

# Technical Quote for Information Technology Transformation Detailed Planning Follow-on Strategic Deep Dives at the Department of the Interior

McKinsey & Company, Inc. Washington D.C.  
1200 19<sup>th</sup> Street, NW, Suite 1100  
Washington, DC 20036

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Technical Contact	Contractual Contact
Jon Wilkins, Principal (202) 662-3332 (202) 662-3316 - facsimile <a href="mailto:jon_wilkins@mckinsey.com">jon_wilkins@mckinsey.com</a>	Chuck Self, Contracts Manager (202) 662-3183 (202) 662-3316 - facsimile <a href="mailto:chuck_self@mckinsey.com">chuck_self@mckinsey.com</a>

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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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## Introduction

The Department of Interior has embarked on a multi-year Information Technology Transformation. This Transformation, set in motion by Secretarial Order (SO) 3309, aims to “transform DOI’s IT organization into an agile, reliable and cost effective service” that better supports DOI’s mission. The effort aims to achieve \$500 million in savings and is a critical component of the Department’s strategy to ensure mission delivery in the face of intensifying budget pressures. More broadly, success will help keep DOI in a “front foot” posture with other governmental stakeholders -- including the White House and Congress – in ongoing dialogues over budgets, management reforms, and overall productivity. Finally, an effective IT Transformation will validate and serve as a catalyst for additional of cross-Department improvements. Other federal agencies will be watching DOI’s efforts carefully as an example of how (and how quickly) to proceed with the transformational IT reform agenda set out in the OMB’s *25-point Plan*. In short, the stakes are high.

McKinsey confirms that the single GSA FSS schedule solution is within scope of the schedule quoted and is appropriate for this requirement.

## Understanding of the Project and Objectives

After working to support the IT transformation over the last 24 weeks, our team has a developed deep understanding of the needs and critical success factors for this effort. During our time at the Department, we have built the foundational plans and tools that will help position DOI for success during the course of this multi-year transformation. Specifically, we have created a detailed IT transformation plan that encompasses eleven specific deliverables:

- *Initial IT Service Portfolio and IT Service Catalog*
- *Process and Criteria for Identifying and Prioritizing New Elements of the IT Service Catalog*
- *Detailed IT Services Lifecycle and Governance Model*
- *Financial Modeling Templates and Chargeback Models*
- *Management Structure, Roles, and Responsibilities*
- *Enterprise Asset Management Implementation Plan*
- *Enterprise Service Desk Implementation Plan*
- *IT Transformation Communications Strategy*
- *Organization Change Strategy*
- *Data Center Consolidation Strategy*
- *Sourcing and Acquisition Strategy that supports the OMB “Cloud First” Directive*

Given this context, the Department is seeking external support to build on the success of this effort over the past several months. To do this, DOI has prioritized strategic deep dive follow-ons for six (6) specific tasks as being critical to the success of the IT transformation effort, and with the work we have done to date, we are distinctively qualified to support this additional effort. This proposal outlines an approach for how we would continue to support the Department across these deep dives and help you maintain the momentum you have built over the past several months.

## Overview of Approach

We will utilize the same IT framework and tools that we leveraged during the first phase to ensure the success of these deep-dive follow-ons.

### **Task 1.1: Management structure including roles and responsibilities: Additional development and refinement of the next level of roles and responsibilities for Service Delivery, and Support functions**

- **Objective:** Refine and further develop the roles and responsibilities for the IT Transformation Office (ITO), Service Delivery, Relationship Management and Support functions
- **Activities:**
  - Provide support and guidance to OCIO and associated contractors for developing strategy to stand up new management structure roles
  - Refine and further develop roles and responsibilities of various groups within Service Delivery, including:
    - Service design
    - Service management
    - Service delivery
    - Major service delivery transformation teams
  - Further delineate and agree on roles/responsibilities of various functions within the Support organization, as well as interaction with other Departmental counterparts in transition state
  - Further delineate and agree on roles/responsibilities of the Relationship Management group and the mode of interaction with Bureaus and Offices within the Department
  - Create the decision-rights map across the various roles to map out the key decision makers across the various decision points
- **Deliverables:**
  - OCIO management structure deep-dive

- Refined roles and responsibilities for groups within Service Delivery and Support functions
- Support and guidance for developing strategy for standing up new management structures
- Decision-rights map to ensure clear decision-making protocol across the new organization

