The Hackett Group

World-Class Defined and Enabled

State of Oregon
Administrative Baseline

Cross-functional Summary of Results

The Hackett Group
February 13, 2013

Data Classification: Level 2 – Limited

Contents

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Project Background

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Scope, Terms, Key Assumptions and Definitions

Category	Descriptions / Assumptions
Benchmark Period	The one-year timeframe between July 1, 2011 to June 30, 2012
Staffing levels and labor costs	Staffing (FTE) represents actual headcount as of June 30, 2012. Fully loaded labor costs include salary, overtime and benefits. This information is presented as one indicator of overall costs, and is not and should not be interpreted as a compensation assessment. **Staff Level Definitions** • *Manager* – Responsible for leading a department including anyone that directly supervises staff • *Professional* – Primarily performs analytical and technical functions and works in highly skilled positions but have no supporting staff • *Clerical* – Primarily performs routine data entry and administrative tasks and could be working in hourly positions
Directionally Correct Methodology	Data used in the functional benchmarks was provided by each agency participating based on specific definitions and criteria. The State of Oregon's data tracking capabilities vary greatly by agency. In some cases, directionally correct estimates were used where tracked data was not available.

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Benchmark results should be evaluated in conjunction with the specific requirements of the State of Oregon

What this benchmark is . . .	What this benchmark is not . . .
A starting point	… the end answer
A measurement highlighting where efforts should be focused	…a detailed analysis of how to redesign processes
Best practice comparisons	…a competitive analysis
Process based comparison	…an exact match to organizational departments . . . no benchmarking is
One input to setting targets	…the only input
A broad look at the Finance, HR, IT and Procurement functions	…going to cover all aspects of state operations

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State of Oregon Functional Baselines

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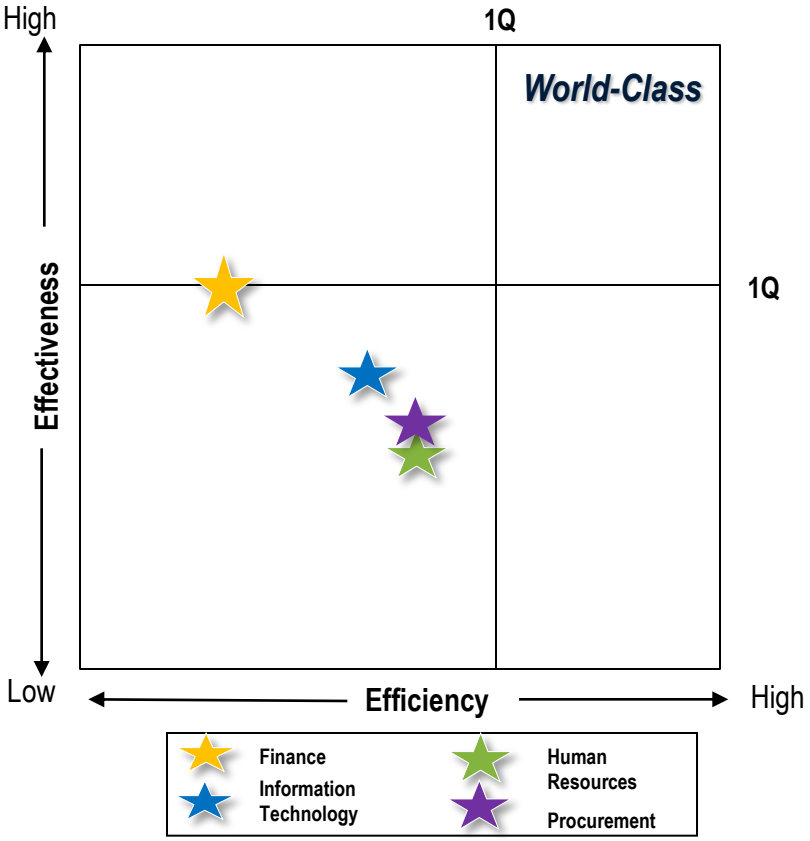
State of Oregon Value Grid placement displaying all four functions

Hackett Value Grid™



Note: The ranking of the drivers are a representation of gaps to World-Class and are not a direct indicator of where to focus/ launch initiatives. Specific action plans should not be developed until after the benchmark results are assessed within the context of the functional and government-wide strategies.

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Finance Functional Baseline

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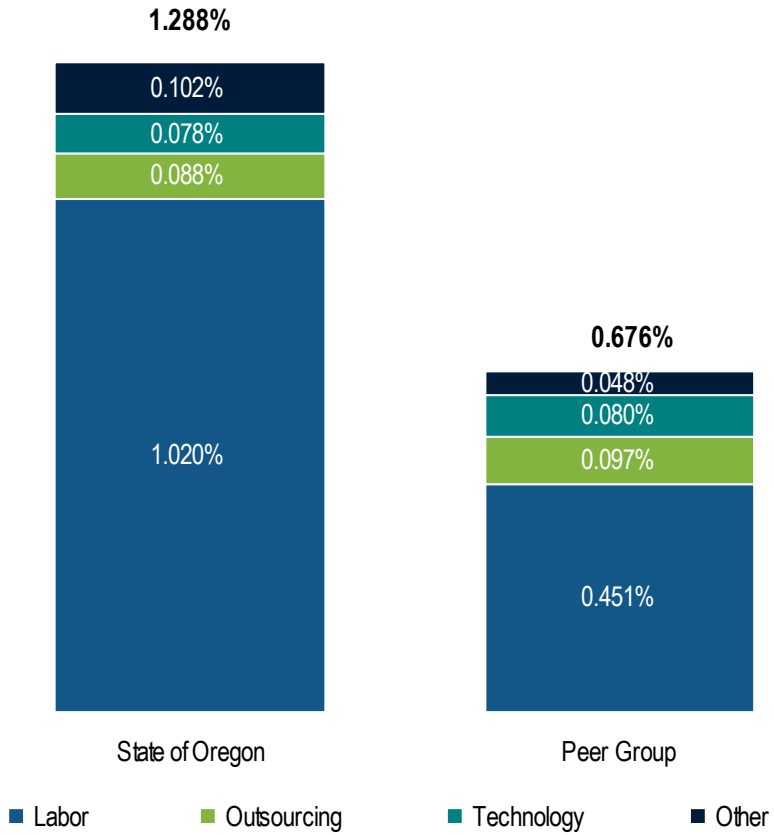
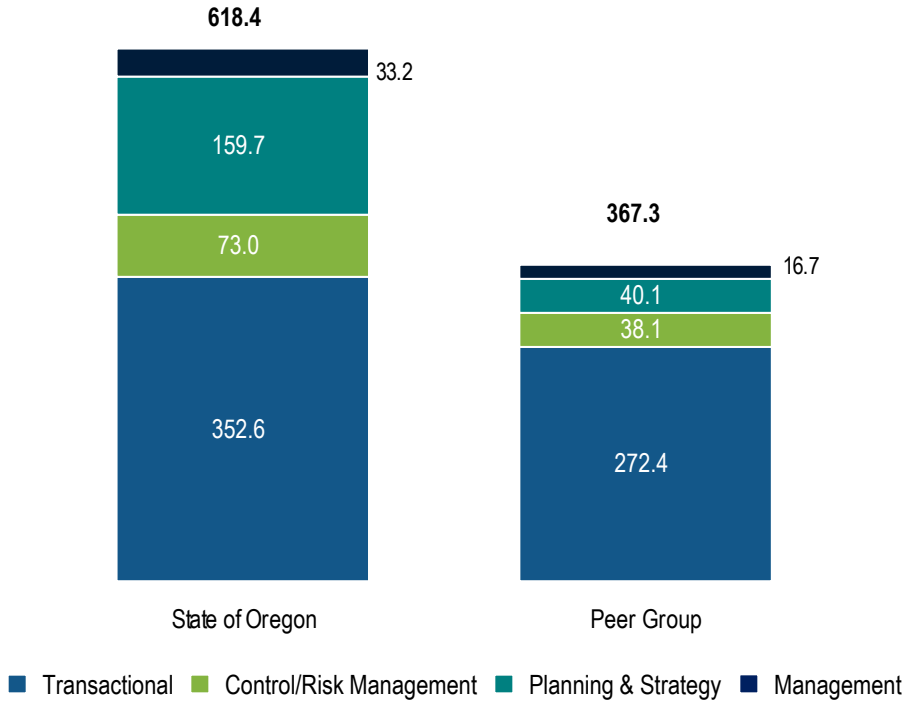
Finance cost as a percent of revenue and FTEs by Process Group

Finance Cost as a % of Revenue



Overall State of Oregon FTEs



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1. Oregon's Performance Reporting process utilizes effective tools, however there is opportunity to reduce cost while maintaining effectiveness

State of Oregon Observations

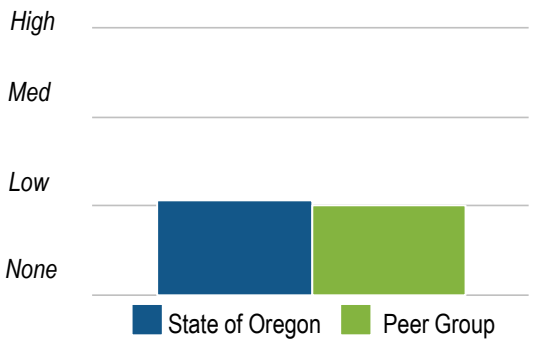
- Oregon creates a significantly higher number of production reports with fully 1/3 of them attributable to the Department of Agriculture. This exceeds peer by a factor of eight. The volume of reports that are considered production hinders the ability to generate Ad Hoc reports in a timely manner.
- Comments in the Stakeholder Survey and the Executive Interviews suggest that there are a large number of reports that are mandated through outdated legislative action. Additionally, there are reports that are part of the normal business process, but their need remains in question.

Comments from the Executive Interview and Survey

"…I receive a report every month…I have 30 if them on a shelf somewhere…don't need it. I don't know what to do with it ."

"Identify which accounting and budget reports are needed. Stop sending any other reports. (They are) not necessary or wanted."

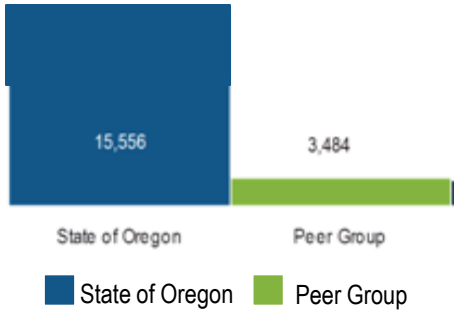
Online Report Distribution



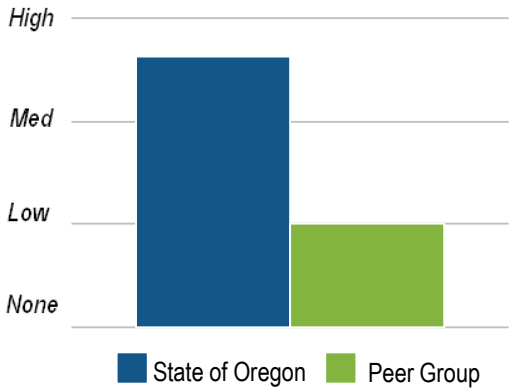
State of Oregon Recommendations

- Explore opportunity for standard budget and finance reports within and across the agencies.
- Inventory current reporting requirements and conduct an analysis of their necessity. Prepare a legislative housekeeping initiative to remove the requirements.
- Leverage an effective Data Warehouse for on-demand compilation and distribution of common reports.
- Enhance reporting environment to allow for in-tool customizations of extracts and report data to allow for a more efficient reporting process.

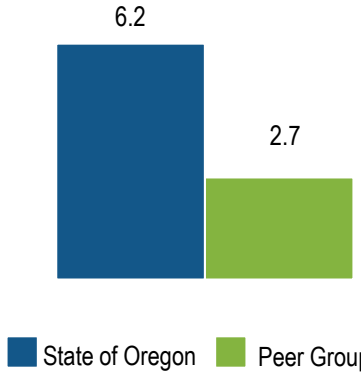
Monthly, Quarterly and Annual Reports



Data Warehouse Usage



Days to Prepare Ad Hoc Reports



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2. Oregon's Cash Disbursement process, particularly in regard to Travel and Expense is a manually intensive process

State of Oregon Observations

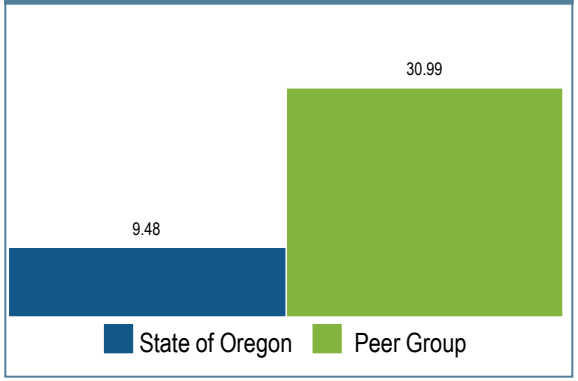
- Oregon's Travel and Expense process from a cost perspective is very efficient. The cost is $9.48 per transaction. This is 31% of peer group cost per transaction. The main driver is a low degree of automation and online processing, thus effectiveness has room to grow.
- The Travel and Expense processes significantly differ between agencies. Department of Human Services and the Oregon Health Authority has a comprehensive workflow enabled T&E solution, while the majority of the agencies and departments have minimal, if any automation despite some departments with high volumes.

One agency is driving the degree of automation reflected in best practices

Agency	Reports	% Automated
Human Svcs/OHA	77,689	100%
State Police	12,000	0%
ODOT	11,977	0%
DAS	4,800	0%

Includes DAS Client Agencies

T&E Cost Per Transaction

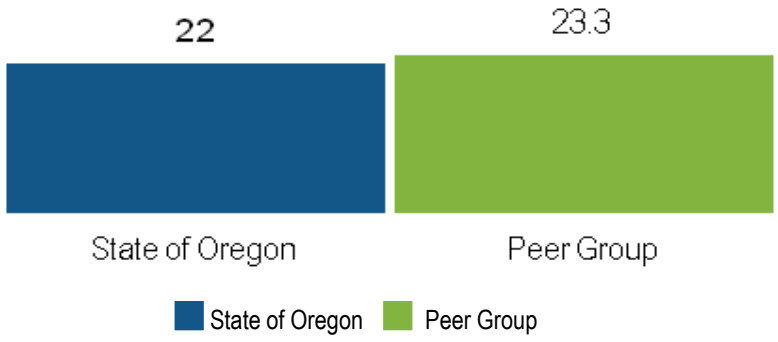


State of Oregon Recommendations

- Complete a cross-agency analysis of current practices to determine the agencies that would produce quick wins in efficiency.
- Develop the capability from the best of breed solution within the state to automatically generate the file that goes to treasury/payroll for reimbursement
- Conduct an analysis of the system the Department of Human Services and the Oregon Health Authority uses in order to develop a plan to transition a similar solution to other agencies.

Travel and Expense Best Practices	State of Oregon	Peer Group
Percent T&E transactions automated	52%	9%
Travelers complete and submit expense reports online	5%	2%
Expense reports error rate	27%	13%
Percent of expense reports requiring management approval	100%	98%
Travel expense reports sampled for compliance	92%	95%
Extent policies and procedures for travel and expenses standardized across business units	High	High

Travel and Expenses - Total FTEs



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3. Develop a Common Service Provider Business Case

State of Oregon Observations

- State of Oregon has **251 FTEs more** in finance vs. Peer Group. The majority of these are in transaction processing.
- The stakeholder survey and executive interviews reflected the fact that there is a lot of duplication between agencies in terms of transactional processes.
- There are eleven agencies that have less than two FTEs that work in transaction processing. There are also people in programs who 'wear two hats' where they have program as well as G&A responsibilities.

Agencies With Two or Fewer FTEs per Process Group

Process Category	Greater Than 2	2 or Fewer
Transaction Processing	31	11
Control and Risk Management	8	32
Planning and Strategy	20	22

*Includes DAS client agencies

Stakeholder and Executive Comments

"We do not have the resources to do business as usual anymore."

