data practices, account selection, and printing criteria	1	4	1

These are the benefits that could be anticipated in advance of design and implementation. Once a detail design is completed, the stakeholders will be in a better position to identify additional qualitative and quantitative benefits.

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Create enterprisewide team with strong executive leadership to develop governance structure, detailed work plan, vision, and communication plan	2 months
2	Gather agency business requirements and current environmental information; assess the potential for leveraging existing systems	8 months
3	Conduct business surveys/interviews to gather business requirements	8 months
4	Determine necessary statutory/rules changes and work to change laws (this is dependent on fitting into the legislative schedule)	8 months
5	Develop detailed business case including conceptual design and funding options	8 months
6	Decision Point—Go forward or not	8 months
7	RFP (Create, post, review, award)	12 months
8	Ensure that a robust authentication process exists to assure secure access	12 months
9	Design models (process, data, IT architecture)	12 months
10	Develop agency conversion plan, including communications and implementation plan	14 months
11	Full implementation of UBI in registering agencies	20 months

Customer Service Innovation BTA (Wave One)

Project Business Case Summary: Internet Payments

Item	Description
Business Case Name	Internet Payments
High-Level Description	<ul style="list-style-type: none"> • Provide an enterprisewide Internet payment system that supports electronic checks ACH • Internally provided and supported ACH capability has limited costs • Easy integration with agency's business applications • Limited reconciliation requirements between bank accounts and MAPS data
Estimated Investment Required	\$300,000
Key Qualitative Benefits	<ul style="list-style-type: none"> • Customer satisfaction—improved accuracy of data and payments collected • Logs provided for transactions • Easy integration with agencies' business applications • Increase number of agencies with Internet presence
Net Annual Benefits (after stabilization)	<ul style="list-style-type: none"> • \$923,000
Payback	<ul style="list-style-type: none"> • 1.3 years
7 Year NPV @ 5%	<ul style="list-style-type: none"> • \$3.3 million
Project Duration	1 year

Description

The vision is to improve the State's Internet payment settlement process to provide better service to the citizens at a reduced cost. This business case is the first phase of a larger "Electronic Payments" vision where all business with the State would be transacted electronically. Phase One's objective is to improve on the existing Internet payment solution by providing an internally developed ACH process that will reduce costs and expand the number of agencies conducting business over the Internet. In addition, the State should examine a single interface solution to handle both ACH and credit card activity. Although this interface may be more costly than a simple ACH solution, it would alleviate the issue and costs of agencies having to develop two separate interfaces: one for credit cards and one for ACH.

Credit card receipts will not be included in the scope of this document, as a centralized solution already exists and the State is developing an RFP that will eliminate current shortfalls. The focus of this business case is on payment settlement processes and not the front-end business applications. Currently, agencies develop their own Web-presence application, as the business needs and backroom systems vary greatly by agency.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

There is little question of the benefit of moving from over the counter ("OTC"), mail, and phone channels to the Web. Study after study has shown that the costs decrease as the level of manual intervention required decreases. Based on a compilation of studies conducted by various organizations we have taken the cost per transaction per channel to be:

- OTC = \$10
- Mail = \$8
- Phone = \$6.50
- Kiosk = \$4
- Web = \$2.60

Given the fact that there were approximately 260,000 transactions conducted through the State's current payment processing engine last year, it is assumed the savings to the State were approximately \$1.6 million (assume without the Web transactions would have been 25% phone, 25% mail and 50% OTC). As the State increases the number of Internet payments, these numbers will escalate. This business case is not about whether the State should move to increase the use of Internet payments but how and how quickly.

The contract with the current vendor expires in September 2005 with no extensions available. A committee was formed and has been working on the requirements for an RFP. The committee has addressed the current vendor's shortfalls on the credit card side so that area will not be pursued here. Instead, this business case is focused on developing an internal ACH solution and expanding the State's Internet presence for Internet payments.

ACH Opportunity

The proposed ACH solution would provide an incentive for agencies to participate in electronic commerce and will be an enabler to other electronic government services. Currently, many agencies and programs within agencies do not have a Web presence because they cannot or choose not to absorb the additional costs. Based on a recent survey, the State has 12 programs collecting receipts over the Internet via credit cards and five programs using ACH. These numbers identify a significant opportunity to tap the electronic payment channel. The proposed ACH solution provides a low-cost payment settlement solution to agencies that will encourage them to conduct business over the Internet providing savings to the State and convenience to customers.

The ACH settlement system would be administered centrally (one scenario would have the Department of Finance owning it) and would have the following requirements:

- A settlement file broken down each business day by business process
- Retrievable by the agency
- Payments trackable to business transactions
- A CITA file will be issued to interface with MAPS
- The agency must provide accounting information for each transaction type.
- All attempts (whether successful or not) will be logged
- Retrievable by the agency
- The central processor must send an ACH formatted file to the state bank daily

Transformation Roadmap

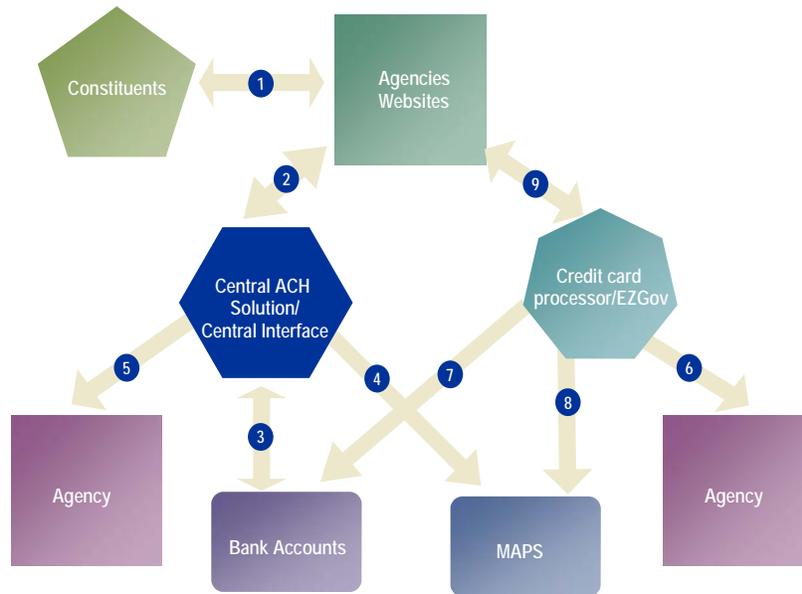
Appendix A: Summary of Project Business Cases

- The total deposit must match the MAPS entry
- Automated handling of returns

Two possible designs were considered in this business case. The first design requires agencies to have a separate interface for ACH and credit card payments. The second design creates a central interface that would be an additional requirement to the proposed ACH solution. Both designs are illustrated below.

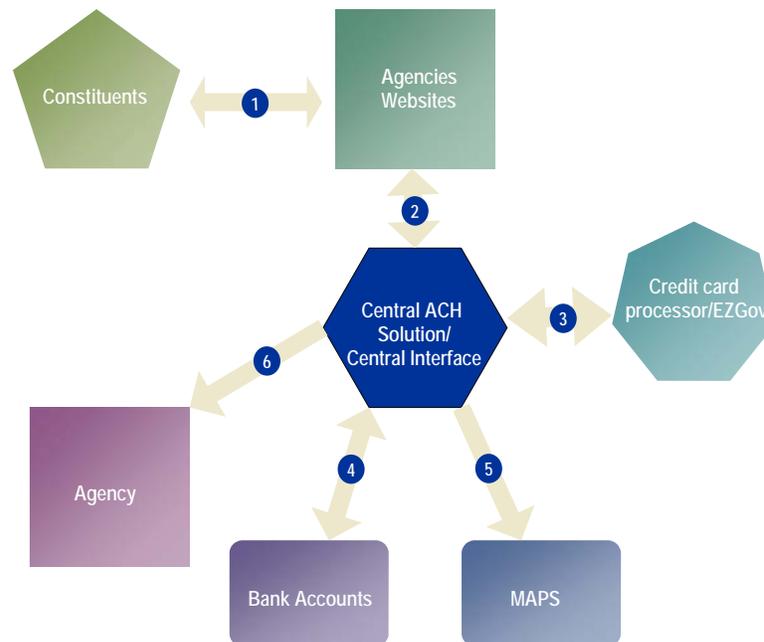
Solution 1: Separate ACH and Credit Card Interface Solution

This solution requires the agency to develop two separate interfaces: one to the ACH solution and one to the credit card solution. There is less development effort and complexity associated with the ACH solution in this scenario.



Solution 2: Combined ACH and Credit Card Interface Solution

This solution requires the agency to develop a single interface, and a central solution passes the information to both the ACH and credit card systems. Although this results in reduced development requirements for the agency, the complexity and legality associated with how information is passed to a separate credit card and separate ACH solution requires further analysis.

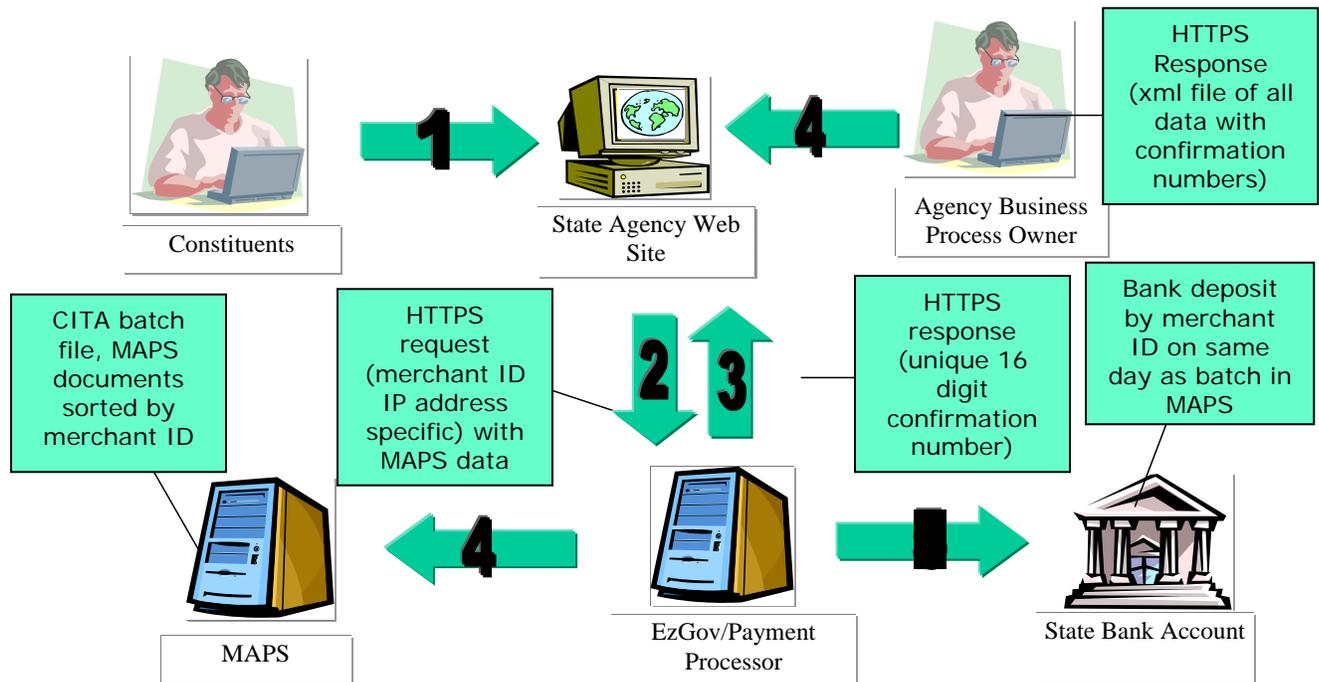


Solution 1 may be the most practical solution as it provides separate ACH—credit card interfaces. If the interfaces are not separated, the State may be required to charge a handling fee on both credit cards and ACH. One of the objectives is for the State to charge for credit cards and not ACH, which would encourage the customer to use the solution with the lowest cost to the State. More analysis needs to be completed on the single interface approach to determine if the cost-benefit mitigates the additional risks associated with it.

Where are we today?

MSS 16A.626 gives agencies the authority to accept electronic payments and transactions through contracts negotiated by the Department of Finance. There is currently an Internet solution with a single vendor. That solution is the enterprise application for processing credit cards and electronic checks (ACH) over the Web. Every agency that receives payments over the web uses that application except for the DOR which uses a different one. DOR contracted with this second vendor to provide tax processing services in addition to ACH and credit card settlement. The Department of Public Safety has developed an in-house solution for ACH transactions and does not utilize either vendor for e-checks. There are 12 programs using the credit card payment channel today and five programs utilizing the ACH channel. This indicates that there is opportunity to significantly increase the utilization of the Web channel for payment processing.

Current Solution for ACH/Credit Cards



The shortfalls of the current solution include:

Cost

- One-time \$3,500 set-up fee per merchant ID (receipt type)
- \$2.50 daily fee per merchant ID
- 55 cents fee per transaction
- Credit card fee

Reconciliation Issues

- Fees netted from daily deposit creating reconciliation problems
- Interface entry to MAPS does not equal deposit

These issues will be addressed in the RFP that is being prepared and should be resolved in the new credit card solution. One of the main cost challenges to resolve in moving to a new solution is the prohibitive merchant ID set-up fees. This fee applies anytime an agency wants to have charges go to a specific program area. Today, agencies with many revenue programs are discouraged from providing Internet access to their customers because of a one-time \$3,500 set-up cost per program.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

ACH and electronic checks provide a reduced cost solution to the high credit card fees. The Department of Public Safety has found that by providing customers with a surcharge on credit cards but also allowing ACH (with no surcharge), they may have found a solution to customer convenience and not bearing the credit card charge. Statistics for the Department of Public Safety for 2004 are:

- 360,000 transactions
- 64% ACH
- 36% credit card

The experience of DPS is not reflective of most organizations. Most organizations that offer ACH find the uptake slow relative to credit cards. The difference with DPS seems to be that they are charging a fee for online credit card usage and not online ACH usage.

If it is acceptable to continue down the same path as DPS and provide customers with an online payment option but encourage an ACH solution by charging a fee for credit cards then this may be the most viable option. However, this assumes this is legally acceptable and this assumption should be confirmed.

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Customer satisfaction	Increased online payment options for customers by providing an ACH solution	4	4	3
Accessibility	Customers are able to conduct business transactions with the State from more locations	3	4	NA
Reconciliation	Simplified reconciliation for the Treasury Division as a result of reduced bank accounts and fewer entries in MAPS	4	4	NA
Reduced administrative burden	Reduced data entry and accounting activity at the agencies.	3	3	2

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Analyze and gather requirements	2 months
2	Choose platform	3 months
3	Build and test prototype	10 months
4	Publish new service	12 months

Grant Management BTA (Wave One)

The State currently pursues, distributes, and manages more than \$1.1 billion of incoming grant money from more than 500 grants. It also monitors the performance of approximately 7,000 organizations that receive \$1.4 billion via 9,400 state grants. All of this activity is managed through multiple agencies that currently collaborate on an informal basis, but don't have one system for tracking information, nor one process for responding to and monitoring grants. An enterprise grant management structure, policies, process, and tools will improve how quickly and efficiently the State receives and distributes money.

Project Business Case Summary: Enterprise Grant Management Governance and Process Improvement

Item	Description
Business Case Name	Enterprise Grants Management Governance and Process Improvement
High-Level Description	<ul style="list-style-type: none"> • Develop an enterprise governance structure to enable authority and dedicate resources to improve consistency and efficiency in grant management policies and procedures • Initially establish governance to offer a foundation for future improvements • Focus on short-term policy and process improvements that can be implemented over a 6-month to 1-year timeline
Estimated Investment Required	<ul style="list-style-type: none"> • Approximately \$650,000 • Approximately 6,000 hours of internal personnel
Key Qualitative Benefits	<ul style="list-style-type: none"> • Clear, consistent communication with grantees • Improved performance management of grant dollars (longer-term return) • Better-trained grant personnel at State and grantee levels • Formalized process and resources for identifying and communicating leading practices in the grants management area • Improved turnaround with grant dollars to grantees • Enhanced monitoring and audit trail capabilities • Enhanced grant management reporting at agency and enterprise level • Consistent implementation of standards and policy across agencies
Net Annual Benefits (after stabilization)	\$1.2 million
Payback	1 year
7 Year NPV @ 5%	\$6.1 million
Project Duration	9 months

Description

Grant management includes the functions, efforts, and systems associated with pursuing, receiving, budgeting, distributing, and monitoring incoming and outgoing funds that the State uses to provide third-party services that fulfill the State's mission and priorities.

The State currently pursues, distributes, and manages over \$1.1 billion of incoming grant funds from over 500 grants and also monitors grantee performance against \$1.4 billion of outgoing funds in approximately 9,400 grants to over 7,000 grantees.⁴ These inflows and

⁴ Grant Management Workgroup Survey Data. December 2004.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

outflows exclude entitlement funds such as Medicare, Medicaid, TANF, and school district funding. Within selected agencies analyzed, over 480 FTEs support these inflows and outflows of grant funds. Their roles consist of performing both program and administrative responsibilities required by the grant management process.

The Transformation Roadmap data-gathering process revealed grant management to be a key area of improvement across state agencies. A data request specific to grant management captured the significant individual efforts being made at each agency within the State. Of 14 agencies analyzed through this effort (performing significant grant management activities with outgoing grant dollars exceeding \$1,000,000), there is a great deal of disparity in practices at these agencies. Although some differences are necessary due to unique program requirements, there are a number of examples where cooperation and coordination could avoid duplication of effort and costly expenditures in administering grants including:

- Individual creation of electronic grant systems that are not easily reusable by other agencies. Recent investments into agency- and program-specific systems were reported at approximately \$8.6 million with annual operating costs of \$2.2 million.
- Anticipated development of individual electronic systems within agencies such as DHS and MDE that further promote continued disparity in grant practices. These projected investments (along with other agencies that projected future investments) are forecasted at \$9.6 million for seven agencies soon to develop grant-related systems.

Two key improvements have been outlined in the Transformation Roadmap in an effort to improve the grant business line (both from a process and system perspective). These improvements entail a new grant management governance and policy structure and increased standardization of business processes and procedures. The second improvement builds from the foundation provided by the governance and process improvement and recommends introducing a single enterprise grant management tool to address common grant functions and transactions. It is important that these changes are implemented in a chronological order to ensure proper alignment with the overriding grant management business transformation area.

The new grant management governance and policy structure should provide an enterprisewide view of grant processes. Overall, the new structure would consist of an authoritative governing body that receives input from the enterprise grants management community (“EGMC”)⁵ and State agencies. This governing body would be formally chartered and appropriately empowered to manage grant policies and facilitate process improvements. This body must maintain credibility by being open to input from agencies involved in grant management, but must also be able to act independently of any specific agency’s influence.

A number of roles are envisioned for this new governing body. First and foremost, the body must be accountable for implementing new grant policies and standards across all agencies. This body would also be responsible for undertaking the expansion of the existing process documentation and system redesign efforts initiated by the EGMC to improve consistency of grant efforts and to identify necessary agency or program-unique processes that must continue. This documentation would lead to the development of standard business processes that all agencies can incorporate into their grant management systems. Other

⁵ Started in 2003, Enterprise Grants Management Community is a self-selected volunteer group from state agencies interested in improving the grants management process.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

potential roles include conducting training on common tools, methods, and vocabulary and the capture and promotion of agency best practices. However, the roles of this governance body would be subject to change as the new governance structure leads to more coordinated efforts between agencies and the governing body receives feedback from agencies.

The initial task of the governance and policy body would be to implement short-term improvements. These policy and procedure improvements would positively impact grantors and grantees, and ultimately reduce employee workload. Example areas for short-term process improvement include:

- Cash advance policies
- Policies for the recovery of administrative costs
- Standard approval processes
- LAC review and approval processes
- Grantee audit procedures
- Reduced delays due to 16A/C letters
- Standard use of federal aid module
- Introduction of a single repository for posting all grant opportunities

The above areas for improvement are a sample of the opportunities identified. As part of the governance and policy body's role, dedicated resources would be responsible for assessing and implementing improvements identified throughout the grant process.

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Communications	Clear, consistent communication with grantees	2	5	3
Performance management	Improved performance management of grant dollars (longer-term return)	5	5	3
Training	Better trained grant personnel at State and grantee levels	3	5	3
Leading practices	Formalized process and resources for identifying and communicating leading practices in the grants management area	5	5	4
Timeliness	Improved turnaround with grant dollars to grantees	3	5	5
Accountability and transparency	Enhanced monitoring and audit trail capabilities	5	5	5
Grant program management	Enhanced grant management of dollars by program—reporting at agency and enterprise level	5	5	5

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Governance and policy	Consistent implementation of standards and policy across agencies	5	5	3

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Governance authority is established with cross-agency representation and input	2 months
2	Resources are dedicated to the governance and policy body	2 months
3	Complete process analysis	6 months
4	Implement process improvements	8 months
5	Refine business case	9 months
6	Operationalize governance and policy body	9 months

Grant Management BTA (Wave One)

Project Business Case Summary: Enterprise Grant Management Tools

Item	Description
Business Case Name	<ul style="list-style-type: none"> • Enterprise Grant Management Tools
High-Level Description	<ul style="list-style-type: none"> • Introduce a single enterprise tool that would facilitate common grant management functions including: <ul style="list-style-type: none"> – RFP distribution and tracking – Document management and workflow – Grantee expense reporting and interface to financials – Standard agency and enterprisewide financial and program reporting – Grantor/grantee contact management
Estimated Investment Required	<ul style="list-style-type: none"> • \$3.4 million • Approximately 58,000 hours of internal personnel
Key Qualitative Benefits	<ul style="list-style-type: none"> • Improved access for grantees • Clear, consistent communication with grantees • Improved performance management of grant dollars (longer-term return) • Improved turnaround with grant dollars to grantees • Enhanced monitoring and audit trail capabilities • Enhanced grant management reporting at agency and enterprise level • Consistent, single source for grantor and grantee contact management • Ability to quickly and efficiently report on the grant portfolio to stakeholders (e.g., executives, legislators)
Payback	3.3 years
7 Year NPV @ 5%	\$16 million
Project Duration	3 years

Description

Grant management includes the functions, efforts, and systems associated with pursuing, receiving, budgeting, distributing, and monitoring incoming and outgoing funds that the State uses to provide third-party services that fulfill the State's mission and priorities.

