

Appendix 4: Past Performance for Information Technology Transformation at the Department of the Interior

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In response to Request for Quotations (RFQ) No. D11PS18894

Under McKinsey GSA MOBIS Schedule GS-10F-0118S

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This proposal is contingent on the Parties reaching mutually agreeable terms and conditions and upon acceptance of any limitations described herein.

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Customer reference 1: Department of Interior – FMBS

Project title	Third party assessment of Financial and Business Management System (FBMS)
Contract number	GS-10F-0118S – Order No. D11PD40244
Period of performance	March 22, 2011– June 17, 2011
Contract amount	\$1,455,539.27
Client identification (agency/company name)	Department of Interior
Contracting and technical reviewing official: Name Address Telephone number	<p>Contracting POC Anita Tolliver, Contracting Officer Acquisition Services Directorate 381 Elden Street, Suite 4000 Herndon, VA 20170 703-964-3687 Anita.tolliver@aqd.nbc.gov</p> <p>Technical POC Pam Haze, Deputy A/S Budget, Finance, Performance 202-208-4775</p>

Context and project description

DOI is implementing a Financial and Business Management System (FBMS) using SAP and CompuSearch (PRISM) modules across all bureaus. The project started in year 2003 and is scheduled to continue to 2014. In a recent review, Office of Management and Budget (OMB) expressed some concern regarding the project and zeroed out funding for the acquisition and financial assistance modules (e.g., PRISM) from future deployments and is holding up approval for the Bureau of Reclamation in the last phase of deployment.

McKinsey was engaged to comprehensively assess the program, including:

- Articulating the sources of value from FBMS, estimating the value achieved to date, and recommending value-capture initiatives to maximize value from the system

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- Assessing the FBMS scope and schedule for the remaining FBMS deployments and offering recommendations and best practices to implement with the goals of reducing risk, complexity, and cost to the extent possible.
- Assessing the change management process for adequacy relative to maintaining standardization and consistency, responsiveness to business and user needs, adequacy in optimizing functionality, and impacts on project risk with recommendations and best practices.
- Assessing the effectiveness of the FBMS project governance structure and process and offering recommendations and best practices to implement
- Making recommendations to strengthen and improve the Department of the Interior's execution of the FBMS program

The assessment had eight predefined deliverables (tasks) covering a range of focus areas from value delivered, governance to change management.

McKinsey's Approach

- Conducted 70+ interviews with all stakeholders including the FBMS PMO, bureaus, system integrator, OMB and others to understand business user needs, sources of value, challenges and perspectives. Visited FBMS operations in DC, Herndon and Denver to work with front line staff to better understand the implementation approach, tools and work plans
- Reviewed and analyzed project scope, schedule, architecture, business plan, cost-benefit, implementation roll out plan, training strategy, change management plan and bureaus' readiness
- Conducted an in-depth assessment of all aspects of the program using McKinsey's SOS framework for diagnosing large IT projects. Utilized frameworks, best practices and benchmarks to analyze FBMS's existing plan, identify potential issues, note discrepancies with best practices, compare to similar projects, and develop list of key success factors
- Interviewed McKinsey experts with experience in change management, large scale project management, sourcing, training and ERP implementation
- Worked closely with bureaus and the FBMS PMO to create recommendations and detailed execution plans. For example, the team identified improvement opportunities in current prioritization process, developed recommendations to improve, secured agreement on the recommendations from the PMO, system integrator, sponsors committee and executive steering committee and developed detailed 'ready to use' forms that PMO can immediately start using

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- Developed six primary recommendations to reduce project risk, accelerate value capture, and increase likelihood for success. The team syndicated these recommendations and worked with key stakeholders to ensure recommendations were actionable.