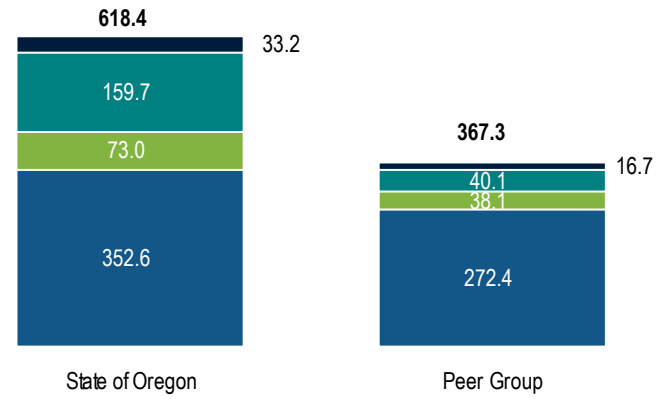
Potential Cost Impacts

Process Category	FTEs		Cost
Transaction	16.82	$	1,256,691
Control & Risk Management	18.34	$	1,874,794
Planning & Strategy	16.32	$	1,787,298

State of Oregon Recommendations

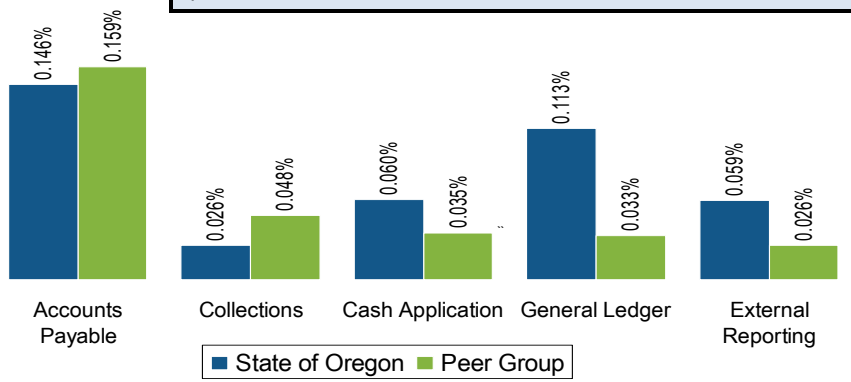
- Conduct an analysis of agencies that have minimal FTEs in the finance function and determine if there is a detrimental impact to any other roles they play within their agencies
- Complete an analysis of the similarities of the chosen processes in order to discover the feasibility of transitioning low volume, low FTE processes to a common location where efficiencies of scale are possible. This can build confidence in this approach
- **This recommendation does not account for collective bargaining restrictions**

State of Oregon FTEs



State of Oregon – Select Transaction Processing Costs as a % of Revenue

Interagency duplication has a $1.257M annual cost impact for Transactional processes



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4. Oregon has a complicated budget process. With some adjustments and augmentation, the process can gain efficiencies

State of Oregon Observations

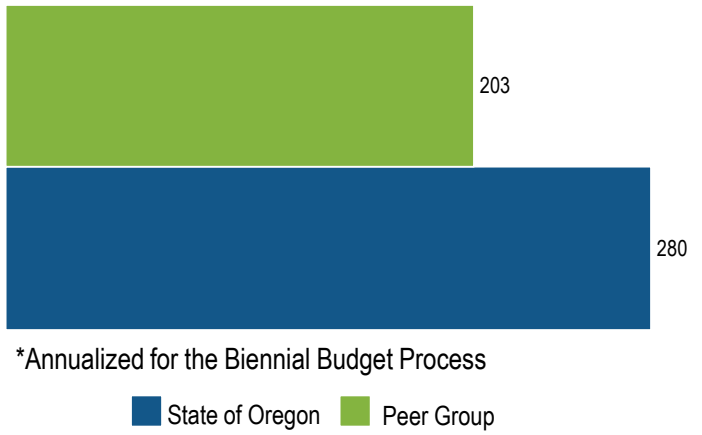
- The biennial budget process has considerable ebbs and flows depending on whether planning is occurring for a 'long session' or 'short session' year.
- The entire biennial process takes **560 days, however considering the varied inputs, we have annualized the process to 280 days per year.**
- As with many other state governments, the degree of self service budgeting tools is low at 6% for Oregon
- Strategic and tactical planning only occurs at the macro level
- There is extensive use of PC spreadsheets as the primary budgeting tool, thus requiring significant manual compilation of a comprehensive budget outlook.
- There is a disconnect between the understanding of senior management and the complexities the budget analysts need to undertake to compile the budget.
- Conversely, agency and program leaders need a better understanding of agency accounting and program practices

State of Oregon Recommendations

- In order to begin to streamline the budget preparation process, Oregon should consider the following:
  - Adopt a common budget template as the budget is rolled up to the state-wide level.
  - Adopt common detail templates across the programs in an agency to set a common level of understanding of requirements between budget analysts and program management
  - Develop common budget reports with cascading detail where budget iterations and reports contain the detail required to validate and update budget submissions by various stakeholders.
- Deploy a technology solution (e.g. Hyperion) which permits a degree of self service where managers and analysts alike complete a template and submit online. Budget analysts can spend more time on review and analysis vs. system population with disparate data
- Along with deploying the solution, add a flexible reporting capability for various scenario analyses

Budgeting and Planning Best Practices	State of Oregon	Peer Group
PC Spreadsheets used as a stand-alone budgeting application	Medium	Low
Budgeting self-service	6%	13%
Fully integrated strategic planning, tactical business planning, and budgeting processes	At the macro level only	At the macro level only
Degree to which the planning process includes the development of multiple "what if scenarios" and approval of contingency plans to meet targets under a range of future scenarios	Medium	Low
Extent to which the planning process is driven by targets derived from the strategic plan	Medium	Medium
Extent tactical actions to achieve the target are clearly identified in the budget's accompanying narrative (e.g., putting assumptions in the line item to track wherever it goes in the organization)	Medium	Medium

Days to Complete the Budget*



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5. Oregon's Billing, Collections and Cash Application processes have some opportunity to integrate and improve efficiencies

State of Oregon Observations

- Oregon has a relatively low volume of billing activity spread across multiple agencies and FTEs. This generates a high per transaction cost. Additionally, the State has a 23 day billing cycle.
- As the billing process goes through billing, collections and cash application, there is very little integration between these processes to leverage a streamlined process
- Cash application cost is high versus peer an has a low automatic cash application rate despite 43% electronic cash remittances,

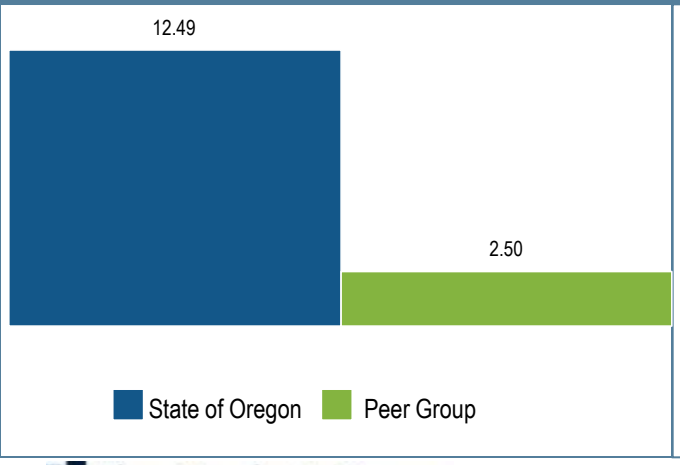
Select Cash Application Best Practices	State of Oregon	Peer Group
Percent electronic cash remittances	43%	31%
Average time to apply cash	5 day(s)	3 days
Billing application integration to accounts receivable	Low	Medium
Automatic cash application rate	22%	38%
Days Sales Outstanding ('DSO')	36 days	26 days
Select Collections Best Practices	**State of Oregon**	**Peer Group**
Automated ID of customer calls	Low	16 days

Select Customer Billing Best Practices	State of Oregon	Peer Group
Billing cycle time	23 days	16 days
Occurrence of billing errors	2%	4%
Billing application integration to sales/order entry	None	Low
Billing application integration to accounts receivable	Low	Medium
Billing system enables consolidated invoicing for multiple items	Low	Low
Utilization of electronic bill payment and presentment	None	None

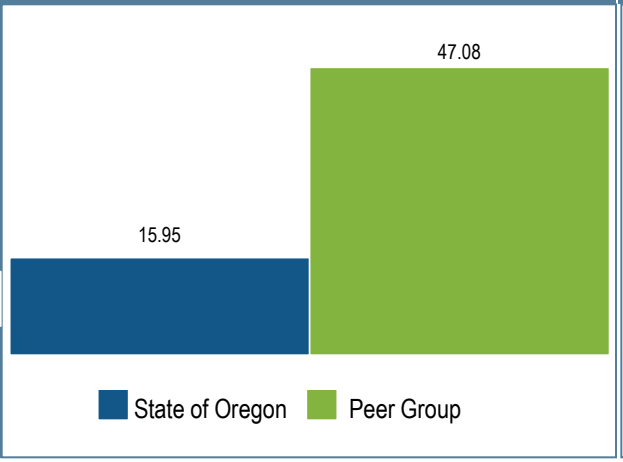
State of Oregon Recommendations

- Examine the billing to collections process and technology for integration points to allow a singular view of a customer's status.
- Evaluate the feasibility of adopting a singular billing solution statewide by reviewing the current applications the State is using to reveal a viable solution in existence or a comprehensive set of requirements.
- Conduct root cause analysis for the significant variance between electronic cash receipts (43%) and the low automatic application rate (22%)
- Consider deploying a CRM-style solution to allow a shared view of customer statuses.

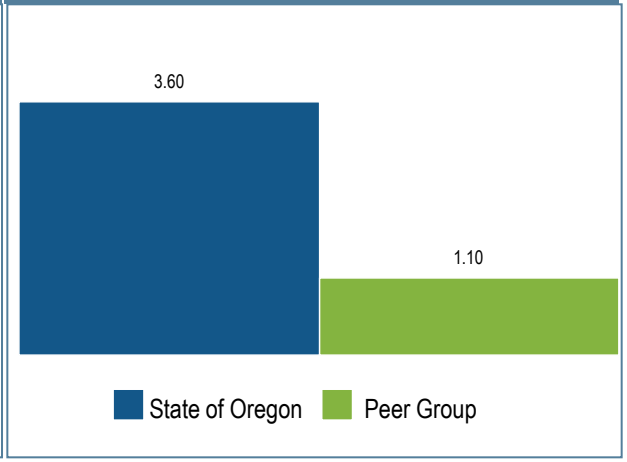
Customer Billing Cost ($) per Transaction



Collections Cost Per Transaction



Cash Application Cost Per Transaction



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Human Resources Functional Baseline

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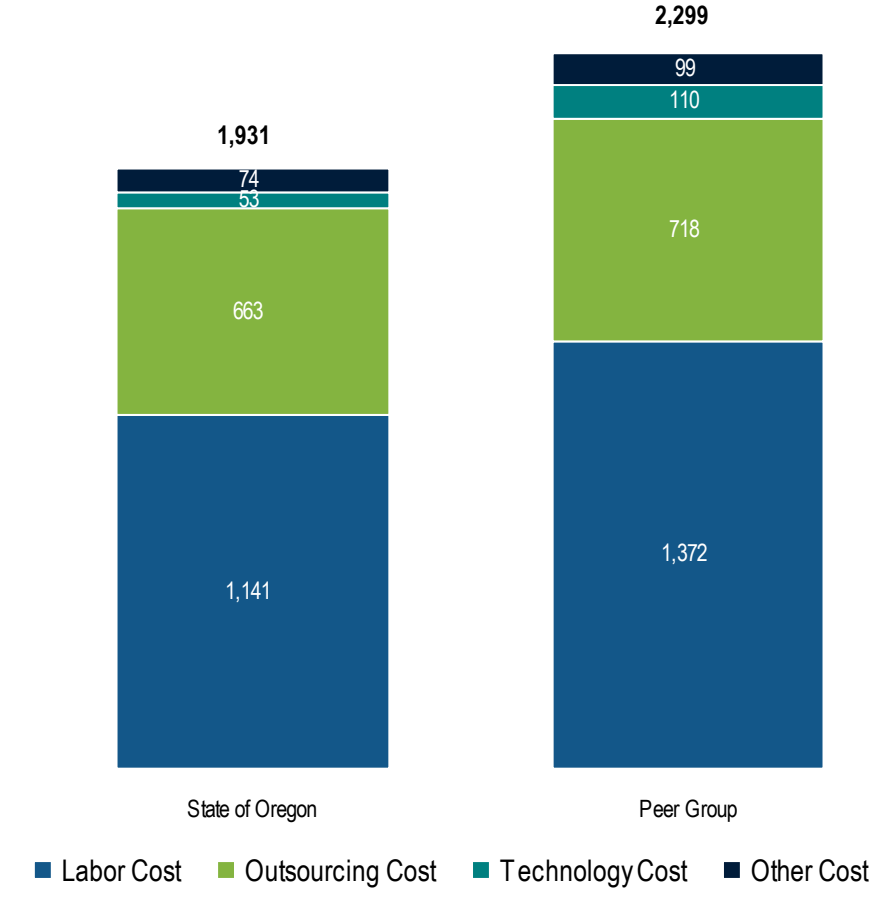
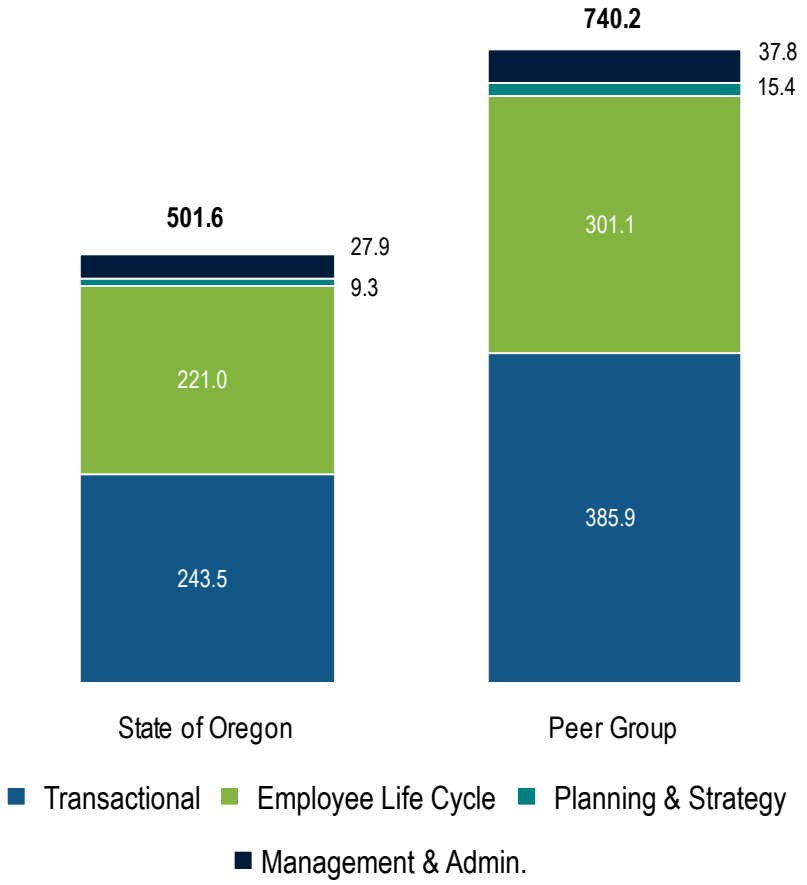
Oregon's Human Resources cost per employee is 16% lower than Peer with 32% fewer resources

HR Cost ($) per Employee



Note: Excludes Workforce Development (Non-Transferable Skills)

Number of HR FTEs per State of Oregon's employees



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1. Prepare to assist all functions/agencies in facilitating change

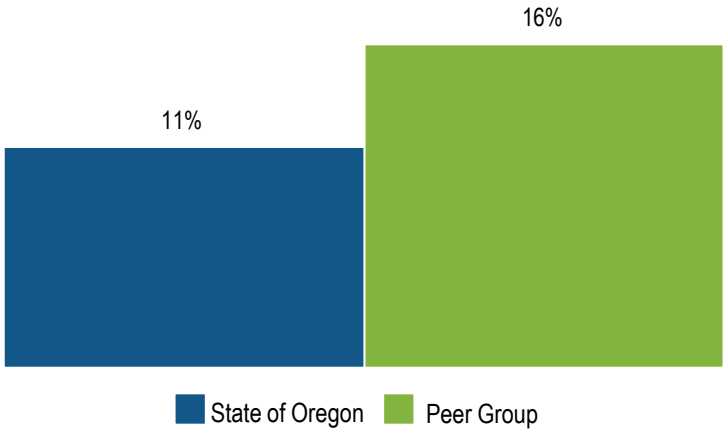
State of Oregon Observations

- State of OR has opportunity gaps in all functions which means that each group will need help in facilitating changes (e.g., changes in process design, technology, organization, etc.)
- Typically, HR is expected to take a role in facilitating change, but State of Oregon is currently much less focused on change than other organizations are.

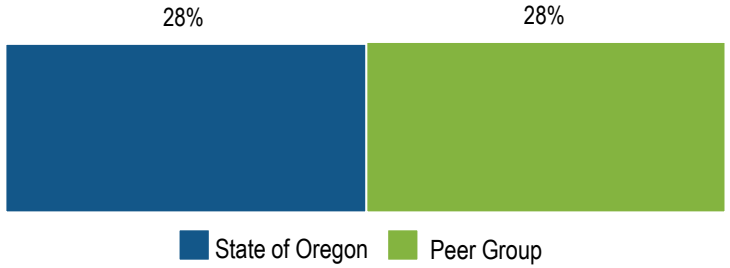
State of Oregon Recommendations

- Develop skills of HR staff to assist in driving change
- Set up clear expectations on how change initiatives are to be managed (e.g., specific targets, metrics that will be used to evaluate success of the change efforts, etc.)
- Develop cross-functional prioritized list of initiatives to be undertaken following the benchmark. Include details such as specific goals of each change effort, time frame for completion, how success will be evaluated, and prerequisites.

Percent of HR staff with Focus on Facilitating Business Change



Percent of Change Initiatives have Metrics, Scorecards, Specific Targets, or Goals Clearly Articulated and Built into the Success Criteria



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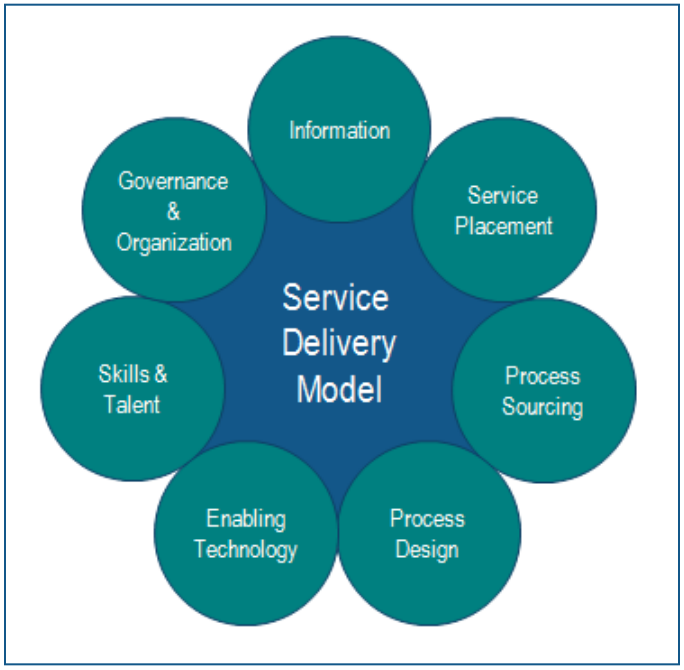
2. Review and enhance the Human Resources Service Delivery Model

State of Oregon Observations

- There are a number of agencies with relatively few HR resources. These agencies may be better served by a more comprehensive "shared services" type HR approach
- There has been some confusion recently about what policies/activities DAS does for an agency versus governs (which the state is trying to address with the recent reorganization of DAS).
- Process design is heavily hampered by limited technology enablement. Without technology tools to support the HR processes, the state will be forced to maintain more manual processes. In the event of increased activity levels, the only recourse will be to add more resources to fulfill those manual processes.
- Information can be difficult to get because of technology limitations and manual work.