The State currently pursues, distributes, and manages over \$1.1 billion of incoming grant funds from over 500 grants and also monitors grantee performance against \$1.4 billion of outgoing funds in approximately 9,400 grants to over 7,000 grantees.⁶ These inflows and outflows exclude entitlement funds such as Medicare, Medicaid, TANF, and school district funding. Within selected agencies analyzed, over 500 FTEs support these inflows and outflows of grant funds. Their roles consist of performing both program and administrative responsibilities required by the grant management process.

The Transformation Roadmap data-gathering process revealed grant management to be a key area of improvement across state agencies. A data request specific to grant management captured the significant individual efforts being made at each agency within the State. Of 14 agencies analyzed through this effort (performing significant grant management activities with outgoing grant dollars exceeding \$1,000,000), there is a great deal of disparity in practices at these agencies. Although some differences are necessary due to unique program requirements, there are a number of examples where cooperation

⁶ Grant Management Workgroup Survey Data. December 2004.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

and coordination could avoid duplication of effort and costly expenditures in administering grants which have included:

- Individual creation of electronic grant systems that are not easily reusable by other agencies. Recent investments into agency- and program-specific systems were reported at approximately \$8.6 million with annual operating costs of \$2.2 million.
- Anticipated development of individual electronic systems within agencies such as DHS and MDE that further promote continued disparity in grant practices. These projected investments (along with other agencies that projected future investments) are forecasted at \$9.6 million for seven agencies that are planning to develop grant-related systems soon.

This business case looks at the impact of improved electronic tools and proposed upgrades to MAPS functionality to enhance the grant management process. However, this business case and related opportunity is dependent on the existence of a governance structure that allows for improved consistency and application of processes and tools across agencies. This governance structure has been separately outlined in the business case named "Enterprise Grant Management Governance and Process Improvement."

The use of electronic grant management tools has been implemented to varying degrees within agencies of the State and at other public sector organizations. Through discussions with benchmark organizations and evaluating the grant management process, this business case recommends leveraging investments across agencies to introduce a single enterprise tool that would facilitate common grant management functions including:

- RFP distribution and tracking
- Document management and workflow
- Grantee expense reporting and interface to financials
- Standard agency and enterprisewide financial and program reporting
- Grantor/grantee contact management
- Benefits anticipated include:
 - Improved accessibility of grant dollars by potential grantees
 - Reduced paperwork through an online application
 - Improved automation of workflow and approval
 - Electronic document management
 - A single data entry point
 - Improved financial and program data structures, reporting, and interfaces to MAPS

All of these measures would decrease the amount of resources expended on grant applications and payments, improve program services for grantees, and simplify interaction with the grantee.

The workgroup has investigated benchmark organizations and has determined that the opportunity for an enterprisewide tool may be innovative and ahead of other public sector organizations. The workgroup found other organizations are moving toward an enterprise model, but have been constrained based on previous implementation approaches and a lack of adequate pre-established governance and authority. We also recognize the opportunity offers great potential for service innovation and quality improvement using common

Transformation Roadmap

Appendix A: Summary of Project Business Cases

functionality, data structures, and reporting. Additionally, future reductions in administrative costs could be realized through this opportunity.

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Accessibility	Improved access for grantees	5	5	1
Communications	Clear, consistent communication with grantees	2	5	3
Performance management	Improved performance management of grant dollars (longer-term return)	5	5	3
Timeliness	Improved turnaround with grant dollars to grantees	3	5	5
Accountability and transparency	Enhanced monitoring and audit trail capabilities	5	5	5
Portfolio management	Enhanced grant management portfolio reporting at agency and enterprise level (e.g., creating a county-specific report on grant funding for a state legislator)	5	5	5
Contact management	Consistent, single source for grantor and grantee contact management	3	5	1
Reporting to key stakeholders	Ability to quickly and efficiently report on the grant portfolio to stakeholders (e.g., executives, legislators)	5	5	2

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Governance authority is established in Department of Finance with cross-agency representation and input	At Inception
2	Complete enterprise requirements	5 months
3	Refine business case	8 months
4	Complete first pilot implementation	15 months
5	Refine business case	16 months
6	Complete final rollout	33 months

Real Property BTA

Presently, the State has 14 “custodial” agencies that manage the State’s more than 5,000 buildings and nearly six million acres of land. Because the holdings have grown over time and are managed by various agencies, there is no single management system or inventory of all the property, which means the assets can’t be managed on an enterprise level, and effective enterprise planning cannot take place. Shared facilities, economies of scale, and cost-efficient repairs and management cannot be maximized in a system where assets are managed separately.

Project Business Case Summary: Strategic Enterprise Real Property Planning and Development

Item	Description
Business Case Name	Strategic Enterprise Real Property Planning and Development
High-Level Description	Enable state government to capture the savings from interagency real property management by instituting improved real property governance, planning, and management
Estimated Investment Required	\$6.6 million invested in both Case #1 and Case #2
Key Qualitative Benefits	<ul style="list-style-type: none"> • Improved decisionmaking with regards to enterprise real property assets • Allows agencies to focus efforts on their mission while the Real Property group assists agencies in making real property decisions to improve agency effectiveness
Net Annual Benefits (after stabilization) (Totals for both Case #1 and Case #2)	<ul style="list-style-type: none"> • Conservative: \$4,575,000 • Average: \$7,260,000 • Aggressive: \$18,383,000
Payback (Totals for both Case #1 and Case #2)	<ul style="list-style-type: none"> • Conservative: 7 years • Average: 6 years • Aggressive: 4 years
7-year NPV @ 5% (Totals for both Case #1 and Case #2)	<ul style="list-style-type: none"> • Conservative: \$2,164,000 • Average: \$8,233,000 • Aggressive: \$33,370,000
Project Duration	<ul style="list-style-type: none"> • Business Case#1: 7 months to develop Year 1 Strategic Real Property Plan, including 3 months to develop governance structure and policies, 4 months to work with agencies to develop strategic real property plan and refine governance structure and policies. • Business Case #2: 18 months to plan, design, build, implement, and roll out the real property portfolio management system

Description

Real property⁷ decisions made today directly impact future effectiveness and efficiency of service delivery to the citizens of Minnesota. Strategic enterprise real property planning and development will identify and provide effective real property solutions to support State agencies in achieving their missions. In turn, agencies focus efforts on their missions, and partner with the Real Property group to develop real property solutions while optimizing the

⁷ Real property is defined as buildings, the land on which buildings sit, and undeveloped land.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

overall long-term operational costs of state government through the management of real property.

A key tenet of making this transformation is the development of a common framework under which the State's real property needs can be identified and defined as they relate and affect the various missions of state agencies. The framework should:

- Assist agencies in identifying real property needs as they relate to the effectiveness and efficiency of program service delivery systems
- Assist agencies in identifying and prioritizing the State's overall real property holdings, and their related utilization and maintenance metrics
- Assist in the identification of co-location opportunities to achieve efficiencies, inclusive of analysis of interactions between state agencies, as well as interactions of agencies with federal, county and local governments, and other stakeholders involved in the delivery of services
- Provide effective, expedient identification and divestiture of unneeded real property holdings

Once the framework is in place and a strategic enterprise real property plan has been developed, the plan must be treated as a living document, continually changing as the needs of agencies change, yet guided by a strategy set forth for real property at the enterprisewide level.

By moving from an agency-centric planning and management model to an enterprise approach, the State will:

- Redirect agency efforts from real property management to mission-centered value-added efforts
- Locate and design real property to meet the long-term needs of clients and employees
- Decrease the time to make decisions and meet changing space needs of State operations
- Minimize the long-term costs that real property contributes to providing services
- Maximize the utilization of real property already owned/leased ("sunk" cost)

Cost savings will be achieved through integrated, holistic planning, location, and design decisionmaking; smart construction; preventive maintenance; and efficient operations.

Through this project, real property planning and development will be transformed to include:

- Strategic operations plans for each agency tied to space acquisition and site/location decisions
- Comprehensive inventory of state-owned and -leased real property with geolocation
- Detailed condition audit, including suitability determinations
- Maintenance and replacement schedules allowing interagency procurement of real property investments
- Integration of agency needs and real property inventory and suitability into decisionmaking
- Prioritization of funding based on needs and inventories
- Reliable asset maintenance funding stream

Transformation Roadmap

Appendix A: Summary of Project Business Cases

- Standard parameters for space needs for specific functions
- Agency relationship diagrams that allow identification of synergies and co-location opportunities
- Productivity measurements that inform decisions

This project also enables full realization of savings from other Transformation Roadmap business cases that will require reconfigured or reduced space, such as human resources, customer service, and information technology.

Business case scope includes all state-owned and leased real property, as well as all state-owned unimproved land. It is intended to encompass all agencies, locations, and customers and all delivery systems, whether provided through the state or local governments.

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Increased productivity	Improved space design and allocation will elevate productivity	2	3	4
Energy savings	Better retrofit plans along with improved design. Also improved energy efficiency will reduce impacts of rising energy costs	1	2	4
Asset preservation	Improved information should make asset preservation fare better in the political process. Better asset preservation will improve the State's asset position, resulting in a more favorable bond rating.	1	2	3
Capturing benefits from other Drive to Excellence improvements	Drive to Excellence improvement plans in the areas of budgeting, customer service, human resources, information technology, and procurement offer opportunities to reduce costs and improve services; however, realizing those benefits is often dependent on taking advantage of enterprisewide real property management, such as shared spaces, bundling construction and maintenance for purchasing purposes, and designing for technology.	3	3	4

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Executive authorization and funding disbursement	Prior to project commencing
2	Establish project organization	Within the first month of the project
3	Scope project implementation	Within the first month of the project
4	Establish real property baseline	End of month three
5	Operationalize planning process	End of month six
6	Finalize year 1 real property plan	Month seven

Real Property BTA (Wave One)

Project Business Case Summary: Real Property Portfolio Management

Item	Description
Business Case Name	Real Property Portfolio Management
High-Level Description	Development of a portfolio management process and tool to aid in real property decisionmaking across the enterprise
Estimated Investment Required	\$6.6 million invested in both Case #1 and Case #2
Key Qualitative Benefits	<ul style="list-style-type: none"> • Improved decisionmaking with regards to enterprise real property assets • Allows agencies to focus efforts on their mission while the Real Property group assists agencies in making real property decisions to improve agency effectiveness
Net Annual Benefits (after stabilization) (Totals for both Case #1 and Case #2)	Conservative: \$4.6 million Average: \$7.3 million Aggressive: \$18.4 million
Payback (Totals for both Case #1 and Case #2)	Conservative: 7 years Average: 6 years Aggressive: 4 years
7-year NPV @ 5% (Totals for both Case #1 and Case #2)	Conservative: \$2.2 million Average: \$8.2 million Aggressive: \$33.4 million
Project Duration	<ul style="list-style-type: none"> • Business Case #1: 7 months to develop Year 1 Strategic Real Property Plan, including 3 months to develop governance structure and policies, 4 months to work with agencies to develop strategic real property plan and refine governance structure and policies • Business Case #2: 18 months to plan, design, build, implement, and roll out the real property portfolio management system

Description

A key component of effective and efficient enterprise real property management is having a clear picture of the quantity and quality of real property assets. Minnesota does not have adequate information to provide that clear picture. Data on leased facilities, owned facilities, and land are gathered and managed separately. Individual agencies create and manage unique databases for the facilities they manage. Definitions, identification schemes, and approaches used to track and evaluate real property vary agency to agency and database to database. The result is a picture that is too incomplete and inaccurate for effective enterprisewide decisionmaking.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

This business case addresses this issue by creating an enterprise real property portfolio management system for capturing and sharing critical real property information. It will provide a central, transparent tool for all state agencies, boards, and commissions to capture and share information regarding capital acquisition, planning, design, construction, operations, maintenance, lease and disposal of state real property. It will enable the State to:

- Develop a consistent enterprise view of real property management needs
- Capture and aggregate real property needs
- Proactively schedule real property maintenance needs
- Identify opportunities for sharing resources and aggregating purchasing power

This real property portfolio management system will be capable of containing all critical data the State needs for enterprise and agency-specific real property management. Strategic components include:

- Integrated, Web-based computer-assisted facilities management system that meets enterprise and individual agencies' needs
- Inventory and assessment procedures that include common definitions, guidelines for maintenance, standard facility condition indices, and standard identification schemes
- Core set of inventory modules that all agencies use to track and manage assets
- Accurate and complete tally of money spent on real property
- Employed by all state agencies and open to political subdivisions

A lead agency or office will host the real property portfolio management system, provide data administration services, and coordination development and maintenance with specific technical groups, including the Statewide Facilities Management Group for facilities maintenance.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Qualitative Benefits

This table describes the qualitative benefits associated with creating an asset management system to enable the tracking of lifecycle costs associated with the State's real property. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Real estate decisionmaking	<ul style="list-style-type: none"> Improve process and controls 	4	5	5
Space planning	<ul style="list-style-type: none"> Improve space planning by systematically identifying space needs and availabilities 	5	5	5
Space acquisition/disposition	<ul style="list-style-type: none"> Selling commercially viable assets Disposing of unneeded assets and space 	3	3	4
Facility operations/maintenance	<ul style="list-style-type: none"> Schedule maintenance rather than react to needs Leverage operations and maintenance needs from across the enterprise to strategically source goods and services 	5	5	5
Asset preservation	<ul style="list-style-type: none"> Proactively identify asset preservation maintenance issues Identify all asset preservation costs in a similar format 	3	5	5
Capital allocation	<ul style="list-style-type: none"> Aid capital budgeting process Identify current market value 	4	4	5
Energy costs	<ul style="list-style-type: none"> Proactively source energy needs 	3	3	5

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Real property governance established	Prior to project kickoff
2	Project team sponsor and manager	Prior to kickoff
3	Project team members identified	1 month
4	System requirements identified	2 months
5	Issue RFP	3 months
6	Select vendor partners and sign contract	5 months
7	Build and deploy conference room pilot ("CRP") version	11 months
8	Complete solution and rollout to the enterprise	18 months

Human Capital Management BTA (Wave Two)

People are the greatest “capital” asset of any organization, and in the case of the State, that valuable asset is diminishing: a higher percentage of state employees than ever before will be retiring in the next 10-15 years. To continue to meet the needs of current and future state employees, the State must increase self-service options for employees and streamline its services, thereby changing the human resource model of the State.

Project Business Case Summary: HR Shared Services Model—Phase I: Service Center

Item	Description
Business Case Name	HR Shared Business Model—Phase I: Service Center
High-Level Description	Design and implement a service center for delivery of payroll processing, benefits administration and personnel file/employee data maintenance services for State of Minnesota government organizations
Estimated Investment Required	\$9.8 million
Key Qualitative Benefits	<ul style="list-style-type: none"> • Improved customer service (accuracy, timeliness, accessibility in compliance with the Data Privacy Act) • Enhanced enterprise risk management capabilities and compliance with standardized procedure • Increased focus on strategic and higher value activities by HR professionals
Net Annual Benefits (after stabilization)	\$6.8 million
Payback	4th Year
7 Year NPV @ 5%	\$19.7 million
Project Duration	20 months

Description

Design and implement a service center for delivery of payroll processing, benefits administration, and personnel file/employee data maintenance services to agencies of the State of Minnesota. This business case describes an initial phase of a larger plan to reorganize the delivery of human resources, payroll, and other administrative services to state agencies by implementing a shared services organization model.

Transformation Roadmap

Appendix A: Summary of Project Business Cases



Within this larger organization, an HR/payroll service center would be created to focus on the administration of standardized, high-volume transactions.

Key aspects of the HR/payroll service center initiative include:

- Direct service technology will be deployed to enable agency management, supervisors and employees to initiate SEMA4 and other human resources- related transactions and reporting online (e.g., time entry, benefit selections, personal data with security appropriate to the classification of the data).
- A service center organization that “owns” these business processes will be established. Service center personnel will process transactions and provide necessary support to managers and employees. The service center will utilize call center and case management tools to support their operations.
- The service center will focus on process optimization and providing agreed-upon levels of customer service as authorized by law to share the not public data and defined in service level agreements (“SLAs”). Efficiencies will be gained through staff specialization and business process standardization, simplification, and automation.
- Support for the types of transactions handled by the service center will generally be discontinued within agencies. Every effort will be made to minimize exceptions to the standardized procedures supported by the service center. Staff requests for assistance will be directed to the service center.
- SLAs between the service center and agencies will be established. Service center performance will be tracked and reported in terms of measures identified in the SLAs.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

- Governance structures and procedures will be established to assure that the shared services organization is focused on customer service. This structure should include a “Management Board” comprising agency representatives that will review operations of the shared services organization. This group would function as an advisory board and participate in the approval of SLAs, service rates, and technology investments.

These changes represent the first phase of an enterprisewide remodeling of HR/payroll service delivery. Implementing this model will create significant cultural and organizational change for agency management, supervisors, employees, and HR/payroll staff. The roles and responsibilities comprising this model are described below:

Employees

Employees assume responsibility for their own personal data, career related issues, and proactively seek necessary information. Employees will be asked to understand and initiate most HR related activities by themselves using online knowledge management and transaction processing systems for basic HR transactions (e.g., change address, enroll in benefits). Data will need to be secure based on their classifications.

Managers/Supervisors

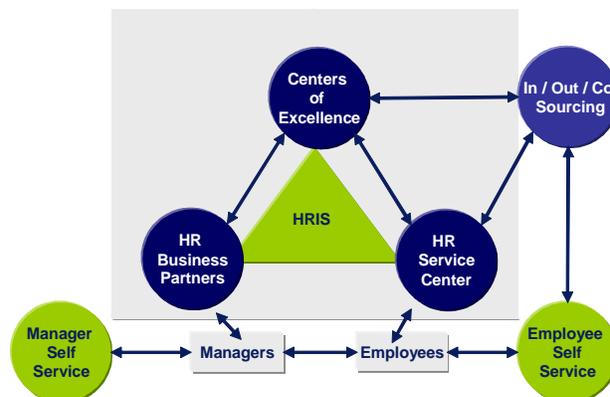
Managers assume key roles in the delivery of human resources (e.g., HR reporting, employee appraisal, learning and development, employee counseling). Manager self-service enables managers to process basic HR transactions (e.g., performance appraisals) and retrieve HR data without the need to involve HR business partners or the Service Center. Processing and retrieval must be conducted with the security required by the classification of the data. More complex transactions would be initiated electronically by managers and supervisors and routed to the service center for further processing.

HR Service Center

The HR Service Center is a shared service that responds to employee and supervisor inquiries and processes HR transactions in order to significantly reduce HR business partner and Center of Excellence (COE) involvement in routine administrative tasks and inquiries (e.g., benefits, payroll, data maintenance). This processing must be done in compliance with the Data Practices Act.

Centers of Excellence (“COE”)

COEs comprise technical HR experts (e.g., recruiting, safety, workers’ compensation, training) who are shared by the business units. COEs provide strategy, design, and consultative services to HR business partners and assist the HR service center in resolving complex issues. Data must be handled in accordance with their classification under the Data Practices Act.



Transformation Roadmap

Appendix A: Summary of Project Business Cases

HR Business Partners

HR business partners are dedicated to providing business unit specific strategic, design, and consultative services to executives and line managers related to the human resources issues impacting their business unit. Business partners “broker” technical talent (e.g., recruiting, training) from the COEs to deliver HR solutions.

In/Out/Cosourcing

This model supports the strategic sourcing of HR functions. This may include outsourcing activities that are more efficiently delivered by a third party, becoming a service provider for external organizations (and collecting revenue), or sharing resources among organizations to improve efficiencies.

Savings will accrue to the enterprise as work is shifted to the service center and performed more efficiently. An initial investment will be required to establish the service center, design common business processes, deploy technology, train staff, and manage organizational change.

