

RUNNING THE GOVERNMENT RACE

Reaching the Finish Line with Technology



BY PHIL BERTOLINI

A dedicated, disciplined runner spends a tremendous amount of time planning and training for a big race, and government needs to do the same if it plans to succeed in one of the toughest economic races in history. Agencies that intend to use traditional strategies like cutting costs or increasing taxes will find themselves winded right out of the starting blocks, as these traditional tactics are not sustainable. Jurisdictions that are able to find applications for new and existing technologies and to restructure their organizations in a way that reduces the cost of providing services will emerge as winners.

Is it possible to restructure government to reduce the cost of providing services? This is the fundamental question on everyone's mind in government today. Michigan is among the states hit hardest by the recent national economic crisis. Local government budgets have been negatively affected by the state's unemployment rate, which is higher than the national average, along with falling tax revenues due to increasing job losses, home foreclosures, business closures, population redistribution, and other economic factors. Oakland County, Michigan — located just north of the City of Detroit — experienced its share of hardship related to the auto industry financial crisis. Two of the Big Three automakers reorganized and eventually emerged from Chapter 11 bankruptcy in 2009. The subsequent closure of manufacturing plants and associated automotive supplier businesses resulted in the loss of thousands of jobs and millions of dollars of tax revenue that was critical to the operation of local government. The entire county is struggling through the toughest economy in our lifetime, and citizens are living with massive reductions in jobs and salaries, to the point where many are losing their homes to foreclosure. The challenge of finding a way out of this economic morass will be with us for several years to come.

Knowing that citizens have no discretionary income to share, how will government survive? More importantly, how will the services government provides survive? There are arguments in favor of raising taxes and arguments in favor

of lowering costs. Ultimately, survival will depend on how well we restructure our business, which in reality is one big service industry. The foundation for business change will be strong leadership, a strong financial process, and successful enabling technologies — in other words, a host of fundamental changes that will affect everything we do.

KEEPING IT COST EFFECTIVE

Many comparisons are made between government and the private sector, with results varying greatly. The private sector is mostly concerned with profit and answering to shareholders, while government is concerned with service delivery and the prudent use of taxpayer dollars. The private sector is driven by the consumption of their products and services. Private-sector organizations have to make tough investment decisions based on their bottom lines. If consumption levels

decline, then costs have to decline accordingly, based on the reduced revenue stream. Private-sector organizations that made technological innovation a priority have a leg up on their competitors. Innovation helps businesses manage all aspects of their operations in a streamlined, efficient manner, keeping ongoing costs low — including employee costs. New products are born from operational needs. This competitive advantage is what the private sector seeks to keep its profit

margin manageable.

In contrast, government is driven by providing the most efficient services to constituents. Some governments have been slow to invest in technology, which has limited their growth. Oakland County, along with many local governments across the nation, has invested millions in technology to be prepared for these tough times. Knowing that government budgets consist mostly of human resource costs, the ability to use technology dramatically affects budgets. It is not unusual to see upwards of 80 to 90 percent of government budgets directly related to employee salaries and benefits. Many say that government has to do more with less, when in fact it will be doing less with less. Government can no longer be all

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things to all people, and reducing labor costs, both salaries and benefits, is crucial.

The direct result of technology investment will be reduced staff costs, but to reduce staff, governments must change the way they do business. Those in government must not lose sight of the fact that improving services should still be a main goal, even if revenues are declining. Technology is not a magic wand — it is simply a tool that allows us to do things differently. The real benefits achieved through technology are seen in the business unit where the labor costs are being incurred. Technology allows automation of tasks, freeing people to do jobs that were done by others when times were good and employment levels were higher.

A MARATHON, NOT A SPRINT

To better understand the intense effort to build government technology, reconsider the analogy of running a race. A race might consist of a short, quick sprint or a strategic long-distance run. When many business partners look at technology, they initially see a sprint. They want the technology immediately and will drop everything to get the quick wins. But a distance race requires endurance and perseverance. Developing and implementing technology requires endurance — but the process will start as a sprint in the mind of the customer, who always wants technology immediately. Government information technology (IT) must manage that expectation. The customer must understand that the race is long and also that there might not actually be a finish line in sight.