State of Oregon Recommendations

- Review overall HR services being provided to the organization and ensure the right work is being done in the right place
- Further evaluate each of the seven SDM components in relation to State of Oregon overall as well as the individual agency needs , particularly Service Placement, Enabling Technology, and Information
- Evaluate opportunities to consolidate HR activities/tasks to a central provider/agency, particularly for small agencies with few HR resources
- Update primary HRIS system used to support HR. Current system is very old and written in old programming language which will be increasingly difficult to support.

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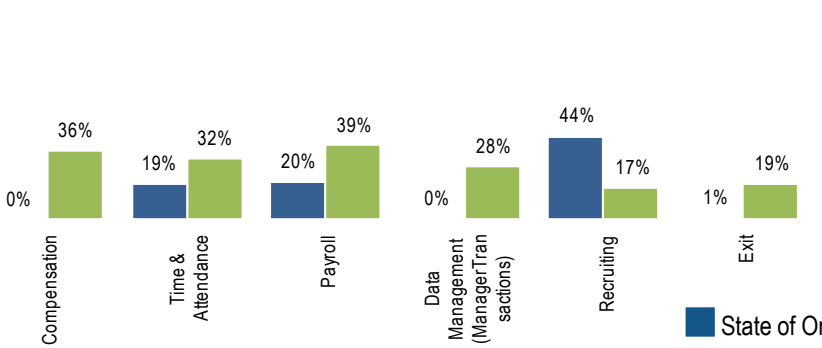
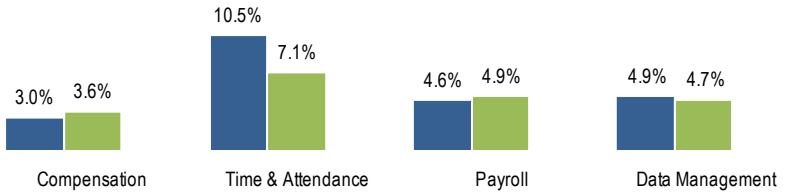
3. Enhance system functionality and automation leverage

State of Oregon Challenges

Percent of Transactions Fully Automated



Re-work (error) rates



State of Oregon Observations

- Lack of end-to-end automation across Human Resources
- Very low or nonexistent levels of automation in many processes
- Many resources involved in managing basic employee data

State of Oregon Recommendations

- Develop strategy to automate core HR processes
- Review current state configuration versus best practice to ensure technology is configured to incorporate best practice process design
- Improve system integration and information accessibility.
- Focus on increasing automation of routine operations (e.g., standard reports, etc.) to increase efficiency of HR
- Decrease time spent gathering information and increase time spent on analysis.
- Reduce the need for re-work of transactions and reduce error rates

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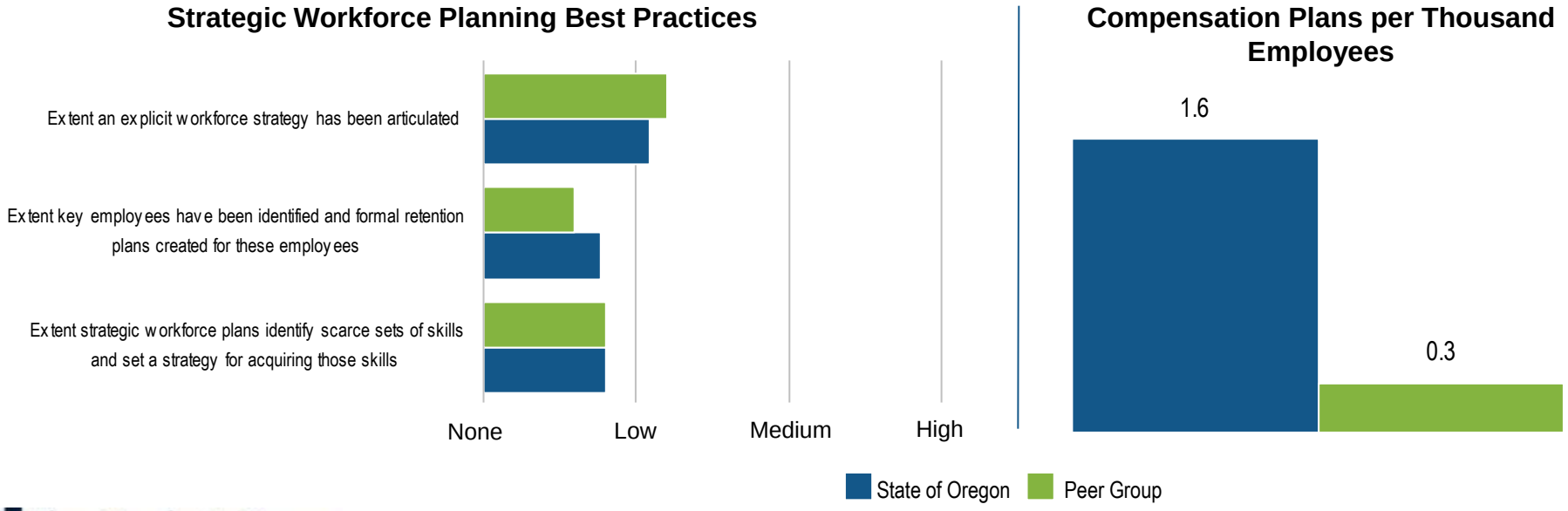
5. Improve utilization of best practices to increase Human Resources Effectiveness

State of Oregon Observations

- State of OR has significant opportunity gap in utilization of best practices in Strategic Workforce Planning
- Complexity is hindering utilization of best practices in processes like Compensation Administration

State of Oregon Recommendations

- Investigate and address drivers of productivity inefficiency and reduce manual nature of the process
- Develop explicit workforce strategy to drive State of Oregon hiring and training needs
- Decrease unnecessary complexity across HR. This may require a long-term approach where the complexity is rooted in contracts with labor unions.



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Procurement Functional Baseline

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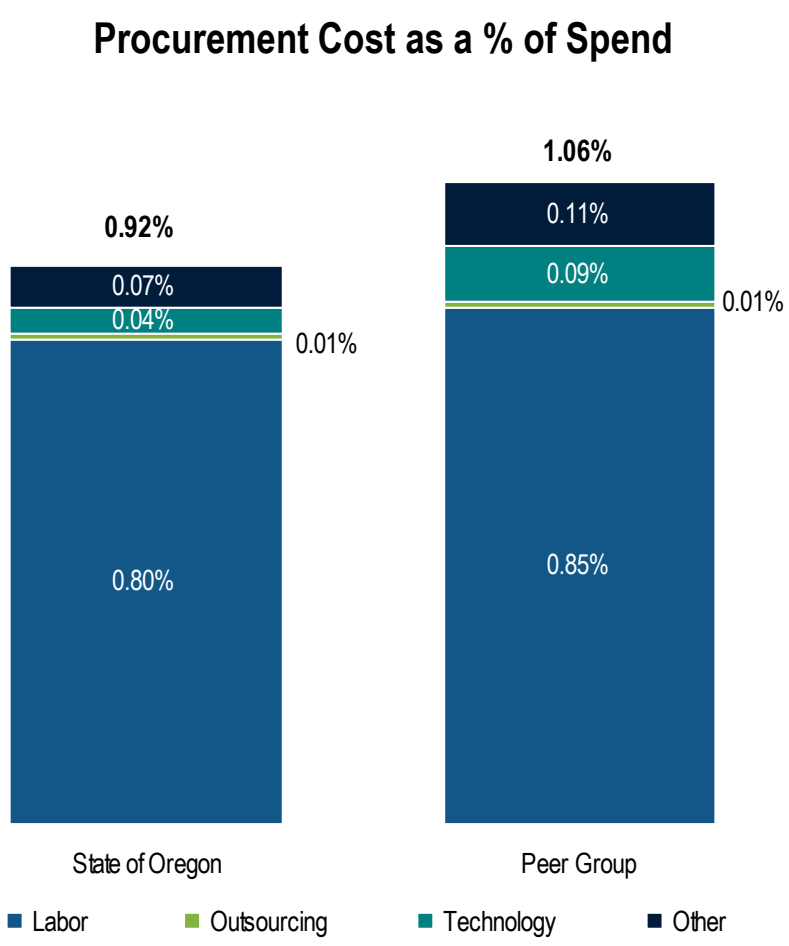
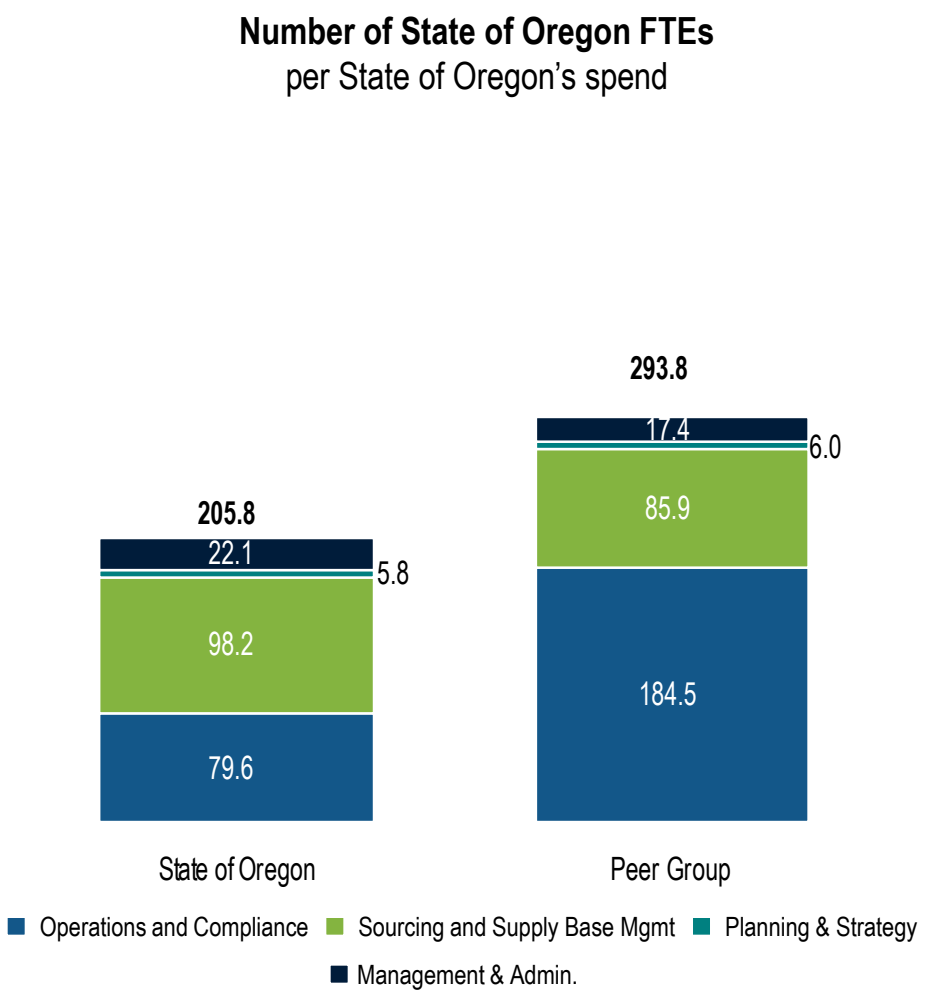
Overall procurement costs are 14% lower as a percent of spend when compared with Peers





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1. Increase quality of spend influence and cost savings

State of Oregon Observations

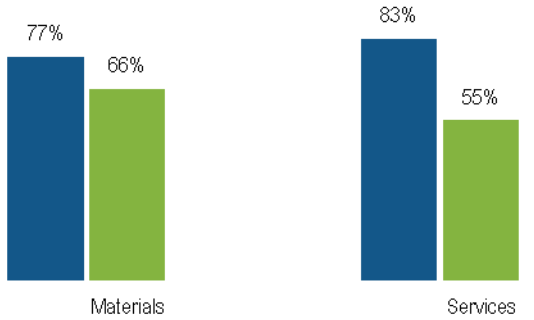
- While the State of Oregon reports solid levels of spend influence when compared to other State Peers, there is certainly opportunity to continue to improve. ROI's are only marginally better overall when looking at total Savings vs. Operating Costs.
- Even with above average influence vs. Peers, there appears to be a large opportunity to increase the quality of influence via more engagement with stakeholders.

Recommendation

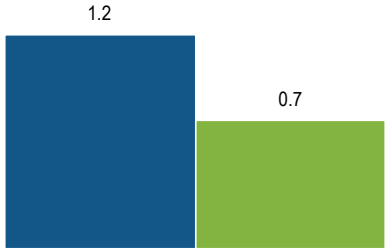
Continue to take advantage of opportunities to expand the quality of spend influenced by Procurement which may help balance a desire for greater savings, reduced risk (or perception there-of), and more strategic engagement. Increase focus on the evolution of the strategic sourcing process to target broader value drivers for strategic categories of spend and resulting process improvement benefits. This should include continuing to drive earlier Procurement involvement with stakeholders during the planning and budgeting process.

- Increase number of categories with developed sourcing strategies
- Conduct sourcing events with larger scope or including a greater portion of spend
- Move toward state-wide standardization of purchased components
- Generates increased leverage during negotiations for improved savings potential
- Improved ROI for the Procurement group as fewer events will be necessary for increased coverage of spend

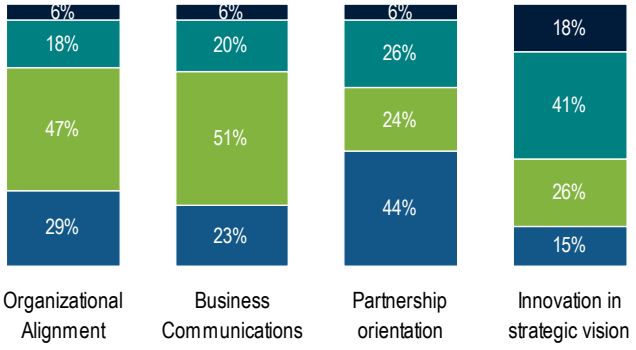
Percent of Procurement's Influence Over Spend

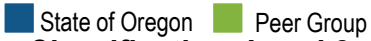


Return on Investment
(Sourcing Savings Divided by Procurement Total Operating Cost)



Stakeholder Perception of Procurement Performance





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2. Enabling Technology

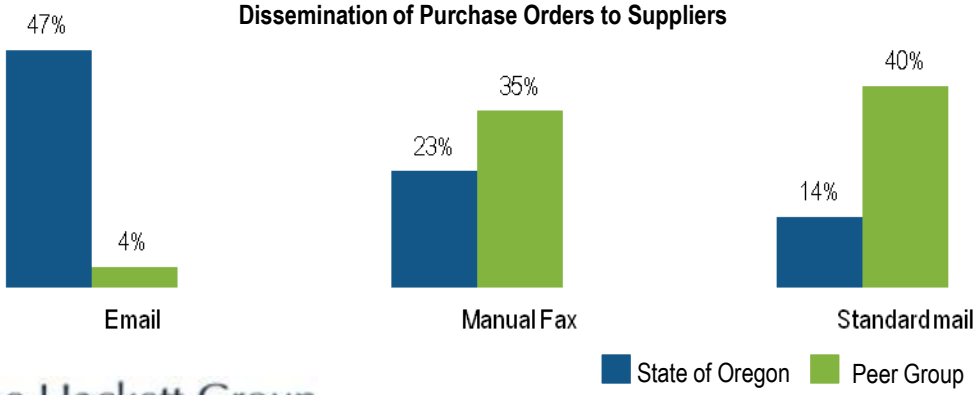
State of Oregon Observations

- State of Oregon's technology spend is far lower than Peers, with opportunities to further enable automation, functionality and leverage Best Practices.
- Email is the primary method for Distributing POs, followed closely by manual methods.
- Opportunities exist for expanded use of sourcing tools.

Recommendation

Selectively increase technology investment to improve both Transaction Processing (particularly with a goal to reduce manual activities in the Req. & PO process), Reporting and Sourcing (i.e. contract management, sourcing analytics, supplier performance reporting, sourcing savings realization and functional performance reporting).

- Integrate technology solutions across all of the State of Oregon
- Rationalize technology solutions and invest in best-of-breed technology while instituting improved data management practices to reduce reliance on manual, redundant efforts
- Centralized supply data management systems by establishing an architecture to use globally to reduce redundancy while developing a process for maintaining and refreshing systems without additional add-ons
- Results in:
  - Reduction of transactional tasks for a significant number of resources
  - Greater adherence to procurement policies enabling greater savings capture
  - Improved data availability to allow for increased speed and accuracy of analytics



Technology Best Practices	State of Oregon
Automated dissemination of P.O.'s to suppliers	30%
Standard process for item master file maintenance (add, edits, deletes)	48%

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3. Spend Analysis and Supplier Management

State of Oregon Observations

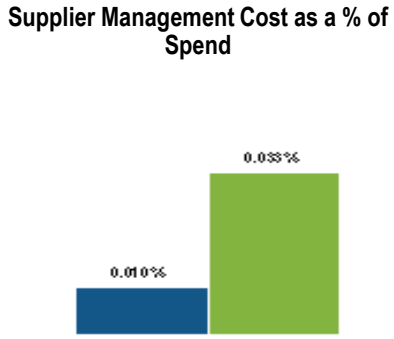
- Supplier management costs are far lower due to far fewer FTEs performing that activity vs. Peers.
- Formal and standard procedures for assessing risk do not appear to exist on an enterprise or divisional (agency) basis.
- Stakeholders cite predominately limited or no involvement in analysis of spend behavior and mitigation of supply base risk.
- The total number of suppliers is 1.5x as many as Peer, with a large number of one-time suppliers.