Results and impact

- Developed six strategic initiatives:
 1. Identified direct potential of \$90-180M in business value by better utilizing FBMS system. The team also identified and prioritized 19 initiatives to accelerate realization of these potential value sources
 2. Created a significantly more efficient and lean blueprinting process by focusing efforts on processes that are not fully defined in previous roll-outs
 3. Defined a rigorous, objective process to coordinate customization requests from the bureaus, focused on cost-benefit analysis supported by bureaus
 4. Revised end-user training by creating an experiential learning program, developing a rigorous train-the-trainer approach, and using internet tools (e.g., wikis) to share knowledge
 5. Enhanced FBMS governance by investing additional resources in value capture, improving the engagement of the ESC, and creating a more robust dashboard to track FBMS performance
 6. Recommended including PRISM in future FBMS to maximize value capture, reduce deployment cost, and mitigate deployment risks.
- For each initiative, the team developed consensus among all key stakeholders and identified specific next steps
- Incorporated recommendations into new action plan with revised timelines, activities and outputs
- Worked with the stakeholders (e.g., PMO, bureaus, ESC) to implement a number of recommendations (e.g., revised blueprinting plan, revised training plan).

Relevance of this case study to DOI IT transformation

The approach and insight developed by McKinsey in the FMBS effort is relevant to our proposed support for DOI's IT transformation. The FMBS contribution:

- Illustrates our expertise in supporting a large public sector organization to assess a large program and develop recommendations to reduce risk and increase value

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- Demonstrates the successful application of our methodology, tools and benchmarks to support multi-year, multi-hundred million dollar business and IT programs as well as deliver highly valuable insights about implementation, change management and value capture
- Established relationships with key DOI IT and bureau leaders who are also customers for the IT transformation initiative
- Deepened McKinsey's understanding of DOI challenges, operating protocols, and cultural sensitivities.

McKinsey Personnel Involved

Stephen Kelly, Jon Wilkins, Andrew Sellgran and Anupam Mishra led this work

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Customer reference 2: Office of Management and Budget and the General Services Administration

Project title	Recommendations for Improving IT Program Delivery Across the Federal Government
Contract number	GS-10F-0118S – Order No. GS-I-00-10-AA-0417
Period of performance	August 26, 2010 - January 14, 2011
Contract amount	\$1,471,742.89
Client identification (agency/company name)	Office of Management and Budget and the General Services Administration
Contracting and technical reviewing official: Name Address Telephone number	<p>Contracting POC Diane Taylor, Contracting Officer Central Office Contracting Division 1800 F Street, NW, Room G-241 Washington, DC 20406 email: diane.taylor@gsa.gov (202) 208-1822</p> <p>Technical POC – Susan Tynan , Performance & Management Advisor 725 17th Street NW Washington, DC 20500 email: Susan_R._Tynan@omb.eop.gov Office - (202)-395-9151/Cell - (202)-395-9151</p>

Context and project description

Despite spending more than \$600 billion on information technology over the past decade, the Federal Government has captured little of the productivity improvements that private industry has realized from Information Technology (IT). Federal IT projects too often cost more than they should, take longer than necessary to deploy, and deliver solutions that do not meet the government’s business needs. Although these problems exist across the Federal Government’s IT portfolio, financial systems modernization

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projects in particular have consistently underperformed in terms of cost, schedule, and performance.

Last year, OMB was tasked by the White House to develop guidelines on how to improve the Federal Government's IT practices. OMB retained McKinsey to help it address the root causes of problems plaguing Federal IT projects by strengthening existing policies and procedures where appropriate, eliminating outdated and cumbersome rules, and implementing proven best practices from inside and outside the Federal Government. The resulting effort focused on three major areas:

- Collecting and providing a set of best practices across private and public sectors for managing large programs
- Constructing a framework for Federal Government teams to use in making structural changes on how large projects are managed
- Creating a detailed implementation plan for rolling out best practices and structural changes across the government.

McKinsey's approach

- Conducted interviews and document reviews to gain a deep understanding of a broad range of stakeholder perspectives and identify Federal Government best practices
- Interviewed external experts who focus on large IT programs to compile public and private sector best practices
- Analyzed results of financial system projects, prior OMB studies, the 2010 TechStat reviews, and notes from the Federal CIO's "listening tour" to identify structural changes required to drive improvements across government
- Reviewed and analyzed numerous Federal Government IT project plans, technology architectures, business plans, cost-benefit analyses, project vendors' requests for proposal, and procurement processes
- Conducted several internal workshops on topics such as interface issues between procurement and program management, engaging CIOs on their toughest large IT programs and identifying best practices in successfully managing large IT programs
- Drafted an integrated strategy for managing large IT projects and developed specific recommendations on how to improve both project management and value capture
- Created a 25-point implementation plan to drive overall improvement in Federal Government IT practices.

