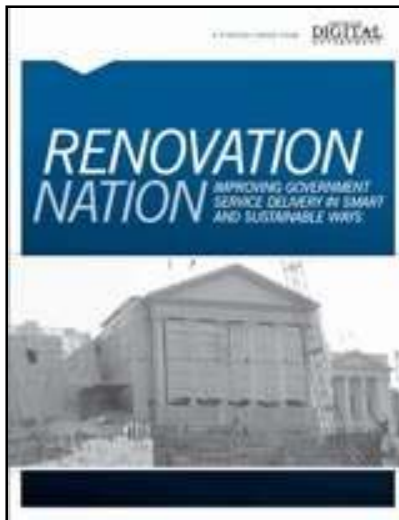


Colorado Governing in the 21st Century



Shared Services: The New Model

A Presentation to the Colorado Governing in the 21st Century Conference
Denver | November 10, 2009



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Chief Strategy Officer



Why Shared Services Matter, Now More Than Ever

- ⊘ **No Stovepipes**
- ⊘ **No Duplication**
- ⊘ **No Turf**
- ⊘ **No Kidding**



Widespread Revenue Distress

- **47 out of 50 states** faced or are facing shortfalls in their budgets for this and/or next year
- Many of these states have already cut spending, used reserves, or raised revenues to balance their budgets
 - Mid-year deficits are being reported due to unexpected decreases in tax revenue generation in the first quarter (July-Sept) of FY09
 - Budgets will continue to be affected even after the economy climbs out of recession



Note: Includes states with shortfalls in fiscal 2009 or projected shortfalls for fiscal 2010.



Why Shared Services Matter to You

- **You're Broke**
- **You're not that special**
- **Everything you thought was special has been massively commoditized**



