Leveraging Technology to Measure and Report Performance ~ Remarks to the Little Hoover Commission

The Honorable Aneesh P. Chopra
Secretary of Technology

June 26th, 2008
“More with Less”

Taxpayers Consistent on “Price” Willing to Pay for Government

Virginia’s “Price” of State/Local Government

\[ \text{Cents/} \$ \text{ Personal Income} \]

\[ \begin{array}{c|cccccccccccccc}
\hline
\text{US State and Local} & & & & & & & & & & & & & & \\
\text{Virginia} & & & & & & & & & & & & & & \\
\end{array} \]

Beyond “Best Managed State”

“Our goal is to be the best managed state, but also to go beyond – to measure state government against the best business organizations. All highly effective organizations regularly review their budgets and procedures, constantly looking for ways to improve and implement best practices.

-Governor Kaine July 2007 Budget Memo

Despite increased investments needed for education, healthcare, public safety and transportation, Virginia’s historical tolerance for public investments hovers below 15%.

Additional investments should be funded (at least in part) by savings generated within existing programs – re-allocating under-performing assets one budget tool to consider.

Source: Public Strategies Group; Governor Kaine July 2007 Budget Memo
A Company-by-Company Search for Stall Points

Kodak’s Revenue in Billions of U.S. Dollars

1964–1984*

Questions Addressed by the Analysis

✓ When do large firms stall in their revenue growth performance?
✓ Are there “early warning” signs of impending revenue stalls?
✓ What are the valuation consequences of a revenue stall?
✓ How likely is it that a large firm can recapture healthy top-line growth?
✓ Are revenue stalls created by factors largely outside the control of managers?
✓ What strategy issues are most important to large firm growth fortunes?

Source: Standard & Poor’s Compustat data; Corporate Strategy Board research.

The stall point identification process compares 10-year growth rates preceding and following each year in a company’s history...
Lesson 5: Most Stalls Are Controllable

Frequency of Observed Stall Factors

Uncontrollable Factors (12% of Total)
- Regulatory Actions
- Economic Downturn
- Labor Market Inflexibility
- Geopolitical Context

Contextual Factors (12%)

Controllable Factors (88% of Total)
- Strategic Factors (70%)
  - Premium Position Captivity
  - Innovation Management Breakdown
  - Failed Acquisition
  - Premature Core Abandonment
  - Key Customer Dependency
  - Strategic Diffusion/Conglomeration
  - Failed International Expansion
  - Adjacency Failures
  - Voluntary Growth Slowdown

Organizational Factors (18%)
- Talent Bench Shortfall
- Organization Design
- Incorrect Performance Metrics
- Board Inaction

Counting the Causes
Of the 170 incidences of stall factors underlying the 50 revenue stalls, 88% link to controllable choices of management teams and 70% involve strategy decisions.

Key factors for Virginia Agencies
Virginia’s Integrated, Outcome-driven Performance Management System

- Effective & Efficient Agency Operations
- Agency Management Practices
- Agency Planning and Budgeting

- Version “2.0” Nearly Complete
- Key Measures Completed in 2006
- Productivity Measures Due in 2008

- Outcome-Based Key Measures Linked to Long-Term Objectives
Office of the Secretary of Technology

Role of IT

Foundation of Reform a Modern, Robust IT Infrastructure

Messaging Services
- Enterprise Exchange/Outlook Email
- Enterprise Collaboration Tools
- Active Directory, DNS
  $25M Investment

Mainframe and Servers
- New IBM and Unisys Mainframes in New Data Center
- Consolidation and Refresh of Servers
- Migration of servers to the Data Center
  $50M Investment

Help Desk
- Enterprise Help Desk in Russell and Chesterfield Counties
  $10M Investment

Security
- Enterprise Security Operations Center
- Computer Security Incident Response Center
  $10M Investment

Facilities Tier 3 and Tier 2
- New Data Center/Office Building in Chesterfield
- New Disaster Recovery Center and Help Desk in Russell County
  $60M Investment

Network
- New Commonwealth-wide MPLS Core WAN
- LAN upgrades to Local Switches/Routers as Needed
- Network Re-addressing of IP, DHCP
  $60M Investment