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Results and impact

The Federal CIO's *25 Point Implementation Plan to Reform Federal Information Technology Management* was developed and published to help deliver more value to the American taxpayer by addressing the most pressing, persistent challenges faced by Federal Government IT. The plan was designed to establish some "early wins" and to build momentum for future efforts to strengthen Federal Government IT practices. The plan will lead to significant improvements for the government such as:

- Perform radical turnarounds or terminate at least one-third of underperforming projects in the Federal Government's IT portfolio within the next 18 months
- Shift to a "Cloud First" policy. Task each agency to identify three "must move" services within three months, and move one of those services to the cloud within 12 months and the remaining two within 18 months
- Reduce the number of Federal data centers by at least 800 by 2015
- Strengthen IT project funding requirements by only approving funding for major IT programs that meet key success criteria, i.e., have a dedicated program manager and a fully staffed integrated program team, use a modular approach with usable functionality delivered every six months, and use specialized IT acquisition professionals
- Increase collaboration with Congress by consolidating commodity IT funding under the agency CIOs and developing flexible budget models that align with modular development
- Launch an interactive platform for pre-RFP agency-industry collaboration.

Relevance of this case study to DOI IT transformation

Similar to the FMBS effort, this initiative demonstrates McKinsey's unique ability to identify critical performance issues and engage and gain buy-in from stakeholders to resolve them. In addition, our work:

- Illustrates McKinsey's expertise in supporting a public sector organization to rapidly assess large-scale, IT programs and develop a robust set of improvement recommendations
- Showcases both our deep technical expertise across multiple dimensions of IT (e.g., IT applications, ITSM) and our ability to bridge the gap between business needs (e.g., program management, sourcing) and IT performance management

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- Demonstrates McKinsey’s ability to manage large projects similar in complexity and magnitude to the transformation effort proposed by DOI
- Demonstrates McKinsey’s commitment to actionable, impactful solutions. The team developed recommendations for near-term impact within the framework of a larger implementation plan and timeline.

McKinsey Personnel Involved

Stephen Kelly, who is listed as one of the core leaders and key personnel proposed for the DOI transformation, led this project

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Customer reference 3: Tyco International

Project title	G&A transformation
Contract number	N/A
Period of performance	Jun 2010 – May 2011
Contract amount	Cannot be disclosed without client consent
Client identification (agency/company name)	Public company / Tyco International
Contracting and technical reviewing official:	
Name	Anne Kennedy
Address	9 Roszel Road Princeton, NJ 08540
Telephone number	609-720-4336

Context and project description

Tyco International is a diversified manufacturing and services business that focuses on security, fire protection, and water projects. Tyco conducts business in over 60 countries. As part of its recent transformation Tyco has begun evolving from a holding to operating company with greater shared operational support, and re-organized to a segment driven model with three major businesses: Fire, Security and Flow.

Tyco's organization is very complex, the result of many merger and acquisitions that created fragmented structures (it has 1,000+ legal entities), systems (e.g., Tyco has 100+ ERP instances), and accounting definitions and processes (currently the company has 100+ charts of accounts). Tyco had a strong business unit-driven culture, with each business leader served by dedicated Finance, IT and HR teams, which led to significant fragmentation and duplication of processes, practices, ownership, and organization structure. This complex structure created difficulty in driving change due to challenges in aligning business needs across diversified segments.

With a goal to reduce its general and administrative (G&A) spend, Tyco recently initiated a program to integrate and optimize its support functions. The project focused primarily on capturing the value in aligning very detailed and complex IT, Finance and HR functions, by streamlining processes, creating shared service centers and by leveraging outsourcing and offshoring (O&O).