Commoditized Data Centers in 20'-30'-40' Lengths

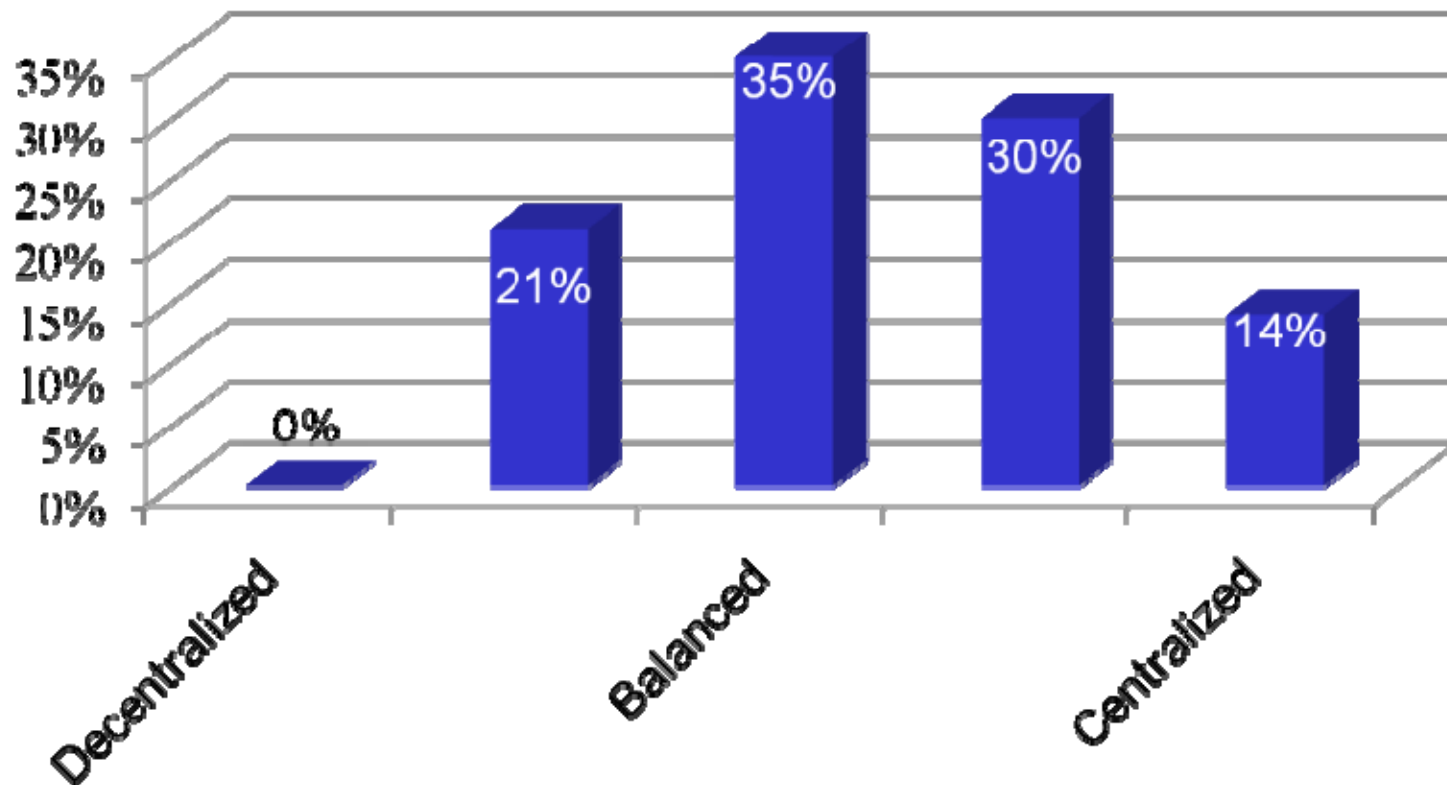


Shared Services are related to three Cs ...

- **Consolidation**
- **Centralization**
- **Cloud (Or, if you prefer, managed shared services)**



The Centralization Continuum



NASCIO Member Priorities, Year to Year to Year

2009	2008	2007	NASCIO Priorities
1	1	2	Consolidation
2	6	3	Shared Services
3	--	--	Budget and Cost Control
4	2	1	Information Security
6	--	--	ERP Strategy
7	--	--	Green IT
8	--	--	Transparency



“The current approach to managing IT is **too complex**, too difficult to maintain and impossible to keep secure.”



- Anne Margulies
CIO for the Commonwealth
of Massachusetts



Why Consolidate?

- Consolidation is a means to an end ...
 - Cost Savings
 - Operating Efficiencies
 - New Service Delivery Models, Shared Services and/or a whole way of organizing government.
- Like spring cleaning, consolidation tidies up after living for a while and sprawling out all over a place
- Has a green tinge to it – particularly through virtualization and its attendant energy savings



What Gets Consolidated? What Could be Shared?

- Data Centers
- Servers
- Storage
- Networks/ Telecomm
- Desktops
- Automation Tools
- Software Licenses
- Contracts
- Staff
- Services/ Utilities
 - Disaster Recovery/ Back Up
 - Security
 - Business Intelligence
 - E-mail
 - Help Desk



Benefits of Consolidation and Shared Services

- **Saving Money** > Learn to meet today's tough budget challenges through IT innovation
- **Being Green** > Reduce your carbon footprint, power use and space constraints
- **Disaster Recovery** > Minimize the impact of unscheduled downtime and contain costs
- **Remote Access to Resources** > Leverage telework models to respond in emergencies



The Colorado Statutory Advantage

24-110-101. Definitions.

- As used in this article, unless the context otherwise requires:
- (1) "Cooperative purchasing" means procurement conducted by, or on behalf of, more than one public procurement unit or by a public procurement unit with an external procurement activity.

24-110-201. Cooperative purchasing authorized.

- **Any public procurement unit may either participate in, sponsor, conduct, or administer a cooperative purchasing agreement for the procurement of any supplies, services, or construction** with one or more public procurement units, external procurement activities, or procurement consortiums which include as members tax-exempt organizations as defined by section 501 (c)(3) of the federal "Internal Revenue Code of 1986", as amended, in accordance with an agreement entered into between the participants. Such cooperative purchasing may include, but is not limited to, joint or multiparty contracts between public procurement units and open-ended state public procurement unit contracts which are made available to local public procurement units.

29-1-203. Government may cooperate or contract - contents.

- (1) **Governments may cooperate or contract with one another to provide any function, service, or facility lawfully authorized to each of the cooperating or contracting units,** including the sharing of costs, the imposition of taxes, or the incurring of debt, only if such cooperation or contracts are authorized by each party thereto with the approval of its legislative body or other authority having the power to so approve. Any such contract providing for the sharing of costs or the imposition of taxes may be entered into for any period, notwithstanding any provision of law limiting the length of any financial contracts or obligations of governments.