**Task 1.2: Sourcing and acquisition strategy: Build-out of cloud-specific sourcing and acquisition strategy and requirements definition in the context of a refined hosting strategy**

- **Objective:** Provide recommendations regarding the hosting requirements specification and RFP design to enable the Department to strategically source capacity for existing data centers.
- **Activities:**
  - Provide guidance and input on proof-of-concept cloud hosting contract (e.g., public web hosting, content management systems)
    - Provide industry best-practice input for developing requirements and issuing proof-of-concept RFP
    - Review existing timeline for implementing proof of concept and provide guidance on potential mechanisms for accelerating this timeline and accompanying implications
  - Provide recommendations / input on best-in-class approach on external hosting requirements typically leveraged in RFP creation
    - Providing guiding principles in the context of key factors for success and major drivers of failure / poor performance in external hosting requirements specification
    - Recommendations / input into aligning requirements specifications with recommended refined application / data assessment tool and prioritization methodology for data collection
  - Provide recommendations and best-practice guidelines for developing an effective vendor management office
- **Deliverables:**
  - Deep-dive on cloud-specific strategic sourcing strategy
    - Support and guidance in refining strategy for a near-term proof-of-concept cloud hosting contract
    - Multiple options and guiding principles for best-in-class approach for hosting requirements specifications in the context of potential RFP creation
    - Recommendations for developing an effective vendor management office

**Task 1.3: IT Services Lifecycle and Governance: Strategic deep-dive on performance management strategy, including roles / responsibilities and tools / dashboards**

- **Objective:** Provide guidance on integrating performance management with broader IT governance efforts with accompanying tools and dashboards
- **Activities:**
  - Provide recommendations and industry benchmarks for managing and reporting on service level agreements for services in the IT service catalog
    - Support OCIO in developing tools and dashboards for monitoring performance against service level agreements
    - Provide guidance on best-practice methods for setting SLAs along with relevant industry benchmarks
  - Outline integration recommendations for performance management processes and roles with broader IT governance framework
    - Provide roadmap for transition of performance management functions from ITO to dedicated performance management function in the end-state
    - Develop strategy for ensuring strong integration and alignment between performance management and vendor management functions
  - Provide recommendations for intermediate performance management mechanisms and capability building
    - Identify mechanisms for developing operating metrics dashboard for the Office of the Secretary
    - Provide input on cost tracking capabilities and methodologies for the department
- **Deliverables:**
  - Performance management deep-dive including:
    - Recommendations and support on SLA monitoring / management tools and mechanisms design
    - List of guiding principles on integration of performance management with broader governance functions
    - Examples and options on intermediate and near-term performance management mechanisms and capabilities

#### **Task 1.4: Financial modeling templates and chargeback model: Refinement of pricing and roll-out strategies for financial chargeback model including development of simplified intermediate chargeback strategy**

- **Objective:** Provide guidance and recommendations on pricing strategy design and roll-out for financial chargeback model
- **Activities:**
  - Provide recommendations on pricing strategies and interactions with budgeting across IT service catalog offerings
    - Provide guidance and intermediate pricing strategies across major service categories
    - Provide input on aligning price setting and communications with traditional IT budgeting processes and functions
  - Outline recommended service catalog pricing roll-out sequencing across all IT service catalog offerings
    - Develop intermediate financial chargeback model and pricing strategies in advance of roll-out of full end-state model
    - Provide input on development roadmap for enabling capabilities for full cost and spend monitoring
  - Provide support on the alignment of the budget process to the chargeback model
    - Conduct interviews with relevant stakeholders and subject matter experts within the Department
    - Develop options for the funding of the new Service Delivery organization
    - Determine the impact of each option on the chargeback model and funding mechanism
- **Deliverables:**
  - Financial chargeback model deep-dive including:
    - Recommended intermediate pricing strategies and budgeting interaction mechanisms
    - Intermediate financial chargeback model roll-out strategies
    - Options for aligning the budget process and funding mechanisms to the chargeback model

#### **Task 1.5: IT Transformation communications strategy: Development of the next level of communications strategy detail for IT management community and senior Departmental leadership in the context of an updated detailed IT Transformation plan**