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Customer focus	Priorities for the focus of the service center will be set by customers representing the business needs of agencies.	3	3	3
Continuous improvement	Service center staff will be positioned to bring cutting edge trends to customers for consideration.	4	4	2
Accountability	The HR system will be managed in a holistic way with clear lines of authority, role identification, and Data Practices compliance.	3	4	2
Accuracy	Service center staff specialists will provide accurate and consistent information and data in compliance with the Data Practices Act.	2	3	2
Timeliness	Employees will obtain service in a consistently timely manner. Employees get to definitive answers faster and more directly.	3	3	2
Accessibility	Direct service technology will provide expanded access for staff from the Internet. Security must be provided in compliance with the Data Practices Act. Online records will speed retrieval and reduce paper.	4	3	2

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Efficiency	Consolidating work in a service center arrangement will produce efficiencies through economies of scale (e.g., staff specialization and business process standardization, simplification, and automation).	4	2	4
Simplification and standardization	Standardization of business processes will simplify work and reduce unnecessary differences/barriers among agencies.	4	3	3
Agility	Ability to implement leading practices or other changes on a statewide basis will be greatly improved.	4	3	3
Strategic focus	HR professionals will have increased capacity to focus on agency HR strategy.	4	2	1

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Planning and scoping	2 months
2	Purchase and install hardware/software	4 months
3	Benefits process design	8 months
4	Payroll process design	8 months
5	Employee data maintenance process design	8 months
6	Personnel records process design	14 months
7	New benefits process implemented	14 months
8	New payroll process implemented	14 months
9	New employee data maintenance process implemented	14 months
10	New personnel records process implemented	20 months

Human Capital Management BTA (Wave Two)

**Project Business Case Summary: HR Shared Services Model—
Phase II: Centers of Excellence**

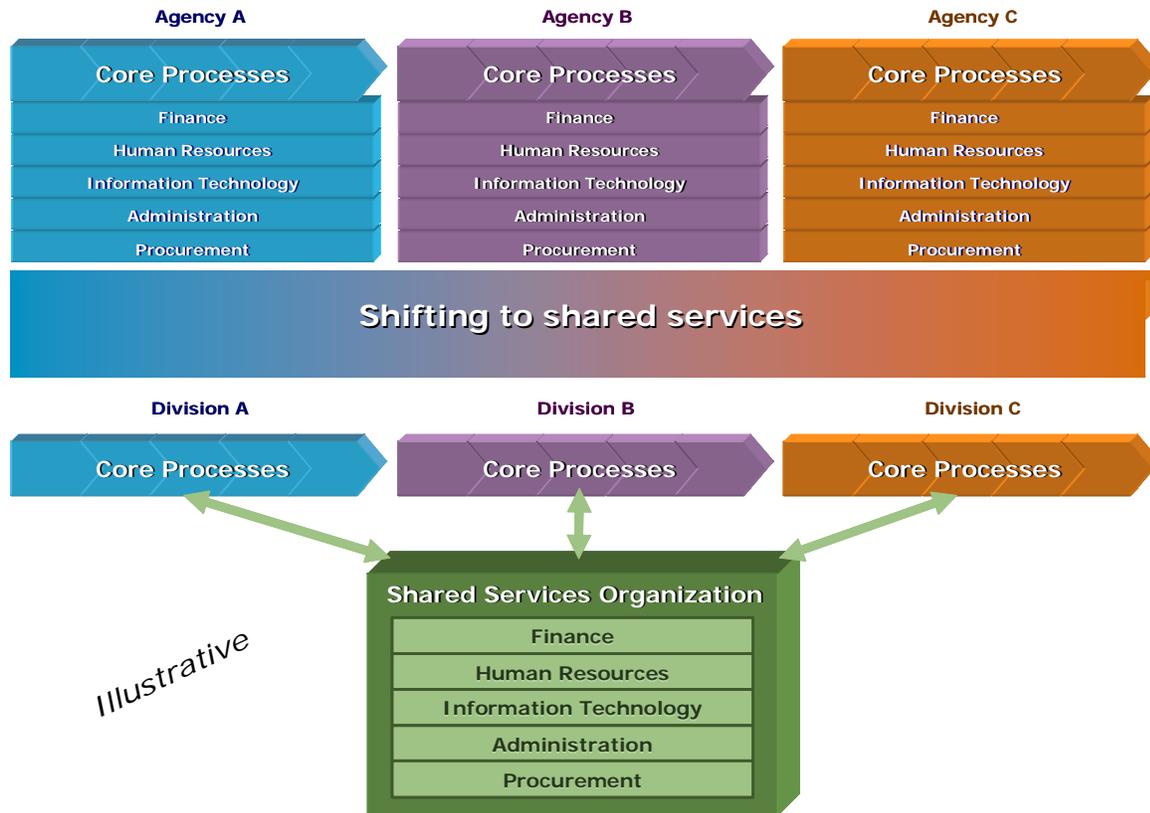
Item	Description
Business Case Name	HR Shared Business Model—Phase 2: Centers of Excellence
High-Level Description	Design and implement Centers of Excellence that will operate in conjunction with the HR/payroll service center and state agencies to coordinate and deliver recruiting, safety reporting, workers' compensation, and training services for State of Minnesota government organizations within the limits set by the Data Practices Act.
Estimated Investment Required	\$3.8 million
Key Qualitative Benefits	<ul style="list-style-type: none"> • Improved customer service (accuracy, timeliness, accessibility according to the Data Practices Act) • Enhanced enterprise risk management capabilities and compliance with standardized procedures • Increased focus on strategic and higher value activities by HR professionals • Improved agency access to expert resources • Enhanced training and recruiting capabilities will improve the State's ability to address demographic workforce trends
Net Annual Benefits (after stabilization)	\$1.4 million
Payback	5th Year
7 Year NPV @ 5%	\$2.4 million
Project Duration	14 months

Description

Design and implement Centers of Excellence for delivery of recruiting, safety reporting, workers' compensation, and training services to agencies of the State of Minnesota. This business case describes the second phase of a larger plan to reorganize the delivery of human resources, payroll, and other administrative services to state agencies by implementing a shared services organization model.

Transformation Roadmap

Appendix A: Summary of Project Business Cases



Within this larger organization, HR Centers of Excellence would be created to coordinate and administer (in conjunction with the service center) enterprise recruiting, training, safety reporting, and workers' compensation programs.

Key aspects of the Centers of Excellence initiative include:

- Direct service technology will be deployed to enable agency management, supervisors, and employees to initiate transactions and reporting online with security appropriate to the classification of the data (e.g., identify and register for training, initiate a First Report of Injury).
- Centers of Excellence that "own" subject matter areas will be established. COE personnel will work proactively to coordinate and develop policy as well as respond to agency requests for service. COE personnel will utilize call center and case management tools to support their customer service operations and data practices compliance.
- The Centers of Excellence will focus on coordinating policy, developing subject matter expertise, optimizing processes (in conjunction with the service center), and providing agreed to levels of customer service. Efficiencies and quality improvements will be gained through specialization, standardization, simplification, and automation.
- The COEs will also produce efficiencies through matching demand with capacity with various services; for example, filling empty seats in one agency's training class by making them available to other agencies; having five agencies collaborate on developing one course that meets shared needs; recruiters with knowledge of different state work and agencies sufficient to "multitask" at job fairs and other contacts with potential candidates.

Transformation Roadmap

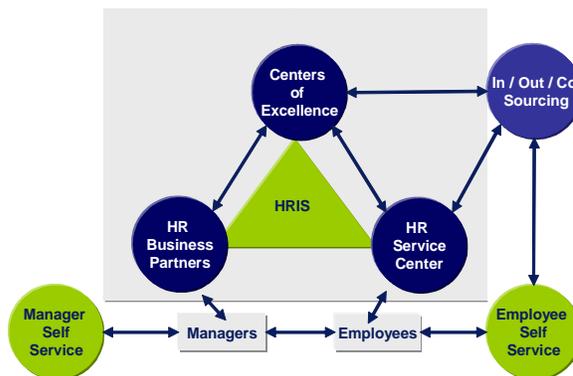
Appendix A: Summary of Project Business Cases

- Work in agencies relating to subject matter areas covered by Centers of Excellence will diminish and be executed in coordination with COE guidelines.
- SLAs between the COE and agencies will be established. COE performance will be tracked and reported in terms of measures identified in the SLAs.
- Governance structures and procedures will be established to assure that the shared services organization is focused on customer service. This structure should include a “Management Board” composed of agency representatives who will review operations of the shared services organization. This group would function as an advisory board and participate in the approval of SLAs, service rates, and technology investments.

These changes represent the second phase of an enterprisewide remodeling of HR/payroll service delivery. Implementing this model will create significant cultural and organizational changes for agency management, supervisors, employees, and HR/payroll staff. The roles and responsibilities comprising this model are described below:

Employees

Employees assume responsibility for their own personal data, career related issues, and proactively seek necessary information. Employees will be asked to understand and initiate most HR related activities by themselves using online knowledge management and processing systems for basic HR transactions (e.g., research options and register for training). Data will need to be secure based on their classifications.



Managers/Supervisors

Managers assume key roles in the delivery of human resources (e.g., learning and development). Managers will be asked to conduct HR activity (e.g., review employee training compliance) using online tools. Processing and retrieval must be conducted with the security required by the classification of the data.

HR Service Center

The HR service center is a shared service that responds to employee and supervisor/manager inquiries and processes HR transactions in order to significantly reduce HR business partner and COE involvement in routine administrative tasks and inquiries (e.g., training registration). Processing and retrieval must be conducted with the security required by the classification of the data.

Centers of Excellence

COEs comprising teams of technical HR experts (e.g., training, safety reporting, workers' compensation, recruiting) who are shared by the business units. COEs provide strategic, design and consultative services to HR business partners and assist the HR/payroll service center in resolving complex issues and in compliance with the Data Practices Act.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

HR Business Partners

HR business partners are dedicated to providing business unit-specific strategic and consultative services to executives and line managers related to the people issues impacting their business unit in compliance with the Data Practices Act. Business partners “broker” technical talent (e.g., recruiting, courseware development and use) from the COEs to deliver HR solutions.

In/Out/Cosourcing

This model supports the strategic sourcing of HR functions. This may include outsourcing activities that are more efficiently delivered by a third party, becoming a service provider for external organizations (and collecting revenue), or sharing resources among organizations to improve efficiencies.

Savings will accrue to the enterprise as work is shifted to the COEs and performed more efficiently and effectively. An initial investment will be required to establish the COEs, design common business processes including data practices compliance, deploy technology, train staff, and manage organizational change.

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Customer focus	Priorities for the focus of Centers of Excellence will be set by customers representing the business needs of agencies.	3	3	3
Continuous improvement	Centers of Excellence staff will be positioned to bring cutting edge trends to customers for consideration.	4	4	2
Accountability	The HR system will be managed in a holistic way with clear lines of authority and role identification.	3	4	2
Accuracy	Center of Excellence staff specialists will provide accurate and consistent information in compliance with the Data Practices Act.	2	4	2
Timeliness	Employees will obtain service in a consistently timely manner. Employees get to definitive answers faster and more directly.	3	3	2
Accessibility	Direct service technology will provide expanded access for staff from the Internet with security appropriate to the classification of the data. Online records will speed retrieval and reduce paper.	4	3	2

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Efficiency	Consolidating work in a service center arrangement will produce efficiencies through economies of scale (e.g., staff specialization and business process standardization, simplification, and automation)	4	2	4
Simplification and standardization	Standardization of business processes will simplify work and reduce unnecessary differences/barriers among agencies	4	3	3
Agility	Ability to implement leading practices or other changes on a statewide basis will be greatly improved	4	3	3
Strategic focus	HR professionals will have increased capacity to focus on agency HR strategy	4	2	1

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Planning and scoping	3 (8)* months
2	Technology acquisition	4 (9) months
3	Safety reporting/workers' comp process design	7 (12) months
4	Recruiting process design	11 (16) months
5	Training process design	11 (16) months
6	Safety reporting/workers' comp process implemented	11 (16) months
7	Recruiting process implemented	15 (20) months
8	Training process implemented	15 (20) months

*Note: The recommendation of this business case is to begin "Phase II: COE" planning activities five months after "Phase I: Service Center" activities are initiated. The purpose of this approach is to take advantage of work done in the Phase I effort, to create business processes well coordinated with the design of the HR/payroll service center, and to more evenly distribute work and organizational change over time. To illustrate, "Phase II: COE" planning and scoping activities will conclude after three months, which will be months five through eight of the overall effort (Phases I and II).

Customer Service Innovation BTA (Wave Two)

In one year, the executive branch processes more than 90 million transactions spread out over 72 agencies through a variety of channels—mail, phone, over the counter, Web, fax, etc. Without a consistent way to handle those transactions and without shared data, the State cannot deliver customer-centric information and service. Five different business cases look at how the State can improve its customer service, through improved quality and increased innovation. Three of the projects are recommended for earlier implementation, while the two that follow (Consolidated Contact Centers and Minnesota Kiosks) are recommended for later implementation in Wave Two of the Drive to Excellence.

Project Business Case Summary: Consolidated Contact Centers

Item	Description
Business Case Name	Contact Center Consolidation
High-Level Description	<ul style="list-style-type: none"> • Consolidate low-complexity Minnesota Call Center (“MNCC”) operations/interactions in one state contact center, which will also deliver a “State operator” information provision function. High value-added calls remain with the programs/agencies • Implement standard performance management metrics, management best practices, and enabling technology to accomplish consistent service quality across call centers • Consolidate call centers within agencies
Estimated Investment Required	\$976,000
Key Qualitative Benefits	<ul style="list-style-type: none"> • Implement a business model that better matches employee training and expertise to work complexity • Provide constituents with one number to get first-call resolution for basic call needs, fostering efficiency and greater satisfaction • Improve accuracy of information and first call resolution • Provide agility to adapt to changing demographics and market needs • Build processes that can be measured to determine effectiveness of service provided • Increase agent impact on service levels • Leverage technology already in place in some places throughout the State (i.e., IP contact center, IVR, ACD, etc.) • Reduce the number of telephone numbers (including 1-800) throughout the State to improve ease of access
Net Annual Benefits (after stabilization)	\$3 million+
Payback	2 years
7 Year NPV @ 5%	\$10.5 million
Project Duration	5 years+

Description

The Transformation Roadmap identified an opportunity to consolidate call centers. The goal was to “develop a single point of contact for Minnesotans who wish to communicate with State agencies.”

This business case identifies a central contact center within the State of Minnesota that would be responsible for providing basic service and information to customers. Throughout this document, we will refer to the central contact center as Minnesota Contact Center and

Transformation Roadmap

Appendix A: Summary of Project Business Cases

use the abbreviation “MNCC.” We recognize this contact center as one option in meeting the customer needs of walking in, clicking in, and calling in.

Another option for meeting the customer needs of calling in is included in this document. Our research found numerous call centers located within one agency. The second part of our business case identifies a need to consolidate these call centers into one contact center within each agency. This will help the agencies more effectively service the level three calls, which will remain within the agency.

Statewide customer service governance, as referred to in the Customer Service Transformation Case, is an essential driver for successful Consolidated Contact Center outcomes. This governance assures that contact/call centers across agencies are aligned with and accountable for achieving statewide customer service goals. This governance will allow the State, for the first time, to measure the quality of statewide customer service delivery.

What is a contact center?

A contact center is a multimedia environment to manage many types of customer service interactions including telephone calls, emails, faxes, website chats, and correspondence. Contact center technology facilitates queue management, skills-based routing, screen pops from a database, call recording, and interactive voice response, and supports remote agents. A contact center differs from a call center because interactions go beyond the telephone. A contact center uses the same base of knowledge regardless of the channel used by the constituent.

Why are we talking about a contact center instead of just a call center?

The intention is simply to maximize the use of agent skills and knowledge. Our customer service strategy will encourage use of lower-cost interaction channels. Interaction/transaction costs per channel are ranked from lowest to highest as Web, phone, mail, and walk-up. Initial phases of implementation will focus on phone calls.

The creation of MNCC provides the State of Minnesota the opportunity to help employees focus on the most appropriate tasks at the right time. It releases higher-level agency subject matter experts to focus on more complex tasks, further increasing overall employee productivity and customer satisfaction.

The MNCC would be responsible for handling generic questions otherwise handled by individual agencies. Some examples of questions they could handle include:

- Where can I get a flu shot?
- How do I file a complaint against my insurance company?
- How do I apply for unemployment benefits?
- Where do I get information about daycare licensing?
- How do I obtain a birth or death certificate?

Transformation Roadmap

Appendix A: Summary of Project Business Cases

In later phases the MNCC would handle simple, low-authentication transactions, with appropriate authority in the Data Practices Act, such as:

- Where is my tax refund?
- Where is my new driver's license?
- Did you get my check for my premium?

The MNCC is an opportunity to develop a single point of contact for Minnesotans who wish to communicate with state agencies. The MNCC would be linked to a related state Web portal where Minnesotans can interact with state government, through a customer "mall." The MNCC would use multiple communication modes (email, phone, fax) and could be linked to any local service center, should the State decide to pursue that particular opportunity. The MNCC will be integrated into the State of Minnesota's "Customer Relationship Management" strategy as a means by which customers (constituents, individuals, families, providers, or other businesses) could seek assistance ranging from information and referral to problem resolution, when the Web applications do not provide what they need. This is a concept similar to city 311 numbers. Several states (Pennsylvania, Arizona, and California) are actively considering this approach for state government activities. The State of Michigan launched a centralized contact center for individual and business taxpayers. Prior to implementing their centralized contact center, they had no statistical data on why people called and no multi-channel approach to handling customer needs.

The scope of the MNCC would include calls typically made to a "state operator." Without a "state operator" more than 150,000 calls are currently misdirected to any state number, causing employees to spend time tracking down the correct contact. These types of misplaced calls are categorized as "errant calls."

As part of our research, we surveyed six state agencies and one of the questions we asked them was, "How many errant calls do you receive?" These six agencies alone estimated approximately 81,651 errant calls. Their estimation was based solely on call center and non-call center (front desks, no automatic call distributor ["ACD"]) calls. We believe it is safe to assume that minimally every state employee receives at least one misdirected call a year and has to determine what to do with the call. In today's environment, it is often difficult for state employees to determine where to direct the caller due to lack of centralized resources and information.

Based on examining former state operator documentation, we found that state employees accounted for 20% of the call volume to the state operator. Experience indicates that general public calls are sometimes referred to counties and other non-State entities because callers do not easily differentiate levels of government.

It would be important for the MNCC to use an interactive voice response capability ("IVR"). This automated capability allows retrieval and processing of information via telephone by simply using touch-tone or voice. When a customer calls the MNCC, they would first hear a recording of options. The options may be:

- Provide information in a recorded format and no human intervention would be needed.
- Provide transactions in a recorded format and no human intervention would be needed.
- Provide direction on where to find information such as self-serving websites.

Implementation

Implementation could track the following timetable. The call volumes and costs referenced are extrapolated from information estimated by the six agencies with the largest call center volumes. These estimates were, in some cases, made without the benefit of automated tracking systems.

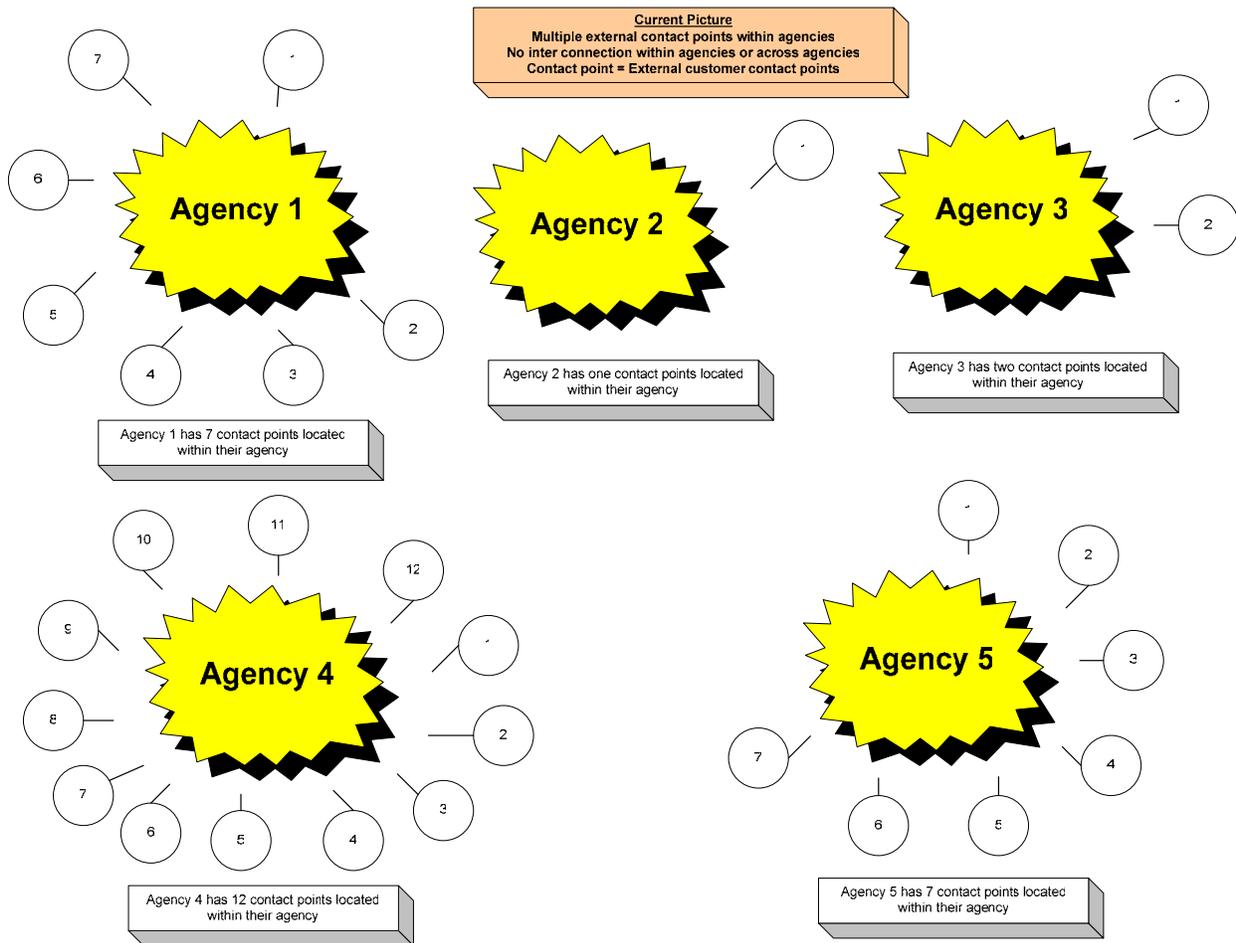
- **Year 1**—Project expenses are incurred to establish the integrated telephone access function. The costs are for project and operational management/staff as well as acquisition or creation of technology systems, training, process engineering, and documentation. Agencies work with staff to document correct answers to frequently asked questions as well as escalation processes. The expenses reported will need to be further researched. These figures were based on information we received from agencies, which we believe to be underreported.
- **Year 2—Implementation begins.** The first integration of low-complexity calls from agencies into the common access point will be 1.2 million calls that are already using automated IVRs or are estimated to be handled through an IVR. Contact center agents could be handling approximately 24,000 callers, which is two percent of the IVR volume that could “zero out” from the IVR options. In addition, by the end of the year, 50 percent of “live agent” low-complexity calls totaling 401,000 calls will migrate from agency programs to the integrated access point as either “live agent” or IVR calls. Ten percent of formerly errant calls are made to the central access number.
- **Year 3—Implementation continues.** An additional 25 percent of “live agent” low-complexity calls totaling 200,000 calls migrate from agencies to the integrated access point. In addition the team will pick one low-complexity/authentication transaction for addition to the integrated access point. Thirty percent of formerly “errant” calls are now made through the central access number.
- **Year 4—Implementation continues.** The final 25 percent of “live agent” low-complexity calls totaling 200,000 transitions from agency call centers to the integrated access point. In addition, another low-complexity/authentication transaction is available through the integrated access point so the Contact Center handles 20 percent of these transactions. Fifty percent of formerly errant calls are now made through the central access number.
- **Year 5, 6, and 7—Implementation stabilizes.** All low-complexity live agent and IVR calls are migrated to the integrated access point. New work reacts to business/agency changes and the completion of 30 percent, 50 percent, and 100 percent low-complexity/authentication transactions in consecutive years. Seventy-five percent (probably the maximum achievable) of formerly “errant” calls are now made through the central access number.

