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The relevance of the CIO in challenging times

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Emerging stronger

The relevance of the CIO in challenging times

The recent "Great Recession" has fundamentally changed government as we know it. Foundational economic challenges, changing demographics, rising demands from citizens and emerging technologies are transforming the very operations and services that keep governments functioning and that enable them to assist the public. Economic uncertainty also underscores the need for governments to deliver services to citizens looking for better services at less cost.

What does that mean specifically to chief information officers (CIOs) in the public sector?

Where should they focus their resources and budgets to ensure their government's success—and their own—as states continue struggling to weather the storm?

Strategically, where should CIOs allot scarce dollars to make government operate more efficiently and effectively?

Executive summary

State and local governments in the US and Canada are grappling with the most profound fiscal crisis since the Great Depression. Major demographic and political upheaval, technological innovations and citizens' demands concurrently besiege governments from all sides. And these forces are creating even more challenges for state governments looking to reduce their costs while providing citizens the level of service afforded to them in the private sector.

In this demanding environment, making the kind of across-the-board budget cuts implemented in past recessions is not the answer. The magnitude of the current crisis demands new thinking and resourceful approaches. To weather this storm, government leaders must fundamentally transform how they manage and operate government services and programs. The adage "doing more with less" has become the mantra of state legislatures and government leaders who see the crisis continuing into 2011 and beyond. Now truly is the time to lead and set the direction for your state for the next 10 to 20 years.

In the center of the maelstrom stands the CIO. More than ever before, governments rely on information technology (IT) in addressing budget shortfalls while adding value for citizens. However, technology alone is not the answer. To be successful, CIOs must play a multidimensional leadership role that requires understanding the business needs in the new government environment and ensuring that technology serves those needs.

This discussion addresses the evolving role of the CIO and outlines four areas where CIOs must focus to make IT an integral part of a high-performance government:

1. **Promoting collaborative solutions across jurisdictional boundaries with shared services.**
2. **Embracing emerging technologies.**
3. **Driving out IT costs and increasing efficiencies.**
4. **Creating public/private partnerships.**

By focusing on those areas, CIOs can steer their organizations through the crisis and beyond, thereby demonstrating the relevance of the CIO as a critical component of state leadership.

What state transformation means today

According to an old saying, "government needs a crisis to get something done." That saying is particularly resonant today—clearly, states are facing a multitude of challenges. Accenture believes that governments must respond to today's challenges and dramatically change the way they deliver services.

As the first step in this transformation, government leaders must weigh the long-term economic advantages of making strategic public infrastructure investments that will ultimately lower cost and enhance services. Many of these strategic investments relate to leveraging technology to streamline services and produce measurable outcomes.

