



2006 NASCIO Recognition Award Nomination Submission

Cross-Boundary Collaboration and Partnerships Efforts: IT Standards and Resource Management SkunkWorks

Executive summary:

With no centralized program for purchasing IT resources, the State of Minnesota was not able to aggregate its purchasing power, missing opportunities for cost savings and purchasing efficiencies.

To solve the problem, Minnesota's Office of Enterprise Technology (OET), which sets state IT standards, and Department of Administration, which administers IT goods and services contracts, created innovative intergovernmental "SkunkWorks" teams to develop a complete IT Standards and Resource Management (ISRM) program.

The mission of the ISRM program is to provide strategic leadership to ensure Minnesota government entities have an effective, sustainable and collaborative process for setting IT standards to obtain IT goods and services. The program consists of the following activities:

- ▶ Setting standards for IT hardware and software in order to drive enterprise-wide aggregated savings and to improve life cycle management;
- ▶ Managing advantageous purchasing contracts for hardware, software, and professional technical services based on standards and aggregated demand; and
- ▶ Improving contracting processes for professional technical services.

The program allows all government entities in Minnesota to purchase from a predefined standards list. These standards enable the state to work with vendors and establish reduced prices through aggregation of purchases.

Significant business benefit is achieved by eliminating redundancies. The centralized group has set the enterprise standards, which reduces the time that divisions and units throughout the state spend on researching purchasing options and determining their own individual "standards."

In January 2006, standards were introduced for desktops, notebooks, tablets and workstations. These standard configurations and reduced prices are available to state agencies, cities, counties and education (K-12 and higher education) entities.

The savings on the hardware side range from 15 to 44 percent for desktops, notebooks, tablets and monitors with an average of 28 percent savings for the standard desktop bought through the standards program. Similarly, the price for a notebook computer bought under the new aggregated purchasing program represents an average 19 percent savings. In fact, government entities have reported a savings of \$400 per laptop.

The team is now at work on standards for cell phones. The agreements are still being negotiated but, assuming savings similar to those for PC purchases (20-40 percent), the state will potentially save \$1,600,000 to \$3,200,000 per year on cell phone equipment and service plans.

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Cross-Boundary Collaboration and Partnerships Efforts: Management SkunkWorks

IT Standards and Resource

Written Justification:

A. *Concise description of the business problem and solution, including length of time in operation:*

With no centralized program for purchasing IT resources, the State of Minnesota was not able to aggregate its purchasing power, missing opportunities for cost savings and purchasing efficiencies.

To solve the problem, Minnesota's Office of Enterprise Technology (OET), which sets state IT standards, and Department of Administration, which administers IT goods and services contracts, created innovative "SkunkWorks" teams to develop a complete IT Standards and Resource Management (ISRM) program.

SkunkWorks¹ teams offer a fresh way of working collaboratively with a wide cross-section of state agency, county, city, and education (K-12 and higher education) representatives to find solutions to common problems.

The Minnesota teams discovered ways to collapse business processes, which streamlined the IT goods and service purchase process for all entities involved, and reduced OET and Administration involvement to the essential activities required by statute.

The mission of the resulting ISRM program is to provide strategic leadership to ensure Minnesota government entities have an effective, sustainable and collaborative process for setting IT standards to obtain IT goods and services. The program consists of the following activities:

- ▶ Setting standards for IT hardware and software in order to drive enterprise-wide aggregated savings and to improve life cycle management;
- ▶ Managing advantageous purchasing contracts for hardware, software, and professional technical services based on standards and aggregated demand; and
- ▶ Improving contracting processes for professional technical services.

The vision is to build a simple and understandable IT standards process that:

- ▶ Includes affected government entities in a collaborative environment;
- ▶ Meets customer needs through a simple, easy-to-use process;
- ▶ Focuses on the benefits for the entire enterprise environment;
- ▶ Utilizes economies of scale to obtain the best possible service and price, driven by the needs of government entities;
- ▶ Adapts with flexibility to meet the needs of government entities;
- ▶ Continuously evolves the process to incorporate enhancements; and
- ▶ Reduces and absorbs inefficient and ineffective processes in new streamlined effort.

¹ (The "SkunkWorks" concept came from the aerospace industry. During the Second World War, Lockheed's chief research engineer, Kelly Johnson, assembled creative teams to work on special projects. Housed in a tent on the grounds of the Lockheed complex in California, the first Skunk Works team took its name from the foul smell emanating from a nearby plastics factory. These teams worked without concern for rank, organization boundaries or professional disciplines. They ignored the way things were traditionally done, the unwritten rules of the organization and even some hallowed design principles of aviation. With the support of their executives, these teams created some of the most exciting and successful airplanes in history.)

