Achieving World-Class Performance
IT Benchmark Executive Preview

Presented to:

UNIVERSITY OF TOLEDO

Jonna Peat

The Hackett Group

February 15, 2011

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- Benchmark Background and Objectives
- University Baseline
- Executive Summary
- Performance Driver Analysis

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Benchmark Background and Objectives

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The benchmark results should be evaluated in conjunction with IUC's specific requirements

What this benchmark is . . .	What this benchmark is not . . .
A starting point	Not the end answer
Tells us where to focus	Not a detailed analysis of *how* to redesign our processes
Process based comparison . . . . . . data was scrubbed internally and externally by Hackett	Not an exact match to our departments . . . no benchmarking is
One input to setting targets	Not the only input
A broad look at Information Technology as defined by Hackett	Does not cover all aspects of your university's operations

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Data was collected in accordance with Hackett's IT taxonomy

Hackett Process Taxonomy

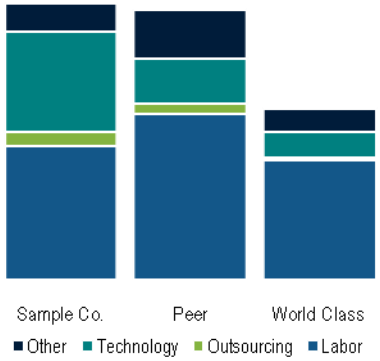
- **Hackett process taxonomy is applied independent of UT's organizational structure** and functional reporting lines, thereby ensuring an **"apples-to-apples" comparison**
- Hackett´s IT taxonomy has four process categories, subdivided in **eleven process groups** for which **FTEs, associated labor costs** and **outsourcing costs** are captured
- Additionally, **technology costs and other overhead cost are captured on a functional level**
- Process specific additional costs, also identified as non-labor costs have been also captured but will not be used for comparisons

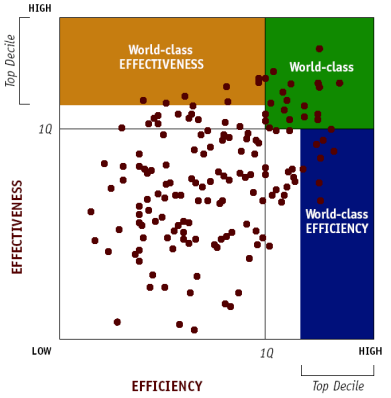
Hackett Key Metrics

- **Peer Group –** comparisons against median of UT's **peers of other IUC universities**
- **World-Class –** comparison against the median of the World-Class organizations in the Hackett database. World-Class is determined based on first quartile performance in both efficiency and effectiveness on a function level
- **Top Decile –** this represents the top decile performance level
- **Normalization of benchmark data:** Peer and World-Class data is adjusted to **UT's number of end users of 9,700**

Process Category	Technology Infrastructure	Application Management	*Planning and Strategy	Management and Administration
Process Group	▪ Infrastructure Management	▪ Application Maintenance	▪ IT Business Planning	▪ Function Management
Process	– Operations Management	– Application Support	– Alignment	– Function Oversight
	– Security Management	– Enhancement Delivery	– Project Prioritization	– Personnel Management
	– Disaster Recovery Planning	– Upgrade Execution	– Communication	– Policies and Procedures Oversight
	▪ End User Support	▪ Application Development and Implementation	▪ Enterprise Architecture Planning	
	– Help Desk	– Planning	– Governance	
	– End User Training	– Construction	– Standards Management	
	▪ Infrastructure Development	– Implementation	▪ Emerging Technologies	
	– Planning		– Technology Evaluation	
	– Construction		▪ Quality Assurance *	
	– Implementation		– Change Management	
			▪ Risk Management *	
			– Audit and Compliance	

FTEs and costs will be captured at the process group and process level.





* Control and Risk Management is combined with Planning and Strategy as one process category.