Implementation options include:

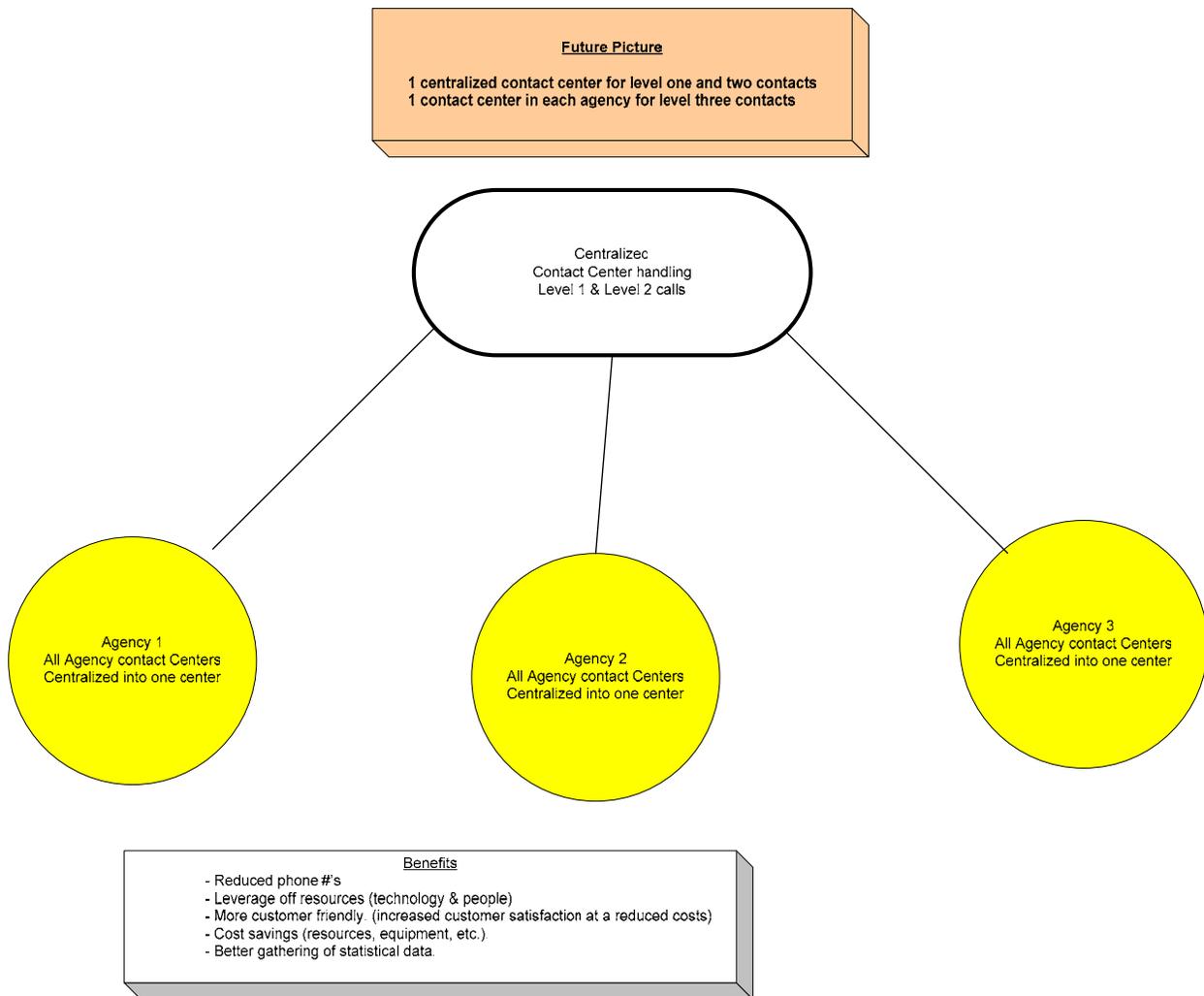
- Partial enterprisewide consolidation within the State
- Full enterprisewide consolidation within the State
- Outsourcing of all or components to vendor
- Use of either 311 or a special vanity number. An example of a vanity number would be dial 1-800-Flowers.

Transformation Roadmap
Appendix A: Summary of Project Business Cases

Current Picture of Customer Contact with the State



Future Picture of Customer Contact with the State



Business Case Metrics

Industry best practices show that a successful contact/call center uses standard metrics to facilitate efficiency and continuous improvement. During the process of gathering data for this business case, it was found that state call centers are gathering a variety of different information or they lack the technology needed to gather data. This resulted in the need for the team to make assumptions when calculating costs and benefits. These assumptions accompany the financial worksheets. The following chart explains our current state practice and recommended future metrics to be used, not only for MNCC, but all state call centers. We recommend using these best practice metrics within MNCC and within the contact centers that continue to handle complex call types within the individual agencies.

Transformation Roadmap
Appendix A: Summary of Project Business Cases

Best Practice Metric	Current State Practice	Recommend Future Use	Benefits of Future Use
Number of calls/contacts offered	<ul style="list-style-type: none"> • There is technology available at the State to track this information. Most call centers track this information and use it just to report how many calls/contacts they take. Information concerning abandoned calls is not usually tracked. • Information on the six agencies with the most contacts is available in the appendix. 	<ul style="list-style-type: none"> • Track this information at several different levels: Interval (30 minute), day of week, monthly, and annually. • In the contact center, historical information will be used in conjunction with future information to determine future workloads. • We recommend analysis that includes both calls abandoned and handled to get a true reflection of total call volume. 	<ul style="list-style-type: none"> • Tracking this information allows the contact centers to proactively staff effectively and maximize staff utilization; react to call/contact volume peaks and valleys; establish consistent historical information about all contact centers allowing the State of Minnesota to provide more effective and efficient customer service.
Number of calls handled by an IVR versus the number handled by actual agents	<ul style="list-style-type: none"> • None of the agencies currently have the ability to accurately differentiate between calls handled by agents and those handled by an IVR. 	<ul style="list-style-type: none"> • We recommend tracking the information at the agent and IVR level. Total calls handled in the IVR and by the agent. 	<ul style="list-style-type: none"> • Tracking this information allows us to forecast call volume sent to an agent. It also helps measure the effectiveness of the IVR, demonstrates whether it is working well, and/or if changes need to be made.
Average Handle Time of contacts answered ("AHT"). This is the amount of time an employee is occupied with an incoming contact. It is the sum of the conversation time and after-call work time.	<ul style="list-style-type: none"> • There is technology available at the State to track this information. Very few agencies utilize this information either because they aren't currently using technology available or they don't understand the value of the information. 	<ul style="list-style-type: none"> • Track this information at several different levels: interval (30 minutes), day of week, monthly, and annually. • In the contact center, historical information will be used in conjunction with program projections to estimate future workloads. 	<ul style="list-style-type: none"> • Same as benefit of number of calls metric. See above.

Transformation Roadmap
Appendix A: Summary of Project Business Cases

Best Practice Metric	Current State Practice	Recommend Future Use	Benefits of Future Use
<p>Service level goals. Service level is the amount of contacts that are handled within a certain period of time (X percent answered in Y seconds).</p>	<ul style="list-style-type: none"> Ten agencies indicated they have service level agreements. However, we do not have any statistical data as to whether and/or how they measure their actual results. 	<ul style="list-style-type: none"> There is generally no “industry standard” service level. We recommend an initial service level goal of 80/20. This means 80% of the calls would be answered within 20 seconds. We have chosen this because it is a nice balance between customer needs and the budgetary needs of the government. We recommend that the service levels across all call centers be captured at the interval level (30 minutes), daily level, monthly level, and annual level. We recommend actual service level results be reported monthly. 	<ul style="list-style-type: none"> The service level goal helps determine the number of staff needed to handle transactions and the staff work schedules to meet the goal. Consistent measurement across centers facilitates comparison of success rates. It is a measurement that can be communicated to our customers so they know what to expect when contacting us. It will help provide better customer service while creating manageable customer tolerance expectations.
<p>Adherence to schedules. This is basically how well contact agents follow their schedules.</p>	<ul style="list-style-type: none"> We are not aware of any agencies currently gathering or using this information. 	<ul style="list-style-type: none"> There are no industry standards for adherence metrics. However, we recommend an adherence percentage of 85%. This means that agents would be required to follow their schedule 85% of the time. 	<ul style="list-style-type: none"> A successful contact center that meets constituent needs has work schedules for contact agents. Adherence percentages show how closely these schedules are followed. The result of schedules not being followed is decreased service levels and burnout of those agents who follow their schedules because they are responsible for handling other agents’ calls. You cannot appropriately staff and handle customer needs if agents are not following their schedules. Agents will have clear expectations of what is expected of them and how they can be successful as an employee.

Transformation Roadmap
Appendix A: Summary of Project Business Cases

Best Practice Metric	Current State Practice	Recommend Future Use	Benefits of Future Use
Occupancy levels (the percent of time an agent is handling a call versus waiting for a call)	<ul style="list-style-type: none"> We are not aware of any agencies currently gathering or using this information. 	<ul style="list-style-type: none"> There are no industry standards for occupancy levels. The higher the occupancy level, the harder the agent is working. Occupancy levels too high could result in agent burnout. Occupancy levels too low result in cost increases and agent boredom. We recommend an occupancy level of 85%. 	<ul style="list-style-type: none"> Measuring occupancy level is another way to ensure customers are being handled. It also ensures all agents handle their fair share of the workload. Agents will have clear expectations of what is expected of them and how they can be successful as an employee.

There are other metrics which have value and should be explored and implemented once the goal of centralizing is realized.

The following metrics are not broadly estimable, given the current performance management systems in place, and data collection activities will need to be implemented to assess them to best inform future detailed project plans:

- Number of current state ACD call centers
- Cost of FTE and customer transactions (duplicated and unduplicated) associated with current ACD call centers
- Number of current state IVR applications and associated costs and FTE customer transactions (duplicated and unduplicated) to support
- How each of these applications are used (information and referral to problem resolution) with associated categorization of transactions

Technology

It is our recommendation that all contact centers within the State of Minnesota should utilize common contact center technology. This again will promote consistency and allow all agencies to leverage technology, support, and data. As we evaluate statistical information, we can remain confident of “clean” data that is not compromised because of technology differences. The common contact center technology we recommend includes:

- Knowledge management system (“KMS”): When you have varied interaction options for customers, it is extremely important to support them with the same information, best practices, and metrics. Knowledge management systems allow you to present a single face to the customers and employees in the organization. Multiple different changes are set up in one tool and managed so that knowledge information can be shared.
- Workforce management tool: A workforce management tool allows us to input and gather current and historical data. The output is information that is used to identify trends, estimate staffing, and proactively prepare for customers based on trending information.
- Networking and ACD tools
- IVR tool
- Supervisor monitoring tools

Transformation Roadmap

Appendix A: Summary of Project Business Cases

- Quality assurance programs and tools

As part of our research, we did discover some current technology already available and in use within the State of Minnesota. Whenever possible, we would recommend using this technology.

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Customer relations	<ul style="list-style-type: none"> • Consistent service levels across contact centers using proven best practices • Get customers their answer more quickly and accurately 	–	4	4
Accessibility	<ul style="list-style-type: none"> • No need to understand the organization of State government to get phone access 	4	5	–
Efficiency	<ul style="list-style-type: none"> • Higher paid/professional level staff is focusing on high value-added activities • Agencies share tech and facility resources to support activity 	3	4	2

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Organize —Operational management and government structure defined; project manager assigned; funding mechanism finalized; call center consolidation begins within each agency	Inception plus 3 months
2	Service Development —Phase 1. Completed product plan. Gather constituent input. Identify agencies, calls, call types, volumes, statistics, service level objectives for all state call centers, and implementation sequence. Finalize requirements for knowledge systems, contact center technical infrastructure, and monitoring tools. Finalize volume, staffing, location, and cost estimates.	Inception plus 4 months
3	Service Development —Phase 2. Delivery capability built, location, staff, knowledge base, procedures, call center technology and phone lines/network, monitoring tools	If no RFP—Inception plus 6 months If RFP—Inception plus 9 months
4	Service Development —Phase 3. Train, test and accept	Inception plus 9 or plus 12 months #3 milestone plus 3 months
5	Service Implementation —Phase 1. (Potentially current IVR calls) Plan, develop procedures, program, test, train, cutover. Begin monitoring service levels and call center matrices for all call centers.	Inception plus 10 or plus 13 months #4 milestone plus 1 month
6	Agency Call Center Consolidation —Complete	Inception plus 12 months

Transformation Roadmap
Appendix A: Summary of Project Business Cases

ID	Milestone	Target Months from Inception
7	Service Implementation —Future phases. Plan, develop procedures, program, test, train, cutover.	To Be Determined

Customer Service Innovation BTA (Wave Two)

Project Business Case Summary: Minnesota Kiosks

Item	Description
Business Case Name	Minnesota Kiosks
High-Level Description	<ul style="list-style-type: none"> • Constituents' access to government services is expanded through the development and implementation of kiosks (similar to banks' automatic teller machines). • The kiosks will be located in public facilities such as libraries, county offices, city offices, and business/retail locations. • Kiosks will allow citizens and businesses to execute simple transactions in a secure, convenient manner. • Kiosk planning, strategies, and usage will be governed at an enterprise level, but will deliver high-volume, low-complexity services for specific program areas of government. • The kiosk development and deployment is aligned with the other channel strategies of the Drive to Excellence project.
Estimated Investment Required	N/A, included in kiosk leases
Key Qualitative Benefits	<ul style="list-style-type: none"> • Customers can conduct routine government business transactions at locations they most frequently access. • Customers do not have to wait in line at counters to conduct transactions. • Service/transaction availability will be provided up to 24 hours per day, 7 days per week, depending on the operating hours of the building the kiosk is located in. • Kiosks serve as an intermediate step to moving clients from counter services to e-services; this both increases the familiarity of clients who have e-access and still choose counter channels, and also provides lower-state-cost access for individuals who do not have Web access. • Kiosks are highly mobile, and thus can be relocated as constituent congregation areas shift. • Kiosk-delivered services can be managed remotely and upgraded, revised, or changed as required. • Employees currently handling walk-in traffic could be reassigned to other added value activities, which could result in more efficient processing of work and greater customer satisfaction.
Net Annual Benefits (after stabilization)	Not calculated
Payback	Up to \$11/transaction
5 year NPV @ 5%	Not calculated
Project Duration	One-year pilot

Description

The goal of the Minnesota Kiosks project is to improve customer satisfaction and accessibility through the implementation of a new channel through which customers can access government services. It is also an opportunity to evaluate potential increases in efficiency and effectiveness when clients use kiosks instead of counters. The kiosks will not be comprehensive service systems; they will provide simple transactional services throughout the State. This project proposes that kiosks be located around the State in public locations of high convenience to customers.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

The Kiosks project will be aligned with the State's overall customer service goals and governance structure to ensure the goal of improved customer service is met.

Kiosk services can be implemented in a variety of ways, including:

- Delivery of vision by current state agency or newly formed state agency.
- Outsourced delivery of service.
- Share delivery of service, through agreements with retail establishments.
- The implementation approach is to establish pilot projects to build knowledge and information on kiosks. Some of the potential pilots have been identified and are described below. The pilots chosen provide an opportunity to test various kiosk technologies and functionality (from simply providing information, to more complex transactions that may involve tangible products such as licenses or tabs).

Select potential pilots include:

DHS: Linkage Lines—MinnesotaHelp.Info Network

The kiosk would link people to MinnesotaHelp.Info, a system of online assistance for resource information and finding community options. The site database contains over 30,000 services from nonprofit, government, and for-profit entities.

This pilot effort aims to increase the number of people screened for private long-term care options, and has the potential to reduce the number of people who seek consultation from the county government for long-term care supports.

DOT/Tourism: Tourism

This pilot would result in the placement of kiosks at traveler rest stops and tourism centers. The kiosks would provide information on weather, road conditions, road construction, as well as tourism-related information including information on hotels, eateries, historical sites, tourist sites, entertainment, etc. Phone functionality is an additional tool that could be integrated into the kiosk.

DPS: License Tab Renewals

This pilot would build on the existing channels of DPS and allow customers to renew and receive license tabs via kiosks. The kiosk would add a convenience factor, allowing clients to acquire their license tabs more quickly than counters, while issuing the actual tag instantly. Customer satisfaction is expected to be positively impacted for both consumers using the kiosk (quick, secure access, more convenient locations, and instant gratification) as well as counter staff (who can focus on greater value-added work).

DNR: Licensing

This pilot would place kiosks in businesses that serve as agents for DNR in the issuance of licenses. The kiosk could allow hunters/fishers to purchase licenses and appropriate tags at kiosks. The kiosk could allow recreational vehicle owners to renew their RV license tags.

All the pilots chosen will serve as test cases, and will be managed as components of an enterprisewide kiosk project. Documentation of processes, risks, and lessons learned would be critical for valid assessment of the viability of this new channel. Upon completion and evaluation of the pilots, the State would develop a plan for ongoing utilization and management of kiosk service delivery.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Client-channel optimization	<ul style="list-style-type: none"> Client preferences, as well as immediate needs for tangible deliverables, often suggest the viability of an intermediate channel offering: kiosks, that deliver instant gratification at a lower cost than counter services 	-	-	3
Customer satisfaction	<ul style="list-style-type: none"> Customers can receive services they need at multiple locations Time to find needed service is reduced Service provided is effective 	5	5	-
Accessibility	<ul style="list-style-type: none"> Customer seeking time for state services is reduced and located in their region 	5	5	-
Efficiency	<ul style="list-style-type: none"> Customer time to receive service is reduced due to one stop and CRM systems that help staff identify customer preferences/needs Agencies can be more efficient in handling customer inquiries that cannot be served by this type of option. Increasing customer satisfaction and quality of service. 	5	5	-
Agent/business provider	<ul style="list-style-type: none"> Business owners providing services (hunting /fishing) are relieved of extra work of handling these transactions 	3	5	4

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Create steering committee, project charter/scope, and identify state "project staff" and necessary external assistance. Operational management and governance structure defined; project manager assigned; funding mechanism finalized	2 months
2	Identify potential services for kiosks; validate against client requirements/preferences. Identify agencies, service types and volume statistics, service level objectives. Gather constituent input; develop and finalize pilot project plan(s).	+ 3 months
3	Identify evaluation criteria for pilot project(s), select pilot sites, and implement pilot(s). Acquire systems, technical infrastructure, and monitoring tools. Finalize volume, location, and cost estimates. Implement pilot projects.	+ 6 months
4	Refine activities during pilots. Monitor pilot projects for success; implement business process reengineering as required.	+ 6 months
5	Evaluate pilot(s) and provide recommendations on next steps	+ 2 months
6	Future phases. Plan, develop procedures, program, test, train, cutover.	To Be Determined

Enterprise Planning & Budgeting BTA (Wave Two)

The Enterprise Planning & Budgeting transformation area addressed improvements to statewide planning, funding, and budgeting processes in order to encourage careful planning, strategic leveraging of shared services, and cost-saving measures enterprise-wide. Currently, each agency does a good job of agency-specific planning, but more cost savings, greater efficiencies, and better service to those doing business with the State could be achieved with enterprise planning and financial management systems in place.

Project Business Case Summary: Finance Shared Services

Item	Description
Business Case Name	Finance Shared Services
High-Level Description	<ul style="list-style-type: none"> • Consolidating high-volume, repetitive, finance-related transaction processing into a shared services organization to achieve scale and maximize effectiveness • Processes will be standardized, streamlined, and supported by an integrated system • Services will be delivered to the agencies as if they were customers and service level agreements (SLAs) will be jointly developed and agreed upon • Area of opportunity that requires further analysis is accounts receivable/collections • Other areas of opportunity are: purchasing/accounts payable, travel & expenses, and fixed assets
Estimated Investment Required	\$7.2 million
Key Qualitative Benefits	<ul style="list-style-type: none"> • Improved service quality • Improved technology leverage • Improved decisionmaking • Improved management of business process • Improved data quality and accessibility
Net Annual Benefits (after stabilization)	\$10 million
Payback	2.3 years
7 Year NPV @ 5%	\$36.2 million
Project Duration	2 years

Note: this business case should be closely tied to the MAPS replacement business case. Achieving success in a finance shared services organization requires consolidation, a fully integrated system, and business process redesign/re-engineering. The costs associated with this business case are focused primarily on consolidation and process redesign efforts. System costs are located in the MAPS business case.

Description

A shared services organization is a customer-focused organization that provides support to internal customers and eliminates redundant processes, systems, and organizations. Shared services are typically delivered for back-office and support processes (e.g., Finance, HR, IT, Procurement). This business case is focused on finance processes conducive to shared services.

Transformation Roadmap
Appendix A: Summary of Project Business Cases

The initial vision for the State’s finance shared services is to:

Provide high-volume, repetitive finance transactions through a customer-centric organization to achieve scale and maximize effectiveness

For the State of Minnesota, finance shared services entails moving low value-added finance transaction processing activities from the individual agencies to a shared services organization. The diagram below provides an illustrative example of what a move to shared services could look like from the agencies’ perspective. One of the key concepts behind shared services is to provide the business units or in the case of the State, the agencies, with an organization that can deliver support services that are less expensive and at the same or higher quality than if the agency was to deliver these services directly. This allows the agencies to focus on their core processes or services and not be required to dedicate time and energy on back-office and support activities.



As depicted in the above diagram, processes typically conducive to shared services include accounts payable, accounts receivable, travel and expense, fixed assets, and general ledger. These are classified as high-volume, low value-added activities. However, with the progress of shared services, organizations are moving to also deliver high value “expert” services. In the finance function, these services include cost accounting, treasury, tax, and internal audit.