Using a collaborative approach to set standards and reduce the number of possible purchase choices has allowed the state to drive its costs below previous levels.

A tracking system (TRS) electronically interfaces with existing statewide and agency procurement systems, allowing ISRM better tracking of all enterprise IT purchases, improved fix asset management capabilities, and a process responsive to customer needs and unique circumstances. There is an optional entity review, approval and tracking system for IT purchases within the system available for agencies' internal tracking.

In January 2006, as a first project, ISRM introduced standards for desktops, notebooks, tablets and workstations. These standard configurations and reduced prices are available to state agencies, cities, counties and education (K-12 and higher education) entities.

Presently, the cross-boundary IT Standards SkunkWorks teams are at work on standards for cell phones/pagers and enterprise license agreements for software.

B. Significance to the improvement of the operation of government:

Some of the most ardent supporters for government reform are people within the agencies who know they can do a better job of serving citizens if they are allowed to focus on service, not bureaucracy. Minnesota has found that a successful way to engage them in problem solving is through the use of cross-boundary SkunkWorks teams.

The IT Standards process improvement SkunkWorks teams use a collaborative process that ensures an equal voice for all participating entities. The teams focus on seeking solutions with a realistic attitude. They keep to the "80/20 Rule," and don't wait until a perfect solution is discovered to take action.

The teams are successful because they possess:

- 1) A clearly defined outcome that drives decisions and actions;
- 2) Decision-makers empowered to act responsibly and decisively; and
- 3) A commitment to openness, collaboration, customer focus and action.

But the teams know that one size may not always fit all. A survey was taken of entities that would participate in the program in order to include as much information as possible in the standards setting process, and an exception process was set up to account for any non-standard purchases that need to be made.

C. Benefits realized by service recipients, taxpayers, agency or state:

This program saves Minnesota money and adds efficiencies through streamlined business processes.

The standards program allows all government entities in Minnesota to purchase from a predefined standards list. These standards enable the state to work with vendors and establish reduced prices through aggregation of purchases.

Significant business benefit is achieved by eliminating redundancies. The centralized group has set the enterprise standards, which reduce the time that divisions and units throughout the state spend on researching purchasing options and determining their own individual "standards."

Centralized IT purchasing creates operational efficiencies and promotes consistency leading to greater compliance. Commodity standards provide for common IT configurations and promote

interoperability. Government entities save time by choosing from the menu of predetermined IT configurations.

The result of this cross-boundary collaborative approach will be dramatic improvements in service levels and in customer satisfaction.

D. Realized return on investment, short-term/long-term payback (including summary calculations):

The payback on aggregated purchasing is real. The savings on the hardware side range from 15 percent to 44 percent for desktops, notebooks, tablets and monitors. The average price for the standard desktop configuration as established by the team would have been \$860 under the old system; bought through the standards program, the average cost for the same configuration is \$621, a savings of 28 percent. Similarly, a notebook computer bought to replace a desktop unit would have cost an average of \$1,597 before the standard setting and aggregated pricing took effect; under the new program, the price for the same unit would average \$1,291, a 19 percent saving. In fact, government entities have reported a savings of \$400 per laptop.

With a four-year replacement plan for the state's 400,000+ desktops (i.e., replacing 25 percent of the units each year), buying 100,000 standard desktops could save \$2,390,000 per year. This is a cost of \$6,210,000 for 100,000 units at the standards program price vs. \$8,600,000 for 100,000 units at the previous price.

The team is now at work on standards for cell phones. Minnesota's governmental entities spend an estimated \$8,000,000 per year on cell phones. The agreements are still being negotiated but, assuming savings similar to those for PC hardware purchases (20-40 percent), the state will potentially save \$1,600,000 to \$3,200,000 per year on cell phone equipment and service plans.

The teams believe they have just scratched the surface for realizing savings. They anticipate substantial savings from future negotiations on standards for storage, servers, printers/multi-function devices, routers/switches/IP phones and professional services.

The ISRM program demonstrates how thoughtful and decisive we can be when given the chance. That's what we are doing: bringing people together, pushing for solutions, empowering people to make decisions, and supporting those decisions. True government transformation requires nothing less.