Environmental factors

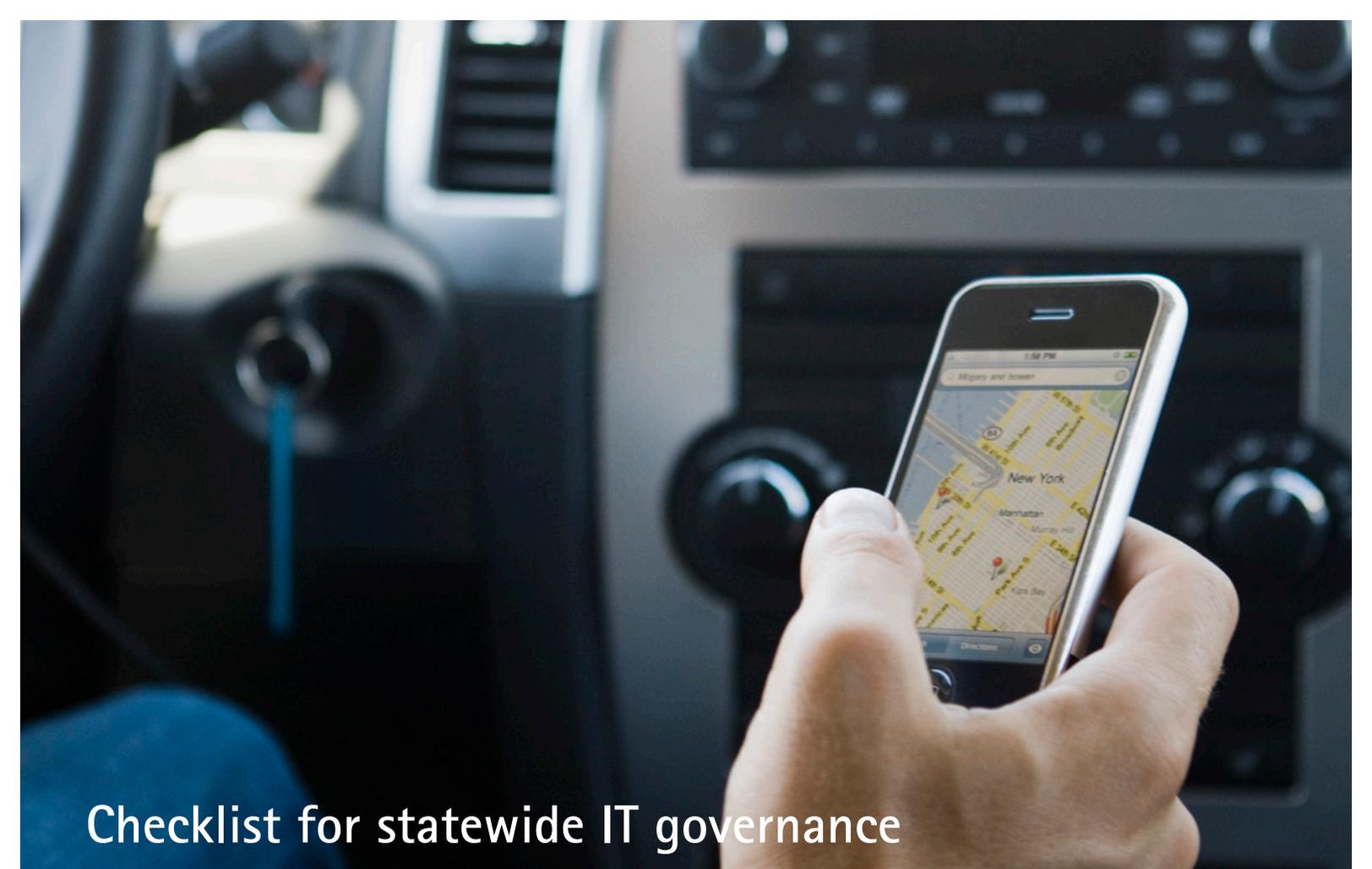
Convergence of powerful forces

From an economic perspective, it bears repeating that state and local governments across the country are grappling with arguably the worst fiscal challenge since the Great Depression. And the crisis is far from over. A financial review of states by the National Governors Association and the National Association of State Budget Officers found that state governments face a cumulative \$250 billion in budget shortfalls through fiscal year 2011. What is more, "state revenues will remain depressed throughout fiscal 2010 and likely into fiscal years 2011 and 2012," according to the report.

The economic conditions of individual states differ dramatically, based on the diversity of industry, the growth or contraction of population and the amount of budget shortfall. Many states balanced their budgets in the last year with the help of stimulus funding that will no longer be in play in the future. This change means that states are being thrust into a more competitive environment, one where jobs, growth opportunities and state tax policy will influence the future success or challenges for a state.