Transformation Roadmap
Appendix A: Summary of Project Business Cases

There is no universal design for a shared services model. Organizations must evaluate each process to determine where activities should be performed. An initial analysis of the State's financial processes indicates the processes and sub-processes identified in the table below may be conducive to shared services. Although general ledger activities are typically included in a financial shared service organization, this area was not examined in detail as the State appears to be performing many of these activities in a consolidated manner today. However, if the State moves to shared services, the general ledger-related processes should be located in the shared services organization. The list below is preliminary; the exact processes to include in scope for financial shared services should be determined during the initial phases of a shared services project. The table below highlights the finance processes initially recommended for shared services and where responsibility for the associated sub-processes should reside. This is a preliminary recommendation that requires full review and validation.

Process	Agency Responsibility	Shared Services Responsibility
AR/Receipts Phase I	<ul style="list-style-type: none"> • Determines services to bill • Produces bill • Sends bill to customer • Ensures AR/receipts shared services system has bill data • Identifies cause of past due • Manages customer relationship related to billing • Maintains demographic data 	<ul style="list-style-type: none"> • Creates the accounts receivable • Receives all payments other than OTC (mail, phone, Web) • Performs all remittance processing • Ensures accounting system is updated with transaction information for monies received • Performs bank reconciliations • Conducts all collection processes (dunning letters, interest, court actions, etc.) • Updates accounts receivable system when bill is collected • Send receipt information to program area where necessary • Maintains demographic data
AR/Receipts Phase II	<ul style="list-style-type: none"> • Determine services to bill • Ensure AR/receipts shared services has bill data • Provides extended support to shared services regarding complex customer inquiries 	<ul style="list-style-type: none"> • Consolidates bills across agencies • Creates the accounts receivable • Sends bill (consolidated) to customer • Receives all payments other than OTC (mail, phone, Web) • Performs all remittance processing • Ensures accounting system is updated with transaction information for money received • Performs bank reconciliations • Conducts all collection processes (dunning letters, etc.) • Updates accounts receivable system when bill is collected • Identifies cause of past due • Manages customer relationship related to billing • Maintains demographic data

Transformation Roadmap
Appendix A: Summary of Project Business Cases

Process	Agency Responsibility	Shared Services Responsibility
Purchasing (with electronic purchasing and on-contract/catalog vendor) Integrated with MAPS	<ul style="list-style-type: none"> • Identify goods/services required • Create electronic purchase requisition • Electronically approve purchase requisition for goods & services • Submit electronic purchase order direct to vendor OR create electronic bid • Approve invoices where necessary • Upon receipt of goods or services, enter receipt in system 	PURCHASING <ul style="list-style-type: none"> • Set up new vendors on system • Manage contracts • Manage vendors • Investigate quality/quantity delivered discrepancies ACCOUNTS PAYABLE <ul style="list-style-type: none"> • Receives invoices (paper or electronic) • May image invoices and send electronically for approval • Matches receipt, invoice, and PO or just invoice and PO if services • Ensures appropriate payments are made to vendors • Manages pricing discrepancies • Audits payments
Purchasing (with electronic purchasing but not catalog vendor) Integrated with MAPS	<ul style="list-style-type: none"> • Identify goods/services required • Create electronic purchase requisition • Electronically approve purchase requisition for goods & services (enabled evaluated receipt settlement—ERS) • Upon receipt of goods or services enter receipt in system • Approve invoices where necessary • Send receiving slip or invoice to shared services upon receiving goods or services 	PURCHASING <ul style="list-style-type: none"> • Receive purchase order or bid request • Determine if on or off contract • Facilitate purchasing process • Set up vendor • Submit electronic purchase order or bid through system • Order goods or services • Finalize purchase order into system ACCOUNTS PAYABLE <ul style="list-style-type: none"> • Receives invoices • May image invoices and send electronically for approval • Ensures appropriate payments are made to vendors • Matches receipt, invoice, and purchase order (if not ERS)
Travel & Expenses	<ul style="list-style-type: none"> • Fill in expense reports (electronic self-serve) • Approve expense reports • Send documentation (receipts) to shared services 	<ul style="list-style-type: none"> • Make deposits to employee accounts • Audit expense reports • Maintain expense report files for IRS purposes • Consider imaging of receipts
Fixed Assets	<ul style="list-style-type: none"> • Purchase assets • Receive assets • Enter asset information into system (unless automated through integration with purchasing system) • Tag and track assets with barcoding technology • Transfer assets between programs • Conduct inventory with bar coding technology • Communicate asset status changes to shared services/enter asset changes in system 	<ul style="list-style-type: none"> • Capitalize leased asset • Maintain/update asset master data • Depreciate asset • Retire asset

Transformation Roadmap

Appendix A: Summary of Project Business Cases

The three key components to effective shared services are:

- Consolidation of people,
- A single system, and
- Process redesign

Although shared services can be implemented and function without all three components, to get maximum efficiency all three components are necessary. For the State of Minnesota, moving to shared services will entail:

- **Consolidation of people** into a minimum number of locations. The ideal number is one location. However, more locations may be required, and the move to a minimal number of locations may be a stepwise process. Consolidating people allows the realization of economies of scale and a reduction in FTEs required to process the same number of transactions as processed under a distributed model.
- The **implementation of a single system** to support the finance processes. MAPS currently provides some of this requirement, but replacement of the State's accounting and procurement system must be closely tied to the implementation of shared services. The implementation of a new system provides the ideal foundation to also implement shared services. Moving to a new system will provide greater automation and self-serve benefits. In addition, it will reduce the need for agencies to continue to develop and maintain their own systems in certain finance related areas. A survey of the State's financial systems supporting the finance processes showed multiple subsystems exist across agencies, with the status of these systems ranging "poor" to "excellent" with less than 10 percent ranked as excellent. A summary of the survey is provided below.

System Type	Excellent	Good	Sufficient	Poor	Total # of Systems
Fixed Assets	3	18	10	4	35
Inventory	2	12	4	2	20
Travel & Expenses	0	0	0	0	0
Remittance Processing	3	10	5	3	21
Accounts Receivable	1	11	7	2	21
Purchasing / Accounts Payable	0	9	2	0	11
Total	9	60	28	11	108

- Excellent—state of the art
- Good—meets our needs and does not need replacing
- Sufficient—works, but equipment is old and could use replacing
- Poor—badly needs replacing
- Process redesign is necessary to create standardized processes that are streamlined, efficient, and effective. Redesigning processes to be more streamlined and efficient will reduce burden throughout the organization and result in real cost savings in the shared service focused areas.

An area of particular opportunity is improvement in accounts receivable, receipt processing, and collections. This initiative would bring many of the standard revenue processes out of each program area and integrate them into the new organization. This organization may

Transformation Roadmap

Appendix A: Summary of Project Business Cases

reside in the Department of Revenue, as they are experts in the processes of focus, or it may be part of a broader shared services organization.

Governance

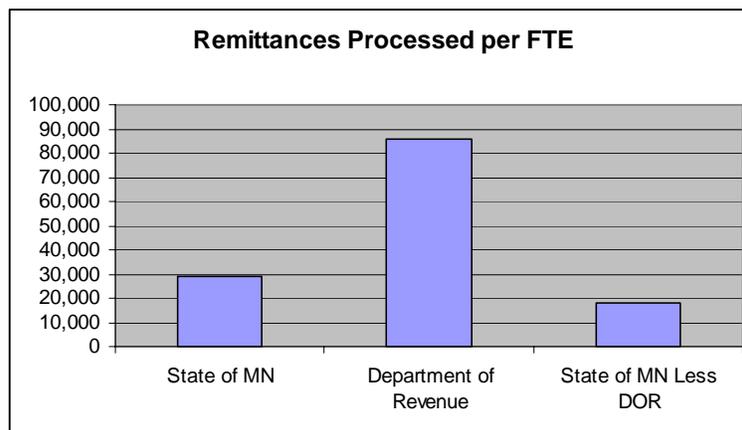
The exact governance structure for finance shared services should be determined in the context of the other Drive to Excellence shared service opportunities. The options for finance shared services are:

- Create a single shared services organization to support HR, finance, and procurement, and locate all support processes under the same organization.
- Create a center of excellence shared services organization in the Department of Revenue for revenue and receivables management. Place the other finance processes in the broader shared services organization.

Accounts Receivable Metrics

The section that follows provides an analysis that appears to support a center of excellence for accounts receivable, revenue processing, and collection processes in the Department of Revenue (DOR). This analysis should be taken in light of the fact that the type of revenue collected by DOR is significantly different from the type of revenue collected from other agencies. These collection differences could have a dramatic impact on results. However, given the fact that DOR's entire focus is on revenue collection, the agency has people well trained in these processes, has state-of-the-art remittance processing technology and, although it may be in need of replacement, likely has better AR/collection systems than most agencies. The graphs below show the results of the finance survey as it pertained to remittance processing and accounts receivable activities.

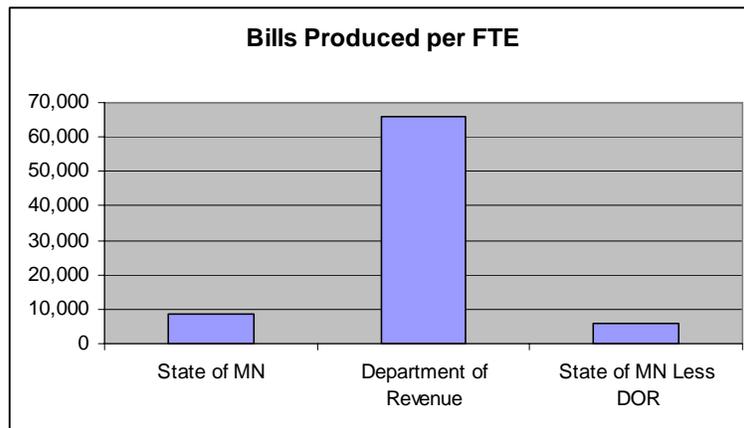
Remittances Processed per FTE



The above graph shows that DOR is significantly more efficient in remittance processing:

- All responding agencies to the survey = 29,000 remittances per FTE
- DOR = 86,000 remittances per FTE
- All responding agencies to the survey less DOR = 18,000 remittances per FTE

Remittances Processed per FTE



The above graph shows that DOR is significantly more efficient in bill production:

- All responding agencies to the survey = 8,600 bills per FTE
- DOR = 68,000 bills per FTE
- All responding agencies to the survey less DOR = 5,900 bills per FTE

Although this analysis is far from conclusive it appears the decision of where to locate a revenue and receivables shared services unit requires further analysis and that DOR should be considered as a candidate.

Qualitative Benefits

The following table identifies qualitative benefits anticipated as a result of implementing finance shared services. Each benefit is scored according to the impact it has on service innovation, quality improvement, or cost reduction.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Improved service quality	<ul style="list-style-type: none"> • Increased customer accessibility and responsiveness • Enhanced overall customer focus (internal and external customers) • Greater accuracy and consistency in service delivery • Reduced/eliminated errors • Shortened customer service cycle times • Providing a one stop shop for internal customers for most of their financial processing needs (single face to customer) • A defined set of policies and procedures followed by agencies, resulting in service consistency and better quality • Ability to leverage specialist skills and increase skill levels, resulting in better quality and customer service • Improved customer communication • Improved service to external customers who have a single point of contact 	4	4	1
Improved technology leverage	<ul style="list-style-type: none"> • Easier coordination of technology initiatives and implementation of new technology • Enhanced IT integration • Increased automation of key processes through better technology • Greater flexibility to adapt to changing technology environment 	4	3	2
Improved decisionmaking	<ul style="list-style-type: none"> • Improved decisionmaking through easy access to accurate information • Increased value through segregating noncore processes and shifting focus in agencies to core, more value-added activities, such as agency program efforts • Finance people in the agencies spend less time on transaction processing and more time on analysis and decision support 	3	4	2
Improved management of business process	<ul style="list-style-type: none"> • Decreased noncompliance risk • Flexibility to adapt to changing business requirements • Greater span of enterprise control • Increased focus and control of financial processes • Efficient integration of divisions or departments that shift from one agency to another • Optimal blend of insourced and outsourced processes ensuring increased process efficiency 	3	3	3

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Improved data quality and accessibility	<ul style="list-style-type: none"> • Single point of data access • Enhanced data quality, reliability, and integrity • Improved ability to leverage common data as authorized by law • Improved comparability, consistency, timeliness, and accuracy of financial information through greater control and standardization • Better access to enterprisewide information 	3	4	2

Major Milestones Summary

ID	Milestones	Target Months from Inception
1	RFP developed	4 months
2	Scoping and planning complete	6 months
3	Opportunity assessment performed	9 months
4	Detailed business case developed	11 months
5	Project design developed	15 months
6	Implementation phase completed—Go live	23 months

Enterprise Planning & Budgeting BTA (Wave Two)

Project Business Case Summary: Minnesota Accounting and Procurement System Replacement

Item	Description
Business Case Name	Minnesota Accounting and Procurement System (MAPS) Replacement
High-Level Description	<ul style="list-style-type: none"> • Replace the current Minnesota Accounting and Procurement System with a new system that meets the agencies' business requirements • Leverage automation and integration to achieve significant benefits from the removal of manual processing and the implementation of electronic workflows and approval
Estimated Investment Required	<ul style="list-style-type: none"> • Based on data from various public sector organizations that implemented new systems in recent years, the team has estimated the cost of a new MAPS system to be approximately \$99 million NPV (\$113 million in absolute terms). • Based on Ohio—\$77 million NPV (\$85 million in absolute terms). This cost estimate eliminates HR/payroll-related costs and benefits by taking 65% of the totals for each and extrapolates an estimate based on a 70% factor for the size of MN relative to OH. See quantitative impact summary below for explanation.
Key Qualitative Benefits	<ul style="list-style-type: none"> • Implement new functionality • Consolidate and streamline business practices and administrative processes • Eliminate redundant systems
Net Annual Benefits (after stabilization)	<ul style="list-style-type: none"> • Based on Ohio—\$26 million (eliminates HR/payroll-related costs and benefits by taking 65% of the totals for each and extrapolates an estimate based on a 70% factor for the size of MN relative to OH) • Shared services benefits—\$29 million (Although these benefits are specifically located in the shared services business case, they are not fully achievable without a strong financial system. The \$29 million is split between improved accounts receivable collections and decreased FTEs required across many finance processes. Both benefit areas are dependent on a strong finance and procurement technology and will not be realized without the new system. The shared services benefits are shown here to demonstrate that the system is critical to the success of a shared services organization and that some of these benefits should be incorporated into the cost of a new system).
Payback	<ul style="list-style-type: none"> • Based on Ohio—5.62 year payback (eliminates HR/payroll-related costs and benefits by taking 65% of the totals for each and extrapolates an estimate based on a 70% factor for the size of MN relative to OH).
Net Present Value @5%	<ul style="list-style-type: none"> • Based on Ohio—\$25.1 million (7-year NPV—eliminates HR/payroll related costs and benefits by taking 65% of the totals for each and extrapolates an estimate based on a 70% factor for the size of MN relative to OH).
Project Duration	<ul style="list-style-type: none"> • 36 months; does not include post-implementation

Description

MAPS is a mission-critical system needed to support daily operations of the State. Examples of transactions supported by MAPS include getting payments to schools, local governments, retirees, vendors, and individuals receiving assistance.

Given the age of the MAPS, the technical risks, and the State's changing business needs, the need for a new system is important.

The high-level cost estimates in this business case include the addition of software modules listed below. However, comprehensive business requirements analyses will determine what

Transformation Roadmap

Appendix A: Summary of Project Business Cases

specific additional functionality/modules should be included in MAPS, and scope of effort will have a major impact on project complexity and cost.

- Fixed Assets
- Inventory
- Grant Management
- Cost Allocation
- E-Procurement
- Project/Cost Accounting
- Accounts Receivable
- Collections

Vision

The vision for a new MAPS is to provide a Web-based accounting and procurement system that will:

- Streamline and automate transaction processing
 - Streamline state business processes
 - Improve efficiencies within Materials Management Division and agencies
 - Streamline paperless processing
 - Facilitate electronic approvals
 - Provide electronic workflow
- Provide tools to help obtain better vendor pricing through e-procurement:
 - More vendors reached + more competition = better pricing
 - Online posting of RFPs and email notification to potential vendors
 - Online vendor bids and proposals
 - Online posting of awards
 - Integrated reverse auctions
 - Catalog shopping
- Expand functionality to meet the State's changing business needs:
 - Fixed Assets
 - Inventory
 - Grant Management
 - Cost Allocation
 - E-Procurement
 - Electronic Workflow
 - Project/Cost Accounting
 - Accounts Receivable
 - Collections
 - Others—Improved functionality for the current processes

Transformation Roadmap

Appendix A: Summary of Project Business Cases

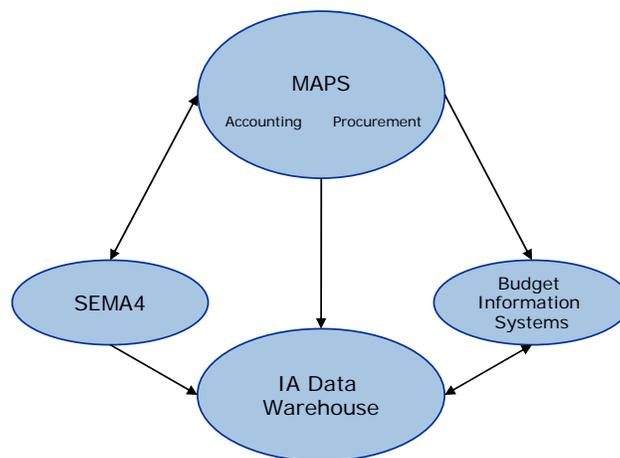
- Improve MAPS Reporting:

- Enhanced delivery of accounting and procurement information to MAPS customers
- Customers include state agencies, boards, and commissions

Background on the current MAPS

MAPS was placed into production in 1995. The accounting component and the procurement component were purchased from two different vendors. The two products/components share a real-time interface. Both the accounting and procurement components were upgraded in 1998 to ensure Y2K compliance. MAPS is client-server based and uses a 16-bit desktop client and mainframe based server with the data residing in VSAM files.

The diagram below illustrates the current high-level relationships between the State's accounting, procurement, payroll, budget, and IA warehouse solutions.

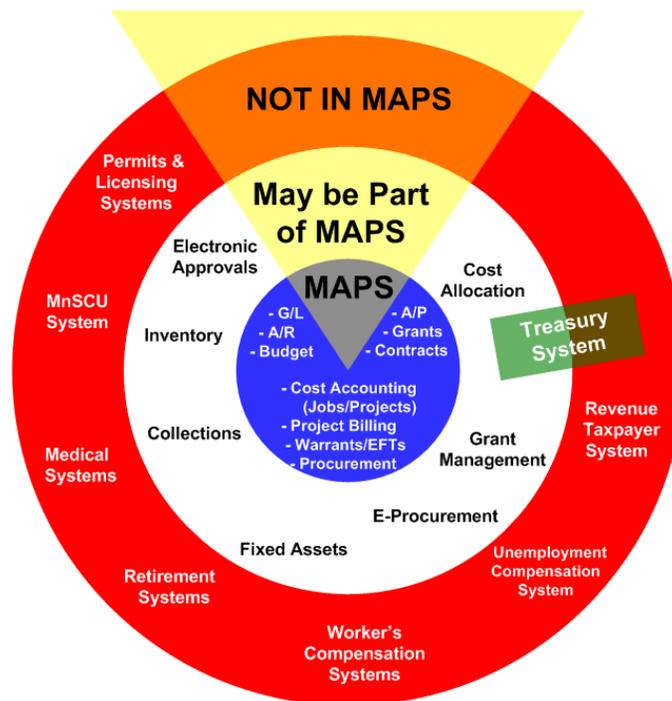


Transformation Roadmap

Appendix A: Summary of Project Business Cases

The illustration that follows identifies the current components of MAPS. Items in the inner circle are business functions currently found in MAPS. Items in the middle circle represent business functions that are not currently in MAPS, but potentially could be after an upgrade or replacement. Items in the outer circle represent business processes that have not historically been included in MAPS and are unlikely to be a part of a replacement solution.

The items in the inner circle currently residing in MAPS will be part of the new solution. The difference will be the exact type of functionality provided by this solution. For example, the current accounts receivable system in MAPS could be improved to meet business requirements that are consistent across multiple agencies. The type of functionality that can be provided by various vendors should be analyzed relative to the business requirements and a gap assessment should be conducted. Functionality not currently in MAPS (i.e., in the middle circle) also requires a definition of business requirements, and then a gap analysis relative to these requirements. This is not a short and simple task, but is critical to the eventual success of the solution.



The State has determined that systems represented in the outer band are outside the scope of MAPS. These are situations where large databases are needed by agencies to carry out unique functions which are outside the purview of a centralized accounting system. As part of their internal functions, these agencies keep detailed information about payments they issue. They send an interface file to MAPS to print their warrants (checks) and to update their budgets with summary transactions.

For example, MS 352.021 established the Minnesota State Retirement System (“MSRS”) for state employees. As part of their unique functions, MSRS needs to maintain actuarial tables, records for accumulated contributions, allowable years of service, etc. This is data that could not be cost effectively managed in a centralized accounting system. MSRS does, however, need to maintain a connection to MAPS (via an interface) for the purposes of issuing warrants and updating their budgets.

Transformation Roadmap

Appendix A: Summary of Project Business Cases

An agency's customer base is perhaps the most important factor in determining whether functions belong in MAPS or in separate systems. The vendor file in MAPS has basically been limited to vendors that are used by several agencies for financial transactions. Conversely, agencies maintain large databases of vendors that are unique to them, especially when additional information about the vendor is required. This factor also has 1099 and HIPAA implications.