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Dates of service

The project proceeded in three phases:

1. June 2010 to September 2010: project set-up, current state diagnostic, and opportunity sizing and prioritization
2. October 2010 to January 2011: future state design, implementation planning, and shared service center creation and business process outsourcing request for proposal (RFP) creation
3. February 2011 to present: shared service center creation and migration, selection of business process outsourcing vendor and preparation for process migration.

McKinsey's Approach

Project set-up and current state diagnostic and opportunity sizing and prioritization:

- **Benchmarked functions** – built detailed baseline of client's staff and contractor levels and spend; compared size and resource investment to McKinsey's proprietary Business Support Function benchmark database
- **Conducted targeted analyses** – conducted a series of surveys and interviews to understand the effectiveness and efficiency of the client's IT, finance and accounting functions and HR functions at a detailed level, and compared the client's practices to best practices
- **Sized overall improvement opportunity** – based on the quantitative benchmarking and differences between best practices and client practices, McKinsey developed a perspective on the total opportunity to reach benchmark costs and the set of initiatives required to reach the benchmark level
- **Identified key priorities by function** – through a series of working sessions, client prioritized the initiatives and built an overall implementation plan to capture the value.

Future state design and implementation planning:

- **Defined functional & cross functional end state** – conducted a series of working sessions to define the specific activities to be completed locally, globally, in shared services, and with an outsourced provider. Outlined the key enablers required to successfully implement shared service centers and outsourced relationships
- **Built transformation roadmap** – defined the required sequence and timing of initiatives in three categories: foundational initiatives (e.g., single chart of

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accounts, master data standards), structural initiatives (e.g., creation of shared service centers and outsourcing relationships), and transformation initiatives (e.g., demand reduction, process redesign, automation)

- **Developed change management plan** – defined the communication sequence and content for senior executives down to front-line employees and conducted a series of cross-functional discussions to gain alignment on the end-state and implementation roadmap.

Shared service center (SSC) creation and business process outsourcing

- **Selected vendor and conducted due diligence** – Conducted qualitative and economic evaluation of vendor bids to get “apples-to-apples” comparison, selected preferred and secondary vendors, and conducted internal due diligence to determine the full value of SSC and O&O opportunity for the client
- **Designed future state solution** – finalized processes that would be conducted in SSC and O&O centers and aligned on the future state processes for major processes (accounts payable, payroll, T&E, and record-to-report), IT operating model (three-pronged approach and organizations to service different needs of business in application development and maintenance, infrastructure, etc.)
- **Migration to SSC and business process outsourcing (BPO)** – managed the detailed process to select and notify employees and work through employee transition. Designed retained organization for the future state.

Results and impact

Although the reorganization is ongoing, several improvements are already evident from McKinsey’s assistance of Tyco in this major effort. We:

- Identified a range of 20-50+% cost reduction in focus areas
- Classified and consolidated support services activities into shared service centers in waves for staged approach and mitigate risks of migration (e.g., payroll and IT general shared services for wave 1)
- Deepened the internal capabilities needed for the client to manage large scale transition (including HR, Communications, and central program management capabilities)
- Built outsourcing relationships to facilitate migration and sustainable relationship in 50% less time than typical large-scale BPO initiatives
- Developed an integrated blueprint for a 3-year strategy implementation of the new IT, Finance, HR processes and shared services, incorporating other relevant company-wide and business unit-level initiatives to increase efficiency and consistency.

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Relevance of this case study to DOI IT transformation

- Demonstrates our ability to develop a robust baseline and assess performance across multiple areas of support services, e.g., IT, Finance, HR
- Illustrates our experience in working with and ensuring success in highly decentralized, large-scale organizations with complex process environments Highlights the value of McKinsey’s proprietary tools and benchmark database to quickly allow our team to identify opportunities, size them, and develop a multi-year, phased approach to achieve the cost reduction and service improvement goals
- Shows that our recommendations are based upon tangible, actionable opportunities that reflect the unique situations of our clients, not ‘template answers’, and that the vision developed can be realized Emphasizes our commitment to partner with business leaders in developing a strategy with stretch but achievable goals and our ability to present a feasible plan that incorporates ongoing initiatives in the client company.