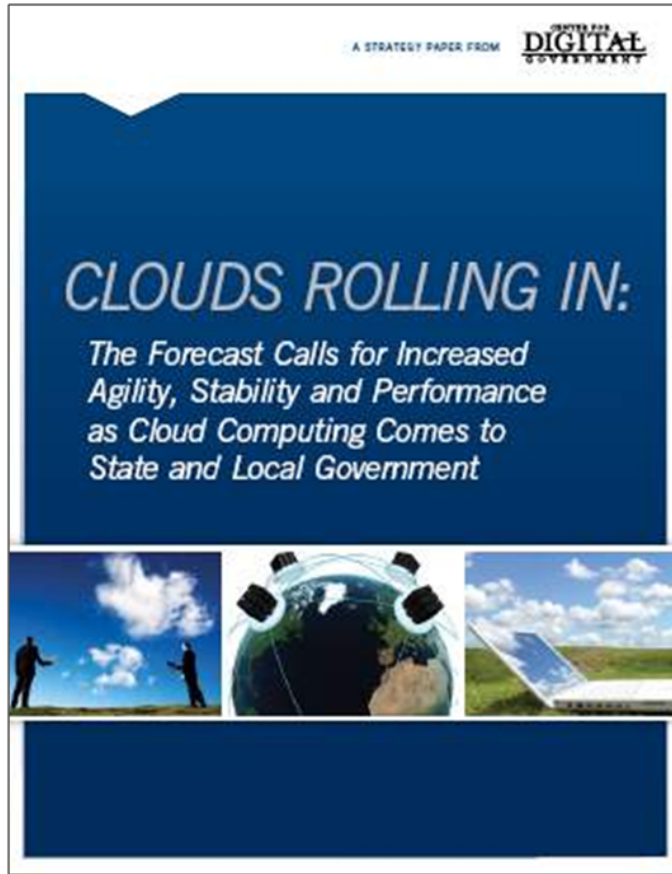
- ✓ The State of Washington completed the sale of approximately \$300m in bonds in August to fund the building of a new 160,000 square foot data center and office complex.
- ✓ Data center is catalyst for next round of consolidation and the anchor of an ambitious shared services model.
- ✓ Important discussion of virtual center of excellence approach to shared services – let the agency that does it best do it for all.



The Long Run: Shared Services in Michigan

- ✓ **1991 – 2001:** Consolidation of infrastructure (telecom, data centers, criminal justice data sharing, Web); Staged centralization of selected management systems (finance, HR)
- ✓ **2001 – 2003:** Centralized, enterprise and shared solutions
- ✓ **2003 – 2007:** Alignment and integration of services; maturation of standards and governance mechanisms; increased emphasis on performance, SLA's and ROI;
- ✓ **2008 - 2009:** Integration of all shared functions within MDIT
 - ✓ Greater emphasis on information management, connectivity (e.g. broadband) and communications (e.g. social computing)





Shared Services, Consolidation and Virtualization take to the Clouds



The Cloud and Consumption Computing (where shared services is like eating together).

CLOUD COMPUTING IS...

... WHICH MEANS ...

**A Large Pool of
Easy-to-Use Resources**



Instead of everyone purchasing their own computer hardware and network gear, a virtualized pool of resources is offered.

**Flexible Resource
Allocation and
Re-Configuration**



Resource allocation isn't set in stone. The cloud offers flexibility so resources can be dynamically re-allocated as needed.

Pay-per-use



Instead of paying for all the capacity you might ever need, pay for just what you use on a flexible basis.

