Back-Office Transformation: Why and How

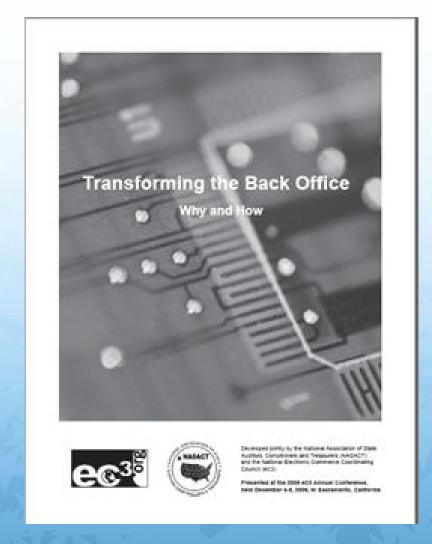Jerry Mechling
Harvard University
June 22, 2006

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www.fin.gov.on.ca/ontariobuys

The Report

http://www.ec3.org/symposia/white_paper.pdf

The People

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- William Kilmartin, Accenture
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- Jerry Mechling, Harvard University
- Mike Moore, San Diego County C.I.O
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- Clark Partridge, State Comptroller, Arizona
- Kinney Poynter, Executive Director, NASACT
- Jeff Rosengard, The Hackett Group
- Jan Sylvis, Chief of Accounts, State of Tennessee
- JD Williams, Oracle
- Tim Young, U.S. Office of Management and Budget

Overview …

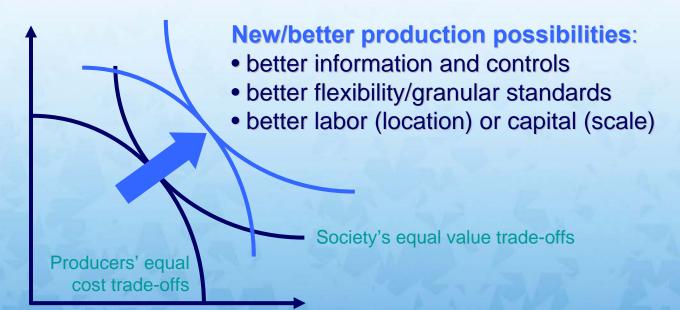## 1. Why?

2. How?

3. Conclusions

New win-win options?

COST
Efficiency
units/$

- Mass production focus (~20% 'next step' efficiencies)
- Uniform standards and/or central control
- Cost control, production culture

New/better production possibilities:
- better information and controls
- better flexibility/granular standards
- better labor (location) or capital (scale)

Society's equal value trade-offs

Producers' equal cost trade-offs

QUALITY
Effectiveness
value/unit

- Individual service focus
- Local customization/control
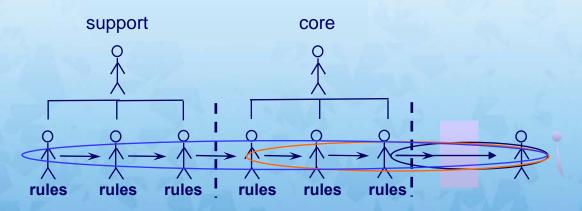- Quality, service culture

$$\Delta I + \Delta W \rightarrow \Delta V$$

Where

ΔV = **Productivity + Equity + Transparency**

ΔI = **Data + Processing + Communications**

ΔW = **New distributions of labor**

support   core

1. **Remote, asynchronous service – online access**
2. **Self-service, redesigned service –** **enterprise integration**
3. **Transparent, outsourced service –** **community of practice**

Why now?

1. Continuing explosion of computing power and applications – there's always something new

2. Demographic and economic trends with rising demand and diminishing resources for government -- transformational change required

3. The emergence of ripe innovations, e.g., Sarbanes-Oxley leading to ERP implementations

4. Customer self-service knowledge now available for worker self-service
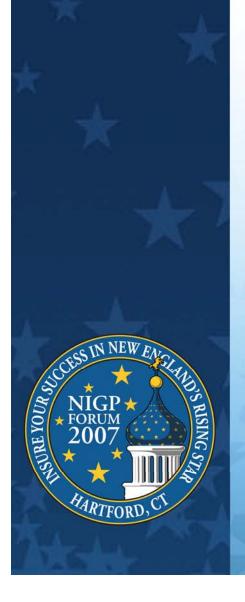
5. Post-2006 election transitions in state administrations