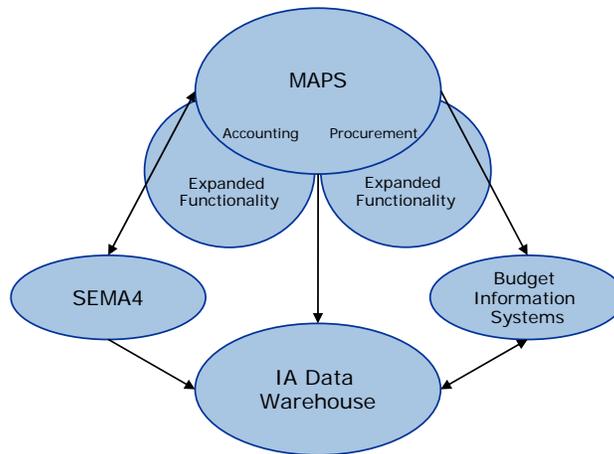
Enable Other Business Solutions

In determining whether the MAPS project should become part of the Transformation Roadmap, decisionmakers should consider how other initial business recommendations (in the project business cases) are relying on this project to improve and leverage their respective opportunities. These recommendations include:

- Sourcing
- Grant Management
- Licensing, Regulation & Compliance
- Internet Payments
- Shared Services

These opportunities should be part of the business requirements phase, and clear delineation should be made between what functionality should reside in MAPS and what should interface with MAPS.

The diagram below illustrates the relationships between the State's accounting, procurement, payroll, budget, and IA warehouse solutions and identifies the potential expansion of MAPS as a result of the Drive To Excellence initiatives.



Transformation Roadmap

Appendix A: Summary of Project Business Cases

Qualitative Benefits

This table describes the qualitative benefits associated with this project. Each of the benefits is briefly described and ranked on a scale of 1 (low) to 5 (high) in terms of how it contributes to service innovation, quality improvement, and cost reduction.

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Move off the mainframe	An upgrade or replacement provides the opportunity to move MAPS off of a mainframe environment	1	1	3
Web client	Change from a client/server architecture to a Web-based delivery system	4	3	4
Electronic workflow/approvals	Move away from manual, paper-based workflow and approvals to automated workflow and electronic approvals	5	4	4
Decrease redundant systems across the State	Improved and expanded functionality in both the accounting and procurement system will result in a decreased need for agencies to purchase, support, and maintain their own systems with like functionality	2	3	3
Consolidate and streamline business practices and administrative processes	Moving toward a new system (whether upgraded or replaced) with more sophisticated capability will provide the foundation to redesign business processes to be more effective and efficient and compliant with the Data Practices Act	3	4	4
Implement advanced functionality such as "self-service" Web applications	System capability has significantly advanced since MAPS was originally implemented in the mid-90s. Upgrading or replacing MAPS will provide the capability to leverage self-service applications	5	5	5
Improved decisionmaking	Easier access to more enterprisewide data and streamlined reporting tools will result in improved decisionmaking	2	3	4
Reduced manual data entry	Significant reduction in the time spent recording new fixed assets due to the capture of fixed asset information during procurement	4	4	4
Reduced opportunity for error and reconciliation	An upgrade or replacement of the current MAPS system will result in increased functionality that will be leveraged by the agencies. This will result in fewer interfaces between systems and transferring of data from one system to another. More data will be entered at the source and the opportunity for error and need for reconciliation efforts will be reduced.	3	3	3

Transformation Roadmap

Appendix A: Summary of Project Business Cases

Name	Description	Service Innovation	Quality Improvement	Cost Reduction
Enhanced functionality (such as E-Procurement, grant management, fixed assets, inventory)	Business requirements will identify specific components. Also need to consider how other areas such as Sourcing, Grant Management, and Internet Payments are relying on this project to improve and leverage their respective business opportunities.	5	5	
More flexibility in budgeting	Better integration of MAPS and biennial budget system. More user-friendly queries.	4	4	2
Combine revenue and financial systems (ERP)	Full ERP across accounting, procurement and revenue systems	4	4	2
Select one vendor product for both accounting and procurement	This eliminates the need to develop and maintain the real-time interface between the two components	3	5	5
Enhanced flexibility in application security	Provides more granularity to restricting access and segregating duties, and addresses issues raised by the Office of the Legislative Auditor ("OLA").	5	5	1

Major Milestones Summary

ID	Milestone	Target Months from Inception
1	Determine business requirements*	0-9 months
2	Develop RFP*	7-9 months
3	Release RFP*	10-11 months
4	Evaluate RFP responses and select vendor(s)*	12-15 months
5	Negotiate costs/write contracts	16-17 months
6	Project kickoff & preliminary planning	18-19 months
7	Planning phase	20-22 months
8	Development phase	23-36 months
9	Implementation phase	31-36 months
10	Post-implementation phase	37-42 months

* Two RFPs will be issued. One to determine the business requirements and the second to determine the software and integrator.

Based on other states' experiences and consultant recommendations, it is highly recommended that implementation ("Go Live") occur at the start of the State's fiscal year (July 1).

Appendix B. Additional Information Technology Recommendations

This section outlines four additional IT recommendations that are broader in nature than the IT business cases, so have been described in a different way. These would also need to be implemented within a strong IT governance structure, as recommended earlier in the document. The goal of each of these recommendations is to help the State function as an enterprise, with all the accompanying cost savings and increased service, rather than as a group of individual entities.

Additional Information Technology Recommendations	Page Nos.
Enterprise IT Architecture.....	224
Enterprise Security Architecture	230
Enterprise Reporting Tool	238
e-Government	243

Enterprise IT Architecture

Background

The State of Minnesota has developed an enterprise IT architecture—the Minnesota Enterprise Technical Architecture (“META”). The effectiveness of this tool, however, is limited due to a number of factors, including incompleteness of the model, overly “generous” standards that allow wide discretion in technology decisionmaking, a general lack of enforcement, little perceived benefit of compliance, and an absence of mechanisms to capitalize on coordinated decisionmaking across agencies:

- The current META does not provide directive guidance, it serves more as an inventory of existing technologies that is overly flexible (i.e., in its current form it can be used to accommodate or justify nearly any technology decision)
- The linkage of META to enterprise business strategy is weak. Higher-level architecture domains typically found in an enterprise architecture (e.g., business strategy, business process, business intelligence, information, and application layers) do not exist for the enterprise. These architecture layers are, on a de facto basis, defined and “owned” individually by agencies.
- Enforcement of compliance to META standards is generally lacking
- There are not clear incentives for agencies to follow META—from an agency perspective, there is little or no benefit to be gained through compliance
- Mechanisms to capitalize on agency compliance to an enterprise architecture are lacking (e.g., procedures for enterprise software licensing, cross agency resource sharing, or integration of business processes across agencies through interoperability are not in place)
- Typical benefits of an architecture have not been realized (interoperability, enterprise licensing, reduced complexity/support costs, increased efficiency of development efforts, reuse, etc.)

Transformation Roadmap

Appendix B. Additional Information Technology Recommendations

From these observations, it was concluded that on an *enterprise* basis, the State of Minnesota is generally at a Stage II level of maturity, as described in the following model:

Enterprise IT Architecture Management Maturity Model

	Stage I No Architecture	Stage II Initial/Under Development	Stage III Defined	Stage IV Linked to Business Objectives	Stage V Continuous Improvement
A Strategy	IT Architecture strategy does not exist or is limited and little or no formal policies or procedures are employed.	IT Architecture strategy is developed, but not formally communicated or updated.	IT Architecture strategy is communicated and ratified in all areas of the organization and policies and procedures are known and followed.	Formalized IT Architecture strategy and relevant policies and procedures are well understood by the IT organization and are fully integrated into day-to-day procedures.	IT Architecture strategy is broadly developed encompassing corporate vision and strategy with goal of designing & managing data architecture, network architecture, computing platforms & information repositories.
B Process	IT Architecture processes not defined or deployed.	Core processes are defined and implemented. There is no unified architecture standards across technologies or business processes. Existing architecture is patched as necessary.	Core and support processes implemented. Baseline and target architectures are identified. Transition plan is developed. 50% of new IT solutions are governed by the IT architecture. Architecture is reviewed for efficiency and possible economies of scale.	IT Architecture updated regularly. Most new IT solutions comply to the IT architecture. Architecture is reviewed and refined according to business drivers/ IT strategy. Architecture strategy begins to drive some IT strategy initiatives.	Processes continually improved to integrate leading practices. Proactively review system, application, and technology infrastructure architectures to ensure optimization of business vision attainment.
C Roles	Job descriptions not defined (tacit information only). No architect position.	Architect role introduced but limited management or planning team involvement in the architecture process. Success depends on individual efforts.	Permanent staff accountable for architecture development and maintenance. Architecture personnel actively involved in Program / Project planning and approval.	Dedicated Architecture team. Senior management directly involved in the architecture review. Training and certification process established for key roles in architecture management.	Senior management team involved in the optimization of the enterprise-wide architecture development. Continuous education. 360° performance evaluation conducted for architecture team members.
D Tools and Technology	No tool or technology supporting IT Architecture processes.	Basic tools (office suite, graphics packages) are used to document architecture.	Architecture documents on Intranet. technical reference model and standards profile framework established. Tools are used to support maintaining architecture documentation.	Enterprise-wide standardized toolkit. 100% compliance with technical reference and standards profile framework.	Architecture documents are used by decision makers in the organization for every IT-related business decision.
E Performance Measures	No performance measure exists. No benchmark information considered.	Case-by-case analysis of variances with standards is sometimes performed.	Adherence to Architecture standards and cost of non-adherence is measured and communicated.	Architecture balanced scorecard is developed and implemented. Architecture decisions tied to improvement in business performance measures.	Architecture performance measures are changed to monitor and address new architectural and business issues.

Achieving at least a Stage IV maturity level is critical to the success of the Drive to Excellence initiative.

Final Deliverable

Desired Outcomes

It is recommended that the State further develop an enterprise IT architecture. Key outcomes and benefits expected from the development of this enterprise IT architecture are identified below:

- Clear executive sponsorship for development and adoption of an enterprise business architecture, within which exists the enterprise IT architecture
- A technology architecture linked to business strategy: development of a fully formed enterprise architecture “stack” of domain layers with coherent linkages from high-level business strategy and process layers down to technical layers (the “plumbing”)
- Development of a compelling value proposition, attractive incentives for agencies, appropriate governance and enforcement procedures, and effective mechanisms for realizing enterprise benefits (e.g., enterprise licensing)

Transformation Roadmap

Appendix B. Additional Information Technology Recommendations

- Agency participation and ownership in the architecture development process
- Establishing an iterative process for keeping the architecture updated and aligned with business strategy
- Cost savings enabled by standardization, reuse, interoperability, economies of scale
- Improved customer/constituent service enabled by integration and interoperability
- Improved technology support for standardized and simplified infrastructure
- Increased ability to share skill sets across agencies
- Sufficient funding, tools, governance, and enforcement mechanisms
- Improved support for and capability to implement enterprise initiatives and solutions

Framework

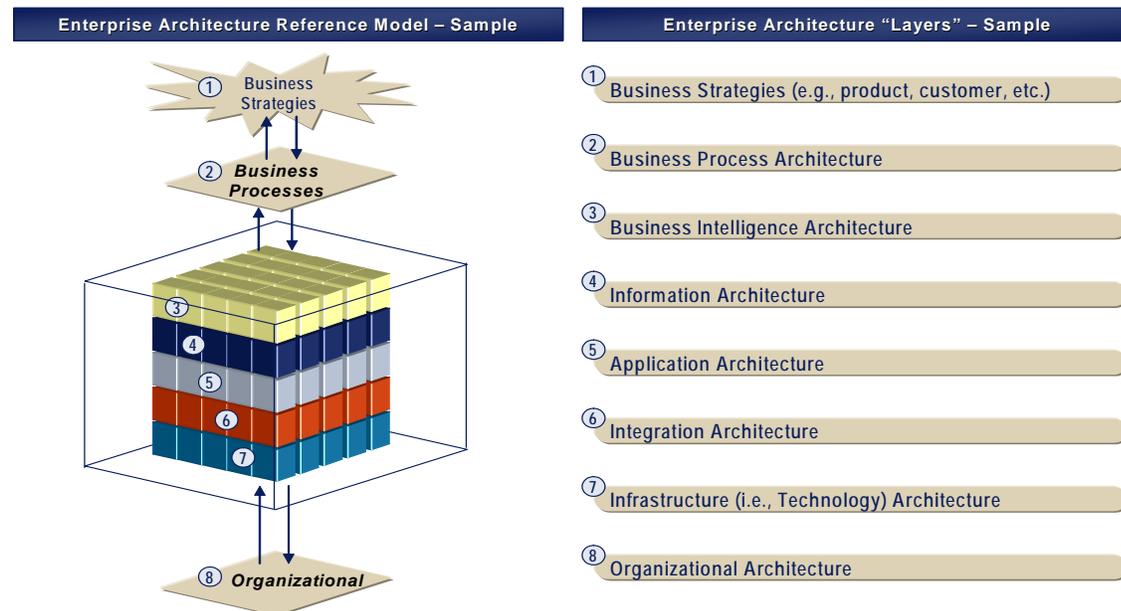
The enterprise IT architecture end deliverable consists of:

1. Enterprise Architecture Reference Model—A set of architectural “domains” that define business processes, applications, interfaces, and technologies
2. Enterprise IT Architecture Governance processes—as part of the overall IT Governance model, this includes the processes necessary for IT architecture to provide value to state agencies

A high-level example framework of an enterprise architecture, including business and technology domain layers, is presented below:

Architecture Reference Model

Enterprise Architecture requires a reference model that addresses the “big picture” – from a company’s business strategies to its technology components and everything in between



Transformation Roadmap

Appendix B. Additional Information Technology Recommendations

The architectural domains that are in scope for the end deliverable include those domains that interface with the business processes of the State. Common examples of relevant domains to include in this reference model and their descriptions include:

Architecture Domain Layers	Description
Business Intelligence	The business intelligence architecture provides the blueprint for solutions that enable the analysis and reporting of information to facilitate strategic and operational business decisions
Information	The information architecture provides the blueprint for conceptual, logical, and physical data architecture (and addresses many data aspects including access, standards, and relationships)
Application	The application architecture provides the custom and packaged transactional solutions that automate business processes and enable creation, management, and sharing of data
Integration	The integration architecture provides the blueprint for application and trading partner integration that supports the successful flow of information throughout the enterprise
Infrastructure	The infrastructure architecture provides the blueprint for the hardware, system software, and networks that serve as the “plumbing” for the business applications

Approach

Key Tasks

The following critical steps and tasks comprise the recommended approach for implementation of the enterprise IT Architecture.

Critical Steps	Tasks
Scoping and planning	<p>Confirm project structure and guidelines, develop project plan and schedule, develop project team roles and levels of participation, prepare/conduct project kick-off meetings, validate and obtain agreement on scope, schedule interviews</p> <ul style="list-style-type: none"> • Establish IT governance (e.g., state CIO/BTC) • Identify IT architecture process executive champion (e.g., governor, state CIO, Service Minnesota commissioner) • Develop IT architecture purpose statement/value proposition • Ratified by governance bodies • Review Data Practices Act and applicable federal laws for security requirements
Perform as-is assessment	<ul style="list-style-type: none"> • Dedicated team reporting to IT governance structure • Assessment of current architectural models, tools, and processes
Research and select architectural framework	<ul style="list-style-type: none"> • Review generally accepted frameworks (e.g., Federal Enterprise Architecture, TOGAF, Zachman, Meta Group) • Investigate potential for supplemental funding (e.g., Federal EGS grants) • Select framework • Perform gap analysis between as-is and maturity model targets • Adopt performance measures
Implement updated architectural process (continuous)	<ul style="list-style-type: none"> • Checkpoint: Confirm linkage to business strategy and processes • Execute selected framework methodology (e.g., establish subject matter specialist teams) • Build and refresh reference model • Review and approval by governance bodies

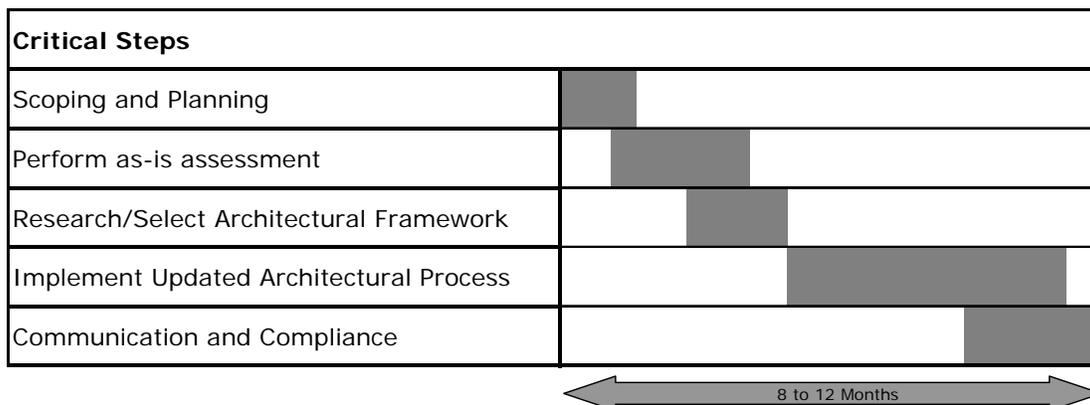
Transformation Roadmap

Appendix B. Additional Information Technology Recommendations

Critical Steps	Tasks
Communication and compliance	<ul style="list-style-type: none"> • Develop and implement communication plan • Publish reference model • Track and report performance measures

High-Level Timeline

The approach described above is estimated to take a total of 8 to 12 months to complete.



Key Stakeholders

Involvement from appropriate parties is necessary to the success of this initiative. Key stakeholders and their recommended roles and responsibilities are highlighted in the following table:

Stakeholder	Role/Responsibility
Business Governance Structure	<ul style="list-style-type: none"> • Oversee development of the enterprise business reference model (this is a prerequisite for developing the IT architecture) • Ensure alignment and compatibility of enterprise reference models • Ensure collaboration of architecture teams
IT Governance Structure	<ul style="list-style-type: none"> • Provide strategic direction to IT architecture team • Provide reference model issue resolution • Review and approve IT architecture recommendations • Design and implement IT architecture compliance processes
Agency CIOs	<ul style="list-style-type: none"> • Contribute to IT architecture decisionmaking through governance process • Comply with IT architecture reference model
Enterprise Business Architecture Team	<ul style="list-style-type: none"> • Communicate Business Architecture Reference Model
IT Architecture Team	<ul style="list-style-type: none"> • Develop IT architecture reference model recommendations for IT governance bodies • Maintain alignment with business architecture reference model
Other Architecture Teams	<ul style="list-style-type: none"> • Communicate architecture reference model (e.g., security)

Risks and Mitigation Strategies

A number of issues and risks associated with the implementation of the enterprise IT architecture have been identified. A high-level description of these issues and risks, along with potential mitigation strategies, is provided below.

Risk	Mitigation Strategy
Little incentive/rationale for agencies to adhere to the architecture	Clear communication of the enterprise vision and value proposition. Develop and implement compliance incentives (e.g., shared funding).
Business architecture does not exist or is not effectively linked to IT architecture	Develop IT architecture as a component of a larger enterprise business architecture
Agencies do not comply with architecture	Establish effective governance model with executive sponsorship and agency representation
Insufficient resources	Enterprise business governance structure provides dedicated and appropriate resources/funding

Enterprise Security Architecture

Background

There is currently little focus on the enterprisewide management of security within the State of Minnesota. Each agency is independently responsible for developing and executing its own security strategy. The maturity and performance level of security management varies significantly from agency to agency. Requirements imposed by external entities (e.g., Federal Government) also vary across agencies.

The chief information security officer (“CISO”) group, composed of security officers from a set of larger agencies, has formed to assist one another with security management tasks. This group has no official charter or dedicated resources, other than also serving as the State Security Domain Team to review and recommend enterprise security technical architectural standards.

The current environment, consisting of management of security on an agency-by-agency basis and the absence of a group chartered to address enterprise security issues, creates an environment disadvantageous to the State in a number of ways:

- Business and regulatory requirements for information security vary significantly across the state enterprise
- There are only a limited number of enterprisewide security services provided to agencies today
- Security is largely managed on an agency-by-agency basis (exception: some enterprise responsibilities are housed within the Department of Public Safety—e.g., Homeland Security—and the Department of Administration; the nature of these functions are not well understood across the enterprise)
- Agencies operate at varying levels of maturity
- While a high-level assessment of statewide IT security is understood, no comprehensive assessment of the state IT security environment exists
- Initial data gathering from the high-level statewide IT security assessment conducted by the CISO group suggests the State is well below industry standards for resourcing information security
- State standards are limited to those articulated in the state architecture (META) document
- There is much inconsistency within the agency CISO positions across the enterprise—e.g., reporting relationships, bargaining unit, responsibilities
- Agency CISOs tend to report to and operate within IT operational organizations. This placement creates the potential for conflicts of interest. Industry trends and leading practices indicate that security governance should be separate from IT Governance.
- No consistent standards for information security and control exist. For example, the OLA uses COBIT to assess agency systems; agencies do not use COBIT
- State Security Domain/CISO group is an enterprise-level security group. The group has no specific charter for enterprise management or policy recommendations. The group facilitates a great deal of voluntary sharing of information and leading practices across agencies

Transformation Roadmap

Appendix B. Additional Information Technology Recommendations

From these observations, it can be concluded that on an **enterprise** basis, the State of Minnesota is currently between Stage I and II level of maturity, as described in the following model:

Enterprise Security Management Maturity Model

	Stage I Nonexistent	Stage II Developed	Stage III Communicated	Stage IV Integrated	Stage V Monitored
A Strategy	Security Management strategy does not exist or is limited and little or no formal policies or procedures are employed.	Security Management strategy is developed, but not formally communicated or updated. Policies and procedures are documented, but are not readily available or are ignored.	Security Management strategy is communicated and ratified in all areas of the organization and policies and procedures are known and followed.	Formalized Security Management strategy and relevant policies and procedures are well understood by the IT organization and are fully integrated into day-to-day procedures.	Security Management strategy is broadly developed encompassing corporate vision and strategy with the goal of ensuring that the organization is assuming an acceptable level of IT risk.
B Process	Security Management processes are not defined or deployed.	Security Management processes are informal, not documented, and not consistently applied. Security Management is very reactive.	Security Management processes are defined and deployed to set enterprise security guidelines and identify and document enterprise risks. Other processes are informally applied.	Formal processes exist for risk scenario planning. The IT process framework is reviewed and updated on an on-going basis. All projects require risk mitigation strategies.	Security Management is proactive, anticipating risks before they occur and formalizing risk mitigation procedures. Risk mitigation processes are consistently deployed throughout the organization. Processes continually improved to integrate leading practices.
C Roles	Job descriptions not defined (tacit information only).	Responsibility for Security Management is clearly delegated. Formalized Security Management roles and responsibilities are generic in nature.	Security Management roles and responsibilities clearly defined and communicated throughout the organization. Senior management directly involved in Security Management.	Permanent staff dedicated to Security Management. Training delivered to build Security Management. Succession and career planning in place.	Dedicated Security Management group. Continuous training and education delivered to Security Management team.
D Tools and Technology	No tools or technology supporting Security Management.	Only basic tools (e.g. spreadsheet templates) supporting Security Management processes.	Intranet leveraged to facilitate communications of Security Management policies and guidelines and risk identification. <i>Second or third generation scenario planning tools are developed and deployed.</i>	Integrated enterprise-wide Security Management toolkit including threat and risk assessment and asset valuation	All tools are integrated, fully based on a recognized methodology of standard such as ISO17799.
E Performance Measures	No performance measures exist. No benchmark information considered.	Basic measures and metrics are used to track Security Management performance.	Improvement on key metrics is tracked	A comprehensive set of metrics are used to assess all aspects of Security Management.	Performance measures are updated to monitor and address new Security Management issues.