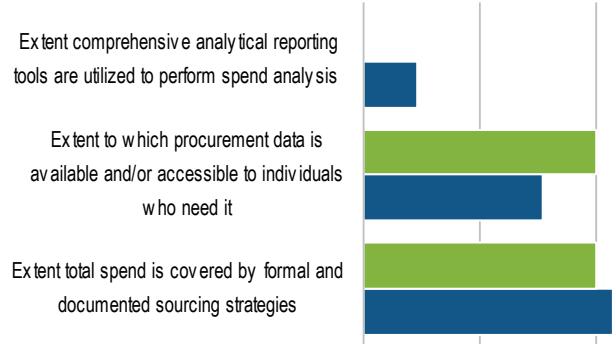
State of Oregon Recommendations

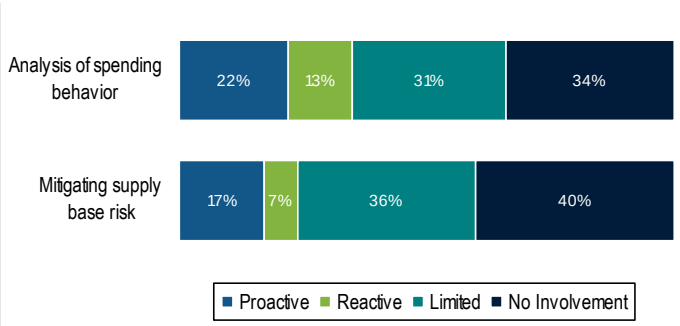
Increase focus on sourcing strategy development, supplier measurement and relationship management programs. Improved data availability will allow for increased speed and accuracy of analytics, enabling greater savings & benefit capture. This should also allow for reductions in the number of suppliers and the ability to capture greater economies of scale with selected suppliers.

- Centralize supplier data management efforts
- Begin socialization of sourcing process to key stakeholders to solicit feedback on potential areas of concern and ultimately gain buy-in
- Develop and implement Supplier Relationship Management (SRM) standard
- Create key templates and supporting tools available to the organization including:
  - Demand and Supply Profiles
  - Category SWOT Analyses
  - Sourcing Strategy
  - Supplier Assessment Matrix

Best Practices	State of Oregon
Extent comprehensive analytical reporting tools are utilized to perform spend analysis	13%







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Confidential – DRAFT – Not for Distribution

4. Stakeholder Management

State of Oregon Observations

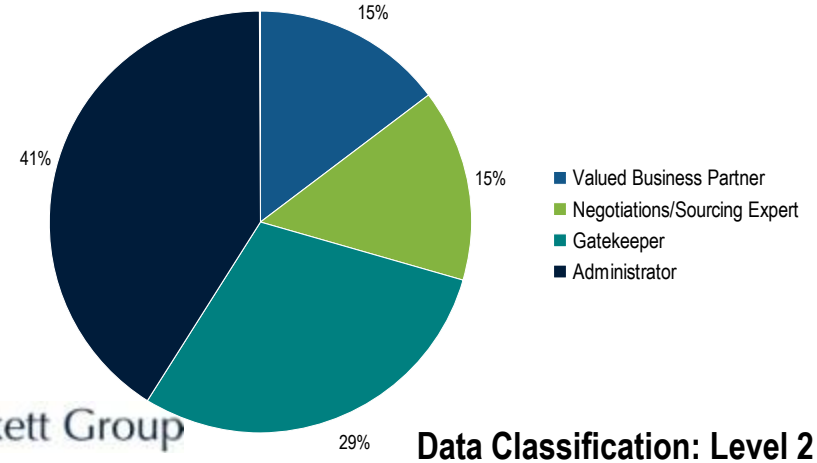
- The Procurement organization is predominately seen as an Administrator and Gatekeeper.
- The lowest levels of performance where stakeholders indicate falling short of expectation or needing major improvement are around the areas of Partnership Orientation and Innovation in Strategic Vision.
- Several Stakeholders commented on the need for better business understanding, more information availability, and the desire for Procurement to be the "Expert".

State of Oregon Recommendations

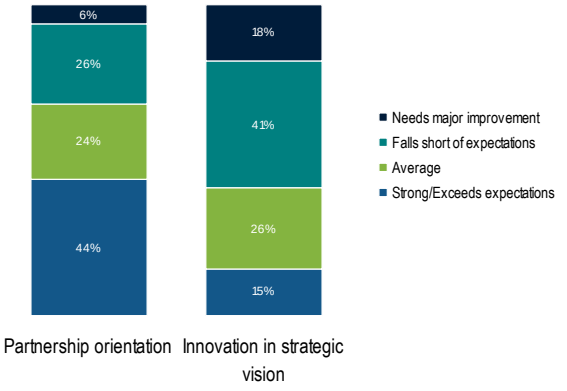
Ensure earlier / proactive agency/ functional Partner involvement to guarantee stakeholder alignment. Improve definition, methodology and communication associated with Procurements value contribution. Develop and communicate an engagement matrix between Procurement and the agencies to ensure consistent communication, both strategic and tactical, are occurring at the proper levels.

- Define clear, proactive, and far-reaching roles for the Procurement group and measure service delivery to the business units through mutually agreed upon Service Level Agreements.
- Develop and communicate an engagement matrix between Procurement and the agencies to ensure consistent communication, both strategic and tactical, are occurring at the proper levels
- Create an intra-agency knowledge sharing portal or bulletin board
- Potential outcomes should generate increased visibility to sourcing stages and speed to market, enabling greater efficiency, increased capacity, and quicker realization of savings thereby optimizing procurement as a service organization through clearly defined goals, objectives, and associated metrics

Stakeholders Perception of the role of Procurement



Performance of the Procurement Organization



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Information Technology Functional Baseline

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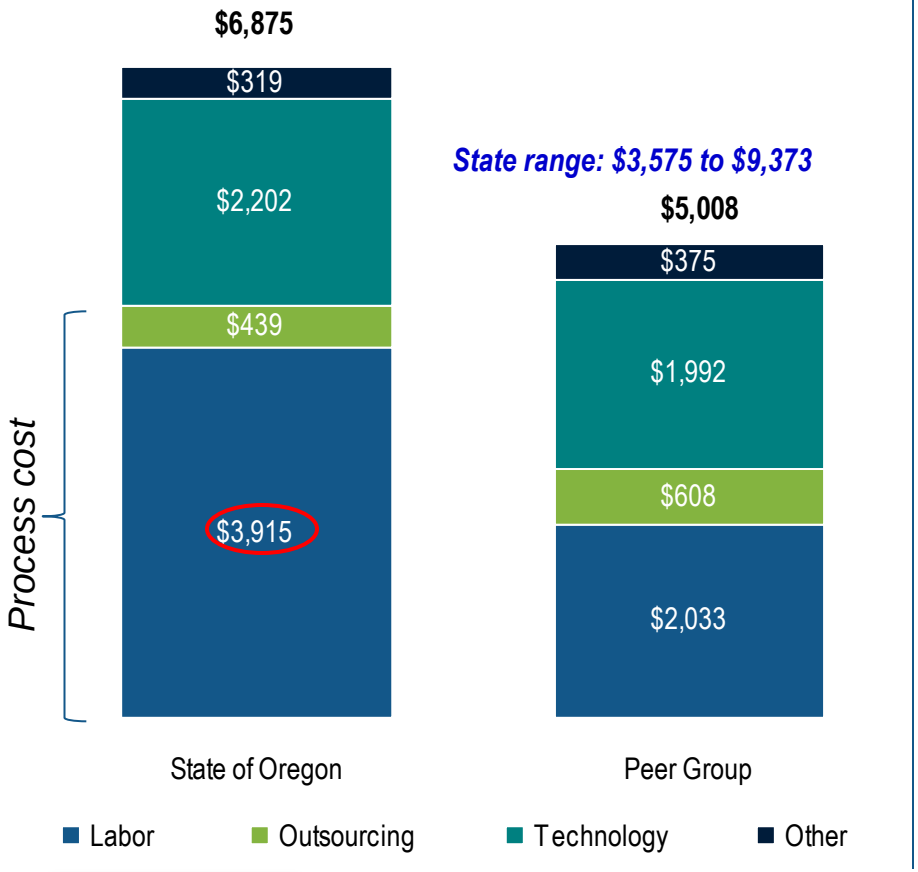
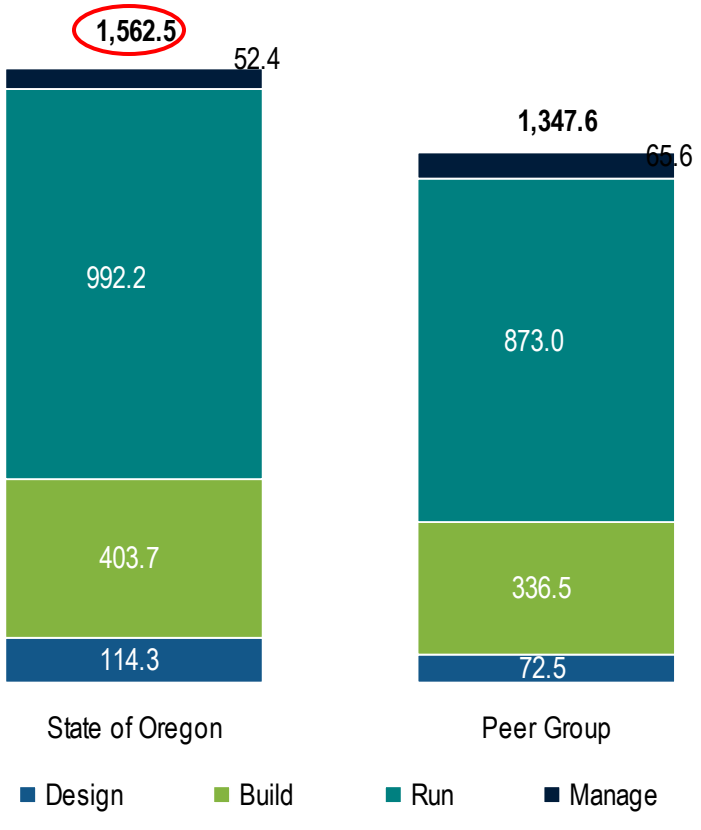
While Oregon's total IT cost per EUE is similar to comparable states, it is higher than the peer, driven by the labor cost

IT Cost ($) per EUE



Number of IT FTEs per State of Oregon's EUEs



EUEs[1]: 40,965

[1] EUEs = End User Equivalents. Please refer to the definition on slide 36

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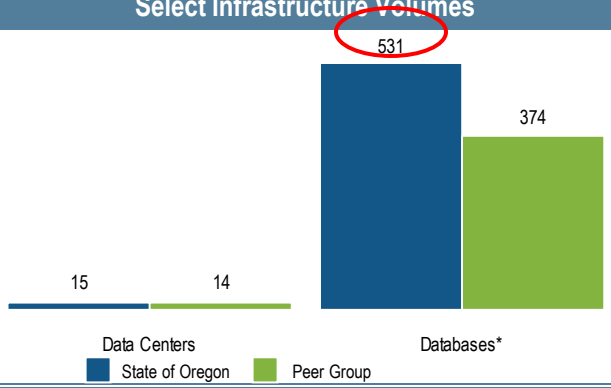
1. Continue to consolidate, standardize and centralize Information Technology services as applicable

State of Oregon Observations

- Overall IT costs are higher than comparison groups, but centralization of infrastructure has resulted in cost reduction and improved performance for Oregon
- Currently only 50% of the technology portfolio is considered as managed in shared services. 204 Infrastructure Management FTEs (63%) and 63 Infrastructure Development FTEs (73%) are outside of the centralized organization. This is a high number of FTEs servicing less than 20% of state's infrastructure spend.
- Infrastructure and application complexity are high as are the corresponding supplier counts and the costs to manage the processes
- Adherence to standards is below peer level for hardware configuration and application development

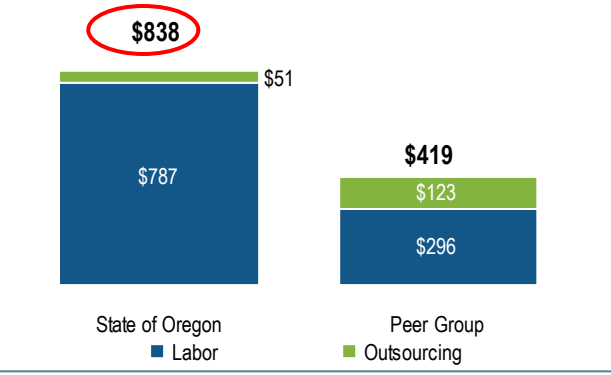
Select Infrastructure Volumes



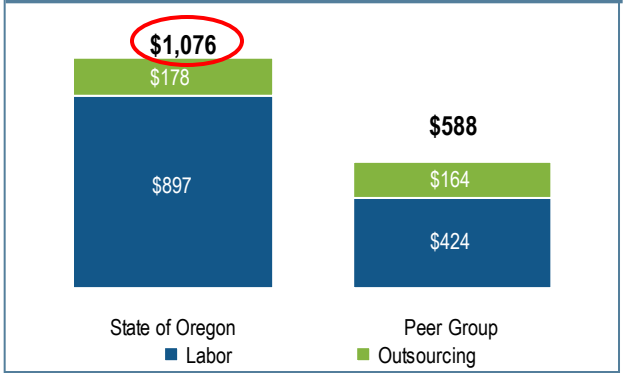
State of Oregon Recommendations

- Rationalize (reduce) the application and infrastructure portfolio to support the state in a more effective and efficient manner. Determine where there are opportunities to consolidate across agencies and departments.
- Make more effective use of existing systems through interfaces and, as appropriate, provide uniform views of information across departments. Focus on statewide level business needs, not just by agency.
- Analyze which agencies have the most immediate opportunity to move to shared services for Infrastructure.
- Enforce compliance to standards across the IT organization – particularly for hardware configuration and application development. Ensure that a collaborative process and governance structure exists and is used to establish and maintain the statewide architecture plan.
- Develop a shared services model for Application Management where it makes sense and doesn't hinder performance.

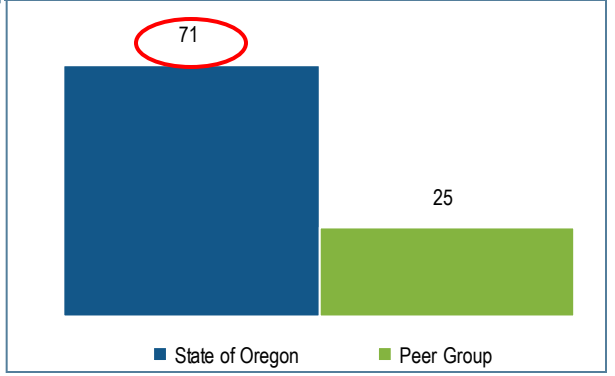
Infrastructure Management Process Cost ($) per EUE



Application Maintenance Process Cost ($) per EUE



Applications per 1,000 EUEs



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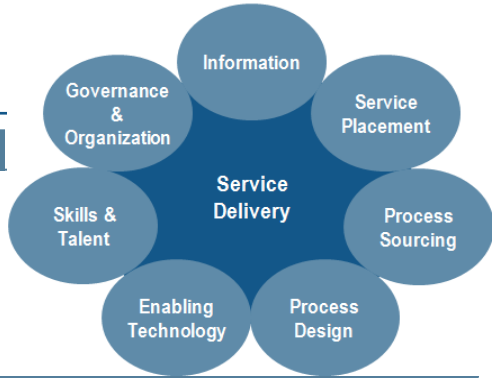
* Includes customer, employee, supplier and product databases

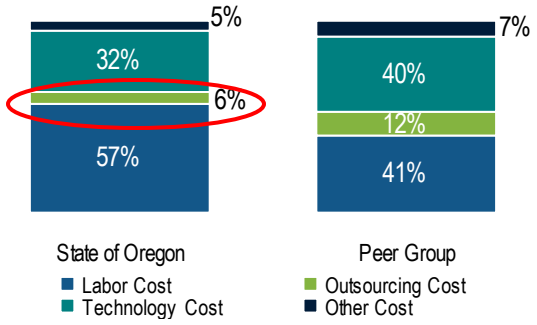
2. Solidify Service Delivery Model



State of Oregon Observations

- Lack of statewide resource leverage leads to the perception that IT is understaffed .
- Oregon's outsourcing percentage is only 6% when the median for the peer group is 12%.
- Oregon has little outsourcing in the Run processes and higher costs per EUE.
- Oregon's service delivery model is very decentralized by agency with the exception of Infrastructure services.
- Span of control is wide as a result of fewer management staff across the processes.

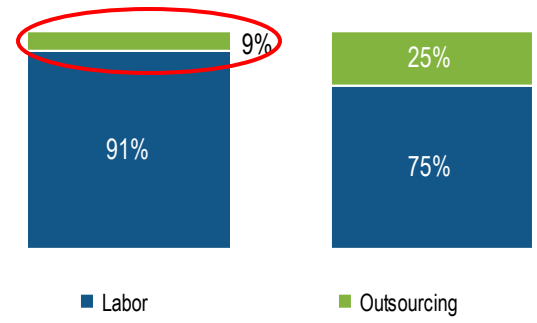
Total IT Cost Distribution %



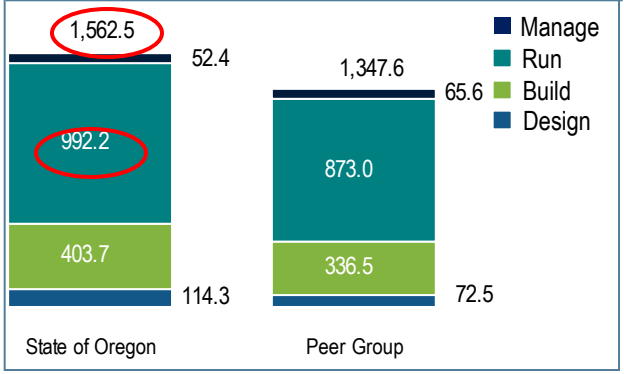
State of Oregon Recommendations

- Develop and execute a plan for each element within the service delivery model to address key levers for improvement, taking into account a statewide perspective, improved effectiveness, cost impact, risks, benefits and measurement.
- Determine resource needs to support the expanded shared services model and agency specific support model. Consolidation of services should eliminate duplication of efforts and result in a more efficient staffing model.
- Appropriately align management staff to ensure effectiveness and strategic alignment.
- Conduct a skills assessment to compare competencies needed to those resident in the current workforce. Analyze the sourcing strategy - what skills and type of work are best accomplished by the permanent workforce and what work is better suited for contracted employees and outsourcers. Utilize sourcing options to take work and redundant cost out and enable the staff to focus on more valued initiatives.
- Work with HR to establish consistent training and workforce development for IT.
- Create meaningful and agreed upon services and service level agreements for major applications and create accountability. Organize staff in tiers and around specialty areas to meet stakeholder needs.