Desktop
- Mass Desktop Refresh Projects
  $35M Investment

Transformation
$270 Million Investment
Reliable, High Performance, Enterprise-Wide IT Infrastructure

“People – Process – Tools”

Voice / Video
- Voice over IP Network Optimized for Voice and Video Traffic
  $20M Investment
The Opportunity

IT Applications Portfolio Key to Unlocking Public Sector Productivity

<table>
<thead>
<tr>
<th>Secretariat</th>
<th>Recommended for Continued Funding</th>
<th>Recommended for Funding</th>
<th>Total Recommended Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Project Cost</td>
<td>No.</td>
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<tr>
<td>Administration</td>
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<td>$1,247,984</td>
<td>2</td>
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<tr>
<td>Agriculture &amp; Forestry</td>
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<td>$1,307,633</td>
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<tr>
<td>Commerce and Trade</td>
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<td>$2,510,000</td>
<td>1</td>
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<tr>
<td>Education</td>
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<td>$23,699,529</td>
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<tr>
<td>Finance</td>
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<td>$0</td>
<td>2</td>
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<td>Health &amp; Human Resources</td>
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<tr>
<td>Natural Resources</td>
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<tr>
<td>Public Safety</td>
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<td>$380,344,230</td>
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<tr>
<td>Technology</td>
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<td>$0</td>
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<tr>
<td>Transportation</td>
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<td>$57,039,638</td>
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<tr>
<td>Totals</td>
<td>20</td>
<td>$474,620,887</td>
<td>31</td>
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</tbody>
</table>
Reporting and Analytics Key to Driving Performance Agenda

Office of the Secretary of Technology

Application Snapshot*

- Financial: 76
- Budget: 28
- HR: 72
- Licenses: 21
- Payroll/Benefit: 29
- Training: 73
- Client/Customer: 52
- Reporting: 261

Enterprise Applications

Shared Services

- Security
- LMS
- EDM (Library)
- Dev Support
- Va.gov
- eSignature
- Licensing (Department of Health Professions)
- Business Intelligence
- Portals

Core Agency Applications

- Financial
- Budget
- HR
- Licenses
- Payroll/Benefit
- Training
- Client/Customer
- Reporting
**PIF Mission**
Partner with state agencies to identify, catalyze and implement innovative solutions which enable a simpler and more effective government for the benefit of the citizens of the Commonwealth.

**Approach**
- Oversight, direction, and implementation of productivity initiatives
- Manage the Productivity Investment Fund (PIF), $3MM in “seed capital” to catalyze innovative projects

**Key Outcomes**
- Improve the constituent experience (e.g., better results, shorter transaction time, reduced constituent expenses)
- Increase government operating efficiency
- Advance Governor’s key agency performance objectives
Governance

Linking Public and Private Sector Experts to Simplify Operations

Organizational Structure

Governor (Chief of Staff)

**PIF Oversight Board**
Secretary of Technology (Chair)
Secretary of Finance
Secretary of Administration
CIO, VITA*
CAO, VEAP*
Dir., Dept. of Human Resource Mgmt*
Dir., Dept. of Planning & Budgeting*

Productivity Investment Fund

Productivity Investment Fund

**Productivity Advisory Committee**

Role of Advisory Committee

Advise on Commonwealth’s approach to effective and efficient government operations; network resources where appropriate and facilitate best practice sharing to create a long-term culture of continuous performance improvement

* Ex Officio
Office of the Secretary of Technology

Productivity Investment Fund

A Portfolio Management Approach to Deliver Productivity Investments

Our Purpose
Elevate Performance

Cost Savings (18 Initiatives)

- Productivity Investment Fund
  - $1.4M investment
  - 7 Projects
  - Projected 6x ROI
- Operational Reviews
  - 11 Projects
  - All volunteer staff (no investment)

Service Improvements (6 Initiatives)

- Digital Platforms (“One-Stops”)
  - $440K investment
  - 4 Projects
  - Projected 40-50% reduction in constituent transaction times
- Process Improvements
  - $84K investment
  - 3 Projects
  - Lower costs for industry and improve functionality

Enterprise Seed Capital (5 Initiatives)