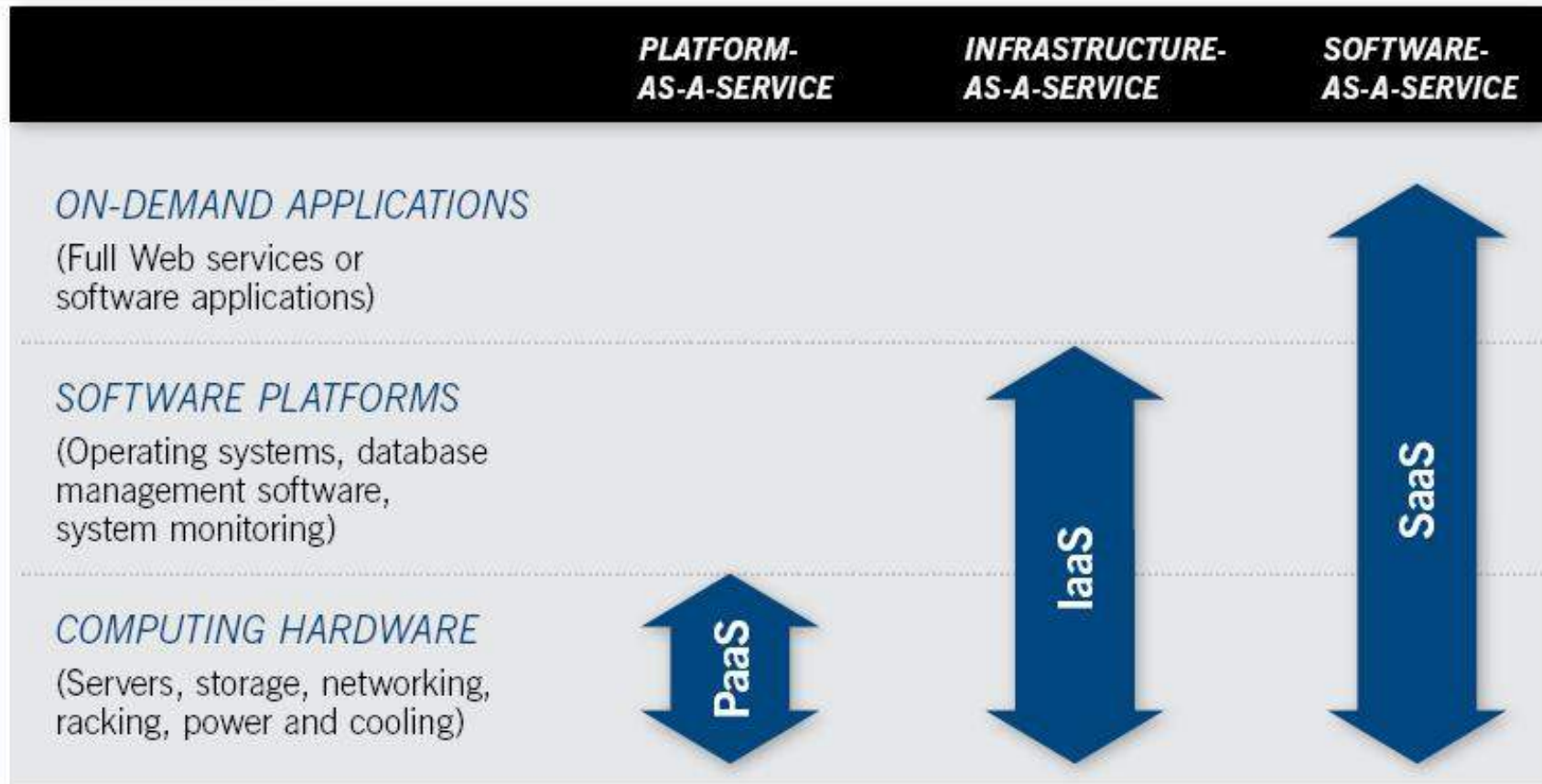
**Contractually-Defined
Service Levels**



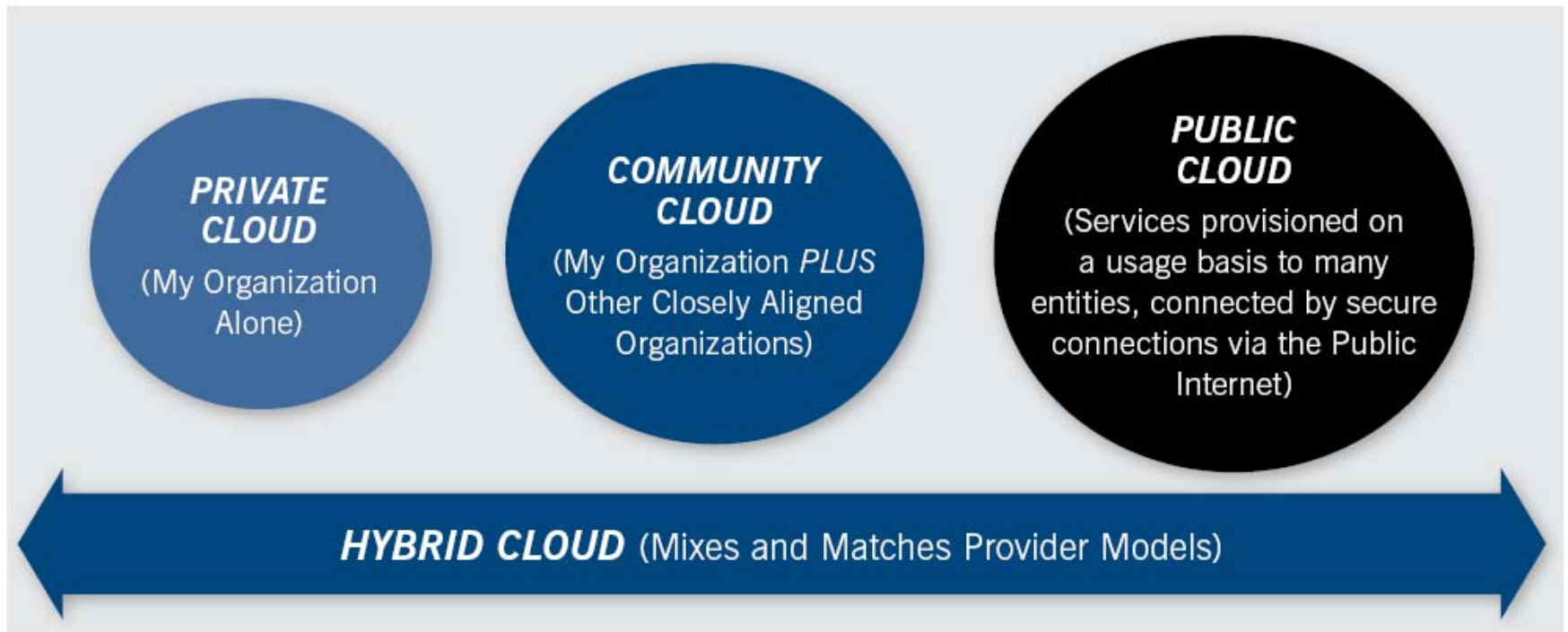
A service level agreement, or SLA for short, is a contract that outlines the quality and cost expectations under which the service is provided.