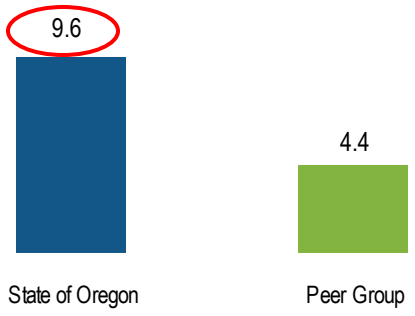
Run Process Cost Percentage



Number of IT FTEs



Span of Control



State range: 4.03 to 4.77

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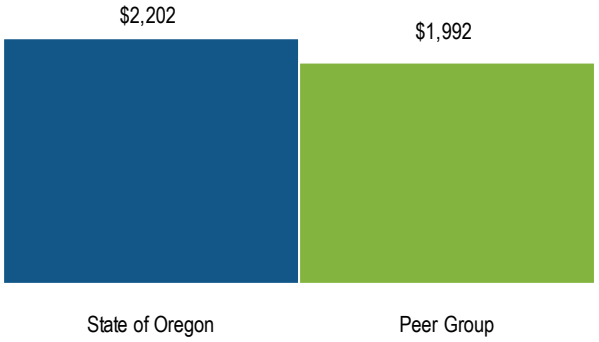
3. Enhance technology capabilities and utilization

State of Oregon Observations

- Oregon has worked to reduce technology cost by centralizing services and has had some success. However, there is more opportunity to consolidate and centralize costs and reinvest in more business enablement tools.
- Oregon has low levels of automation and needs to increase IT leverage to improve business process performance.
- End user training is insufficient to ensure proper understanding and use of technology.

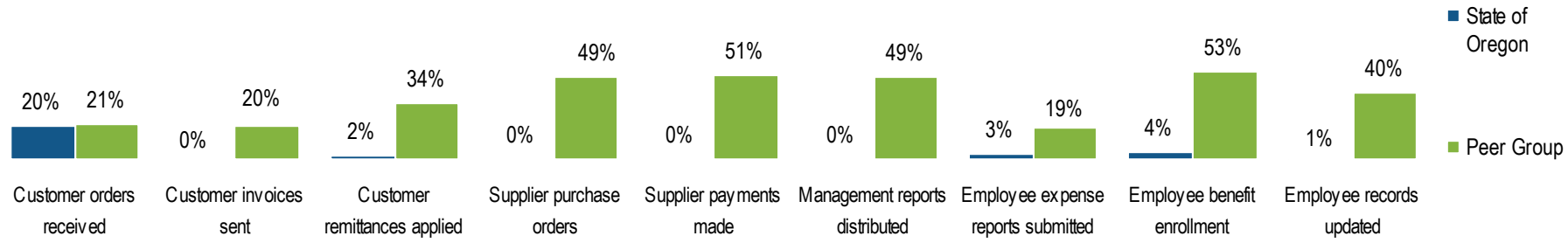
Technology cost per EUE



State of Oregon Recommendations

- Strategically separate the cost reduction initiatives from the performance improvement initiatives. Cost reduction should be focused on reducing run costs and unnecessary, duplicative software spend. Reinvest savings into Build activities.
- Increase self service capabilities and system automation for routine transactions and reporting needs to facilitate efficiency in administrative functions. This may result in a higher cost in IT to drive lower admin costs overall.
- Ensure there is proper demand management and understanding of user requests to properly scope and plan delivery efforts to truly meet user needs.
- Given the spend on Quality Assurance, it's important to ensure that this process is effective in driving high quality deliverables with minimal break/fix requests.
- Bolster end user training to improve user understanding and acceptance of new technologies.

Transactions performed Electronically (%)



Note: Oregon's percentages are likely understated due to lack of available data, but are determined to be directionally correct

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4. Increase business value focus

State of Oregon Observations

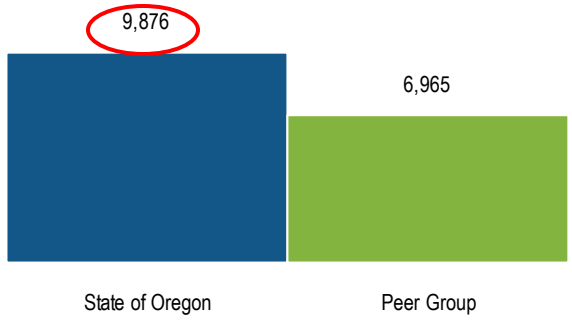
- According to the stakeholder survey, IT's most significant effectiveness gaps are in communication, project management and customer knowledge.
- Stakeholder sentiment indicates performance issues in project delivery.
- Oregon has little utilization of a PMO and only 22% of projects adhere to standard methods, 60% adhere to architectural standards.
- Oregon's project benefit realization percentage is half that of peers. ROI tracking and performance is sub-par.
- Help desk request volume is significant with a high volume of password resets and break/fix requests.

Project Delivery	Assessment	State of Oregon	Peer Group
% projects that delivered anticipated benefits		40%	91%
% ROI Not Tracked		70%	75%
% Meeting ROI		15%	22%
% Missing ROI		15%	3%

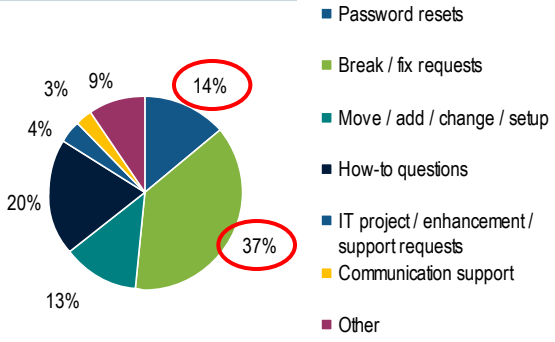
State of Oregon Recommendations

- Ensure that the FTEs allocated to IT Business Planning have clearly defined roles and are skilled to understand and articulate user needs and help to develop holistic solutions to address them.
- Enhance communications plan to ensure strategic communication to business stakeholders and dissemination of more tactically focused details to technology staff.
- Increase dedicated focus on innovation and delivering technology solutions.
- Increase self-service options for the help desk – e.g. automate password resets.
- Expand PMO to enhance project delivery skills including the process for ROI review post project implementation. Improve cost /benefit analysis and demand management process and track project benefits and ROI from end to end.

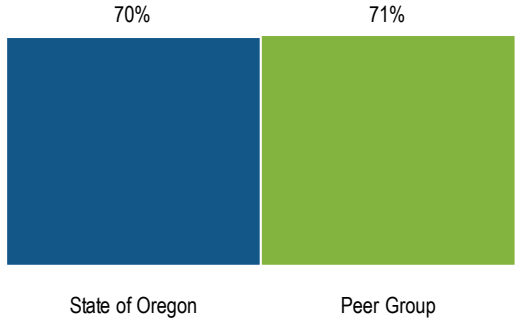
Help Desk Requests per Thousand EUEs



Oregon's Help Desk Request Distribution



% of First Contact Resolution



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Appendix

- Background
- Peer Group Demographics
- Additional Functional Details
  - Finance
  - Human Resources
  - Procurement
  - Information Technology

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State of Oregon's Administrative Baseline Objectives

Initiative Overview

- Benchmark costs and performance of key operational functions: Finance (including Payroll), Procurement, Information Technology and Human Resources

Project Objectives

- Get a comprehensive view of the State of Oregon's current Finance (including Payroll), Procurement, Information Technology and Human Resources performance.
- Establish a baseline of the State of Oregon's Finance (including Payroll), Procurement, Information Technology and Human Resources organization to identify resource allocations and key cost drivers.
- Compare the State of Oregon to peer group organizations
  - Gain insight to how leading Finance (including Payroll), Procurement, Information Technology and HR divisions are organized and staffed
  - Identify ways to better leverage technology solutions
  - Identify specific performance gaps to better focus improvement resources
- Obtain a balanced, qualitative perspective of Finance (including Payroll), Procurement, Information Technology and Human Resources through executive interviews and stakeholder surveys

Deliverables

- Comprehensive baseline data on costs and performance of key operational functions for state agencies
- Recommendations for improvement in efficiency and effectiveness

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Scope, Terms, Key Assumptions and Definitions

Category	Descriptions / Assumptions
Benchmark Period	The one-year timeframe between July 1, 2011 to June 30, 2012
One-time investments	The benchmark study captures the costs and resources associated with ongoing operations of the studied functional areas. Significant one-time investments in any area during the benchmark period were excluded to get a true sense of the ongoing resources and costs needed to support the function.
Staffing levels and labor costs	Staffing (FTE) represents actual headcount as of June 30, 2012. Fully loaded labor costs include salary, overtime and benefits. This information is presented as one indicator of overall costs, and is not and should not be interpreted as a compensation assessment. **Staff Level Definitions** • *Manager* – Responsible for leading a department including anyone that directly supervises staff • *Professional* – Primarily performs analytical and technical functions and works in highly skilled positions but have no supporting staff • *Clerical* – Primarily performs routine data entry and administrative tasks and could be working in hourly positions
Directionally Correct Methodology	Data used in the functional benchmark was provided by each agency participating based on specific definitions and criteria. The State of Oregon's data tracking capabilities vary greatly by agency. In some cases, directionally correct estimates were used where tracked data was not available.
Department of Administrative Services (DAS)	All FTEs and costs for activities performed by DAS on behalf of agencies were captured by DAS only. This includes all work performed by DAS for client agencies that did not participate directly in the benchmark.
Stakeholder Survey Participants	Stakeholder Surveys were distributed to participants provided by each in-scope agency based on the following guidelines: **Stakeholders are:** •Customers of the particular service in some way; •Employees of the State of Oregon; •Mid- to Upper- level management, or anyone who has a broad understanding of the service; •Able to provide an un-biased opinion.

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Scope, Terms, Key Assumptions and Definitions (cont'd)

Category	Descriptions / Assumptions
Revenue – used to normalize Finance metrics	Revenue is defined as 49% of the LAB for FY2012. Pass-through revenue from Federal and other non-limited funding streams is excluded from this calculation.
Employees – used to normalize HR metrics	"Employees" includes all full-time, part-time and seasonal resources employed by the State of Oregon agencies participating in the benchmark. Contractors who do not receive HR services are excluded from this number.
End User Equivalents (EUEs) – used to normalize IT metrics	The combination of internal end users and external end user equivalents that drive in scope IT demand/ receive IT services: • Internal End Users - employees and contractors that use dedicated computing devices and state provided IT systems and tools at least 10% of their time to perform their job duties. For multiple users of shared devices (e.g. kiosks, POS, etc.), the device count is used as a proxy end user equivalent (each individual user is not counted if they use a shared device). • External end user equivalents – calculated EUE count that symbolizes the load placed on IT by external user sources (e.g. customer, vendor/supplier, regulators). The calculation is based on data provided with activity volumes for external user facing applications (e.g. websites, collaboration portals, EDI). Activities are divided into different types of key activities with varying complexity levels. Using a proprietary algorithm, Hackett converts activity counts into an equivalent number of EUEs.
Spend – used to normalize Procurement metrics	Excludes central admin services and interdepartmental allocations. Any "pass-through" dollars were not included in the captured spend, such as direct cash payouts to beneficiaries etc. Any associated administrative spend however has been captured and included. For grants, only the final recipient of the grant will include the amount as spend corresponding to the work effort associated with fulfilling the grant.

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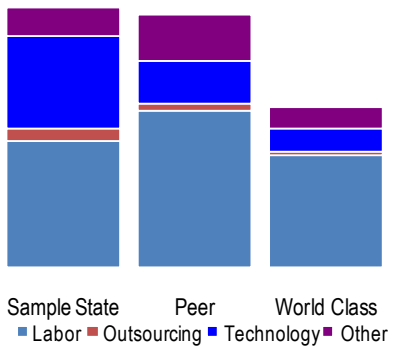
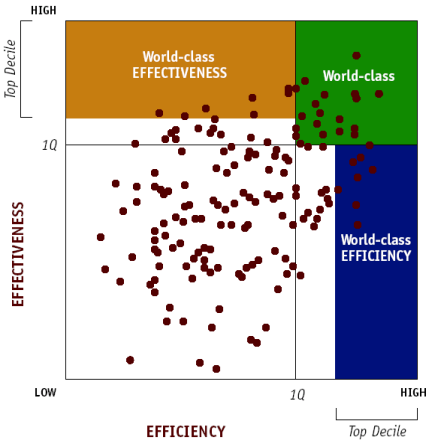
Scope, Terms, Key Assumptions and Definitions (cont'd)

Category	Descriptions / Assumptions
Peer Group	Comparisons against the median of State of Oregon's Custom Peers (other States).
World-Class	World-Class – comparison against the median of the World-Class organization in the Hackett database. World-Class is determined based on first quartile performance in both efficiency and effectiveness on a function level.
Hackett Value Grid	The Hackett Value Grid™ clearly shows your organization's performance in comparison to World-Class and a relevant peer group. Only those organizations that reach the top quartile in both effectiveness and efficiency metrics meet the Hackett definition of World-Class. Our statistical definition of World-Class is measured through a proprietary formula for weighting costs, cycle times, error rates and other key performance metrics.

Comparisons between State, Peer and World-Class



Hackett Value Grid



The Hackett Group

Data Classification: Level 2 – Limited

Appendix

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The Hackett Group

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Custom Peer Group Participants

Finance	HR	IT	Procurement
▪ Commonwealth of Massachusetts ▪ State of Alabama ▪ State of Arizona ▪ State of California ▪ State of Colorado ▪ State of Delaware ▪ State of Georgia ▪ State of Michigan ▪ State of Mississippi ▪ State of New Jersey ▪ State of Ohio ▪ State of Oklahoma ▪ State of Tennessee	▪ Commonwealth of Massachusetts ▪ State of Alabama ▪ State of Alaska ▪ State of Mississippi ▪ State of New Jersey ▪ State of Ohio ▪ State of Tennessee ▪ State of West Virginia ▪ Nassau County	▪ Commonwealth of Massachusetts ▪ State of Georgia ▪ State of Mississippi ▪ State of Ohio ▪ State of Tennessee ▪ ARAMARK ▪ Sodexo ▪ University of Missouri *Note: The IT peer group includes more than just states due to sample size requirements*	▪ State of Alabama ▪ State of California ▪ State of Delaware ▪ State of Mississippi ▪ State of New Jersey ▪ State of Ohio ▪ State of Tennessee ▪ State of West Virginia ▪ Nassau County

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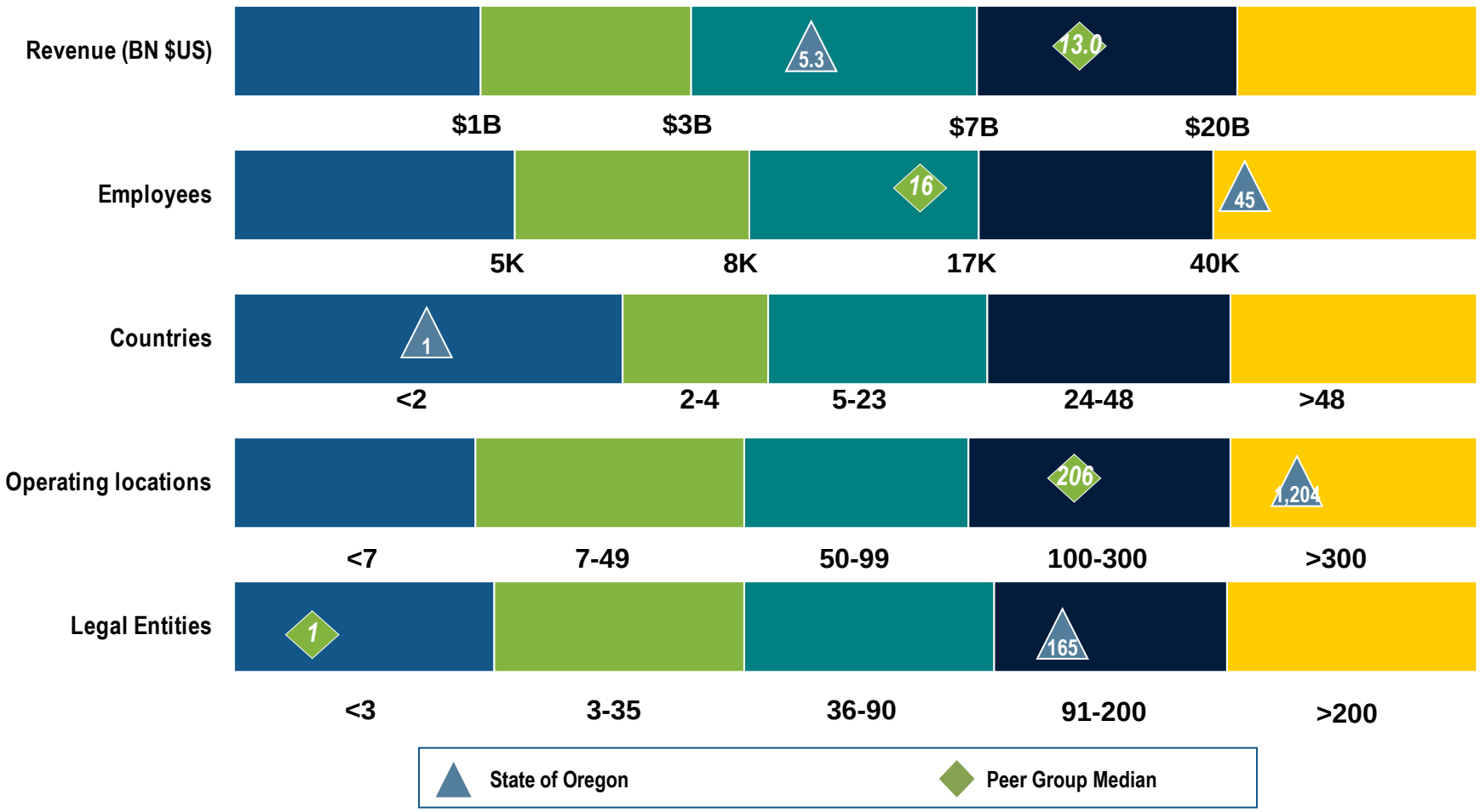
Finance Demographics – Custom Peer