McKinsey Personnel Involved

Jinsook Han is on the expert panel and served as the core leadership for this work

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Customer reference 4: The Department of State and United States Agency for International Development (USAID)

Project title	IT Transformation
Contract number	GS-10F-0118S – Order No. AID-CIO-M-10-00003
Period of performance	July 12, 2010 - January 28, 2011
Contract amount	\$2,669,077.44
Client identification (agency/company name)	The Department of State and United States Agency for International Development
Contracting and technical reviewing official: Name Address Telephone number	Contracting POC Michael Clark, Contracting Officer USAID M/CIO/CMS, Room 542D 301 4 th Street, SW Washington, DC 20523 (202) 567-4136 mclark@usaid.gov Technical POC – Susan Swart , Chief Information Officer, The Department of State 2201 C Street NW, Washington, DC 20522 email: SwartSH@state.gov Office - (202)-647-2889

Context and project description

The United States Agency for International Development (USAID) and Department of State (State) were seeking to improve the availability and use of information in support of diplomacy and development. The objective of this project was to determine how IT infrastructures and services of USAID and State can be consolidated into a shared services model both domestically and overseas to deliver improved support to the joint foreign affairs mission and/or result in cost savings.

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McKinsey's approach

- Conducted 50+ interviews with end-users and IT staff across both organizations to fully understand the IT 'business requirements'
- Interviewed external experts who focus on large IT Transformations to compile public and private sector best practices
- Conducted site visits to key domestic operations and five international embassies to see the IT and mission operations in person
- Analyzed the IT metrics for both organizations across all IT functions in order to validate the opportunities for IT consolidation and transformation
- Designed multiple options for IT Transformation, each option with a different set of shared services and deployment sequence
- Built detailed financial models to estimate the investment and cost savings for each option
- Conducted several workshops with core leadership to align on IT Transformation options and syndicated the chosen option with other stakeholders
- Created the detailed IT Transformation implementation plans for:
 - Change management
 - Communications
 - Human relations and staffing changes
 - Service desk design and implementation
 - Application testing and migration
 - Technology investments
 - Organization design and governance
- Established and trained a Program Management Office (PMO) team to execute the implementation plans and track results against a strict program timeline.

Results and impact

The scope of this effort included over 80 international locations as well as a fragmented domestic IT footprint. There had been three prior attempts to establish this shared services model over the past seven years; however, a IT Transformation plan was finally signed-off by leadership from both organizations after our engagement. The agreement to commence with the IT Transformation was made at the highest levels of both organizations, and this effort is currently monitored by the Secretary of State,

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Deputy Secretary of State, and Administrator of USAID. When fully implemented, this IT Transformation is expected to achieve the following results:

- Provide a consistently high level of service to all IT end-users across the Department of State and USAID and put in place key metrics and performance dashboards to evaluate and monitor performance
- Invest in new technologies that will improve the ability for both organizations to conduct their individual missions, and enhance the collaboration between the two organizations to work together more effectively on joint missions
- Transform the IT service delivery model into a more efficient shared service platform that allocates and handles the IT workload quicker and more effectively
- Streamline the IT footprint, eliminating redundant IT spend and consolidating underutilized assets
- Put in place a governance model that allows for faster decision-making and increased flexibility to adapt to the continuously changing needs of both organizations
- Generate savings of \$70-90 million per year once the IT Transformation is fully deployed across all domestic IT operations and all international locations.

Relevance of this case study to DOI IT Transformation

This effort illustrates McKinsey's expertise in supporting a public sector organization to design and implement a complex IT Transformation program. In addition, it:

- Showcases both our deep technical expertise across multiple dimensions of IT (e.g., infrastructure, applications, service desk) and our ability to bridge the gap between business needs (i.e., user requirements) and IT functionality
- Demonstrates McKinsey's ability to manage the needs of multiple stakeholders and arrive at a mutually agreed-upon solution that all parties will embrace
- Demonstrates McKinsey's focus on and expertise in organizational change. The team carefully developed a plan to engage all members of both organizations from Day 1 of the engagement. This approach hinged on constant communications and cultivating 'champions' for the effort across both organizations.