The target management maturity will be determined during the implementation of the enterprise security architecture.

Transformation Roadmap

Appendix B. Additional Information Technology Recommendations

Final Deliverable

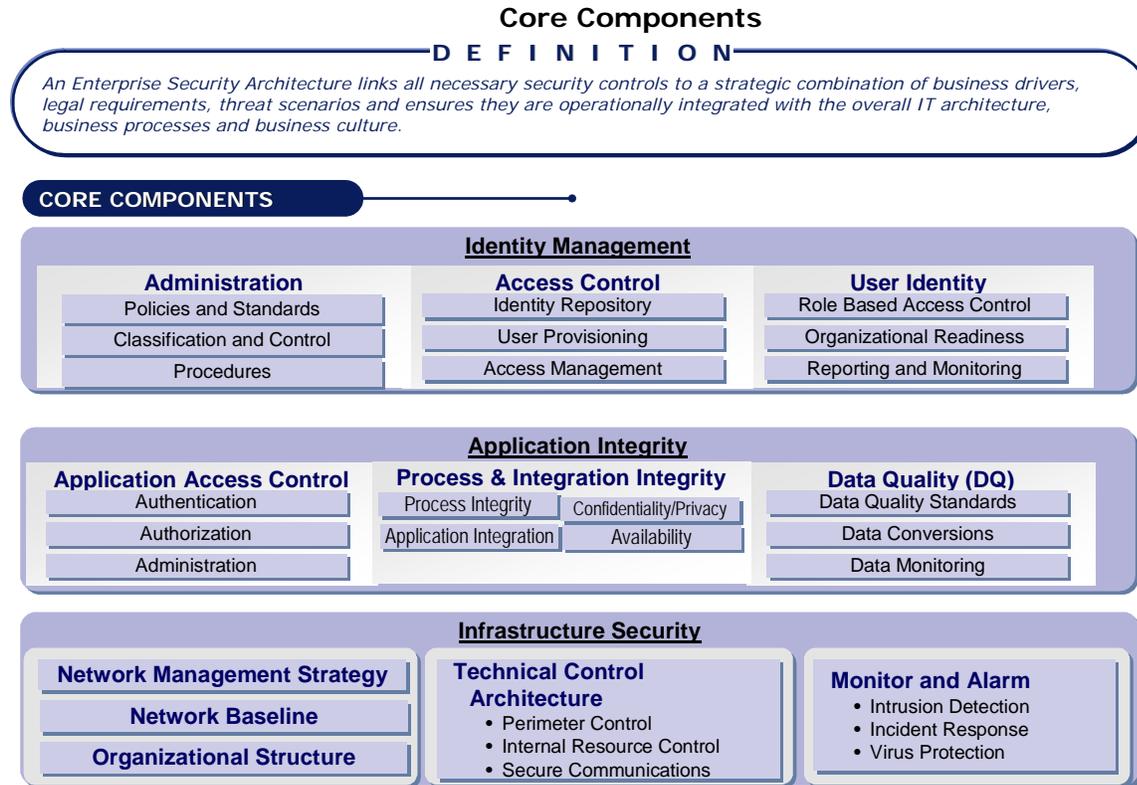
Desired Outcome

It is recommended that the State develop an enterprise security architecture. Key outcomes and benefits expected from the deployment of an enterprise security architecture are identified below. The scope of the enterprise security deliverable does not address any business continuance or disaster recovery initiatives.

Objective	Benefit/Outcome
Strategic Alignment	<ul style="list-style-type: none"> • Security requirements driven by business requirements; security solutions fit for business processes • Information security management processes are integrated with organizational strategic and operational planning processes. • Well-defined vision for security management is established, communicated and understood across the enterprise • Retain and foster citizen confidence in the enterprise's ability to secure private information
Value Delivery	<ul style="list-style-type: none"> • Adopt a state standard for IT security control objectives and guidelines and an industry standard (e.g., NIST, COBIT, ISO17799) for implementation • Clearly defined roles and responsibilities for security and risk management ownership and management accountability • Address agency CISO job duties, classification, reporting relationships, compensation levels, and bargaining unit placement in order to retain skilled employees and to align incentives with security responsibilities. • Require mandatory training on IT security for all employees and provide refresher training options • Build a continuous improvement culture • Increased mitigation will reduce time and costs during response and recovery activities • Costs can be saved through a more effective risk and security management implementation • Establish a career path and appropriate training for security employees to ensure workforce needs of the enterprise are satisfied
Risk Management	<ul style="list-style-type: none"> • Understanding of risk exposure and that mitigation measures taken are appropriate based on their probability and potential impact on the enterprise • Awareness of risk management priorities • Focus on proactive measures and risk avoidance • Implement Computer Incident Response Teams ("CIRTs") within all agencies and central administrative coordination • Investments are protected against potential disruptions • Asset-focused mitigation strategies
Performance Measurement	<ul style="list-style-type: none"> • Defined set of security and risk metrics • Measurement process with feedback • Audits to ensure compliance

Framework

An example of a high-level model framework of an enterprise security architecture, identifying core components and key subject areas, is presented below:



Key components of an enterprise security architecture consist of processes that support identity management, application integration, and infrastructure security. In addition, various standards such as ISO17799, COBIT, and those from NIST can be applied to the architecture as necessary.

Approach

Key Tasks

The following critical steps and tasks comprise the recommended approach for implementation of the Enterprise Security Architecture.

Critical Steps	Tasks
Scoping and planning	<p>Confirm project structure, Data Practices requirements, and guidelines, develop project plan and schedule, develop project team roles and levels of participation, prepare/conduct project kick-off meetings, validate and obtain agreement on scope, schedule interviews</p> <ul style="list-style-type: none"> • Identify project sponsor (e.g., state CIO, Service Minnesota commissioner, BTC) • Develop security architecture purpose statement/value proposition
Project initiation	<ul style="list-style-type: none"> • Charter CISO group to develop recommendations for enterprise security architecture and organizational structure • Determine agency participation/representation targets and recruit additional members to CISO group as appropriate • CISO group identifies what support/dedicated resources are needed • Establish project team • Develop a comprehensive communication plan including all agency/board commissioner and chairperson positions.
Develop security architecture framework/leading practices	<ul style="list-style-type: none"> • CISO group convenes an Information Security Management workgroup • Workgroup recommends preferred framework/methodology components (e.g., COBIT) • Workgroup compiles and publishes leading practices and validates findings with an independent technical security source • Workgroup identifies industry norms
Establish enterprise baseline security standards/policies	<ul style="list-style-type: none"> • Develop security architecture reference model (decision tree/matrix based on key security management criteria) • CISO group applies reference model in drafting enterprise baseline security standards recommendations • CISO group facilitates communicating the minimum standards expectations across the enterprise • Define small set of key security metrics/performance measures
Establish security roles and responsibilities	<ul style="list-style-type: none"> • CISO group convenes a roles and responsibilities workgroup • Workgroup develops and submits a report clearly articulating and communicating the roles of enterprise and agency security positions and functions • Workgroup makes recommendations regarding the organizational placement and personnel classification of dedicated CISO positions • Workgroup makes recommendations for security career paths and technical training expectations • Workgroup makes recommendations for a structure to support the information security needs of agencies that do not require a dedicated CISO • Workgroup recommends whether a dedicated state CISO position should be created, and identifies the preferred placement and reporting relationships of this position

Transformation Roadmap

Appendix B. Additional Information Technology Recommendations

Critical Steps	Tasks
Conduct initial assessment of the enterprise security environment	<ul style="list-style-type: none"> • CISO group develops security assessment approach and data collection tools • Agencies conduct data collection • Agencies report results to CISO group • CISO group analyzes agency-reported results • CISO group identifies agency-specific compliance gaps compared to baseline standards • When they conduct agency audits, OLA compares agency self reports to actual experience
Remediation	<ul style="list-style-type: none"> • Agencies develop remediation plans to bring their organizations into compliance with enterprise standards • CISO group reviews and assesses remediation plans • CISO group reports exceptions to governance structure for enforcement actions
Develop enterprise security strategy	<ul style="list-style-type: none"> • CISO group identifies key enterprise security priorities and recommendations • CISO group identifies shared security technical support, tools and services needed to facilitate securing the enterprise
Ongoing oversight	<ul style="list-style-type: none"> • Periodically repeat enterprise security assessment (agency reporting, CISO review) and monitor compliance • CISO group updates/enhances security reference model and standards on continuous basis • CISO group identifies and addresses emerging issues and initiatives • Effective information security governance requires continuous improvement

Key Stakeholders

Involvement from appropriate parties is necessary to the success of this initiative. Key stakeholders and their recommended roles and responsibilities are highlighted in the following table:

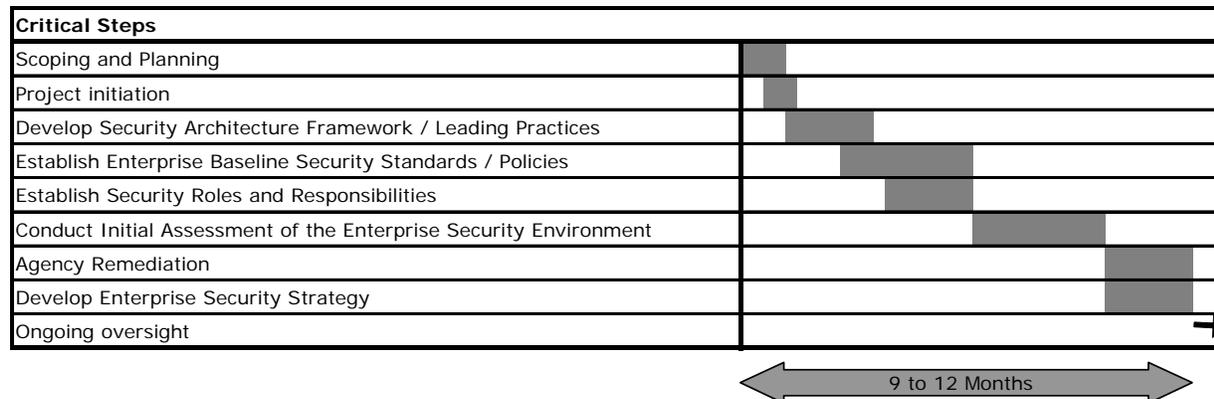
Stakeholder	Roles/Responsibilities
Business/IT Governance	<ul style="list-style-type: none"> • Initiate project • Charter/authorize CISO group • Review approve policy components of the security architecture • Provide enforcement
CISO Group	<ul style="list-style-type: none"> • Assume primary ownership of enterprise security architecture • Establish and maintain policies and standards • Review agency reports and remediation plans
Agency leadership	<ul style="list-style-type: none"> • Task agency CISOs part-time to this effort • Conduct architecture compliance self-assessments • Develop and execute remediation plans
Project staff	<ul style="list-style-type: none"> • Provide project management and support services
Office of Legislative Auditor	<ul style="list-style-type: none"> • Advise CISO on architecture requirements • Incorporate security architecture standards in agency audits
Roadmap PMO	<ul style="list-style-type: none"> • Provide coordination/linkage to roadmap initiatives
Independent Technical Security Advisor	<ul style="list-style-type: none"> • Participate in process to provide external and objective input and feedback

Transformation Roadmap

Appendix B. Additional Information Technology Recommendations

High-Level Timeline

The approach described above is estimated to take a total of 9 to 12 months to complete before the ongoing oversight mode begins.



Risks/Mitigation

A number of issues and risks associated with the implementation of the enterprise security architecture have been identified. A high-level description of these issues and risks, along with potential mitigation strategies, are provided below.

Issue/Risk	Mitigation
“Silo” based organizational structure significantly impedes implementation of statewide standards	Clearly defined and communicated support from executive sponsors and governance structure
As presently constituted, CISO group is not sufficiently staffed to assume duties and responsibilities described in this approach	Provide additional dedicated resources and funding to provide project management and support services for this effort and the CISO group
Security governance must fit into a presently unknown governance structure. Who does CISO group report to?	Clarify business and IT governance structures as soon as possible
Coordination with governance structure and other enterprise efforts must be incorporated into this approach	Establish linkages to governance structure and Roadmap PMO
Need mechanism to link business requirements to security strategy	Identify and adopt a robust security architecture model that incorporates mechanisms/structures to link business strategies and requirements
Application security/business continuation/risk management should be components of PMO methodology	Identify and adopt a robust security architecture model that incorporates application security, business continuation and risk management components
What groups will take which roles/responsibilities— recommend policy, approve policy, compliance reporting, compliance monitoring, auditing, enforcement	Define roles responsibilities and establish as components of the enterprise architecture. Obtain buy-in and approval from governance bodies.
CISO group is not envisioned to provide audit function	Consult/coordinate with OLA in the adoption and development of security architecture. Gain agreement that OLA will incorporate enterprise security architecture compliance in their audits.

Transformation Roadmap

Appendix B. Additional Information Technology Recommendations

Issue/Risk	Mitigation
Security architecture effort is not likely to produce significant or easily measured cost savings. Benefits of this effort include enhanced risk management capabilities and cost avoidance, which are difficult to quantify	Develop enterprise security architecture purpose statement/value proposition/business case. Develop plan to effectively communicate benefits to agency and governance leadership.

Enterprise Reporting Tool

Background

The State of Minnesota has limited capability to perform technology or business process reporting on an enterprise basis.

- No enterprise data schema currently exists that relates IT information and business information to enable IT decisionmaking
- Reporting is done on an agency-by agency basis. "Enterprise" reporting is done by accumulating, interpreting, adjusting, and summarizing agency information.
- Each agency performs its own reporting, with varying tools and levels of capability, to meet agency-specific information needs. Information produced in this manner is often not comparable across agencies.
- Enterprisewide information is available from MAPS (financial) and SEMA4 (human resources). Data from these transaction systems are loaded to the State Information Access ("IA") data warehouse where it can be accessed using query tools. Obtaining useful information from these systems is often difficult and cumbersome.
- The statewide information in the IA warehouse is categorized and retrievable by organizational codes (e.g., agency, department) or financial codes (e.g., chart of accounts) codes. Structures for reporting on an enterprise basis, such as by business process or by customer/constituent category across agencies, are generally not available. This lack of an "enterprise view" of information is a significant obstacle to managing operations and assets on an enterprise basis.
- There is no routinely updated central repository of state technology asset information.

Final Deliverable

Desired Outcome

It is recommended that the State develop a repeatable enterprise baseline data collection process coupled with flexible reporting tools. Key outcomes and benefits expected from this initiative include the ability to:

- Report on an enterprise basis regarding internal and external business processes, information technology, customer activity, and other dimensions as needed to support enterprise governance and decisionmaking
- Establish and track enterprise performance targets/measures
- Provide enterprise reporting processes and tools that are automated, accurate, consistent, repeatable, well-defined, accessible, and comparable (i.e., apples to apples)
- Establish simplified and flexible reporting categories to fit current and future state reporting needs
- Measure progress/impact of Roadmap initiatives
- Support ongoing ability to identify new improvement opportunities
- Where possible, leverage existing transaction processing systems (e.g., MAPS, SEMA4) to provide automated data collection thereby minimizing the manual data collection burden
- Establish clearly defined boundaries, supported by MN Chap 13, to protect citizen and client information while providing an automated technologies auditing tool

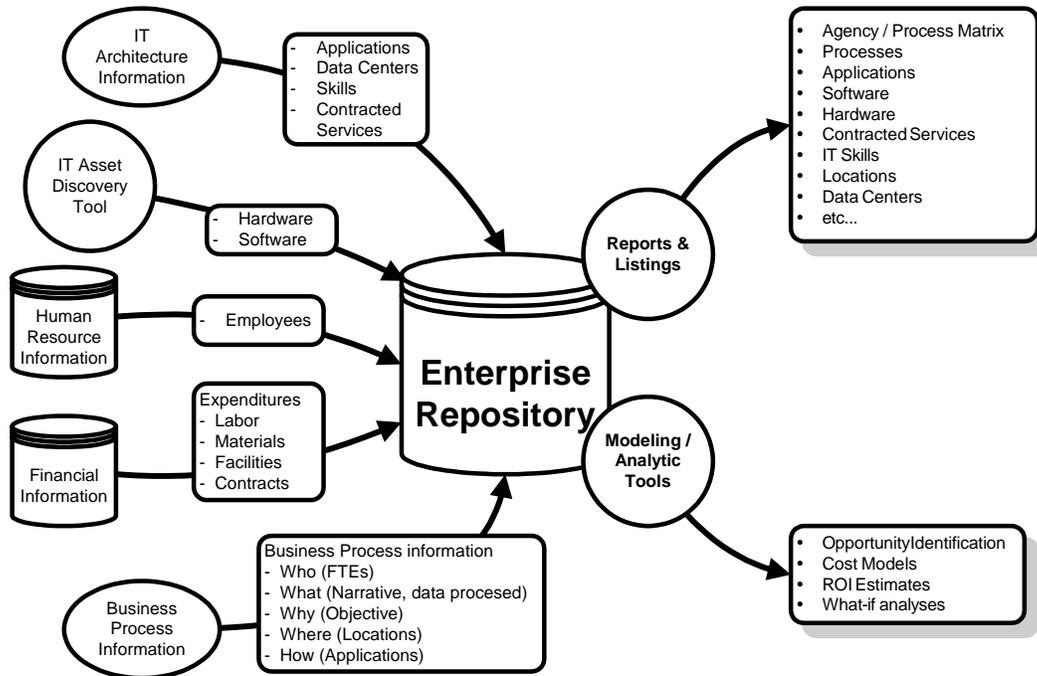
Transformation Roadmap

Appendix B. Additional Information Technology Recommendations

- Develop a “clearinghouse” process for all reports required to be submitted to the Legislature or governor’s office and support potential expansion of statutory reporting requirements on all levels.
- Provide decision support and management information to business and technology governance bodies to support informed management of enterprise investments and initiatives

Framework

The diagram below is an example of a high-level conceptual model of an enterprise reporting tool comprising various components.



Key aspects of this model include:

- Use of existing data from enterprise transaction processing systems as authorized by law
- Automated data collection tools such as asset scanning and online surveys
- A central enterprise data repository combining financial, human resource, business process, technology information
- Query and reporting tools
- Modeling and analytic capabilities (e.g., what-if analyses)

Approach

Key Tasks

The following critical steps and tasks comprise the recommended approach for development of an Enterprise Baseline Reporting capability.