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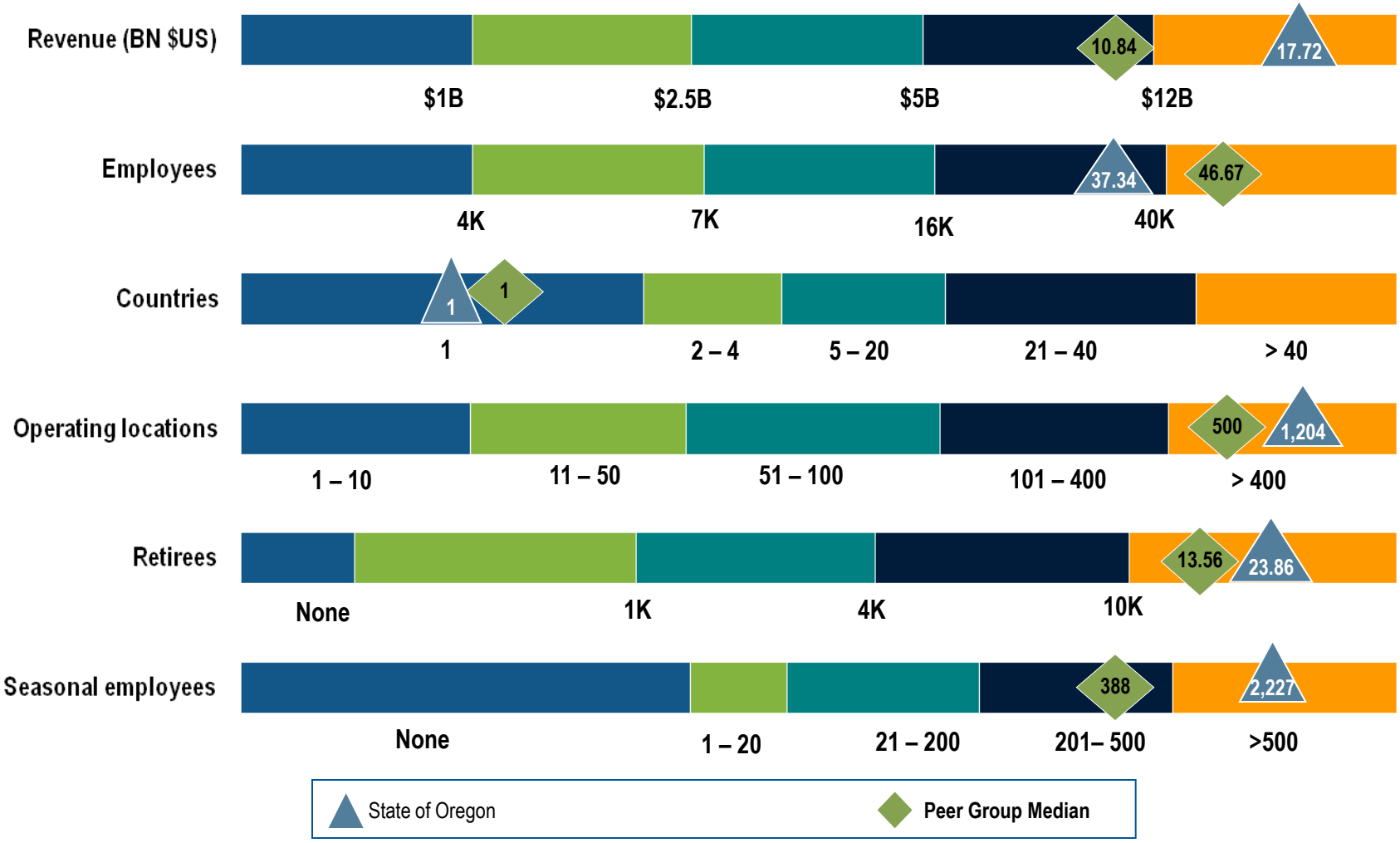
HR Demographics – Custom Peer



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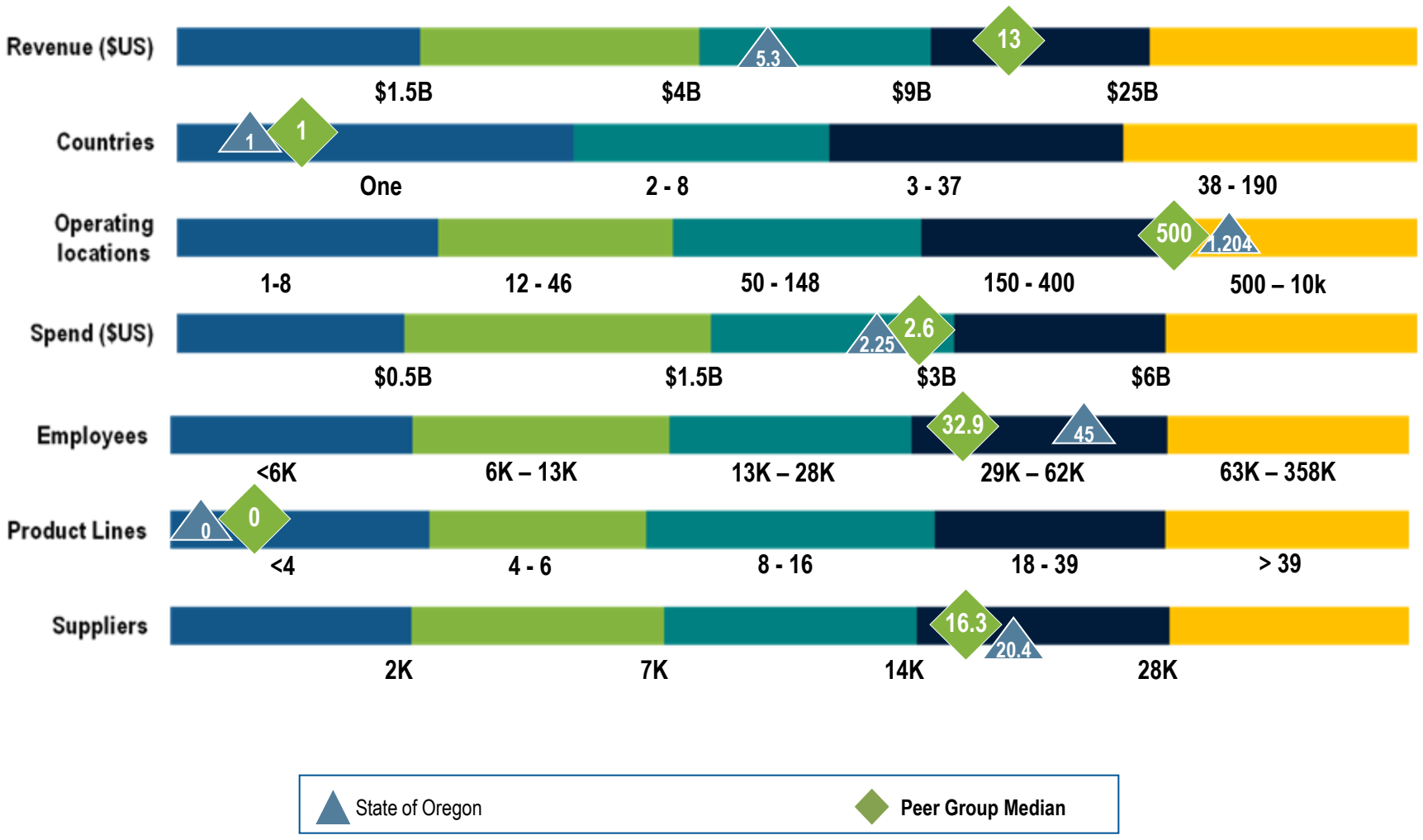
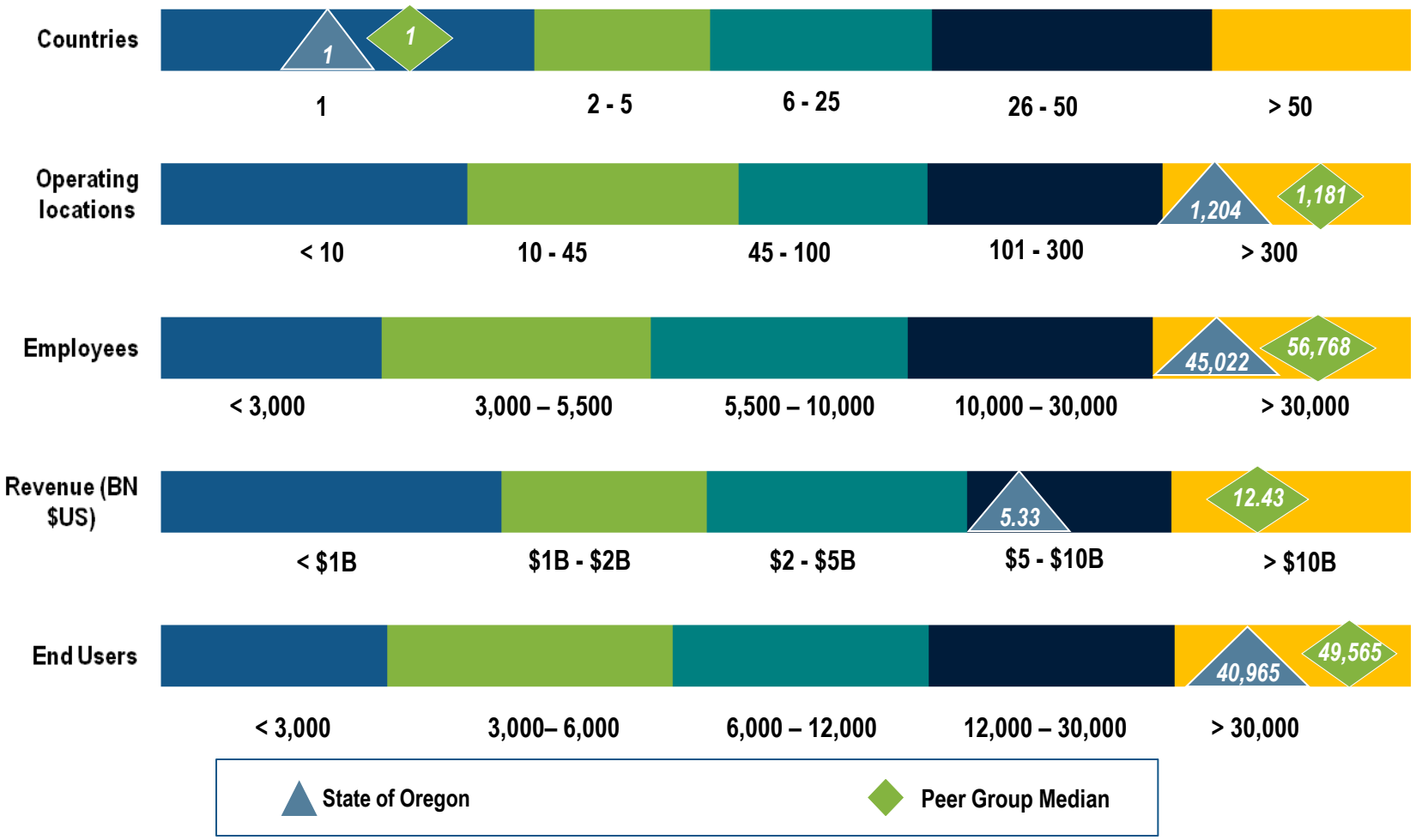
Procurement Demographics – Custom Peer



Information Technology Demographics – Custom Peer



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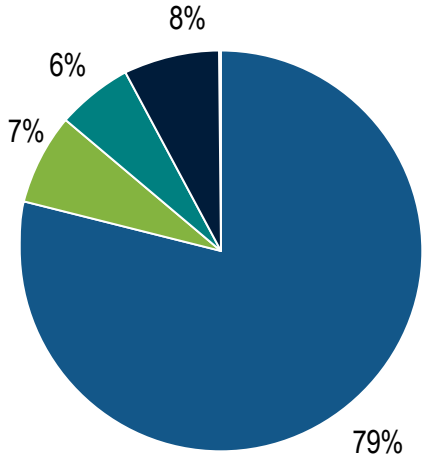
State of Oregon's baseline finance cost is $68.6 million, which represents 1.288% of Revenue* (Budgeted Spend)

Finance Cost Allocation

Total Cost = $68.61 Million



- **Labor cost – $54.32 m**
  - Wages (full-time and part-time)
  - Overtime and bonuses
  - Taxes and benefits
- **Outsourcing cost – $4.69 m**
  - Outside services

Process Cost: $59.01 m

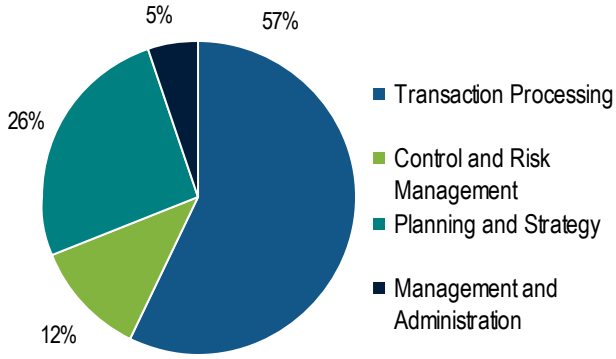
- **Technology cost – $4.17 m**
  - Computer processing
  - Maintenance
- **Other cost – $5.43 m**
  - Facilities & Overhead
  - Travel
  - Training
  - Other (Supplies, subscriptions, etc.)

Revenue = $5.33 Billion

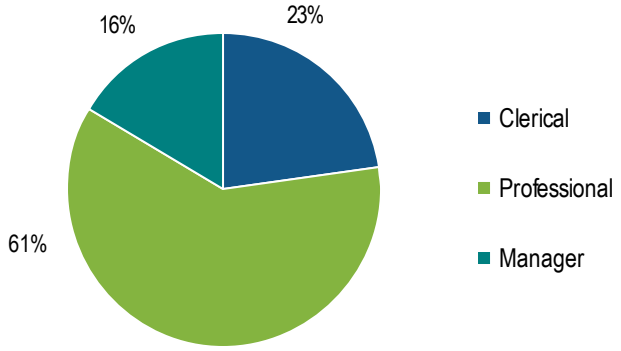
*Revenue is defined as 49% of the LAB for FY2012. Pass-through revenue from Federal and other non-limited funding streams is excluded from this calculation.

FTEs = 618.4

Resource Allocation



Staff Mix**



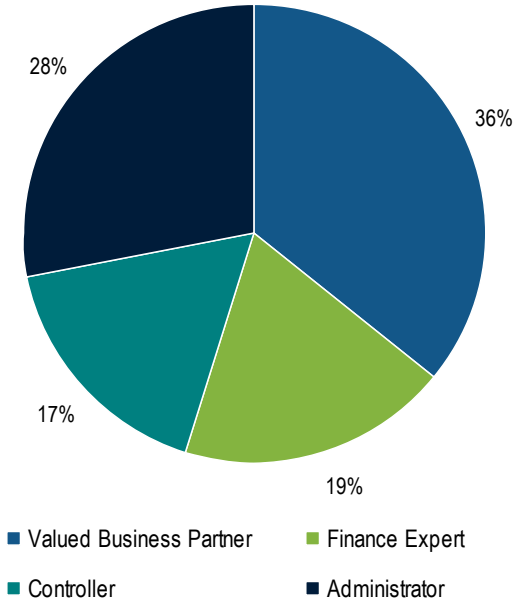
**Staff mix was determined by specific definitions used in The Hackett Group methodology. This assessment is not related to HB 4131 and should not be viewed as a progress report toward reaching manager-supervisor ratios in these divisions within agencies.

The Hackett Group

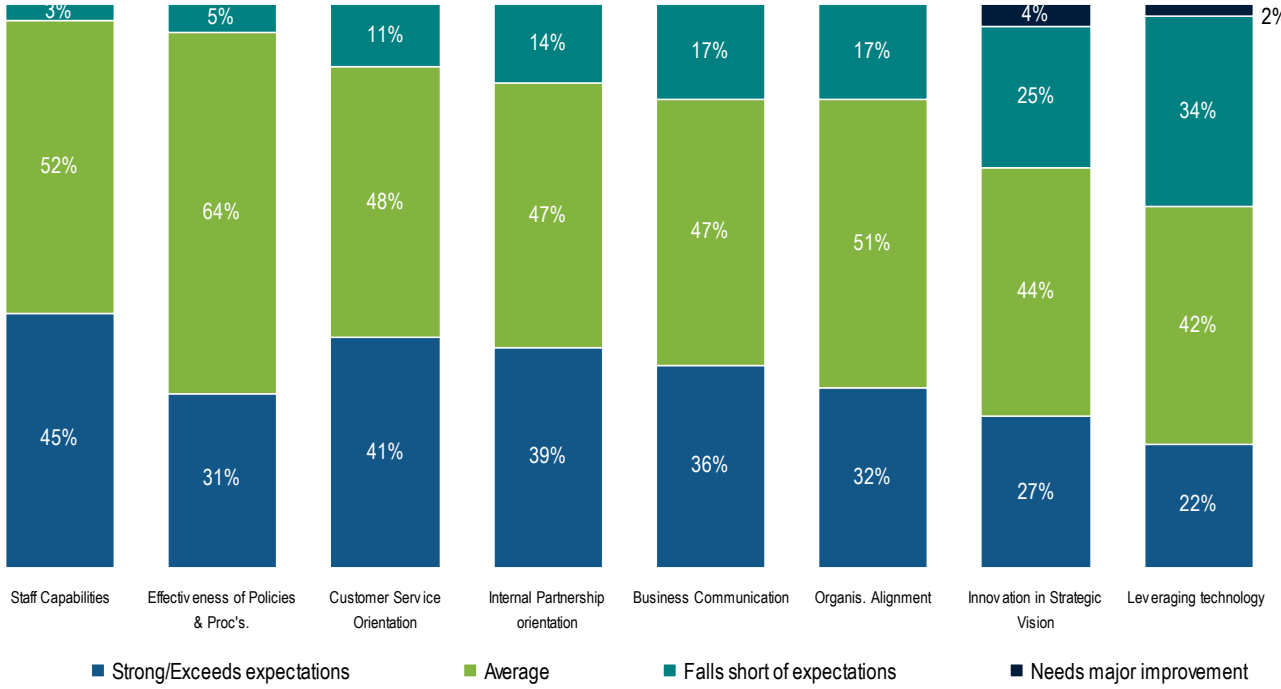
Data Classification: Level 2 – Limited

Stakeholder Survey Summary Results - Finance

Finance's Role



Performance of the Finance Organization



Representative Stakeholder Comments

- *Each agency is very different in its business model, but yet the agencies are expected to operate and reduce costs in a uniform manner.*
- *Develop fully integrated IT solutions with analysis and reporting capability for all aspects of the agency.*
- *Align budget with functional lines of business for easier monitoring*
- *Budget organization should focus less on minutia of the state's budgeting system and focus more on supporting agency financial information and forecasting needs.*
- *Identify which accounting and budget reports are needed by the programs and stop sending any other reports, if they are not necessary or wanted.*

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Data Classification: Level 2 – Limited

Summary of key observations - Finance

Overall Performance

- State of Oregon's overall Finance performance is high in effectiveness, and has an opportunity to improve efficiency. State of Oregon scored well in several effectiveness categories such as overall acumen of the staff, analytical focus and use of time in analyzing vs. collecting.
- The majority of the drivers which hinder overall efficiency are primarily centered around cost. This is a result of duplicated processes across many agencies. The opportunity to leverage economies of scale is limited.