Shared ... as-a-Service

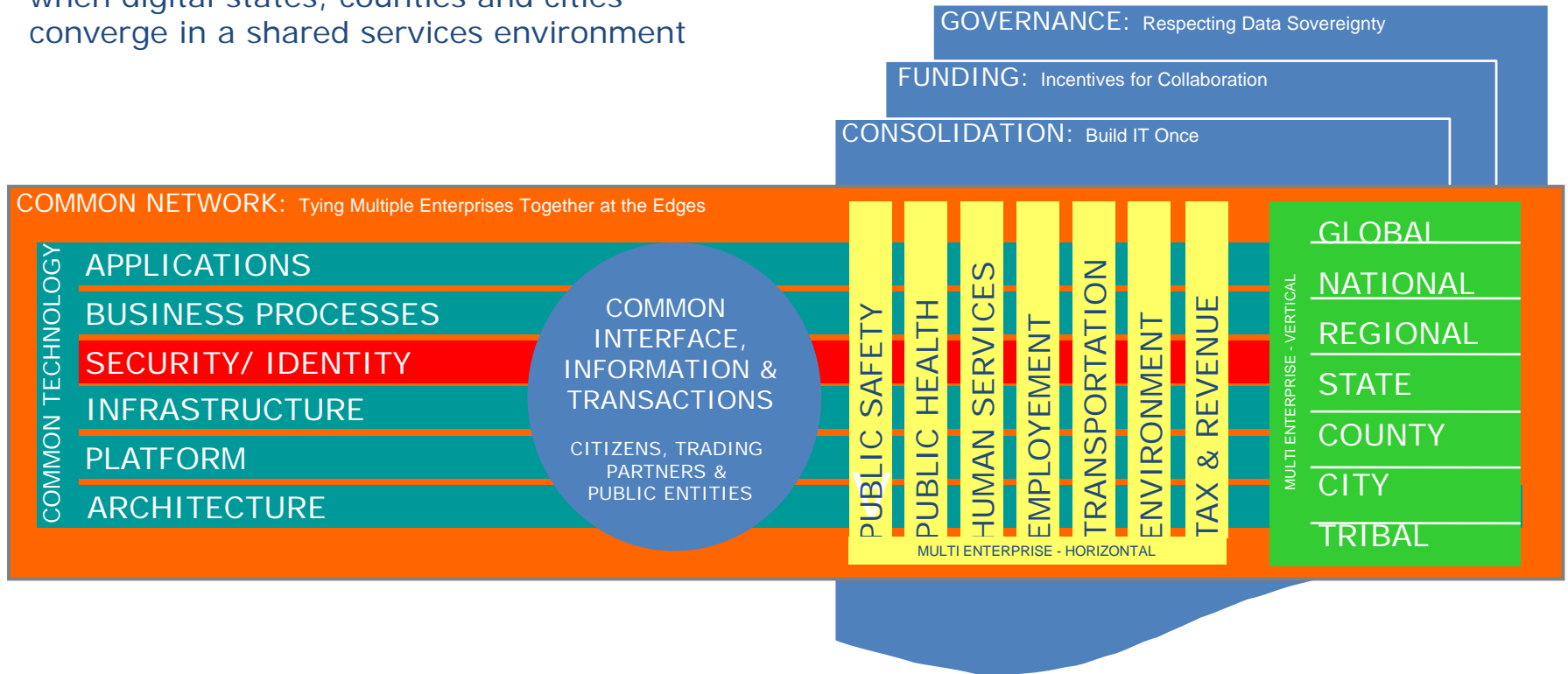


Not “One-Size-Fits-All” in the Cloud



What Done Looks Like

when digital states, counties and cities converge in a shared services environment



- ✓ Perhaps software is not meant to be written, modified, maintained – or even owned - as much as it is to be EXERCISED...