Yet the crisis is not simply economic: Transformational forces are pummeling governments from all directions. Accenture believes that five converging forces are both increasing the pressure on the public sector and raising fundamental questions about the future of government:

- **Citizens' increasing demands for services.** Citizens expect to receive public services with the same level of personalization and efficiency they receive from the private sector. Citizens are also demanding more transparency and accountability from governments. Meanwhile, the social media revolution is facilitating citizens' participation in government—and citizens fully expect their governments to provide a channel for people to address government leaders directly.
- **New technology trends.** Technological advances, such as mobile and cloud computing and collaborative software, are defining the future technology landscape. These technologies will have a significant long-term impact on government.
- **Major demographic shifts.** The government workforce is older than its private sector counterpart and has proportionately fewer young workers. Governments may experience an increase in brain drain as workers retire, taking decades of legacy systems' knowledge with them. Compounding the challenge: Retiring workers will be replaced by members of the "Net generation," who have higher expectations of technology availability and automation.
- **Political change.** With 37 gubernatorial elections slated for 2010, change surely will trickle down to other levels—including the CIO and agency leaders—as new governors take office. Additionally, the makeup of state legislatures may change as voters react to current economic and political realities.
- **Unfunded federal government programs.** The federal government is expected to explore deficit reduction programs that could limit funding for many established programs. With state revenues dwindling and the promise of new federal dollars being questionable, state workers will continue to be furloughed or laid off, and sacred programs, such as education and public safety, will lose funding.

A hand holding a smartphone displaying a map of New York City in a car's interior. The phone screen shows a map with labels for 'New York', 'Manhattan', 'Murray Hill', and 'Kips Bay'. The background shows the car's dashboard and steering wheel.

Checklist for statewide IT governance

- Are you aligning enterprise IT initiatives with agency strategies and business goals?
- Are you selecting the right enterprise IT initiatives?
- Are you preparing realistic business cases for major IT investments?
- Are you enforcing accountability and transparency for performance?
- Are you defining IT and business governance structures, and are the associated processes working?
- Are you controlling costs and maximizing revenue opportunities?
- Are you promoting a citizen-centric service mentality?
- Are you managing IT projects well and holding them accountable?
- Are you identifying and rectifying problem, at-risk applications and infrastructures?
- Are you investigating and investing in new and emerging technologies?
- Are you seizing standardization, shared services and other cost-efficiency opportunities?

Changing government, changing roles for CIOs

Governments are adapting to respond to new pressures and subsequent challenges. In this new environment, states are being forced to transform government operations and services. And that, in turn, means that CIOs must redefine their roles.

Historically, many public sector CIOs have focused on their traditional role of managing systems and expenditures, at the expense of strategy and investments. But to ensure government success—and to lead their state toward a better future—CIOs will need to shift their focus to new areas, such as:

- **Mastering collaborative IT governance.** IT governance is a major barrier to driving enterprise approaches and cost-effective decisions in government. To ensure a state's transformation, CIOs must get collaborative IT governance right. Understanding this distinction is critical: IT governance is not "the model to manage the IT department" but "the model by which government maximizes its use of IT." With the model established, CIOs must master collaborative governance by managing stakeholders from the business and technology side of the organization. Collaborative governance enables CIOs to strengthen their ability to make, sponsor and enforce the right investment decisions and derive strategic value from IT.
- **Restructuring government IT organizations.** Rather than making across-the-board percentage cuts to reduce budgets, governments need to approach reducing costs strategically, through structural change. By taking an enterprise management approach to IT, CIOs can integrate and streamline their structures and processes and—even with fewer resources—enhance the long-term productivity of their operations to deliver higher-quality services to citizens.
- **Collaborating across jurisdictional boundaries.** Local-to-state, state-to-federal and intra-agency collaboration opportunities abound for governments to take advantage of synergies, reduce duplication and create economies of scale in delivering services. Cross-jurisdictional collaboration requires CIOs to enter the dialogue and help adopt more synergistic approaches to break down the barriers of government culture and decision making. But the payoff can be significant. States can achieve tremendous savings when they find opportunities to leverage synergies and economies of scale in delivering IT across jurisdictional boundaries.
- **Using new technologies (while ensuring a more secure environment).** New technologies are enabling governments to make better business decisions, reduce costs, improve service delivery and increase citizen centricity. However, with heightened threats and increased access, these technologies pose a bigger security risk. CIOs must embrace new technologies to improve business performance while making cybersecurity an imperative.
- **Forging more public/private partnerships.** To deliver services faster and at lower cost, many state and local governments are forging creative partnerships with the private sector. Throughout 2010, Accenture has seen an increasing level of interest in public/private partnerships to better manage IT infrastructure and applications and other government services. Compared to traditional contractor/customer relationships, these new partnerships require radical changes in both sides' roles. Public/private partnerships offer creative ways to deliver services more efficiently and cost-effectively. Outsourcing and managed service—and even privatizing government services—are now, surprisingly, under strong consideration by governments that would not have entertained those ideas before the economic crisis.