Cost Profile

- State of Oregon's Finance cost as a % of revenue places it in the higher 3rd Quartile. Overall cost is 91% higher than Peer Group which is driven by staffing levels and other costs.
- State of Oregon requires 68% more staffing than the State's Peer Group. Outsourcing and Technology investment levels are similar to Peer. Overhead is 113% more than Peer

Talent

- Finance staffing levels are 65% higher than Peer Group with professional level FTEs (60%) as the majority
- The State of Oregon has a strong focus on FTEs in the Planning and Strategy processes. 26% of the FTEs are in Planning processes.
- The higher FTE count in the Finance function is largely driven by the decentralized nature of the State's program and G&A operations

Technology Utilization

- The State of Oregon spends $4.2 million annually on technology investments. This reflects .08% of revenue and is on par with the Peer Group. Based on FTEs, the annual technology spend per FTE is $6,745
- There is a moderate to high degree of automation in transaction processing; dissimilar processes hinder efficiency from a cross-government perspective

Stakeholder Feedback

- Each agency has very different business models, however there is an expectation to operate uniformly.
- There is a degree of 'over reporting' where there are unnecessary or unwanted reports being generated which causes information overload
- Finance has an opportunity to work with program administrators to frame budget conversations in terms that are more understandable to the highest levels of leadership

The Hackett Group

Data Classification: Level 2 – Limited

State of Oregon's Finance benchmark scope

- Benchmark results were collected and analyzed for State of Oregon as a whole and by Agency:

In Scope Agencies (Finance)		
Board of Nursing	Department of Justice	Office of Energy
Bureau of Labor & Industries	Dept of Land Conservation & Development	Oregon Business Development Department
Commission for the Blind	Department of Parks & Recreation	Oregon Medical Board
Community Colleges & Workforce Dev	Department of Revenue	Oregon Youth Authority
Construction Contractors Board	Department of State Lands	Public Employees Retirement System
Department of Administrative Services*	Department of Transportation	Public Safety Standards & Training
Department of Agriculture	Department of Treasury	Public Utility Commission
Department of Aviation	Department of Veterans Affairs	Secretary of State
Department of Consumer & Business Services	Employment Department	State Library
Department of Corrections	Health Licensing Agency	State Police
Department of Education	Housing & Community Services	Student Access
Department of Environmental Quality	Department of Human Services and the Oregon Health Authority	Water Resources Department
Department of Fish & Wildlife	Liquor Control Commission	
Department of Forestry	Marine Board	
Department of Geology & Mineral Industries	Military Department	
*Includes all DAS Client Agencies		

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Appendix

- Background
- Peer Group Demographics
- Additional Functional Details
  - Finance
  - Human Resources
  - Procurement
  - Information Technology

The Hackett Group

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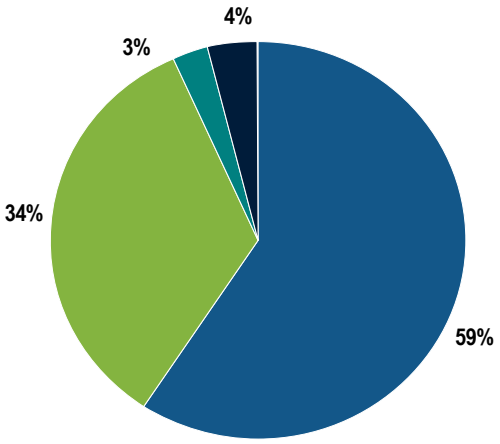
State of Oregon's baseline Human Resources cost is $72.1 million, which represents $1,931 per employee

Total Cost = $72.1 Million



Labor cost – $42.6 m
- Wages (full-time and part-time)
- Overtime and bonuses
- Taxes and fringe benefits

Outsourcing cost – $24.7 m
- Outside services

Process Cost: $67.4 m

Technology cost – $2.0 m
- Hardware
- Software
- Voice & Data

Other cost – $2.8 m
- Facilities & Overhead
- Travel
- Training
- Other (Supplies, subscriptions, etc.)

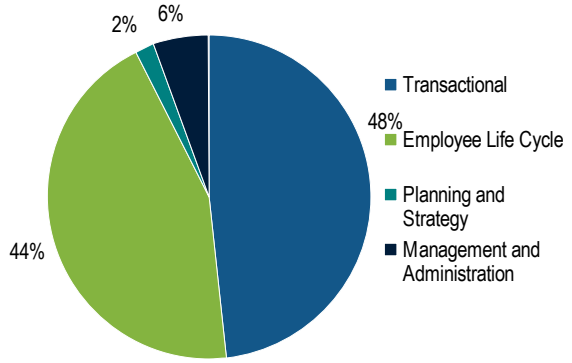
Employees – 37,349**

** "Employees" includes all full-time, part-time and seasonal resources employed by the State of Oregon agencies participating in the benchmark. Contractors who do not receive HR services are excluded from this number. "

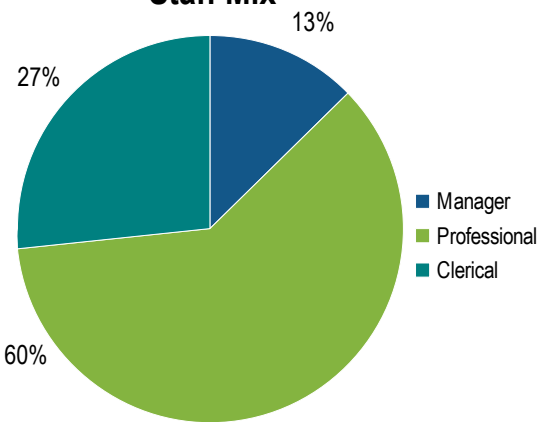
* Total comparative cost excludes Workforce Development (Non-Transferable Skills) Process Cost and Other Non-labor Cost for comparability to benchmark database.

FTE – 501.6

Resource Allocation



Staff Mix***



***Staff mix was determined by specific definitions used in The Hackett Group methodology. This assessment is not related to HB 4131 and should not be viewed as a progress report toward reaching manager-supervisor ratios in these divisions within agencies.

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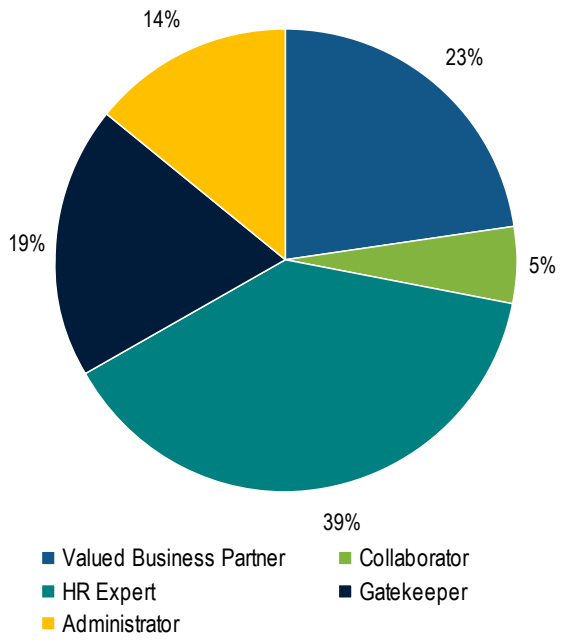
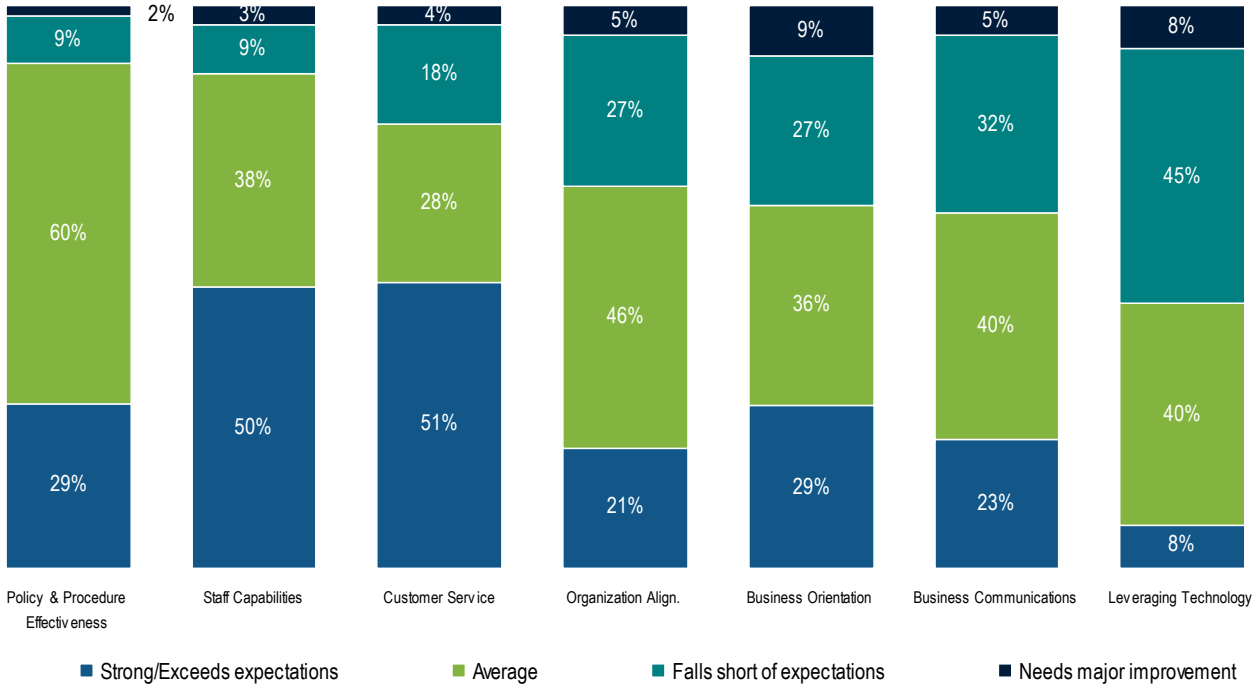
Summary Stakeholder Survey results

HR's Role



Performance of the HR Organization



Representative Stakeholder Comments

- *I have found HR to be supportive, responsive and helpful. They need more staff as the workload is great. Our current austerity measures make their workloads too great.*
- *Stop sending mixed messages regarding HR initiatives. We have gotten different messages on the same topic from different staff*
- *The team is new and still in its growing stage. In order to increase overall HR effectiveness the statewide systems and bargaining process would need to be dramatically changed to allow the type of growth that is necessary for the state to increase its overall HR processes and ratings*

The Hackett Group

Data Classification: Level 2 – Limited

Summary of key observations – Human Resources

Overall Performance

- State of Oregon's overall HR performance shows opportunity to improve both effectiveness and efficiency.
- State of Oregon scored well in effectiveness categories such as utilization of internal resources to fill open positions. Less positive effectiveness measures related to error rates in some transactions and overall employee turnover.
- The majority of the drivers hindering overall efficiency are primarily centered around automation as well as Payroll productivity

Cost Profile

- State of Oregon's overall HR cost per employee places it in the 2nd Quartile, but 16% lower than Peer.
- Technology costs for the HR function are more than 50% lower than Peer
- While the State has lower costs, this can be a significant hindrance to performing effectively in HR. It often means that the organization does not have the tools to effectively perform HR work or that some HR processes are not being performed at industry standards

Talent

- HR staffing levels are 32% lower than Peer
- The State of Oregon has a nearly even split of FTEs in Transactional versus Employee Life Cycle processes.

Technology Utilization

- The State of Oregon spends $2 million annually on technology investments which is significantly less than most organizations. This reflects $53 per employee and is significantly lower than the Peer Group.
- There is a moderate to high degree of automation in a few processes (Health & Welfare Admin, Pension & Savings Admin), but very limited automation in most processes (Time & Attendance, Payroll, Compensation Admin, Data Management)

Stakeholder Feedback

- Stakeholders reported positive experiences with HR staff in terms of customer service as well as the capabilities of the HR staff.
- There is a concern about the "risk averse" approach to HR issues; desire to better manage risk
- Stakeholders commented on HR's challenges due to technology limitations

The Hackett Group

Data Classification: Level 2 – Limited

State of Oregon's Human Resources benchmark scope

- Benchmark results were collected and analyzed for State of Oregon as a whole and by Agency:

In Scope Agencies (Human Resources)		
Board of Nursing	Department of Parks & Recreation	Military Department
Department of Administrative Services*	Department of Revenue	Office of Energy
Department of Agriculture	Department of State Lands	Oregon Business Development Department
Department of Consumer & Business Services	Department of Transportation	Oregon Medical Board
Department of Corrections	Department of Treasury	Oregon Youth Authority
Department of Education	Department of Veterans Affairs	Public Employees Retirement System
Department of Environmental Quality	Employment Department	Public Safety Standards & Training
Department of Fish & Wildlife	Health Licensing Agency	Public Utility Commission
Department of Forestry	Housing & Community Services	Secretary of State
Department of Justice	Department of Human Services & the Oregon Health Authority	State Police
Dept of Land Conservation & Development	Liquor Control Commission	Water Resources Department
*Includes all DAS Client Agencies		

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Appendix

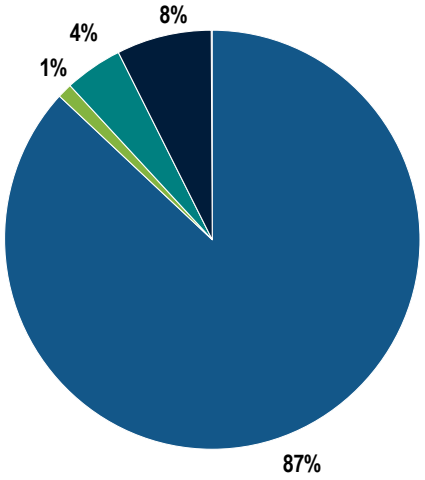
- Background
- Peer Group Demographics
- Additional Functional Details
  - Finance
  - Human Resources
  - Procurement
  - Information Technology

The Hackett Group

Data Classification: Level 2 – Limited

State of Oregon's baseline procurement cost is $20.84 million, or 0.92% of spend

Total Cost = $20.84 Million



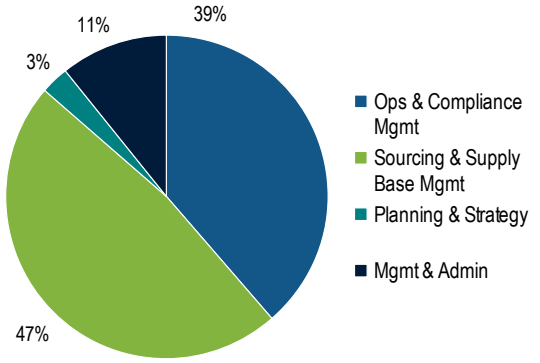
Total Spend - $2.25 Billion

- **Labor cost – $17.98 m**
  - Wages (full-time and part-time)
  - Overtime and bonuses
  - Taxes and fringe benefits
- **Outsourcing cost – $0.30 m**
  - Outside services

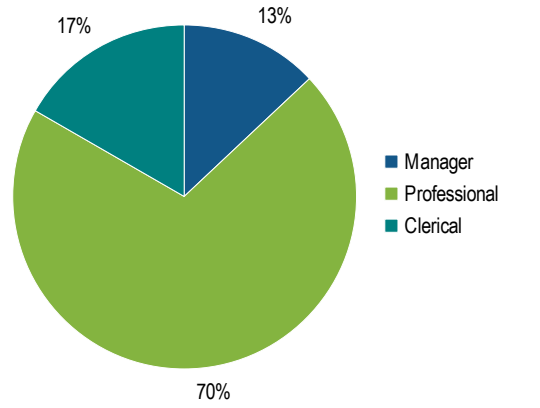
Process Cost: $18.28 m

- **Technology cost – $0.87 m**
  - Hardware
  - Software
  - Voice & Data
- **Other cost – $1.69 m**
  - Facilities & Overhead
  - Travel
  - Training
  - Other (Supplies, subscriptions, etc.)

Resource Allocation (205.8 FTEs)



Staff Mix (205.8 FTEs)



Manager – Responsible for leading a department including anyone that directly supervises staff
Professional – Primarily performs analytical and technical functions and work in highly skilled positions but have no supporting staff
Clerical – Primarily performs routine data entry and administrative tasks and could be working in hourly positions

Normalization is used throughout the Procurement benchmark in order to understand the State's total workload and allow for comparisons to the Peer Group; total sourcebale spend is used as a benchmark normalizer for the Procurement Function. Sourceable Spend is the cost of the (including materials and services) that State procurement staff played a role in purchasing during the benchmark period.

Specifically excluded from Spend are expenditures on taxes, employee base salaries & bonuses, purchases made by a third-party on behalf of the state, charitable contributions, organizational memberships, dividends, securities, interest payments, and stock repurchases.

