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“REBOOT” - WHERE IS THE VALUE IN STARTING OVER?

WASHINGTON STATE TBM PROGRAM

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Washington State · Office of the

Chief Information Officer

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EXECUTIVE SUMMARY

Washington state, known globally as being the home of innovative giants like Microsoft, Amazon, the Boeing Company, and Starbucks, has a reputation to uphold in government innovation as well.

While some of the state's information technology (IT) systems are centralized known as the "enterprise," the majority of agencies have their own IT staff and infrastructure incorporating a structure commonly referred to as "federated". Policy setting and oversight of state technology falls under the Office of the Chief Information Officer (OCIO), an agency that works across government while having a responsibility to monitor and report on statewide IT investments.

Yet as many state governments across the country have found, keeping track of IT expenditures is more easily said than done. By 2012 no technology leader, agency director, or the OCIO could clearly state where the state's \$1 billion in IT spending was going. This confounded state elected officials who needed to justify and advocate to their constituents IT spending proposals that needed to be delicately balanced with more visible direct service programs. Even knowing that the promise of IT expenditures is to create higher efficiencies across government, how could they grant more funding if they didn't have a clear understanding of how current allocations for IT were being spent?

That same year the Washington State Legislature took action, passing a measure that demanded more accountability and transparency for IT spending. Thus, the seeds of a Technology Business Management (TBM) were planted and the OCIO would become the first organization anywhere in the public sector to use TBM principals already adopted in some of America's large corporations to get a better handle on overall IT spending.

But as with any new program, there would be significant challenges ahead. By 2015, the director of the OCIO was fielding calls from state agency CIOs and directors expressing lack of confidence in TBM and still not getting the information they needed to make sound decisions on their IT spending. This pointed to a higher need for a "reboot" of TBM, one that would streamline business practices and serve as a collaborative, data-driven tool that could be used by IT, financial and business program staff within each agency to determine the cost and value of IT spending.

This restart, which began in early 2016, has a net result of the 44 state agency TBM participants now having a 100 percent adoption rate. Success stories abound. Reports that once took weeks to compile can now be completed in minutes. For the Department of Licensing, this means immediately identifying the technology cost associated with all license types issued to residents including drivers, boats, commercial vehicle, business and more. Moreover, Washington has become a recognized national leader in TBM practices, especially in the government sector.

PROJECT CONCEPT

Washington's information technology landscape is a complex system where each agency operates with significant autonomy. For years, neither the OCIO nor agencies could answer questions related to the state's \$1 billion in annual IT investments, making technology vulnerable to budget cuts. In an effort to understand the composition of agency and enterprise-wide technology investments, starting in 2012, agencies with greater than \$250,000 in annual technology expenditures were legislatively required to participate in the new OCIO Technology Business Management (TBM) program.

Being a new concept, the OCIO strategy centered on choosing a TBM software solution to support the statewide program rollout. The software was selected with Washington being the vendor's first public sector application. A separate instance within the software was provided to each agency with over \$10 million in annual technology expenditures, including authorization to use their internal (shadow system) data to populate the foundational elements consisting of IT expenditure and labor. Those with less than \$10 million in expenditures resided in a single combined instance. In a move to support enterprise reporting, the OCIO established a Global Reporting instance, bringing the total count of instances in the system to 19.

Also new to the industry was the TBM Council (a non-profit organization made up of industry CIO, CTO and CFOs) and the introduction of an industry taxonomy in 2013. Within the state, there was an impression the TBM Council published taxonomy needed to be different for the public sector, so a custom taxonomy was adopted. To guarantee alignment between the 19 TBM occurrences, the OCIO established an oversight process to ensure that agencies with separate reporting instances had resources assigned to monitor and manage accurate taxonomy lists and datasets within each environment.

BUSINESS PROBLEM

After several months, it became apparent the initial TBM program implementation was challenged due to multiple agency instances within the TBM software reporting application and the absence of an industry standard taxonomy that affected enterprise level reporting.

Reports generated in the OCIO global reporting instance deviated from the system of record, along with custom reports laced throughout the 19 instances of the TBM software that impacted system performance. Due to staff turnover, several agencies with separate instances of the software went unsupported for months. By the end of 2015, the program was experiencing an 18-month stall. Challenges were so significant that state leaders from the 44

agencies enrolled in the program were citing lack of confidence in its reporting and value, so the OCIO elected to redesign the approach.

PROJECT SIGNIFICANCE

Starting in 2016, with strong executive sponsorship, the OCIO initiative to “reboot” the TBM program began. The objectives of this business transformation project was to streamline resource commitments statewide, while adopting standards and practices that advanced transparency into IT investments using a single reporting platform.