Oakland County knew early on that it was looking at a long-distance race and not a sprint. In 1996, with the guidance and support of the county executive, the county established a project management office that is responsible for establishing and maintaining methods, standards, and guidelines for the county's project management processes. The department of information technology (OCIT) prepares a 24-month master plan, in cooperation with its OCIT leadership groups. The plan includes departments and agencies that monitor, control, prioritize, and oversee all technology projects. The master plan provides:

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- An overview of available IT resources and their allocation to approved projects.
- A status update on the plan's progress.
- An explanation of any extreme positive or negative variance from the original plan.

Oakland County's process serves as a model for organizations looking to improve productivity, efficiency, and return on investments. Without the project management office, the county would have no method for clearly denoting all costs associated with technology, which would leave the IT function open for criticism from multiple sources.

DEFINING AND MEASURING SUCCESS

Oakland County's process of managing customer expectations begins with some basic components:

- **Scope and Approach.** This step details the project goals, business objectives, major deliverables, project approach, business and technical risks, and the benefits.
- **Project Plan.** A detailed project plan includes the work breakdown structure, schedule, milestones, and appropriate assignments of human resources.
- **Return on Investment (ROI) Analysis.** An ROI analysis includes all tangible and intangible benefits to the business unit, along with the associated costs for the project over a six-year period and the assumptions and funding information. This ROI analysis will be the foundation for measuring the benefits and the success or failure of the project.

What drives government technology is the need to provide tools that will enable the jurisdiction to deliver efficient services to its constituents. Success or failure will be measured both internally, by the organization's staff, and externally, by its citizens. Everyone must understand that failure is possible, so the risks versus rewards must be analyzed carefully. Failures in government technology projects sometimes become very public, especially if reported by the media, and government IT will be judged in the court of public opinion. Without a good project plan and a

strong business case, defending the implementation will be almost impossible.

To truly understand the ROI benefits of technology within the government structure, we must first define the term “benefit.” Benefits are typically broken into two distinct categories: tangible and intangible. Tangible benefits are defined as savings that are measurable and can be recovered by completing the project. This type of benefit consists of actual cost savings and cost avoidance. For example, a project might result in reducing staff (cost savings) and mitigate the need to add people to take on additional functions (cost avoidance). Intangible benefits are defined as benefits that will not result in actual cost-related savings and are thus difficult to quantify. This type of benefit includes improved service to citizens, operational efficiencies, and improved customer satisfaction. For example, citizens might use government Web sites to pay for a park pass or to pay their taxes, which in turn creates operational efficiencies while improving service and customer satisfaction. Whether the benefit is tangible or intangible, there must be measures applied to determine if the technology project has a return on investment.

Costs need to be broken down in every aspect of the technology environment. Costs such as hardware, software, licensing, development, infrastructure, training, and ongoing support and maintenance make up what many call the total cost of ownership for technology. These costs are not

Resources to Help Your Organization Make Strategic Technology Decisions

The rewards and pitfalls of innovation in government technology are known by everyone involved. For a government to effectively take advantage of the ever-changing world of technology, it must be mature as an organization — including strong executive sponsorship. This maturity will enable strategic technology decisions and provide stability when moving the technology forward as an organization.

Assessing the maturity and stability of a government IT organization is difficult to do. *IT Budgeting and Decision Making: Maximizing Your Government's Technology Investments*, published by the Government Finance Officers Association (GFOA), explains the framework and components for a successful government technology organization. This publication helps government organizations conduct an assessment of their current status. It includes a chapter on “The IT Service Roadmap,” which details a range of IT functions from the most basic functions to the most mature. The chapter then walks the reader through what is needed to move toward a more mature IT governance structure.

Government IT agencies can also access the GFOA's service roadmap assessment, available at www.gfoa.org/downloads/TheITServiceRoadmapAssessmentMk11.pdf, to determine where they rank on an IT maturity model.



all-inclusive, but they do reflect the investment in changing the business process through technology.