Targets

- ***Enterprise architecture* services,** which ultimately need to be extended government wide
- ***Financial services*** including accounting, budgeting, and performance measurement (and data mining)
- ***Human resources services,*** making administrative services effortless so more energy flows to customer-facing work
- ***Health care services*** which need electronic records to be safely shared among multiple institutions
- ***Education and training services,*** where economies of scale could permit customization for disadvantaged groups
- ***GIS services,*** offering one of the main dimensions for analyzing and controlling government work
- ***Processing and networking services,*** which today remain excessively fragmented
- ***Security and identity authentication services*** the precursors to e-commerce efficiency and stability

San Diego County, before…

- 17 Separate Help Desks
- 5 disparate e-mail systems
- Multiple unprotected data centers and distributed servers
- No viable accounting for software licensing
- Limited sharing of hardware and software systems between business units
- No desktop computer and server refresh cycle (purchased as $ available)
- Distributed responsibility for IT
- Operational issues dominated IT managers time
- Limited and Inaccurate hardware and software asset inventories

San Diego County, after…

- 1 Integrated e-mail system
- 1 Centralized Help Desk
- 21,000 standard and integrated phones
- 1 Integrated Network
- 1 Hardened and protected data center
- 12,000 standard state-of-the-art desktop computers with a single operating system
- 100% software licensing accuracy and accountability
- Enterprise (shared) servers and applications
- 36 month refresh on all desktop computers
- 61% reduction in the # of trouble tickets
- Strategic IT planning consumes most of the IT managers time

Overview …

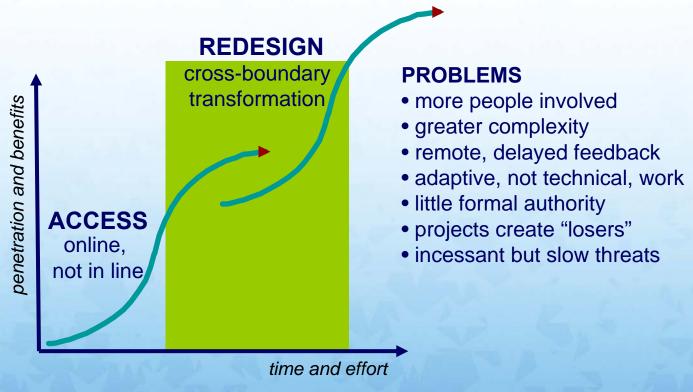## 1. Why?

2. How?

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New challenges

REDESIGN
cross-boundary transformation

PROBLEMS
- more people involved
- greater complexity
- remote, delayed feedback
- adaptive, not technical, work
- little formal authority
- projects create "losers"
- incessant but slow threats

ACCESS
online, not in line

penetration and benefits

time and effort

Do's and Don'ts

- **DON'T: duck the responsibility, or go off half-cocked…**
- **DO: get prepared, get committed** ("Slow trigger, fast bullet")

Guidelines/Examples

1. **Leverage economies of specialization and scale:** Arizona Central Services Bur.
2. **Prepare for possible privatization:** OMB A-76 guidelines
3. **Prepare for equity and transparency:** South Dakota, Iowa, and Ontario
4. **Commit to back-office reforms as organizational change projects:** Federal "line of business" reforms
5. **Negotiate and manage good service level agreements:** SLA's in San Diego County
6. **Reinvest for continuing innovation:** DARPA
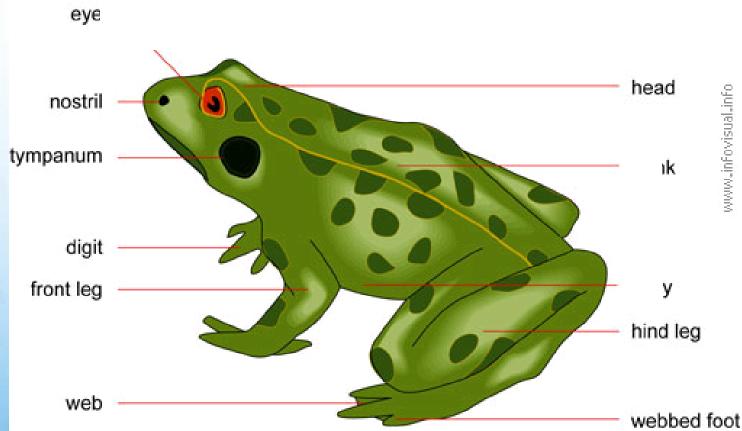7. **Develop governance structures for IT-related investments:** NYC Housing Auth.

Conclusions

1. Technology continues to explode
2. Offering win-win productivity options
3. Throughout the extended value chain
4. Transformation is risky
5. But so is non-transformation…

Will you be the frog?

eye
nostril
tympanum
digit
front leg
web

head
ık
y
hind leg
webbed foot

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Best Regards and Good Luck!!!