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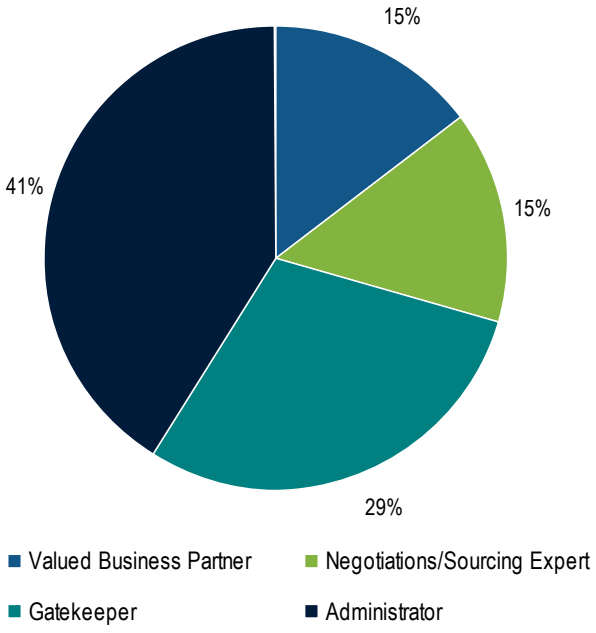
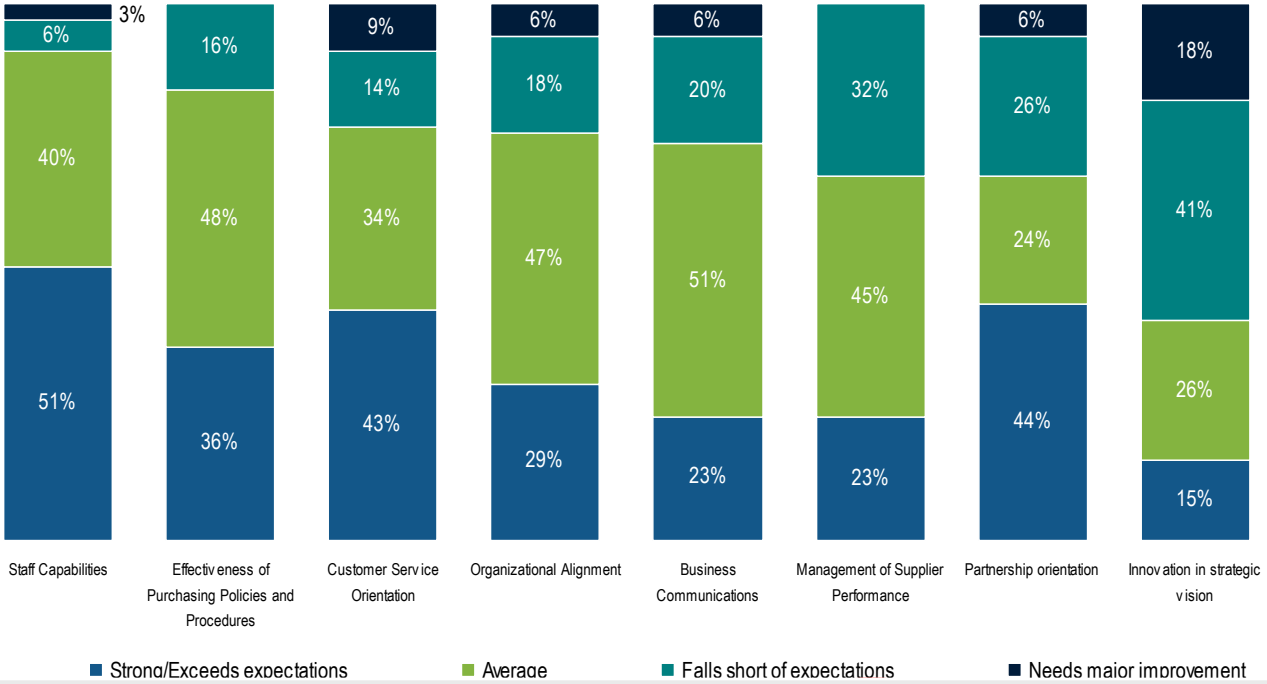
Data Classification: Level 2 – Limited

Stakeholder Survey summary results identify State of Oregon Procurement as predominately an "Administrator"

Procurement's Role



Performance of the Procurement Organization



Representative Stakeholder Comments

- *Over the past few years, I have seen some positive changes in procurement. I believe the leadership is trying to move the group in the right direction. Part of the solution will be to find that right level of risk and have strategies to manage it effectively…*
- *Provide more information to internal customers about what purchases must be on contract items and/or assist more with communicating how to better work with Procurement from the business user side…*
- *Increase performance by better understanding business needs, educating their customers and being more flexible to help solve business problems. Stop reducing performance by being less of a gatekeeper (i.e. saying "no, because..." instead of "no, instead you may...", and being more careful with processing certain transactions (seem overworked at times)*
- *Continue their work on improving business processes*

Summary of key observations - Procurement

Overall Performance

- State of Oregon's overall procurement performance is 2nd quartile in efficiency, but has opportunity to improve effectiveness. State of Oregon scored well in several efficiency categories such as process cost as a % of spend and cycle times (approved req. -> submitted PO).
- Effectiveness scores are impacted by a high number of suppliers, lower levels of influence and calculated savings/ROI, as well as limited involvement in the planning and budgeting process.

Cost Profile

- State of Oregon's procurement cost as a % of spend places them in the 2nd quartile, driven by moderate FTE counts (but higher Labor costs) in conjunction with low technology costs.
- State of Oregon uses far fewer resources to support procurement than Peers.

Service Delivery Model

- The greater percentage of professional staff highlights a focus on more strategic, higher value-add activities, demonstrated by the higher percentage of FTEs conducting Sourcing and Supply Base Management activities, however, Stakeholders view Procurement as predominately an Administrator and Gatekeeper type of function with limited to no-involvement with the agencies.
- Performance measures are maintained to a degree consistent with peers with additional opportunities to increase levels of spend visibility, analytics, and reporting.

Talent

- Procurement staffing levels are about 30% lower than comparable Peers.
- State of Oregon appears to manage Operations and Compliance with far fewer FTEs, consistent with the lower volumetric transactions reported.
- Overall talent is viewed as very capable, representative of solid levels of experience and tenure.

Technology Utilization

- State of Oregon invests a lower percentage of its total procurement spend in technology than Peers, demonstrated by low levels of electronic transactions and a highly manual PO process.
- There are opportunities to increase automation and procurement self service in several processes in order to increase efficiency and reduce costs

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Data Classification: Level 2 – Limited

State of Oregon's Procurement benchmark scope

- Benchmark results were collected and analyzed for State of Oregon as a whole and by Agency:

In Scope Agencies (Procurement)		
Community Colleges & Workforce Dev.	Department of Parks & Recreation	Military Dept
Department of Administrative Services	Department of Revenue	Office of Energy
Department of Agriculture	Department of Transportation	Oregon Business Development Department
Department of Consumer & Business Services	Department of Treasury	Oregon Youth Authority
Department of Corrections	Department of Veteran's Affairs	Public Employees Retirement System
Department of Education	Employment Department	Public Safety Standards & Training
Department of Environmental Quality	Health Licensing Agency	Public Utility Commission
Department of Fish & Wildlife	Housing & Community Services	Secretary of State
Department of Forestry	Department of Human Services and the Oregon Health Authority	State Police
Department of Justice	Liquor Control Commission	
*Includes all DAS Client Agencies		

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Appendix

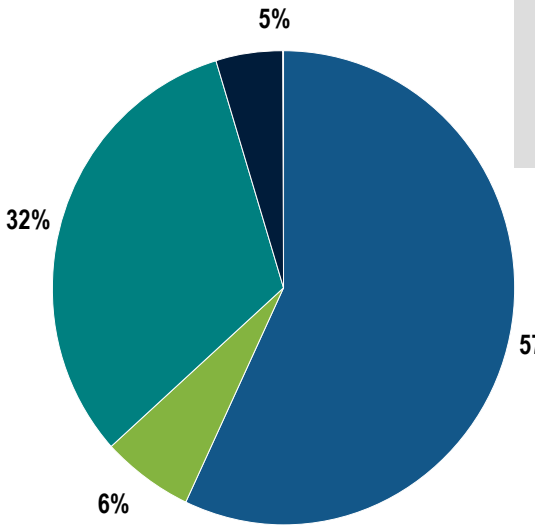
- Background
- Peer Group Demographics
- Additional Functional Details
  - Finance
  - Human Resources
  - Procurement
  - Information Technology

The Hackett Group

Data Classification: Level 2 – Limited

State of Oregon's baseline Information Technology cost is $281.6 million with 1,562.5 FTEs supporting Information Technology

$281.6 Million



Process Cost: $178.3 m

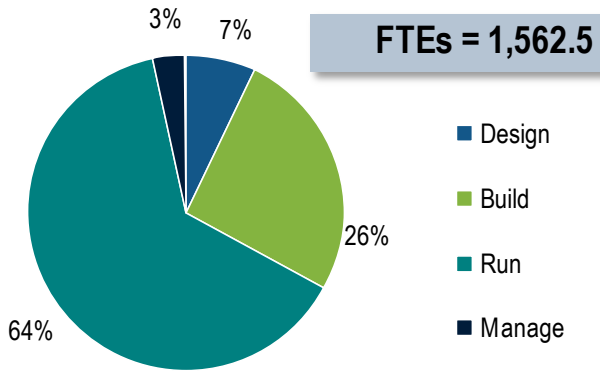
- **Labor cost – $160.4 m**
  - Wages (full-time and part-time)
  - Overtime and bonuses
  - Taxes and fringe benefits
- **Outsourcing cost – $18 m**
  - Outside services
- **Technology cost – $90.2 m**
  - Hardware
  - Software
  - Voice & Data
- **Other cost – $13.1 m**
  - Facilities & Overhead
  - Travel
  - Training
  - Other (Supplies, subscriptions, etc.)

EUEs[1]: 40,965

[1] EUEs = End User Equivalents. Please refer to the definition on slide 36

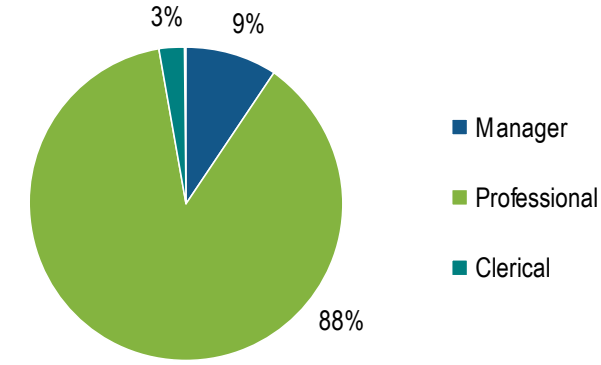
FTE Allocation

FTEs = 1,562.5



Note: FTE Count is reflective of in-scope agencies only

Staff Mix[2]



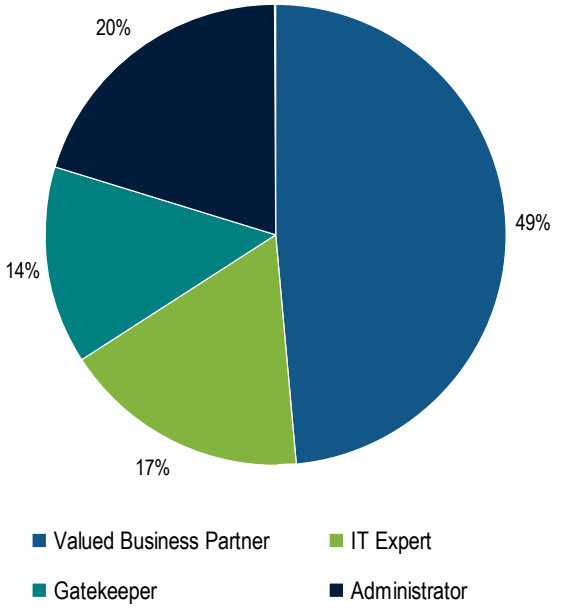
[2]Staff mix was determined by specific definitions used in The Hackett Group methodology. This assessment is not related to HB 4131 and should not be viewed as a progress report toward reaching manager-supervisor ratios in these divisions within agencies.

The Hackett Group

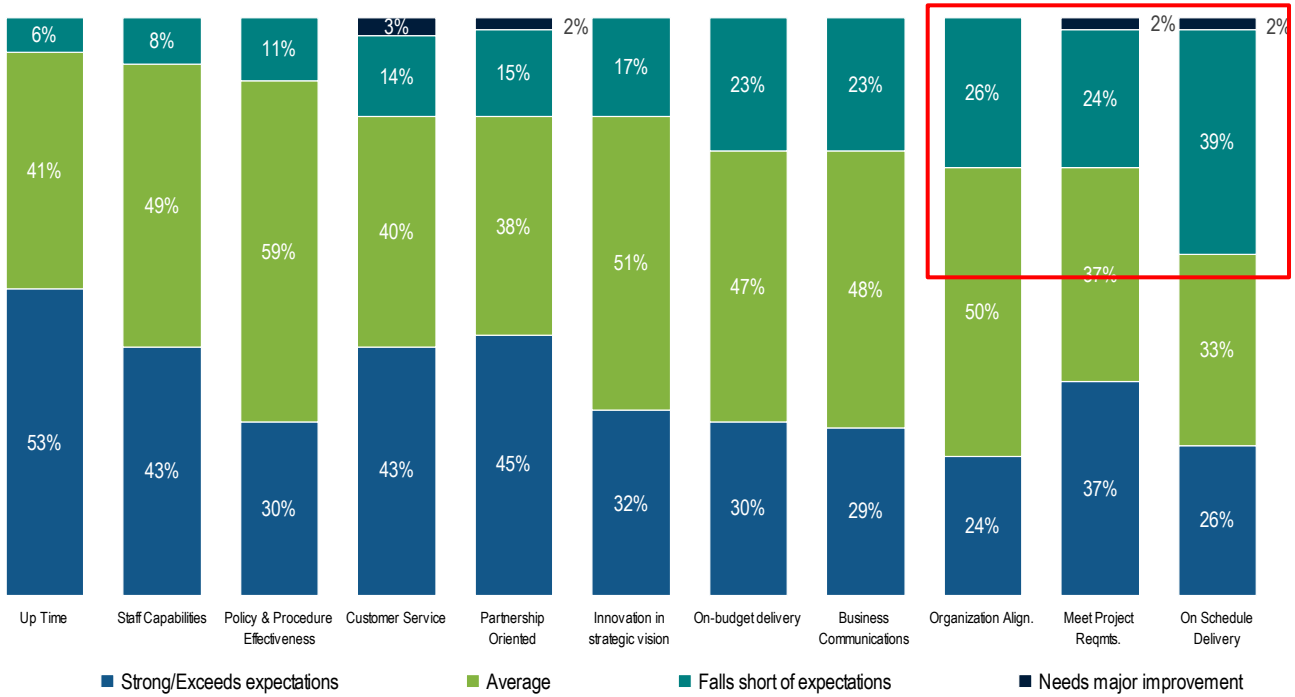
Data Classification: Level 2 – Limited

IT is highly regarded as a Valued Business Partner. Stakeholders indicate that organizational constraints and staffing impact project delivery and business alignment.

Information Technology's Role



Performance of the IT Organization



Representative Stakeholder Comments

- *Stabilize the organizational structure. Hire more staff.*
- *Better communication regarding projects - status, changes in scope and schedule. Also more collaborative interaction with functional groups (technical staff and their supervisors) regarding program needs, potential IT solutions, and constraints to achieving [them].*
- *Development and implementation of business processes has definitely improved. Understanding and communication of IT strategies should be more integrated with customer/program needs.*
- *More hands on training with new technology.*
- *Very committed and capable staff that strive to provide a high level of customer service.*

The Hackett Group

Data Classification: Level 2 – Limited

Summary of key observations - Information Technology

Overall Performance	• State of Oregon's overall IT performance is close to the mid point of the database in both efficiency and effectiveness with improvement opportunities in both. • 49% of stakeholders view IT as a Valued Business Partner! However, over 25% indicate that IT falls below expectations in alignment and delivering projects on time and to specifications.
Cost Profile	• State of Oregon's IT cost per end user is higher than the medians of the peer group. IT cost as a percentage of revenue is also notably higher due to Oregon's modest revenue. • Overall process cost (labor + outsourcing) per end user is 65% higher than the peer group.
Technology	• Like many states, Oregon's technology platform is built upon legacy systems and architecture. • Oregon has worked to reduce technology cost by centralizing services and has had some success. However, there is more opportunity to consolidate and centralize infrastructure and application management and reduce complexity. • Oregon has low levels of automation and needs to increase IT leverage to improve business process performance.
Delivery	• Reported project delivery performance is similar to the peer group; however, user sentiment suggests performance issues. Oregon has little utilization of a PMO and only 22% of projects adhere to standard methods. • There are opportunities to improve service delivery as the utilization of service level agreements, project benefit realization and first contact resolution on the help desk - some metrics are below peer level. • Despite a notable spend in Quality Assurance, the process appears ineffective as break/fix requests are high.
Governance	• Only 50% of the technology portfolio is considered as managed in shared services. • Adherence to standards is below peer level for hardware configuration and application development. • Select suppliers are utilized for the bulk of the spend, but there are numerous active suppliers.
Stakeholder Feedback	• Stakeholders declare that the IT staff has strong skills and is committed, dedicated and customer focused. • Lack of statewide resource leverage leads to the perception that IT is understaffed. • IT's most significant effectiveness gaps are in communication, project management and customer knowledge. • Additional and/or improved end user training is needed.

The Hackett Group

Data Classification: Level 2 – Limited

State of Oregon's Information Technology benchmark scope

- Benchmark results were collected and analyzed for State of Oregon as a whole and by Agency:

In Scope Agencies (Information Technology)		
Board of Nursing	Department of Justice	Oregon Business Development Department
Bureau of Labor & Industries	Department of Land Conservation & Development	Oregon Medical Board
Commission for the Blind	Department of Parks & Recreation	Oregon Youth Authority
Community Colleges & Workforce Dev	Department of Revenue	Public Employees Retirement System
Construction Contractors Board	Department of State Lands	Public Safety Standards & Training
Department of Administrative Services*	Department of Transportation	Public Utility Commission
Department of Agriculture	Department of Treasury	Real Estate Agency
Department of Consumer & Business Services	Department of Veteran's Affairs	Secretary of State
Department of Corrections	Employment Department	State Library
Department of Education	Housing & Community Services	State Police
Department of Environmental Quality	Liquor Control Commission	Student Access
Department of Fish & Wildlife	Marine Board	Teacher Standards and Practices
Department of Forestry	Military Department	Water Resources Department
Department of Human Services & the Oregon Health Authority	Office of Energy	Watershed Enhancement Board
*Includes all DAS Client Agencies		

Data Classification: Level 2 – Limited

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