CHANGING BUSINESS PRACTICE BY ADOPTING STANDARDIZATION

A significant initial change was to develop a stronger partnership with the Office of Financial Management (OFM), which owned the enterprise financial and labor systems of record. Once this partnership was forged, the OCIO was able to adopt a strategy across the enterprise. OCIO and OFM also incorporated reporting requirements that exposed known gaps in OFM’s coding policies for expenditures along with an approach to help agencies close the gaps.

The OCIO strategy was to adopt industry standard TBM taxonomies that would meet benchmark reporting requirements and to open communication channels between IT and finance. TBM “cost pool” taxonomy provided the transparency needed by chief financial officers. A separate IT “tower” taxonomy helped agency chief information officers to better understand their business. The OCIO introduced OFM to this industry taxonomy, along with a proposal to lay it across the state’s financial Chart of Account, thereby eliminating the need for individual agencies to upload their own custom charts of account. OFM validated this work and agreed with the strategy.

ADDRESSING ORGANIZATIONAL CHANGE MANAGEMENT

To stabilize agency interaction with the program due to ongoing staff turnover, the OCIO made some decisions to ensure consistency with the program. Cammy Webster, a longtime technology manager, was hired to manage the TBM program. The OCIO recruited for a dedicated TBM analyst/consultant to work with Webster and hired Derek Puckett for this job. Rob St. John, the state’s deputy CIO, became the executive sponsor for TBM. This shifted the TBM program’s emphasis to a more business-driven approach versus a software centric approach.

Acknowledging the new strategic direction would entail a cultural change, the OCIO engaged participants from different sized agencies as well as elected officials to test this consolidated reporting strategy. This served to better identify change management factors through separate organizations. This team of experts collaborated with OCIO and the TBM software vendor to pilot and validate a single consolidated multi-agency model that retained agency autonomy while preserving insight at an enterprise level.

Based on the successful test, the decision was made to advance with the new approach, carrying an estimated 220 hours to migrate the 44 participant agencies to a single model and reporting solution. This time included five hours per agency to map and validate the templates.

To acquaint agencies on the upcoming change and address negative reactions associated with the former program rollout, a more inclusive communication strategy was adopted to strengthen a working relationship with the community. The OCIO project leaders initiated face-to-face meetings with both the chief financial officer and chief information officer at each agency. Visual aids and templates were used to introduce program changes and kick-start the conversation between CIO and CFO. All agencies agreed the program changes contained minimal actions to bring the agency into compliance and showed interest in additional program activities that supported advancement in TBM that enabled them to demonstrate IT value in support of agency business.

PROJECT IMPACT

Within seven months, the consolidated system was in production and all 44 agencies had their technology investments mapped to industry standard taxonomy, with each CIO/CFO supporting agency expenditures. One agency said the business transformation gave them an “Easy Button” that showed them how they fit into the program. Streamlining program activities supported OCIO strategy to advance and mature statewide TBM practices. Following are examples of Washington advancements made possible by the changes.

SUPPORTING A MORE PRODUCTIVE WORKFORCE - DEPARTMENT OF LICENSING (DOL) FEE STUDY

The Department of Licensing (DOL) enlisted the help of the OCIO to guide them through the technology components of a study mandated by the legislature to review costs associated with hundreds of licensing fees administered by the agency. In the past, it took DOL over six months to compile the technology component cost for the DOL fee study. The agency used TBM to break down technology costs for all of its applications and transactions, making these costs both more transparent and easier to discern. Assembling the data for publication went from more than six months to just a few hours.

Within months, DOL progressed from not using the TBM program to being an industry leader in the public and private sector. Most TBM programs stop modeling investment at services delivered by the IT department. However, the work with DOL took the program out to services provided to agency consumers. This includes all licenses such as drivers, boat, commercial vehicle, business and more.

INSIGHT INTO IT EXPENDITURES AT A GLANCE

Between 2015 and 2017, state IT expenditures increased by approximately a half a billion dollars, from \$1 billion to \$1.5 billion. With the new spend analysis capabilities' through TBM,

the reason for this increase could be identified in minutes. The state CIO was able to identify and speak to a marked increase in higher education spending because of an Enterprise Resource Planning (ERP) system modernization project at a major university, while general government experienced a decrease. Figure-1 is an executive level report from the TBM program showing a three-year trend of IT spend by government.