Transforming government operations is a huge challenge for CIOs—but it also represents a major opportunity. Unlike efforts in past economic downturns, public sector CIOs must be at the table with business leaders to help facilitate government transformation. No longer can effective CIOs focus strictly on technology operations. Rather, today's CIOs must provide policy recommendations and leadership beyond their typical IT operational roles.

In fact, Accenture predicts that history will reveal two kinds of public sector CIOs: those who embraced the challenges resulting from the current crisis and became powerful senior leaders, and those who did not and became managers of a procurement function.

Target areas for CIOs to help create high-performance government

Accenture's experience points to four target areas where CIOs can lower costs while delivering improved levels of service. They include addressing back-office costs—such as human resources and IT—as well as making improvements in government's relationship with citizens—such as enhancing interaction with citizens and applying new approaches to decision making. CIOs must have these items on their change agenda to stay relevant. And they must approach them from both a business and a technology perspective—enabling the performance of the business by using technology appropriately to spur better outcomes.



1. Promoting collaborative solutions across jurisdictional boundaries with shared services

IT shared services

Governments worldwide are moving toward a more client-centered, outcome-oriented, accountable and efficient service delivery system through shared services. Accenture defines shared services as consolidating administrative or support functions—including IT—into a single organization to provide services as efficiently and effectively as possible. Beyond simple centralization, a shared services operating model has a defined governance structure and defined processes to manage the entity as it would a high-performing business and a customer-centric mind set.

Shared services can increase public sector value—the return government realizes on its investments—by decreasing administrative costs up to 25 percent and shifting cost savings to citizen-facing front-office programs. Forward-thinking CIOs can use shared services to improve public sector value by transforming the delivery of services to citizens. Complete IT shared services can achieve the following goals:

- Promote economies of skill and scale.
- Reduce infrastructure costs.
- Support organizational change.
- Focus on core competencies.
- Provide better information.

Shared services spotlight: State of Ohio

In October 2009, Accenture completed the implementation of Ohio Shared Services (OSS), the first state government shared services organization for financial transactions. Since OSS was launched, the state has been able to realize five strategic imperatives:

- Deliver exceptional customer service (answering citizens' incoming calls within 30 seconds 94 percent of the time).
- Improve the effectiveness, efficiency and utility of operational processes.
- Establish a mutually beneficial partnership with the state's largest employee labor union to build a service-oriented, self-directed workforce that serves as a role model for other agencies.
- Develop organizational capabilities to support and sustain a culture focused on high performance.
- Enable each agency to better serve the citizens of Ohio.

Today, OSS is focused on providing excellent service, being easy to do business with and living up to its motto, "service first." Driven by a self-directed workforce, OSS is a proven shared services solution for the public sector. Innovative governance frameworks enable beneficial partnerships among and between OSS, agencies, employees, vendors and the state's largest employee labor union. Streamlined processes and technologies deliver value and reduce costs while transforming how the state does business.

IT rationalization and consolidation

Many governments' long-time model of running single applications on a server or a group of servers leads to underused servers, escalating fixed costs and waning performance. IT rationalization and consolidation allow government organizations to reduce IT hardware and software applications by evaluating capacity, geographic requirements, redundancy and commonality across the IT portfolio. This process includes server virtualization and consolidation, data center rationalization and applications rationalization.

By looking at commonalities in data and infrastructure across government programs and assessing the impact with business users, CIOs can distill a short list of strategic keepers, turn off others and migrate data and applications with an eye toward lowering maintenance and upgrade costs. Moving to best-in-company applications, government organizations will eliminate obsolete and inadequate applications, effectively reducing support costs.