Another issue that affects cost is the variable of time. Many software providers will provide initial discounts for purchasing the technology, only to have the ongoing costs rise over time. It is necessary to maintain an inventory of all licenses and costs that could potentially rise year after year. If these costs go unchecked, the IT budget will provide for only maintenance and operations of existing technologies — in essence, choking off all new innovation. This holds true whether IT is funded directly from the general fund or if IT charges back all services to the business units. Eventually, the strategic need for technology will turn into an operational need only, and the overall technology strategy will be of little worth to the entire organization. These ongoing costs must be managed on a regular basis to ensure that the enabling technologies are effective, overall. The business unit will reap the business benefits of implementing the technology, but the government IT unit will absorb additional costs for the ongoing effort, which could lead to funding requests that will compete against other services.

BEYOND AUTOMATION

When the business unit receives the desired benefit, the race might appear to be over — in other words, the implementation was conceptualized as a sprint to the finish line. But the race is far from over for the IT department, which has just moved into the support and maintenance phase. The trends of technology have changed over the last several years and will change dramatically over the next 12 to 24 months. In years past, government focused on automation, looking for quick wins. But it soon became clear that simply automating a process does not create the significant wins desired.

Wrapping technology around antiquated business processes does not create the significant operational changes needed in government. Before any technology implementation is undertaken, a thorough business case must be made — including tearing the business processes apart to seek out inefficiencies. Find out what needs to be done, when it needs to be done, and

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Exhibit I: ROI Analysis of Virtualization Project

Description	Year 1
Benefits/Savings	
Tangible Benefits Subtotal:	\$1,287,390
Cost Avoidance Subtotal:	0
Costs	
Development Services Subtotal:	\$ 267,340
Hardware Subtotal:	\$ 679,642
Software Subtotal:	\$ 269,680
Infrastructure Subtotal:	\$ 33,638
Training Subtotal:	0
Other Subtotal	0
Annual Statistics	
Annual Total Savings:	\$1,287,390
Annual Total Costs:	\$1,250,300
Annual Return on Investment:	\$ 37,090
Annual Costs/Savings Ratio:	97.12%
Project Cumulative Statistics	
Cumulative Total Savings:	\$1,287,390
Cumulative Total Costs:	\$1,250,300
Cumulative Return on Investment:	\$ 37,090
Cumulative Cost/Savings Ratio:	97.12%
Year Positive Payback Achieved	Year 1

who it affects, and then build enabling technologies to get it done. Technology implementation must be coupled with business process change, or there is little reason to proceed.

REAPING BENEFITS FROM VIRTUALIZATION

What will the future hold for government technology? Trends such as software as a service (SaaS), cloud computing, and server virtualization will continue to change the government IT landscape. The benefits derived from these new trends will include savings in human resources, infrastructure, and software licensing.

An example of the server virtualization trend is the large-scale virtualization effort underway in Oakland County. As the costs of managing a

medium-sized data center climbed higher, it became necessary to proceed in a different direction in order to bring down the costs of ownership of the 350 servers managing county business. The project began in 2009 with a plan to gather all tangible and intangible benefit information. The benefits analysis clearly illustrated the significant tangible savings to be gained from server hardware, software licensing, and power consumption. The costs included development, hardware, software licensing, and training. Once the data were gathered, the ROI analysis indicated a one-year payback on the investment. Exhibit 1 illustrates the summary data from the ROI analysis, details of which are available on Oakland County's Web site, at www.oakgov.com/pmo/leadership_grp. The Oakland County server virtualization project is just one example of how real budget savings can be achieved by embracing a new technological trend — after painstaking analysis, of course.