Shared Services Service Delivery



Government Transaction Framework®



Navigation

Triage
Referral

Signage
Portals
Search Tools
Agent Assist
IVR Menu



Selection

Broker
Inventory

Catalogue
Pay Per View
Digital File
Publishing
Partial Paym't
Calendar



Payment

Deposit
Rec'able

Credit Card
Debit Card
Cash
EFT
On-Account



Fulfillment

Deliver
Register

OTC
Postal Service
Outsource
SMPT
XML Stream
ODBC



Posting

Ledger
Reconcile

Oracle
Tuxedo
CICS
TIP



Reporting

Ops.
Financial

IM
MIS / EIS
Statements



Replicable Shared Services Model



DATELINE: NEW BRUNSWICK, CANADA SERVICE NEW BRUNSWICK

- Processes 4 million transaction each year across 16 provincial departments and 40+ municipalities
- Hundreds of transaction types, 42% of all transactions handled through electronic channels
- User satisfaction at 92%
- Financial benefit estimated at \$140 Million annually



DATELINE: SUFFOLK, UNITED KINGDOM JOINED TOGETHER

- 500 transaction types now supported by software framework originated in New Brunswick
- Common data supports Internet portal platform, call center and one-stop over the counter service center
- Public private partnership among Suffolk County Council, Mid Suffolk district Council, BT and CGI.
- Suffolk is saving an average of 20% in delivery costs for each of the services across all three channels.



Toward a Sustainable Model

Ten Point Scale for Service Oriented Architecture Strategies

- | | |
|--|-----|
| 1. Shared Services Strategy identifies overlapping business and IT functions | 61% |
| 2. Assessment of organizational readiness conducted to identify opportunities and gaps in moving to SOA | 32% |
| 3. Multi Agency Charter reflects agreement to reduce or eliminating redundancies through shared services | 39% |
| 4. Planning process prioritizes projects based on their Return-on-Investment through a phased approach to mitigate risk while minimizing costs of design, development, integration and support | 59% |
| 5. Funding Model creates incentives for the use of shared services and disincentives for non-aligned or duplicative activities | 32% |



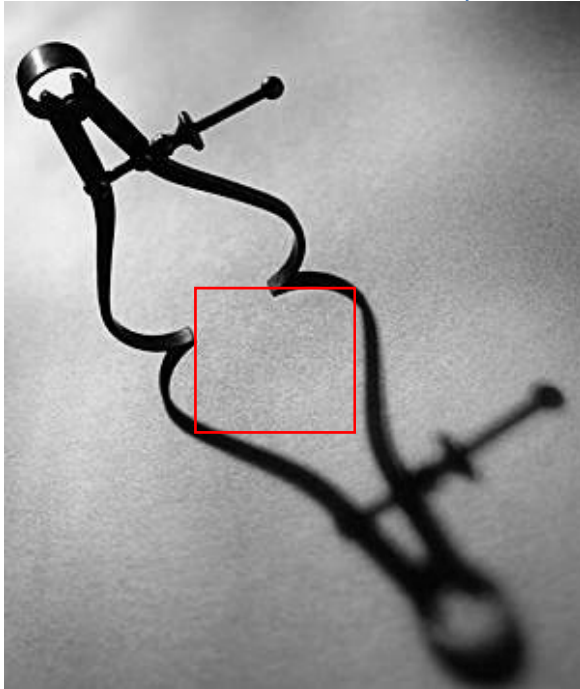
Toward a Sustainable Model

Ten Point Scale for Service Oriented Architecture Strategies

- | | |
|--|-----|
| 6. Governance Model manages multi agency use of shared services, coordinate development efforts and resolve conflicts | 50% |
| 7. Architectural Model as common reference point for requirement definitions among business analysts, architects, developers and testers | 39% |
| 8. Education and Training program in place to develop common understanding of framework, best practices and technologies | 41% |
| 9. Tool selection has been completed to aid design, development, integration and support | 36% |
| 10. Results produced through the delivery of successful pilots, infrastructures AND production level services | 36% |



Shared at the center and at the edges



Interoperability

Assumes a data sharing relationship among known trading partners.

Our stuff works with stuff like our stuff

Platform Agnosticism

Assumes not all trading partners are known, or can be anticipated.

Our stuff works with your stuff



DECENTRALIZATION

Reaction to poor service, inadequate capacity and lack of trust in central provider

Flavor of Standards

Baskin Robbins 31
One of Each

Architecture

Fractured
Hi Custom
Hi Duplication

IT
PROGRAM

SHARED SERVICES ENVIRONMENT

French Vanilla
Community Defined

Service Oriented (Federated)

- ✓ Retain internal control of core functions while maximizing cost efficiencies, bringing together functions that are frequently duplicated across organizations, offering these services more efficiently and at lower cost through shared services.
- ✓ Competent and credible
- ✓ Discretionary, competitively priced and cost recoverable
- ✓ Balances needs of enterprise with those of agencies to act autonomously
- ✓ Combines public sector mission with private sector discipline