- Shared Operating Services
  - $179K investment*
  - 3 Projects
  - Multi-agency effort underway
- Public-Private Partnerships
  - $412K investment
  - 2 Projects
  - Public-private effort underway

Effective Public & Private Sector Governance
(PIF Oversight Board & Productivity Advisory Committee)

*Does not include $11M dedicated towards VEAP Project Planning
Public Sector Innovation Adoption Holds Promise to Drive Efficiency

Productivity Investment Fund in Brief

Capital: Governor Kaine established $3M fund in January 2007 to simplify government operations

Goals: In addition to operating cost savings, PIF encourages agencies to lower constituent transaction time and advance the Governor’s key performance measures

Competition: Only 25% of all qualified agency applications earned funding

Portfolio: Across two rounds, we are expecting a 6-1 ROI on $1.4M invested to fund the following savings initiatives:

- DGS: Consolidated Mail
- DMV: Workforce Mgmt System
- DMME: Field GIS
- Dept of Tax: Image Cash Letter
- Dept of Tax: Corporate E-File
- Dept of Tax: Eliminate Vouchers
- ODU: VIDEO-D-U

Source: Modified from Crossing the Chasm by Geoffrey A. Moore, 1991
## Pilot Projects Leverage Digital Platform to Improve Service

<table>
<thead>
<tr>
<th>Pilot Project</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Business One Stop</strong></td>
<td>New website designed to streamline myriad forms required to start a new business in Virginia and avoid data entry duplication; of 8 most common forms, 261 data fields include 107 duplicates</td>
</tr>
<tr>
<td><strong>Turbo-Vet</strong></td>
<td>Completed <strong>Phase I</strong> prototype to streamline two veteran’s benefits forms; current wait times of <strong>240 days</strong> for determination expected to fall to <strong>100 days</strong> through intelligent forms in future phases</td>
</tr>
<tr>
<td><strong>Mineral Mining e-Filing Cabinet</strong></td>
<td><strong>390+</strong> industry customers registered for service that lowers renewal approval time from <strong>90 to &lt;15 days</strong>; launched an <strong>enterprise effort</strong> to accept digital signatures, further lowering industry regulation costs</td>
</tr>
<tr>
<td><strong>Streamlined Application Processes</strong></td>
<td><strong>50%</strong> of aged, blind and disabled <strong>Medicaid</strong> web-based applications to be processed within <strong>20 days</strong>; <strong>Enterprise Zone Calculator</strong> automatically calculates incentives saving company time; a <strong>VEC website</strong> will enable all claims submission types online</td>
</tr>
</tbody>
</table>

*$524K investment should lower constituent transaction time 40-50%, saving citizens time and money*
Enterprise Seed Capital

Seed Capital to Plan for Streamlined Enterprise Operations

Mapping Enterprise Opportunities
By Size of Implementation Cost

- "A Strategic Investment"
- "Ready to Implement"
- eSignature
- Payments
- VEAP
- Paperless Government
- Healthcare Admin Data Exchange
- Identity Management

Medicaid Web-Based Claims Initiative
Productivity Investment Fund

Lowering Administrative Costs:
DMAS awarded a $360K grant to build a web-based claims tool for small providers

Medicaid Benefit
DMAS handles 4M+ paper claims annually which are 5x more likely to be rejected; this results in additional processing costs and rework

Public-Private Partnership
DMAS is a founding member of Virginia Health Exchange Network – a consortium of payers and providers committed to lowering administrative costs and is actively working on a collaborative solution

$591K investment yielded four viable projects including a public-private healthcare partnership

Denotes Size of Investment Cost at Full Implementation
Entrepreneurs Ready to Dramatically Lower Costs for Public Services

Hearing Aids
Low-cost product to alleviate hearing impairment; 240+ million people suffer without treatment; David Green selected as an Ashoka Fellow

- Cost Per Device
  - Market Aids: ~$800
  - Impact 1: $60-$210

Prototype developed within three years of original concept.

Water Filters
Low-cost method to remove arsenic from water; 10+ million people suffer without treatment; GMU Professor Abul Hussam wins $1M Grainger Prize

- Cost Per Device
  - Market Filters: ~$5,000
  - SONO Filter: $40

Device requires no energy supply.