- **Objective:** Provide guidance and recommendations on communications with key IT stakeholders
- **Activities:**
  - Provide support in the development of key senior stakeholder communications including:
    - Review and provide input on development of follow-on strategic plan for IT transformation
    - Aid in the creation of senior executive memos and accompany exhibits
    - Provide support in creation of updates and presentations for the IT Transformation Executive Steering Committee
  - Provide guidance and recommendations in refining IT community communications strategy
    - Provide input and guidance on developing materials for ADIR interactions and working sessions
    - Refine overall IT communications strategy to align with updated IT Transformation detailed plan
- **Deliverables:**
  - IT communications strategy deep-dive including:
    - Key senior stakeholder communications developed (e.g., secretarial memo, executive steering committee presentations, DOG dashboards)
    - Guidance on refining overall communications strategy for IT community

#### **Task 1.6: Data center consolidation strategy: Detailed strategic recommendations in the context of greater applications and data collection efforts and needs**

- **Objective:** Provide guidance and recommendations on refining end-state blueprint in the context of updated cloud-first sourcing strategy
- **Activities:**
  - Provide recommendations on refinements to application / data assessment (ADAT) tool
    - Review existing application / data assessment tool and methodology
    - Identify critical gaps in existing tool for achieving objectives and potential extraneous elements that can be eliminated / de-prioritized and provide recommendations
    - Provide recommendations on refining ADAT communications strategy and roll-out milestones
  - Outline prioritization methodology for hosting and application data collection in support of sourcing volume projections

- Provide high-level segmentation of classes of application data collection (e.g., geographies, application type, alignment with FDCCI schedule)
  - Develop recommended guiding principles for prioritization effort across the classes of application data collection
  - Provide guidance in refining near-term data center consolidation strategy to align with overall strategy
    - Provide support for developing and refining list of potential consolidation sites for data center hosting strategy
    - Provide input into developing investment / cost estimates for implementing near-term strategy
  - Provide recommendations and guidance on strategy for developing migration strategy in the context of initial ADAT tools results
    - Support initial analytics efforts based on preliminary ADAT tools results to provide high-level view application portfolio hosting end-state
    - Provide input into developing draft application migration blue-print based on initial application and data assessment results
    - Aid in refining savings projections and investment costs in the context of updated migration strategy
- **Deliverables:**
- Datacenter consolidation deep-dive including:
    - Recommended refinements to application and data assessment tool
    - Prioritization methodology for ADAT tool roll-out
    - Short-term strategy for migration for the next 6-12 months
    - Recommendations on developing hosting migration schedule

## Potential Problems and Intended Solutions

IT transformation at DOI is an ambitious undertaking and we have worked with the Department over the past six months to address challenges that have arisen. Below are a couple of the most important challenges we anticipate and how we would address them:

- **Coordination across functions.** With transformations of this scale and magnitude, multiple technical and non-technical functions must coordinate to ensure the success of each initiative. We will draw upon our previous experience, existing relationships at DOI, an overarching view of initiatives to drive coordination and integration of disparate functions.

- **Developing new capabilities.** The transition to an enterprise IT shared service model requires the creation of numerous new capabilities (e.g., budgeting, service delivery leadership, sourcing). We will provide best-practice guiding principles and leverage successful industry examples to support the Department's creation and enhancement of critical new capabilities.

## Project Schedule and Personnel

With our proven methodology and tools, and given we will use the same personnel, we will deliver the stated end products in 16 weeks. The speed at which can successfully craft these deliverables is due to the deep expertise and extensive knowledge of the Department that our team has developed over the past several months of planning the IT Transformation. As per our project management plan, we would start off with a working team staffed with three full-time consultants and a project manager. After eleven (11) weeks, we would ramp the team down to a project manager and two full-time consultants and transition the ongoing work to the respective IT Transformation Service Teams and the IT Transformation Office.

- **Core leadership team.** A team of McKinsey partners and leaders with extensive relevant experience would review work, ensure high quality and bring relevant expertise to the project. Our leadership team would include Jon Wilkins, Steve Kelly, and Andrew Sellgren. In aggregate, this team ensures we will provide senior engagement at all key meetings.
- **Project manager.** Ankur Ghia would continue to be the project manager, providing further quality control, subject-matter expertise, and management of all expert contributions. He would also serve as the government's primary point of contact for technical matters on this contract.
- **Expert panel.** McKinsey experts would provide specific expertise on topics such as IT shared services, IT Transformations, change management, IT governance and organizational transformation. We have specifically selected a panel of experts who would dedicate time to support the team on an ongoing basis.
- **Working team members.** Three consultants would be dedicated full-time to this project. These individuals would be aligned to specific work streams and activities as detailed in the project plan. Arsalan Tavakoli-Shiraji would remain on the team and help to lead the effort on specific deliverables. At the later project stages, the team members would collectively work on developing lessons learned and a consolidated report for DOI.
- **Working team leaders.** Pedja Arandjelovic would remain a full-time team member and would provide on-the-ground process management. He will develop end products and maintain an integrated view across all workstreams to manage interdependencies and connections.