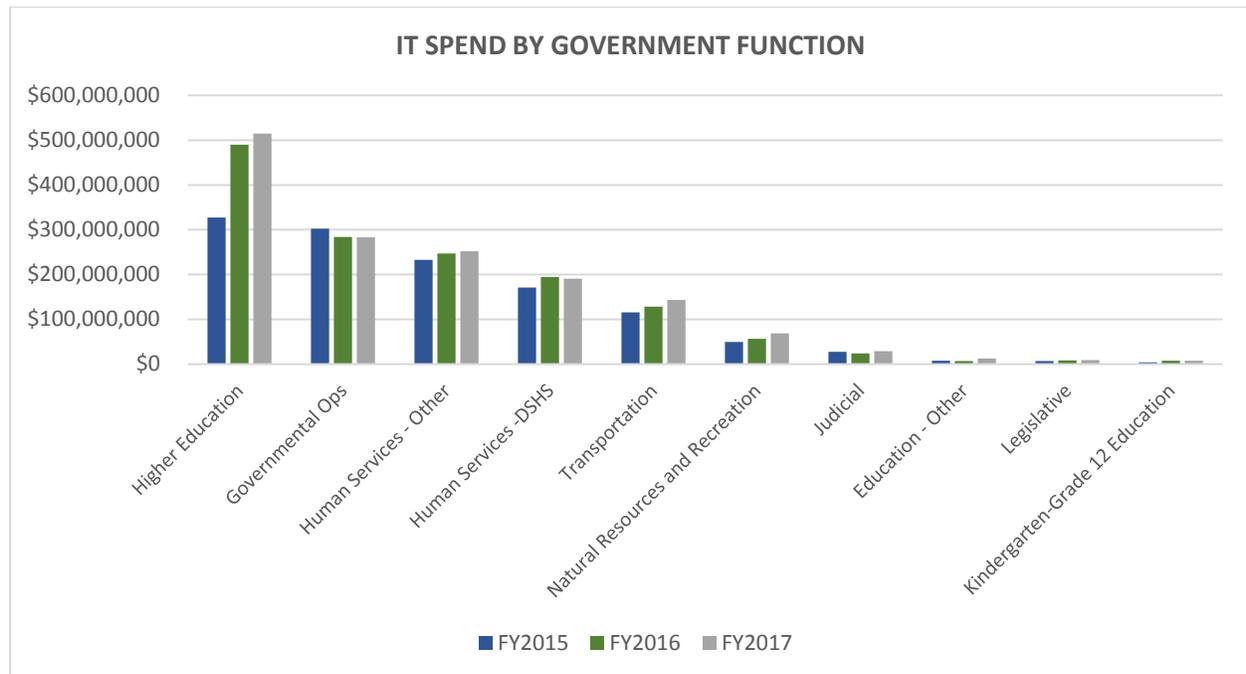


Figure 1

MEETING ENTERPRISE AND AGENCY REPORTING

Reporting from a single solution is available at an enterprise and agency level. Due to standardization, the information provides a like comparison between each area.

Agency CIOs are now using this data to compare against their peers. In some cases, CIOs asked for additional analysis to support realignment of technology investment in their budget.

Additional statewide insight from the data shows the highest investment associated with labor in support of applications. Some agencies using TBM have identified the direct costs associated with their legacy application and used the data to support modernization funding requests. State leaders have access to reports as demonstrated in Figure-2 showing 2017 statewide technology investment broken down by cost pools. This information is available at both an enterprise and agency level.