2. Embracing emerging technologies

Web 2.0 technologies

The social media revolution and Web 2.0 technologies—including Web-based communities, hosted services, Web applications, social-networking sites, video-sharing sites, wikis, blogs and mashups—are factors driving the need for government transformation. These technologies are enabling increased participation by citizens and elevating demand for transparency and personalization.

Governments are recognizing that Web 2.0 technologies have the potential to drive the citizen centricity that is a hallmark of high performance. To be successful, CIOs must include Web 2.0 in their interactions with citizens on both a “give” and a “get” basis—optimizing the way people get information and services from the government as well as how people give feedback directly to the government. That means CIOs must develop plausible scenarios to increase citizens' engagement, enable more informed decision making by citizens, enhance transparency and accountability, and improve service convenience and access.

Cloud computing

Accenture defines cloud computing as the dynamic provisioning of IT capabilities—hardware, software or services—from a third party over the network. By combining virtualization and one-to-many architecture with a pay-as-you-go business model, cloud computing creates a new environment that will significantly affect the way organizations procure, deliver and support IT infrastructure, platform, application and business process capabilities. High-performance governments will take advantage of cloud computing across multiple layers—software as a service, infrastructure as a service and platform as a service.

Cloud computing can both decentralize technical innovation and impose centralized controls on IT resources, significantly lowering the barrier to entry for innovative IT service. Any programmer could create a software service by using free or low-cost development tools, host it on a public cloud and make it available to all. The cloud is also a fast and easy way to impose a standard set of applications or processes.

Organizations have already begun to gather raw computing resources from the outside on an on-demand basis. Cloud computing has saved USA.gov—one of the busiest federal government websites—significant costs. All USA.gov's Web portal core resources are on Terremark's IaaS platform, The Enterprise Cloud, allowing the website to maintain a small, persistent footprint and deploy on-demand scaling as traffic fluctuates.¹

Cybersecurity

In an era of higher levels of connectivity and fewer resources, public sector organizations are increasingly vulnerable to insider abuse of Internet access, viruses, denial of service, unauthorized access to information, data theft, system penetration, website defacement and misuse of public Web applications. Recent Accenture research shows a notable difference between organizations' data privacy intentions and how they actually protect privacy. A survey Accenture conducted with Ponemon Institute, a pre-eminent research center dedicated to privacy, found that a majority of companies have lost sensitive personal information and that the biggest causes are internal. The responses also indicated that compliance complacency is prevalent throughout the world and that it is critical for organizations to understand the

approach to data protection and privacy among third parties with which they do business.²

For CIOs, the findings of the Ponemon Institute study mean that cybersecurity must become more proactive and predictive.

To protect their business interests and infrastructures, organizations should focus their cybersecurity efforts on three areas:

- **Enhanced situational awareness.** Implement computational and analytical techniques to identify threats, express relationships and predict future situations with logical reasoning.
- **IT resiliency and trusted computing systems.** Implement systems to fulfill the organization's mission despite having components that become compromised.
- **Secure deployments.** Implement strategies and tools to advance adherence to diverse compliance requirements while mitigating high-priority vulnerabilities.

3. Driving out IT costs and increasing efficiencies

Rapid IT cost reduction

A financial review of states by the National Governors Association and the National Association of State Budget Officers found that overall state revenues fell 7.5 percent in fiscal 2009, forcing states to cut general fund expenditures by 4.8 percent. Another 4 percent reduction in expenditures is projected for fiscal year 2010. In this new environment, public officials find themselves trapped between drastically rising demand and diminishing funds for government services. To survive, state governments must try new tactics similar to the private sector—using corporate best practices to reduce costs quickly and infuse cash into their long-term transformation strategies. One cash-saving tactic that states can apply is rapid cost reduction. Accenture research has helped distill a five-pronged rapid cost reduction approach that adapts best practices of the private sector to meet the unique challenges of a public service environment. Using this approach, public service organizations can achieve total operating savings of 5 to 11 percent and capital savings of 4 to 8 percent.