CENTRALIZATION

Reaction to uncoordinated (profligate) spending, and unnecessary duplication

Vanilla
Centrally Dictated

McEnterprise

Billions Served
Consistently
Cost Effectively &
Centrally Controlled



Where Collaboration & IT Meet

App

App

App

App

App

App

App

App

Direct Service Delivery: Portal+Agency-specific Applications

- ✓ Expert systems prioritized by mission criticality
- ✓ Employee-empowering, citizen-focused

Collaboratorium

Incentives for working across agency lines

Shared Services Organization: Front Line of Consolidation

- ✓ Utility Computing: Capacity on demand
- ✓ Information Security and Privacy Services
- ✓ Hosting and Network Operations
- ✓ Web properties, e-mail and help desk
- ✓ Managed through Service Level Agreements

Aggregated Buy: Toward Strategic Sourcing

- ✓ Leverage aggregation in market to get improved price, Ts&Cs and maintenance costs
- ✓ Lease as a hedge on TOC; defer purchasing

Federated Architecture and Consolidated Infrastructure

- ✓ Shared Computing and Network Platforms
- ✓ Service Oriented Architecture (SAO)
- ✓ "Vanilla" as standard; limit exotic flavors of software

IT and Service Delivery Governance/ PMO

- ✓ Vision and Strategic Planning
- ✓ Oversight and Project Management
- ✓ Require business value, ratchet up on ROI

Service Delivery and Functions of Government

- ✓ Citizen contact, customer service & public records management
- ✓ Public safety (law enforcement, courts & civil defense)
- ✓ Public health, human services & labor
- ✓ Public education (k-12, higher ed)
- ✓ Tax & revenue
- ✓ Economic, business, community & workforce development
- ✓ Environment, transportation & regulatory compliance
- ✓ Administration (budget, general ledger, payroll/ personnel, supply chain)

Optimizing Resources

Consolidate, Simplify, and Unify

Kinds of Solutions

Number of
Instances or
Deployments of
the Solutions

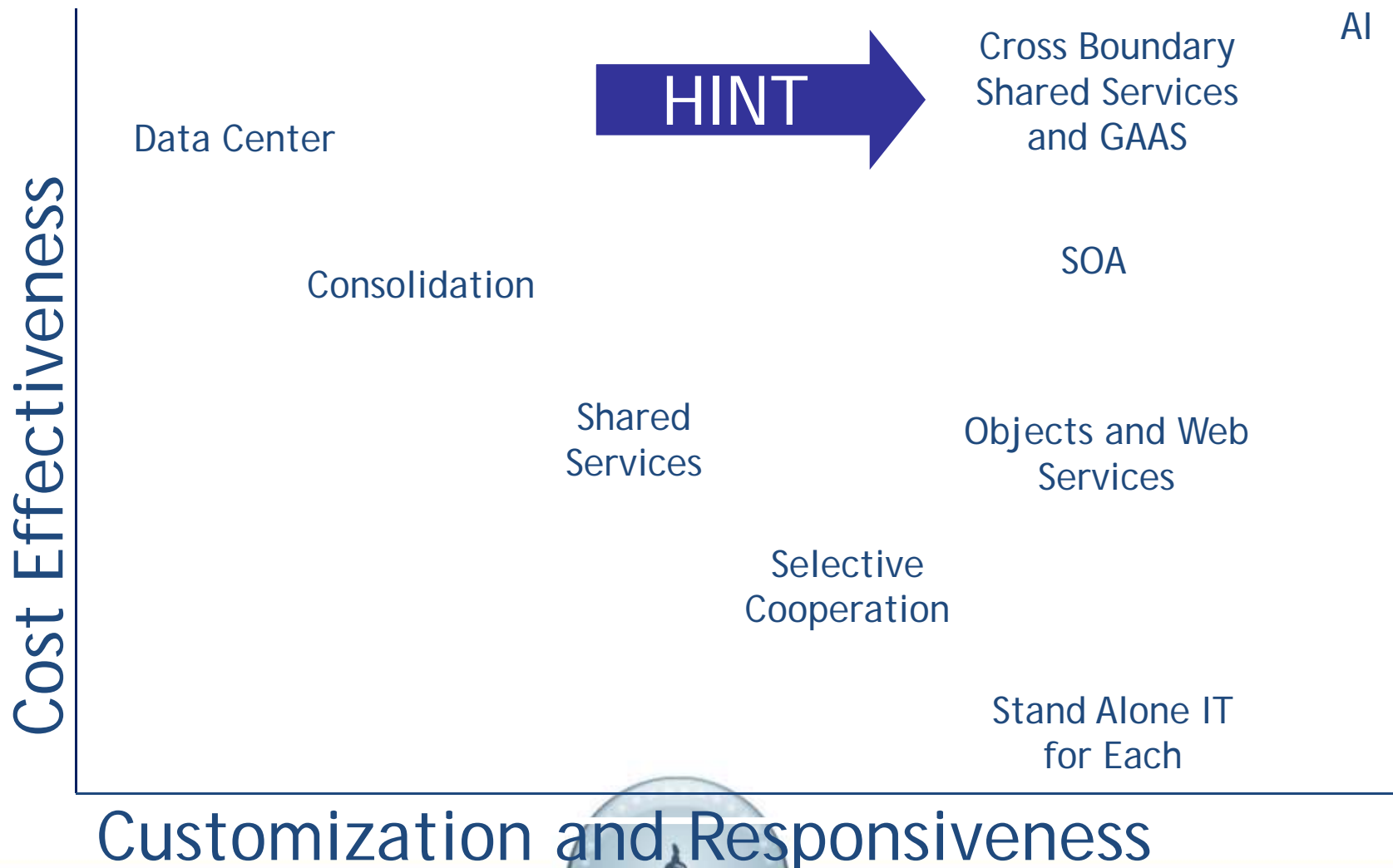
	1	2	3	5	50	500	5000	?
1								
2								
3								
5								
50								
1 Ea Agency								
1 Ea Bureau								
?								