McKinsey Personnel Involved

Ankur Ghia, the project manager for the McKinsey team, led this work

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Customer reference 5: City of New York

Project title	CITIServ
Contract number	N/A
Period of performance	November 2009 – July 2010
Contract amount	Cannot be disclosed without client consent
Client identification (agency/company name)	NYC Department of Information Technology and Telecommunication (DoITT)
Contracting and technical reviewing official: Name Address Telephone number	Joshua Winter Vice President, Strategic Planning New York City Economic Development Corp. 110 William Street New York, NY 10038 jwinter@nycedc.com Phone: 212 312 3709

Context and project description

In an effort to optimize its IT budget, increase efficiency and improve quality, the City of New York decided to review its data center operations across its 80+ agencies. As part of this process, it found that:

- Most funding and budgeting within the city was done primarily on a project basis, limiting visibility into IT costs imbedded within projects
- Thousands of heterogeneous servers were scattered across more than 50 data centers and closets, with many of the servers aged well beyond the typical 3-5 year refresh cycle
- Data center facilities tended to have low reliability and low efficiency due to their age and subscale capacity
- Assets were under-utilized, with servers and storage often dedicated to single application
- Support services were highly fragmented across city agencies and tended to be inconsistent and of poor quality (e.g., many agencies lacked even basic help desk functionality)

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- IT assets were purchased on a project-by-project basis, so little purchasing leverage could be realized.

McKinsey's approach

To address these issues, the city engaged McKinsey to design and launch a program to migrate all agency data centers and infrastructure into a centrally managed IT function. We assisted the city to:

- Setup a program management and governance structure that monitors / tracks program risks and issues, drives execution across work streams and agencies, and coordinates efforts of all parties involved (e.g., vendors, agencies, employees, citizens)
- Select and onboard a service integration vendor to perform the migration of each agency to shared service
- Develop a view of the future-state shared service organization that included a facilities strategy (e.g., site selection, build specifications, floorplan), catalog of standard services offered to agency customers, and a definition of technical target architecture
- Create a detailed financial model and performance dashboard that provides agency customers full transparency into pre-transition and post-transition infrastructure footprint, services and service level agreements Establish a robust and repeatable approach to assess a given agency's infrastructure footprint (i.e., assets, labor, spend), develop a detailed plan to migrate applications / services and to execute transition to the shared service model.

Results and impact

In the future-state, the City decided to house its infrastructure in two modern data centers, designed to industry standards for uptime and reliability. In addition, the city defined a standard set of services that agencies could request, including modern technologies and techniques such as virtualization and cloud computing. This standardization of services allows the city to deliver quality services to the agencies at a lower cost. The central IT function will support these services by leveraging a comprehensive set of supporting processes modeled on ITIL, a process framework typically used in the IT industry. The following benefits are expected to be realized from the program:

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- Run rate cost savings of more than 15%, due in large part to improved asset utilization, energy efficiency, vendor rates, and labor productivity
- Improved and consistent service levels by modernizing the infrastructure and providing a consistent and highly standardized set of support processes
- Greater breadth of IT capabilities, such as disaster recovery services, which were previously inaccessible to many small-scale agencies
- Higher IT cost transparency as IT budgets are moved out of individual projects into a centralized IT organization budget
- Opportunities for IT staff to upgrade their skills, by learning more modern technologies and operational practices.

The program will deliver more than \$40 million in savings annually once fully operational. Highly-visible successes are already being realized in the early stages of the program, which is ensuring continued support. These include creation of many new services, the acquisition of data center facilities capacity, and the transition of several high-profile agencies.

Relevance of this case study

There are many facets of our success with CITServ that will also be important to DOI's IT Transformation effort. Our work for New York:

- Demonstrates our ability to develop an integrated and comprehensive data center consolidation strategy for a large public sector organization
- Illustrates our technical capabilities to collaboratively define a service catalog, identify data center site specification and model financial benefits for a complex public sector client
- Highlights our collaborative problem solving approach, network of technical experts, ability to execute in complex organization settings and capabilities to drive impact across a diverse set of stakeholders.

McKinsey Personnel Involved

James Kaplan, who is on our expert panel, led this work

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