## Distinctive McKinsey Qualifications

We bring a combination of expertise, relevant experience, proprietary tools and key personnel that make McKinsey uniquely qualified to support DOI in this effort. Specifically, we bring:

- **Intimate knowledge of IT Transformation at DOI:** We understand the complexity of the various aspects of IT Transformation. The six (6) deep dives to be conducted as part of this effort will demand a deep and extensive knowledge of IT Transformation at DOI. Over the past six months, our team has developed the detailed transformation plan and has built strong relationships with key stakeholders across the organization. Understanding the details of this effort, knowing its history, and understanding the diverse perspectives of the stakeholders will all be critical to successfully conducting the deep dive activities.
- **Leading expertise in change management in the public sector:** We understand that change management deals with more than just technical aspects of change and process hygiene; indeed, organizational culture and mindsets are often the largest barriers to success, especially in the public sector. We will engage the ‘customers’ of IT services, to better understand their needs and understand how mindsets and behaviors will need to change to realize the full value of the new IT service model. Change management must begin immediately and continue throughout the effort. McKinsey is at the forefront of change management innovation, in both the public and private sectors. Our publications, engagement and events, such as the “Public Sector Change Leaders Forum,” highlight our experience in this area. We understand the importance of communication and of achieving early wins to build momentum and credibility.
- **Unique capability at the intersection of public sector, technology, strategy, and change management:** Although many firms offer technology consulting, McKinsey is distinctive in our combination of public and private sector experience, deep understanding of business strategy and operations, robust technology expertise, and change management know-how. First and foremost, we approach transformational IT work with a primary focus on how the organizational will realize business value. This emphasis ensures tight links among IT strategy, business needs, and the organizational/operational changes required for success. Our IT Transformation approach has been refined over time through hundreds of engagements. A large portion of our client work in this area involves designing and delivering multi-year IT Transformations in complex environments. Finally, we have a track record of successful change management in the federal government, including driving transformational change across entire departments and agencies.
- **Intimate familiarity with DOI and the IT performance priorities set out by OMB:** We recently supported OMB in its development of the *25-point Implementation Plan to Reform Federal Information Technology Management* as well as the *Federal Cloud Computing Strategy*. Our experience working with OMB and the Federal CIO Council provides direct insights into the

supporting rationales for these new policies. In addition, we bring a deep understanding of DOI based upon our recent work at NBC as well as the ongoing assessment of the FBMS project. We understand the DOI organization and culture, notably the particular challenges of department--wide initiatives. Our work with DOI illustrates our ability to drive change within DOI.

### **Additional Important Qualifications McKinsey brings:**

- **Dedicated Business Technology Office (BTO):** Our Business Technology Office (BTO) has 650 practitioners who focus on IT Transformation and IT optimization in both the public and private sectors. We bring a proven set of tools, libraries of benchmarks, and a strong network of experts.
- **Complete independence and objectivity in our recommendations:** McKinsey has no downstream conflicts of interest. We have no relationships with vendors, and we derive no fees or commissions from systems, software, or equipment. This enables us to develop objective recommendations with only DOI's best interests in mind. Many clients site this independence as a critical differentiator for McKinsey, especially in IT-related work.
- **A team of key personnel with recent, relevant experience:** We have assembled a team with directly relevant experience in key disciplines such as IT shared services, organizational change management, business technology, IT service chargebacks, cloud strategies, and data center consolidation. An IT Transformation is a highly complex effort, and it requires a broad mix of functional expertise, public sector knowledge, and an understanding of DOI. Our team brings this optimal mix. As stated previously, we will retain the core members of our team from the prior effort to provide continuity and minimize the time required to ramp up on the details of the IT Transformation and the Department of Interior.

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### **MCKINSEY CORPORATE DATA**

McKinsey & Company, Inc. Washington, D.C.

1200 19<sup>th</sup> Street, N.W., Suite 1100

Washington, DC 20036

Main Telephone: (202) 662-3300

Facsimile: (202) 662-3175

Email: [mckinsey\\_gsa@mckinsey.com](mailto:mckinsey_gsa@mckinsey.com)

DUNS: 82-522-9318

TIN: 56-2405213

NAICS: 541611

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