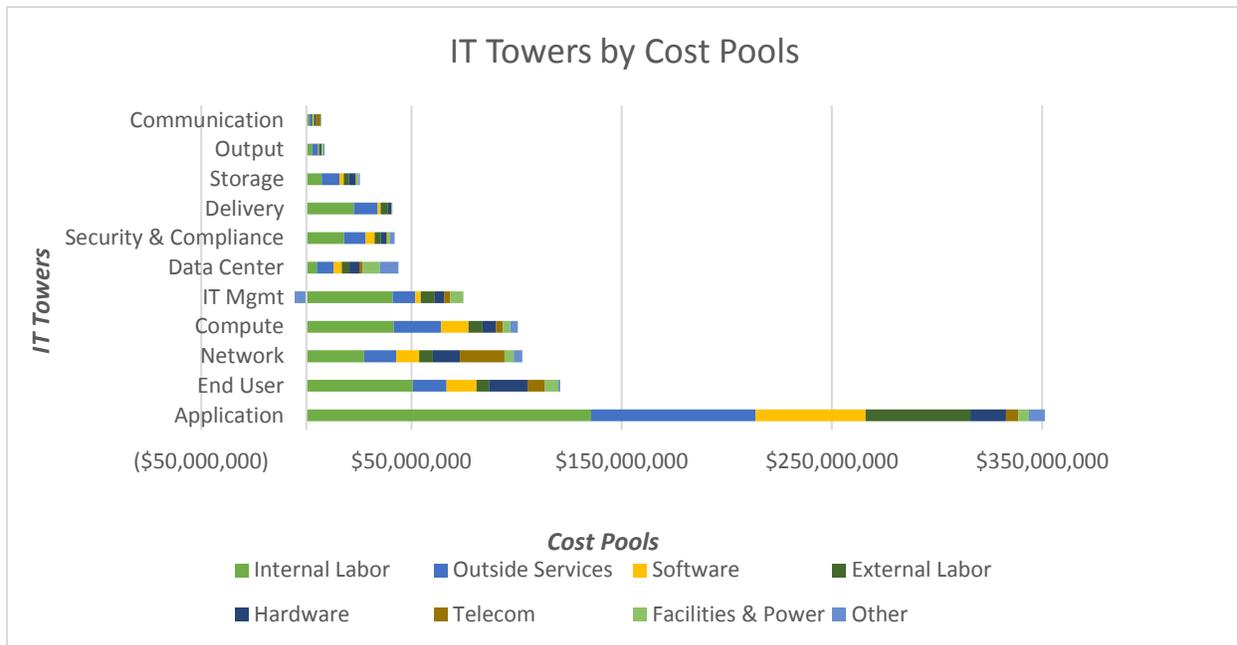


Figure 2

INSIGHT INTO APPLICATION AND PROJECT COSTS

During this timeframe, DOL, the Department of Labor and Industries (L&I) and Department of Revenue (DOR) were in the midst of business modernization activities that put new emphasis on rationalizing their expense for applications. The newly instated TBM program changes supported these agencies’ need to understand and report on the direct costs of these applications versus the total cost of ownership (TCO). From an agency perspective, application direct cost and TCO are very distinct and different. When asked to identify cost savings associated with decommissioned applications, agencies were able to use data-driven information available through TBM to break out the application overhead cost (network, security, IT management, etc.) from the application direct cost, ensuring they did not overcommit any savings achieved. Especially since reported savings is often a target for reducing future budgets, it was imperative to provide accurate and actual cost saving information.

For many agencies, tracking costs associated with major technology projects is a manual process. Several agencies are utilizing TBM to champion business process change to better identify costs associated with major IT projects.

EXPANDED BENCHMARKING AND GOVERNMENT SHARING

Adopting industry standard taxonomy positioned Washington to expand benchmarking beyond agency-to-agency, and now includes government-to-government and government-to-private industry.

Much like Washington, the federal government is a federated system where each agency operates with significant autonomy. Based on a visit to review and analyze the state program, the federal government published a [Case Study on Washington State Technology Business Management program](#) in 2017.

As a follow up to the report, the Federal TBM Executive Committee held a White House Roundtable Discussion on TBM and invited Washington to share its insights on how the state is using TBM to drive accountability and cost transparency at an agency and enterprise level.

Washington continues to share with other government organizations with the belief that more sharing and standardization across the public sector strengthens the ability to accurately benchmark across government.

IN CONCLUSION

This project proves there is value in starting over. The Washington TBM program's "reboot" was successful due to strong executive sponsorship and project leadership, along with a willingness to recognize shortcomings of the initial approach and a penchant to start over to get it right.

What can others learn from Washington?

- It is possible to deploy a successful TBM program across a federated structure.
- This project put an end to the notion a new financial system is required to be successful – the state's enterprise financial system has been in place since the early 1980 and effectively interacts with TBM.
- Adopting standards and practices help streamline business processes. Employees working on this effort have seen real value in the reduced time they need to spend on data calls, allowing them to concentrate on data analytics to support agency decision making.
- It doesn't matter if an organization's IT structure is centralized or dispersed. Developing a strategy that incorporates a single reporting solution affords an opportunity to introduce internal benchmarking as well as reporting at agency or enterprise level. For Washington, the solution supports insight into IT investment for 3 different audiences:
 - Authorizing environment (Legislature and OFM)
 - State CIO and OCIO
 - Agency leaders, including their CIOs

Washington is the largest TBM implementation to date in the public sector. The OCIO program continues to make positive impact across the state even though the level of complexity and number of agencies managed are substantial.

Both at the state level, and within agencies, TBM has shown its value. With partnerships across government, the joint effort has helped make the TBM "reboot" initiative a success story.