Optimization



Where Do You See Yourself In 10 Years?



Shared Services Business Models

- ✓ Buy together
- ✓ Buy and own together
- ✓ One government serves many
- ✓ Many governments serve each other
- ✓ Services are purchased from a private provider by one and resold
- ✓ Services are purchased from a private provider together
- ✓ Hybrids of the models above

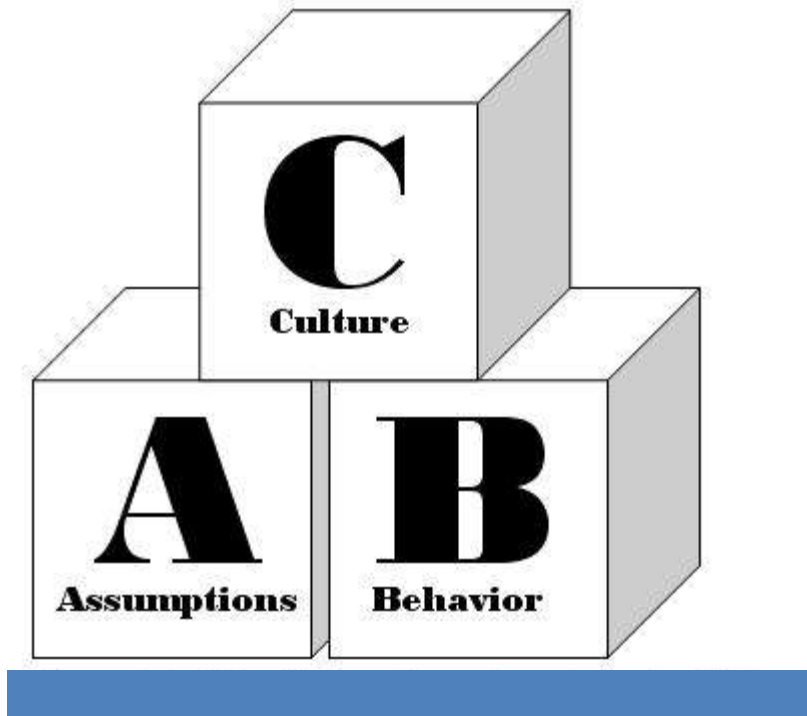


Customer Agents and Invisible Government

- ✓ Data that flows are being standardized
- ✓ Within 10 years all data flows to government will be standardized or will be easily transformed to the government accepted format
- ✓ Government modules are becoming standard parts of software and will be essentially “free”
- ✓ The transaction side of government will be eliminated within 20 years and replaced by customer agents in the form of software and private sector services and systems



Change the Culture by Changing Behavior



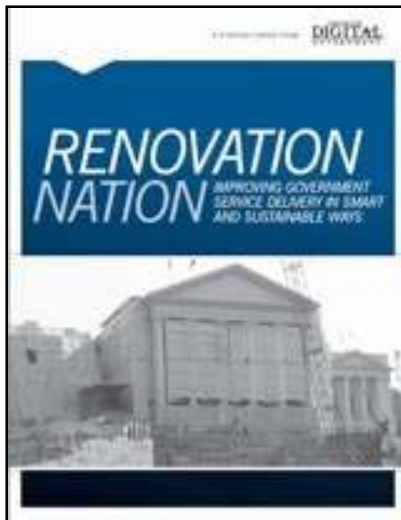
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