Accenture's five-pronged rapid cost reduction approach includes instilling the following disciplines:

- **Span of control.** Helps public agencies identify job reduction opportunities quickly and with minimum negative impact—saving potentially 10 to 20 percent in payroll.
- **Process streamlining.** Identifies highly inefficient processes and reduces costs through process redesign—reducing spending by 10 to 20 percent.
- **Project elimination and deferral.** Prioritizes 25 to 50 percent of project spending—deferring or eliminating projects that are not mission critical.

- **Rapid procurement.** Negotiates improved rates or terms by partnering with suppliers—saving a potential average of 5 to 10 percent of procurement costs.
- **Supplier payment audit.** Assesses spending history to recoup losses from duplicate or erroneous payments and establishes improved controls—saving from 0.1 to 0.5 percent of spending.

Rapid cost reduction spotlight: New York MTA

The New York Metropolitan Transportation Authority (MTA) is the largest public transportation provider in the western hemisphere, with a daily ridership of more than 8.5 million people. Given a tax revenue shortfall in the state of New York, the MTA faced a budget deficit of nearly \$800 million and needed to reduce its cost structure quickly.

Accenture worked closely with the MTA to identify more than \$150 million in potential savings through enterprise transformation and rapid and sustained cost-reduction measures.

Data analytics

Governments have been using data analytics for years, but largely as a means of processing structured data. Current technologies are making it easier than ever to harness and manipulate detailed data in short time frames, particularly video, voicemail and e-mail.

Yet, although organizations have the ability to get data from disparate sources and view it in various ways, data is truly valuable only when actionable. With advanced data analysis tools, government organizations gain multiple benefits. First, they have immediate access to the facts they need to report to the government or agency head,

the media and citizens. Second, by reporting value according to performance management practices, they also gain command over data and the ability to use it for fact-based decision making and as powerful justification for budget requests.

Also, monitoring in real time minimizes the chances of getting to the end of the timeline before realizing that a program did not have the intended impact. With these capabilities, governments can also make the data they have gathered available to citizens in a user-friendly format—showing the public their areas of focus and how they are achieving the intended results.

Data analytics helps agencies plan how to spend government money, which outcomes to deliver and how to report performance to the public. Advanced data analytics, enables governments to estimate and target impact more effectively. Targeting impact will provide a powerful differentiating tool helping policy makers to fund the most valuable programs, given restricted budgets.

As Oregon CIO Dugan Petty, co-chair of the NASCIO Enterprise Architecture & Governance Committee, said, "The predictive nature [of business analytics] is particularly important as we continue to face ongoing fiscal challenges and increasing demand for state government services."³

In Washington state, the Governor's Management and Accountability Program provides raw data on results and offers context on how strongly the state believes its programs actually affect the results (<http://www.accountability.wa.gov/>).

In Iowa, the state program "Results Iowa" shows the top priorities of state government, which strategies and policies it will use to achieve those priorities and the metrics it will use to determine whether its strategies and policies are effective (<http://www.resultsiowa.org/index.html>).

4. Creating public/private partnerships

Managed application services

With managed application services, CIOs can transfer the day-to-day operational management of select applications to a proven service provider, reducing costs while increasing the value from limited IT investments. This strategy also allows CIOs to focus their most experienced and highly skilled resources on developing new applications that will help improve performance.

Managed application services enable government organizations to benefit from firm, fixed-price and outcome-based service level agreements that offer price predictability over a multiyear term (typically, a minimum of three years). These arrangements enable IT departments to enjoy both significant cost savings from the outset and a guaranteed decrease in service costs year after year. But the value created through these arrangements goes far beyond simple cost reduction. Increased operational and management control allows basic, operational IT functions to run more smoothly, seamlessly and efficiently.

Organizations can increase efficiencies by doing the right things: ceasing non-value-adding activities and prioritizing work based on mission priorities. They also achieve efficiencies by doing things right: reducing error and rework, reducing testing and development cycle times, and automating basic tasks. With an industrialized delivery capability, CIOs can keep the focus where it belongs—on the more strategic IT initiatives that have an impact on their mission and constituents.