Transformation Roadmap

Appendix B. Additional Information Technology Recommendations

Critical Steps	Tasks
Scoping and planning	<p>Confirm project structure, Data Practices requirements, and guidelines; develop project plan and schedule; develop project team roles and levels of participation; prepare/conduct project kick-off meetings; validate and obtain agreement on scope; schedule interviews</p> <ul style="list-style-type: none"> • Identify project sponsor (e.g., state CIO, Service Minnesota commissioner, BTC) • Develop Enterprise Baseline Reporting (“EBR”) purpose statement/value proposition • Clearly define the items/areas to be reported and reporting time frame • Establish EBR project team • Develop a comprehensive communication plan including all agency/board commissioner and chairperson positions
Define business requirements	<ul style="list-style-type: none"> • Identify key metrics for enterprise technology and business process decision-making • Investigate technology/business process reporting tool options and leading practices • Define an EBR reporting model: Mutually agreed definitions on the “what” that is being reported—critical to accurate comparative analysis • Develop business requirements for EBR solution
Assessment	<ul style="list-style-type: none"> • Assess the State’s current tools and capabilities • Perform gap analysis • Develop a model that identifies the components of the enterprise baseline reporting solution
Selection of tool(s)	<ul style="list-style-type: none"> • Develop EBR technical requirements • Develop tool short list using RFI process • Conduct tool demonstrations • Evaluate and identify vendor(s) of choice • Execute vendor contract(s)
Initial implementation	<ul style="list-style-type: none"> • Plan and execute implementation of initial version of EBR tool(s)

Transformation Roadmap

Appendix B. Additional Information Technology Recommendations

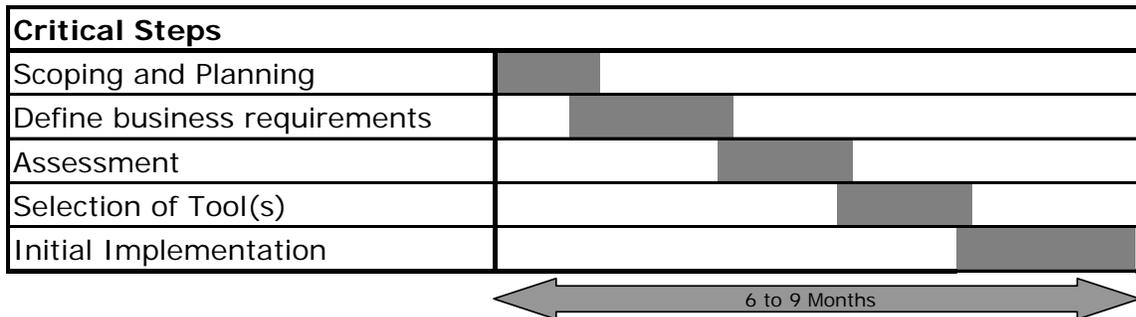
Key Stakeholders

Involvement from appropriate parties is necessary to the success of this initiative. Key stakeholders and their recommended roles and responsibilities are highlighted in the following table:

Stakeholder	Roles/Responsibilities
Business/IT governance bodies	<ul style="list-style-type: none"> • Identify project sponsor • Provide funding and resources • Identify key metrics for enterprise technology and business process decisionmaking • Review and approve key project deliverables
Project sponsor	<ul style="list-style-type: none"> • Establish project team • Monitor project status • Resolve project issues
Project staff	<ul style="list-style-type: none"> • Execute project tasks
Agency management staff	<ul style="list-style-type: none"> • Identify Data Practices Act compliance, agency reporting requirements, and the associated authorities requiring the compliance or report
A central workgroup representing the primary "Report To" agencies	<ul style="list-style-type: none"> • Define the "clearinghouse" requirements and implementation approach • Coordinate with the Legislative Reference Library
Legislature/Governor's office	<ul style="list-style-type: none"> • Provide a staff person to the above central workgroup
Agency managers/staff	<ul style="list-style-type: none"> • Participate as needed in enterprise reporting process

High-Level Timeline

The approach described above is estimated to take a total of six to nine months to complete initial implementation.



Transformation Roadmap

Appendix B. Additional Information Technology Recommendations

Risks/Mitigation Strategies

A number of issues and risks associated with the implementation of enterprise baseline reporting tools have been identified. A high-level description of these issues and risks, along with potential mitigation strategies, are provided below.

Risk/Issue	Mitigation Strategy
Agency resistance due to perceived loss of data control or compromise of client data security	Mitigate through a cooperative effort that demonstrates that the tool/process is collecting only high-level data required to satisfy reporting requirements, not specific individual or business data elements
Inaccurate, incomplete, or unlike data being reported reducing the effectiveness of comparative analysis	Mitigate through emphasis of development steps one and two. If data parameters or data definitions are vague, agencies may be impacted by faulty downstream analysis
Unrealistic expectations	Mitigate through education and stressing purpose of baseline reporting as a long-term planning and management tool. Minimum impact time frame 2 years, first year to gather and analyze data collection, second year to start comparative analysis and start trend charting

e-Government

Goals and Objectives

The e-Government sub-team's goal was to develop an e-Government assessment approach for the State of Minnesota based on a high-level understanding of the State's "As Is" e-Government capabilities. To that end the team performed a high-level assessment of the key issues of the State's current e-Government capabilities as well as a preplanning understanding of the goals that e-Government will target going forward.

Objectives:

- Perform a high-level assessment of current e-Government capabilities within the State
- Define the approach to performing a more detailed assessment of e-Government capabilities
- Identify critical steps
- Develop a high-level timeline
- Define high-level roles/responsibilities

The Case for Change: "As Is" State e-Government Model

Currently, the State of Minnesota lacks an enterprise e-Government strategy. The team identified two critical consequences of this:

- The current e-Government model does not take advantage of cost-savings opportunities in service delivery and systems development and deployment that would be inherent in an enterprise approach.
- The current siloed approach to e-Government service delivery does not present a unified face to external customers and does not offer customer service improvements that could be achieved through an enterprise model (e.g., single entry of address information).

Several Transformation Roadmap business cases point to opportunities to enable service delivery through e-Government, including:

- Customer Service Innovation—Web portal business case
- Licensing—Licensing One-Stop Shop
- Human Capital Management—HR Self-Service Center
- Grant Management—Online Grant Management Tool

However, as noted above, there exists no statewide e-Government strategy or operating model; without these key elements, successful implementation of these opportunities will be difficult if not impossible.

A recent external study of the e-Government environment at the State identified several challenges and risks, including:

Challenges:

- Agency commitment to online service delivery for common processes
- Data practices—how to comply with current law and pending legislation, while meeting the mission to deliver state services electronically, transact business and provide information using a variety of technologies
- State agency adoption of common e-Government infrastructure components
- How to coordinate with agencies concerning their business and technology plans without duplicating prior efforts
- How to build credibility with a limited track record for enterprisewide operations

Risks:

- Lack of budget for agencies to comply with enterprise technology standards
- New technologies to the State (e.g., portals, content management, PKI)
- Significant solutions already developed by separate entities

High-Level “As Is” Capability Assessment

The team performed a high-level assessment of current e-Government capabilities at an **enterprise** level. Current **enterprise** e-Government capabilities were assessed along five dimensions:

- Strategy and planning
- Architecture, infrastructure, tools
- Customer relationship management
- Roles/organization (skill sets, staffing, etc.)
- Alignment of e-Government projects to business needs

Along each of these five dimensions the team assessed both management maturity and the performance using the following criteria. The results of the sub-team’s assessment follow.

Management Maturity Stages

Stage	Description
Stage I	Element does not exist or is limited, is not defined, little or no formal policies/procedures are employed, etc.; no supporting tools/technology
Stage II	Element is developed, but not formally documented, communicated or updated; not consistently applied; basic in nature
Stage III	Element is clearly defined and communicated and ratified in all areas of the State, policies/procedures are known/followed, dedicated permanent staff
Stage IV	Formalized policies and procedures well understood and integrated into daily operations; dedicated staff with significant senior management involvement
Stage V	Policies/procedures fused with State business and constituent needs

Performance Rating Criteria

Rating	Description
1	Poor. Consistently does not meet the needs and expectations of state constituents.
2	Inconsistent. Good performance demonstrated but significant lapses occur.
3	Good/Acceptable. Generally meets needs/expectations of state constituents on a consistent basis.
4	Excellent. Needs/expectations of state constituents consistently met and in some cases exceeded.
5	Superior. Needs/expectations of state constituents consistently exceeded. State performance is a model for other state governments

Dimension	Management Maturity	Performance
Strategy and Planning	Stage I <ul style="list-style-type: none"> No policies/ procedures exist to direct agencies to plan as an enterprise Technology enabled but not business driven 	N/A—No statewide e-Government strategy or planning currently exists
Architecture, Infrastructure, Tools	Stage II	1
CRM	Stage I/II—ITG customer survey	1.5
Roles/Organization	Stage I	N/A—No State-wide e-Government personnel
Alignment of Projects to Business Needs	Stage I	N/A—No actionable visibility to e-Government projects across the State

Vision: The “To Be” e-Government Goals

The team identified three major goals that a new e-Government model should target.

- Make services more accessible
- Make processes easier to use
- Identify and specifically target the customer of services
- The e-Government initiative laid out in this document should be directed at not only assessing the current environment and implementing a new e-Government model. The initiative should affect a fundamental shift in the way that State of Minnesota e-Government services and operations are contemplated, such that e-Government is viewed from a customer perspective.
- It will be critical that the e-Government model incorporate proper measures to address information security requirements, not only to help ensure secure transactions and data transfer, but also build constituent trust in e-Government services.

End Deliverable Framework and Approach

In order for the State to reach the goals for e-Government laid out above, the State should embark on a three-phased approach:

- a) Assess current e-Government capabilities across the State
- b) Develop an e-Government strategy and prioritize initiatives
- c) Develop a business plan and policy assessment report and implement initiatives based on the new e-Government strategy

E-Government Assessment

The first phase entails an assessment of the gap between current e-Government capabilities and the future vision. This will lay the foundation for building and implementing the statewide e-Government strategy.

Dimensions that will be assessed include:

- e-Government strategy and planning
- e-Government architecture, infrastructure, tools
- Customer satisfaction/Customer Relationship Management
- e-Government staffing, organization, and skills
- Alignment of e-Government projects and initiatives to Data Practices and business needs

It will be critical during this assessment to leverage data gathered in the Transformation Roadmap and other efforts, and to provide an avenue for public comment.

In this phase, the high level “as is” enterprise e-Government assessment discussed above should be taken one step further to address the level of Management Maturity and Performance that the State **targets** to achieve through this effort.

This phase will require 16-20 weeks of effort.

Critical steps of the e-Government assessment approach include the following:

Critical Step	Objective
1. Develop case for change and align stakeholders	<ul style="list-style-type: none"> • Develop the business case for migrating to an enterprisewide e-Government strategy • Align senior state leadership with the direction and purpose of the e-Government assessment and strategy development based on a shared vision of the benefit expectations, perceptions of the major risks, and a common view of how to achieve key objectives • Obtain buy-in from key stakeholders across the State
2. Scope and plan project	<ul style="list-style-type: none"> • Confirm project structure, Data Practices requirements and guidelines, develop project plan and schedule, develop project team roles and levels of participation, prepare/conduct project kick-off meetings, validate and obtain agreement on scope, schedule interviews

Transformation Roadmap

Appendix B. Additional Information Technology Recommendations

Critical Step	Objective
3a. and 3b. Conduct external/internal assessment	<ul style="list-style-type: none">• Assess the current state of policies and procedures within the State, as well as the industry leading practices to determine the necessary policies and procedure development tasks required to support e-Government within the state.
4. Identify strategic vision	<ul style="list-style-type: none">• Gain insight into the State's leadership perspectives on e-Government, including vision, goals, and initiatives progress/perspectives through interviews with key individuals within the state government• Understand customer satisfaction, perspective, and needs at agency-specific and enterprise level
5. Assess technical infrastructure and organization	<ul style="list-style-type: none">• Identify and assess current components/systems, services and resources that will be required to enable and support the portal and the State's e-Government direction
6. Synthesize and align	<ul style="list-style-type: none">• Synthesize external, internal, and technology assessments, identify opportunities, and map these opportunities against our e-Government framework (government to business, government to citizen, government to government, and government to employee)• Identify the State's e-Government strategy alternatives and potential initiatives in preparation for a strategy workshop

Detailed tasks for steps 3-6 include the following:

Critical Step/Task
<p>3a. Conduct Internal Assessment</p> <ul style="list-style-type: none"> • Capture and synthesize enterprise and agency e-strategies and objectives • Assess/study the current operational environment • Assess/study current agency-specific e-Government related policies and procedures • Identify and document future needs • Identify security, policy, management reporting, and system monitoring issues in supporting e-Government needs • Identify high-level requirements (common and unique), including Data Practices requirements, and potential enablers across programs and platforms • Catalog and assess the State’s e-Government initiatives launched to date (success rate, learnings, future direction) through interviews and questionnaires • Conduct a high-level assessment of current common business processes through interviews and questionnaires • Identify current process and technology issues, requirements and enablers • Identify State of MN internal e-Government opportunities
<p>3b. Conduct External Assessment</p> <ul style="list-style-type: none"> • Research current federal and state law regarding e-Government and confidentiality • Research external policies and standards that can affect the State of Minnesota (e.g., Minnesota’s Data Practices Act, State of California consumer privacy legislation) • Contact/interview other states to identify current leading practices • Review private sector industry leading practices • Identify key “customers” for involvement in e-Government • Assess current website structures and documentation within the State

Critical Step/Task
<p>4. Identify Strategic Vision</p> <ul style="list-style-type: none">• Conduct executive interviews to assess executives' understanding of e-Government and capture executive vision, objectives, issues and concerns• Prepare agenda and logistics for executive workshop sessions• Prepare workshop material to discuss e-business trends and direction information• Conduct agency and "customer" interviews• Leverage baseline survey data and interviews, and statements of vision, direction, and goals from the DTE
<p>5. Assess Technical Infrastructure and Organization</p> <ul style="list-style-type: none">• Identify and assess current components/systems, services and resources that will be required to enable and support the portal and the State's e-Government direction• Assess opportunities for maximizing the use of current technology investments by reusing them within the architecture• Leverage data gathered in the DTE effort• Assess infrastructure available from the citizen's perspective (broadband penetration, etc.)
<p>6. Synthesize and Align</p> <ul style="list-style-type: none">• Synthesize external and internal assessments• Assess e-Government initiative and policy linkage to business strategies• Document the State's vision, goals and key objectives for e-Government• Determine the State's e-Government strategy alternatives• Identify e-Government implications (process, culture, knowledge management and technology/infrastructure)• Summarize e-Government policy assessment initial findings• Identify potential e-Government functions• Prioritize immediate and future e-Government functions (preliminary)• Develop the state e-Government application portfolio

A) e-Government Strategy and Initiative Prioritization

This phase will focus on the development of the e-Government strategy and prioritization of the initiatives and policies identified in the assessment. This phase will include the following activities:

- Conduct workshop to review threats/opportunities, define strategy, and prioritize initiatives
- Finalize the State's vision, goals and key objectives for e-Government
- Identify governance and organization model implications (if any)
- Identify performance metrics for evaluating success of e-business initiatives in terms of measurable business results
- Prioritize data practices requirements, confidentiality, privacy issues, and leading practices
- Prioritize security and legal issues and leading practices
- Prioritize operational and other e-Government issues and leading practices
- Prepare a draft policy assessment report

B) Develop and Implement e-Government Business and Policy Assessment Plan and Implement

The final step of the approach will be to develop a state business plan and policy assessment report (a "Roadmap") and implement it. The plan will provide a roadmap to govern the implementation of key e-Government initiatives and the integration of additional or emerging technologies. The Roadmap will contain a high-level plan for top priority initiatives and a rollout strategy with general timing, prerequisites, and dependencies. It will also determine requirements to support the rollout of the initiative. Finally, this step will provide a transition plan including high-level project plans, change management implications, a general risk mitigation plan and a plan, to integrate with other State enterprise systems and initiatives.

Specific activities conducted during the Roadmap development include:

- Develop a plan for e-Government implementation
- Develop a high-level cost/benefit analysis in support of the plan
- Define high-level staffing models and e-Government organization to ensure ongoing support for e-Government systems
- Prepare final e-Government policy assessment

The high-level approach to implementation would be as follows:

- Identify and confirm the critical legal (Data Practices Act) design requirements for the content management and e-Government systems, including brand, site, and customer
- Develop templates, workflow, customer experience, creative, and content strategies
- Design templates, workflow, interface, navigation, and development of branding strategy
- Develop and test content management and e-Government technology infrastructure and integration strategy
- Deploy content management and e-Government technology

Transformation Roadmap

Appendix B. Additional Information Technology Recommendations

e-Government Key Stakeholders' Roles: Assessment Phase

The following key stakeholders and their roles and responsibilities were identified for the assessment phase:

Stakeholder	Roles/Responsibilities
Consumers of state services (business, private citizens, others)	<ul style="list-style-type: none"> • Provide input on external assessment to understand needs and requirements of e-Government
Agency business leadership	<ul style="list-style-type: none"> • Define e-Government needs and requirements, including those imposed by Data Practices, of their respective consumers • Build state strategic vision for e-Government • Participate in cross-functional workgroups
Agency CIOs and agency IT leadership	<ul style="list-style-type: none"> • Contribute to e-Government decisionmaking through the IT governance process • Lead the assessment of technical infrastructure and organization • Participate in cross-functional workgroups
Central IT organization	<ul style="list-style-type: none"> • Contribute to e-Government decisionmaking through the IT governance process • Participate in the assessment of technical infrastructure and organization • Participate in cross-functional workgroups
Agency IT and business staff	<ul style="list-style-type: none"> • Gather assessment data • Participate in cross-functional workgroups

Risks and Mitigation Strategies

A number of issues and risks associated with the e-Government effort have been identified. A high-level description of these issues and risks, along with potential mitigation strategies, is provided below.

Risk	Mitigation Strategy
Lack of stakeholder buy-in and commitment of resources to the project	<ul style="list-style-type: none"> • Build a solid business case for change • Get the governor and other key state leadership on board early • Identify and engage all key stakeholders early, educating them on the approach and benefits of a State e-Government strategy
Critical stakeholders are not engaged in the project according to the agreed-upon timing	<ul style="list-style-type: none"> • Establish expectations for time requirements up front and achieve buy-in and commitment at the highest organizational levels
Consumer study yields poor, conflicting, or ambiguous consumer data	<ul style="list-style-type: none"> • Establish a process and guidelines for data gathering and analysis
Consumer resistance to moving to e-channels, security concerns	<ul style="list-style-type: none"> • Develop and implement a comprehensive strategy to communicate e-Government services and their value to consumers • Develop and implement a comprehensive incentive plan to encourage consumer to use e-services

Appendix C. Glossary of Terms

Term	Definition
1099	Refers to reporting mandated by the IRS. Organizations making certain types of payments are required to report a summary of the transactions to the IRS and to the recipient of the payments.
A/P	Accounts Payable
ACD	Automated Call Distribution
ACH	Automated Clearing House
AHT	Average Handle Time
AOA	Agency Operating Agreements
AR	Accounts Receivable
ASD	Alternative Service Delivery
AV	Audio Visual
BC	Province of British Columbia
BTA	Business Transformation Area
BTC	Business Technology Council
BTO	Business Transformation Outsourcing
Centrex	Central Office Exchange Service
CGI-AMS (Advantage)	Commercial software package on which MAPS is based
CIO	Chief Information Officer
CIRT	Computer Incident Response Teams
CISO	Chief Information Security Officer
COBIT	Control Objectives for Information and related Technology
COE	Center of Excellence
COO	Chief Operating Officer
COTS	Commercial Off-the-shelf
CRM	Customer\Constituent Relationship Management
CSE	Customer Service Executive
CTI	Computer-Telephony Integration
DASD	Direct Access Storage Device (computer hard disk)
DC	Data Centers
DEED	Department of Employment and Economic Development
DHS	Department of Human Services
DNR	Department of Natural Resources
DOA	Department of Administration
DOER	Department of Employee Relations
DOF	Department of Finance
DOLI	Department of Labor and Industry
DOR	Department of Revenue
DPS	Department of Public Safety
DQ	Data Quality
DTE	Drive to Excellence
DTE MO	Drive to Excellence Management Office
EBR	Enterprise Baseline Report
ECM	Enterprise Content Management
EDI	Electronic Data Interchange
EFAPT	Electronic Forms Acceleration Project Team
EGMC	Enterprise Grants Management Community

Transformation Roadmap
Appendix C. Glossary of Terms

Term	Definition
EGS	Electronic Government Services
ELA	Enterprise License Agreements
ERP	Enterprise Resource Planning
ERS	Evaluated Receipt Settlement
FTE	Full Time Equivalent
G/L	General Ledger
GPS	Global Positioning System
HIPAA	Health Insurance Portability and Accountability Act
HR	Human Resources
HVAC	Heating, Ventilation and Air Conditioning
IA	Information Access, as in IA Warehouse
INFORMS	Name of procurement software used by State of Minnesota
IP Address	Internet Protocol Address
ISO17799	International Security Standard
IT	Information Technology
ITG	InterTechnologies Group
IVR	Interactive Voice Response
KMS	Knowledge Management System
LD	Long Distance
MAN	Metropolitan Area Network
MAPS	Minnesota Accounting and Procurement System
MDE	Minnesota Department of Education
META	Minnesota Enterprise Technical Architecture
MINNCOR	Minnesota Correctional Industries
MIPS	Millions of Instructions per Second (a unit of measure of computing throughput)
MLA	Master Lease Arrangements
MMCAP	Minnesota Multi-State Contracting Alliance for Pharmacy
MMD	Materials Management Division, part of Department of Administration
MN	Minnesota
MNCC	Minnesota Contact Center
MnDOT or DOT	Minnesota Department of Transportation
MnSCU	Minnesota State Colleges and Universities
MS	Minnesota Statute
MSN	Microsoft Network
MSRS	Minnesota State Retirement System
N/A	Not Applicable
NIST	National Institute of Standards and Technology
Not Calculated	Insufficient data for reasonable calculation
NPV	Net Present Value
OLA	Office of the Legislative Auditor
OMB	Office of Management and Budget
OSL	One Stop Licensing
OT	Office of Technology
OTC	Over the Counter
PBX	Private Branch Exchange
PCs	Personal Computers
PKI	Public Key Infrastructure
PMO	Program Management Office
PO	Purchase Order

Transformation Roadmap
Appendix C. Glossary of Terms

Term	Definition
QA	Quality Assurance
QBS	Quality Based Selection
RFI	Request for Information
RFP	Request for Proposal
RFQ	Request for Quote
ROI	Return on Investment
Scope	Size of project
Section 508	Rehabilitation Act
SEMA4	Statewide Employee Management Application. The "4" refers to (1) Human Resources Processing, (2) Payroll Processing, (3) Benefits Processing, and (4) Reporting
SLA	Service Level Agreements
SM	Service Minnesota
SSO	Shared Service Organization
The State	State of Minnesota
SWOT Analysis	Strengths, Weaknesses, Opportunities, and Threats
TANF	Temporary Assistance for Needy Families
TBD	To Be Determined
TCO	Total Cost of Ownership
TOGAF	The Open Group's Architecture Framework
TPL	Third-Party Leasing
U of M	University of Minnesota
UBI	Uniform Business Identifiers
Unix	A type of computer operating system software
USPS	United States Postal Service
VOIP	Voice Over Internet Protocol
VSAM	Virtual Storage Access Method (a proprietary IBM structure for storing indexed data in a computer file)
WAN	Wide Area Network
WBS	Work Breakdown Schedule

BTA - Business Transformation Areas:

Term	Definition
CSI	Customer Service Innovation
HCM	Human Capital Management
IT	Information Technology
EP&B	Enterprise Planning and Budgeting
Grants	Grants Management
Licensing	Licensing, Regulation & Compliance
Real Property	Real estate and buildings
Sourcing	Procurement and purchasing