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COLLABORATION IS KEY

Whatever your definition of SaaS or cloud computing is, it all revolves around collaboration between governmental entities — as it does in every other business organization. For 35 years, Oakland County has been providing technology services to 62 cities, villages, and townships, numerous public safety agencies in Southeast Michigan, and thousands of e-commerce customers from around the world. The county's efforts started with the mainframe, which some would say

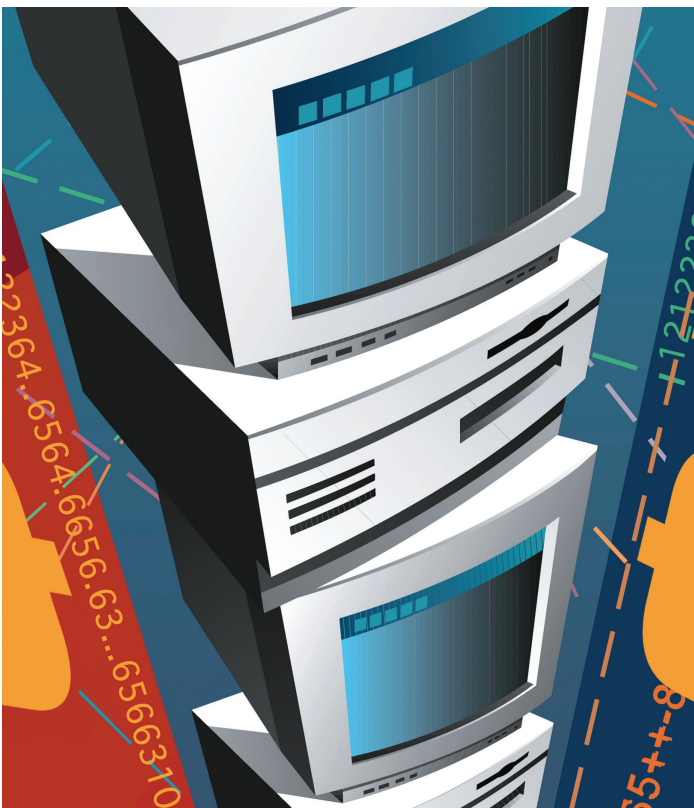
was the first cloud, and have evolved through client server technologies to Web technologies, all running centrally in the county's data center.

The local government consumers have not needed to purchase servers or sustain large software licensing costs. This savings has allowed small governments — which would probably have never used large technologies due to the high costs — to take advantage of enterprise solutions by simply consuming the technologies provided by Oakland County. In turn, they have saved real dollars in their operating budgets in tough economic times. This model is supported by the county executive and the entire leadership team. Without executive sponsorship and support, the collaboration would fail.

This collaboration can cross boundaries both internally and externally, shifting the paradigm in government to one in which we can no longer go it alone. These significant savings can be achieved by leveraging technology dollars across multiple entities where partners can share the initial capital costs and the ongoing maintenance costs.

CONCLUSIONS

However thoroughly one plans a project, events will arise that affect the plan and require adjustments. The way those events are handled determines the project's overall success. The planning phase, the development phase, the implementation phase, and the post-implementation phase include numerous resources that are all focused on success.



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Tips to Help You Run the Race

IT professionals understand that they cannot simply go it alone in these turbulent times, and many network with their peers to make sure they have resources to bounce ideas off of and learn from. A long-distance race can be as much about mental challenges as it is about physical ability. Below are eight tips to help you achieve your full potential.

1. Get Mentally Prepared
2. Perform a Self-Assessment
3. Break Up Your Run/Project
4. Visualize Your Race/Project
5. Remember: This Stuff is Hard
6. Find a Mantra and Live By It
7. Get a Running/Strategic Partner
8. Finish Strong

Managing customer expectations requires skill and strong IT governance capabilities. These strengths include a solid IT finance model, strong portfolio management capabilities, a solid sourcing strategy, efficient customer service, and a stable organizational structure where the overall organization understands the strategic value of information technology. Government IT is not simply a service provider but a strategic partner that brings value to the business and also acts as the custodian over the government's IT assets. Embracing the ongoing aspects of IT will allow jurisdictions to build a solid foundation for change, allowing them to meet and exceed citizen expectations, even while reducing costs. The toughest economy of our lifetime may also be our greatest opportunity. ■

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