Managed application services help realize several critical benefits by enabling government organizations to:

- Focus less on tactical, day-to-day operational tasks and more on their primary mission.
- Reduce operational and maintenance costs by shifting funds to initiatives that enhance value for their constituents.
- Increase the speed to value of IT investments to improve overall performance.
- Improve flexibility and scalability to adapt to an uncertain future.
- Manage security and shift risk to a service provider.
- Increase visibility, measurability, accountability and predictability to meet today's requirements for transparency.
- Address difficulties in finding, attracting, developing and retaining premium talent.
- Use service providers' deep industry expertise to innovate and improve operations continually.

Strategic sourcing and procurement transformation

For government agencies, sourcing products and services and successfully negotiating procurement agreements are critical elements in budget management. Better buying decisions also lead to more satisfied customers. Like the private sector, government organizations are beginning to realize substantial reductions in purchasing costs and greater efficiency in administrative operations by transforming procurement from a tactical, transaction-oriented function into a strategic function.

A leading-edge approach to strategic sourcing and vendor relations helps CIOs capture and apply fact-based information about vendor selection

and performance. Such an approach creates a shared environment for agencies and their suppliers to communicate, coordinate and conduct commerce. By transferring the procurement process from traditional channels—such as paper, mail and telephone—to secure, easy-to-access, Web-based applications, CIOs are transforming purchasing operations and bringing them in line with industry best practices.

These strategic solutions integrate and streamline the entire procurement process, from buyer to supplier and back again. And they are allowing agencies to use buying power to realize a number of valuable and tangible benefits, including:

- Reducing the budget for goods and services.
- Capitalizing on declining prices on term contract items.
- Reducing the overall cost of materials management operations.
- Accelerating payments to take advantage of vendor discounts.
- Mitigating legal and risk liabilities while increasing productivity.

Meeting the challenges

For today's CIO, the challenges will continue: The budget crisis is not over, and demands for increasing services to citizens will continue to rise. At the same time, promoting a secure environment will become more critical. Yet with great change comes great opportunity—and CIOs truly can make a difference.

It ultimately boils down to leadership. By embracing proactive and forward-thinking governance and success measures, CIOs have an important role to play in helping their leadership reach better fiscal outcomes. These measures include mastering collaborative IT

governance, restructuring government organizations, collaborating across jurisdictional boundaries, using new technologies and forging public/private partnerships.

Other, broader strokes that CIOs should consider on the path to high performance include embracing collaborative platforms, cloud computing, Web 2.0 technologies, shared services and IT consolidation, to name just a few. Savvy CIOs are becoming change agents and joining government business leaders to explore ways to reduce back office cost, improve program efficiencies and optimize revenue generation.

For CIOs, emerging stronger from the crisis also involves:

- **Better managing the IT enterprise.** Fight the silos while building the enterprise.
- **Dealing with politics.** Recognize that, especially in a budget crisis, politics are alive and real for CIOs working in government.
- **Enhancing employee morale.** Create an innovative environment with incentives to promote change.
- **Building collaborative partnerships.** Collaborate with program and technology partners—this is critical for CIOs.
- **Celebrating success.** Declare victory for the IT departments whenever possible, because success breeds success.

The relevancy of the CIO in challenging times will ultimately be measured by the ability to lead by using technology to transform government operations and services. With a seat at the decision table, CIOs can help governments emerge from the fiscal crisis—leaner, stronger and poised to achieve high performance.





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¹James Staten, *Case Study: USA.gov Achieves Cloud Bursting Efficiency Using Terremark's Enterprise Cloud*. Forrester Research: September 29, 2009.

²*How Global Organizations Approach the Challenge of Protecting Personal Data*. Accenture and Ponemon Institute LLC, 2009.

³*NASCIO - Improving State Government Operations Through Business Analytics*. NASCIO listserv announcement, February 10, 2010.

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