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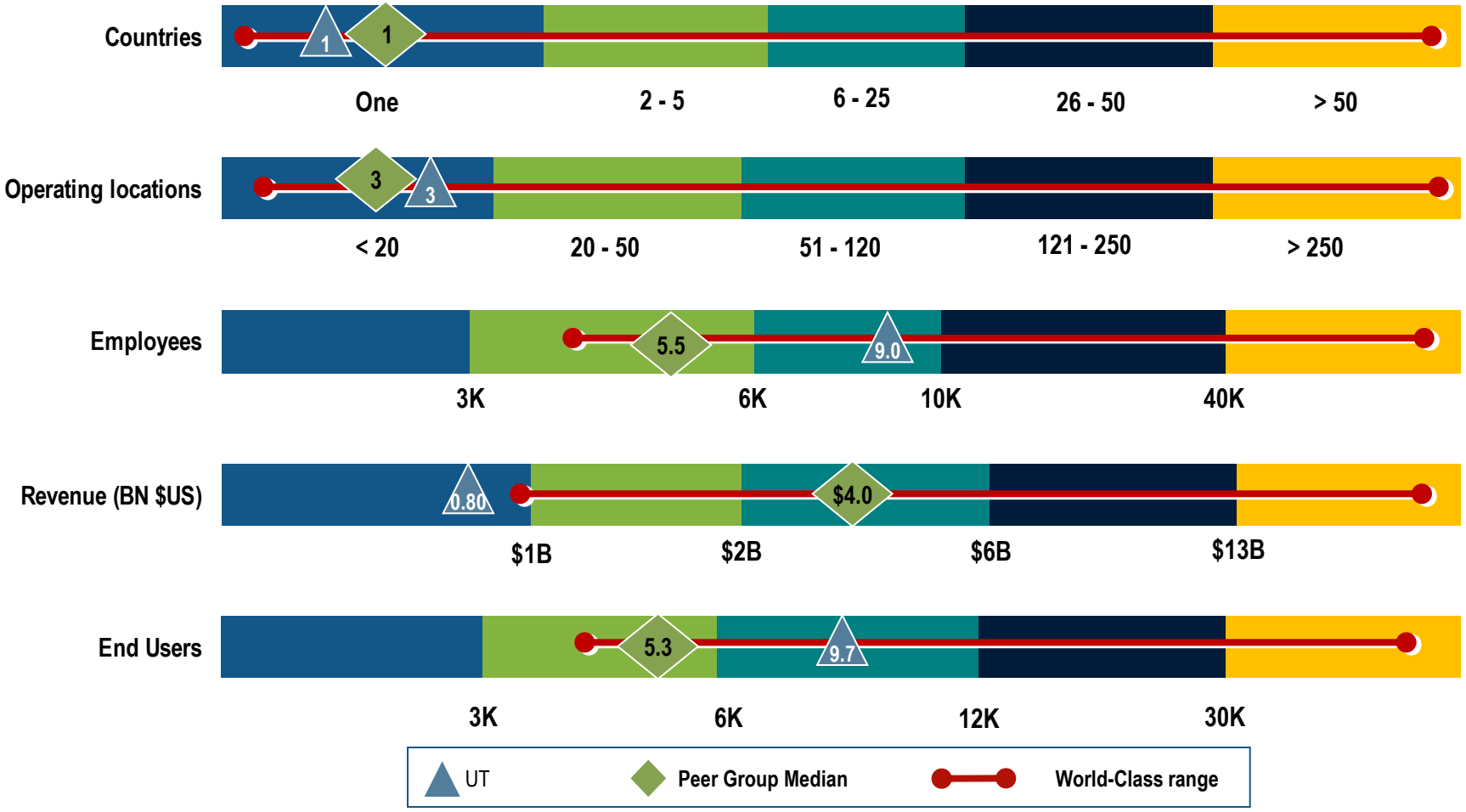
IT peer demographics – Higher education



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IT peer group participants

- Bowling Green State University
- Central State University
- Cleveland State University
- Kent State University
- Miami University of Ohio
- NEOUCOM
- Ohio State University
- Ohio University
- Shawnee State University
- University of Akron
- University of Cincinnati
- Wright State University
- Youngstown State University

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UT's Information Technology benchmark scope and timeline

UT's Benchmark Scope

- Benchmark covered UT's IT investment across 11 process groups as defined by Hackett
- Information was collected for the entire university
- The benchmark period for which costs, full-time equivalents ("FTEs"), practice related and volume data were collected was fiscal year 2010 (ending June 30, 2010).
- All IT benchmarks exclude costs related to:
  - High cost research & development (e.g. High-Performance Computing)
  - Products for sale
  - Large-scale external applications (e.g. e-Commerce sites)

UT's Benchmark Timeline

- Planning:
  - December 2-6, 2010
- Training:
  - December 8-15, 2010
- Data Collection:
  - December 8, 2010 – January 7, 2010
- Data Validation:
  - January 7 – January 28, 2011
- Executive Preview:
  - February 15, 2011

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University Baseline

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Defining IT benchmark costs

Labor Cost	▪ Labor cost is the cost of providing compensation for full time and part time employees based on a normal work week. Labor cost includes the following: Salaries & wages; Overtime/vacation/sick pay/personal leave; Bonuses/Social Security/Medicare/health; Pension/retirement/savings/401k plans; Bonus plans ▪ Fully-loaded labor costs are annualized and do not include stock options, one-time severance pay due to restructuring, or signing bonuses
Outsourcing Cost	▪ Outsourcing Costs are external costs associated with the delivery of the process or service. Outsourcing costs are typically fees paid to 3rd party firms to manage a process or activity. Examples include strategic consulting, process level consulting, manual data entry, or other activities in which your organization receives support within a process but has limited to no visibility into the supporting tools utilized by the third party or the number of staff involved.
Technology	▪ Technology costs include the cost of providing computer processing for the in-scope processes and should include expenses such as depreciation / amortization of computer related assets during the benchmark period (excluding labor amortization), total annual systems and software costs, total annual voice related networking and communications costs, and total annual license fees (for application software only).
Other Cost	▪ Other costs are the non-labor costs normally required to support the in scope staff and its operations. Other cost includes: facilities and overhead costs (e.g., rent, building depreciation, utilities, etc. Typically allocated by head count or by square footage); travel and travel-related expenses; annual training cost for the in scope staff; other cost (e.g., supplies, magazines, memberships, postage, etc.) for the in scope staff.

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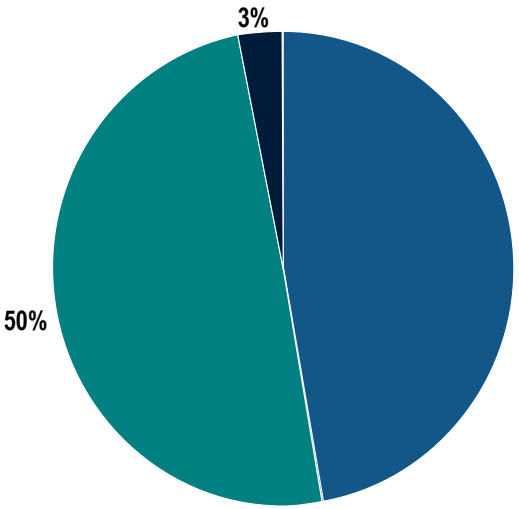
UT's baseline IT cost is $24.6 million

$24.6 Million



- **Labor cost – $11.6 m**
  - Wages (full-time and part-time)
  - Overtime and bonuses
  - Taxes and fringe benefits
- **Outsourcing cost – $0 m**
  - Outside services

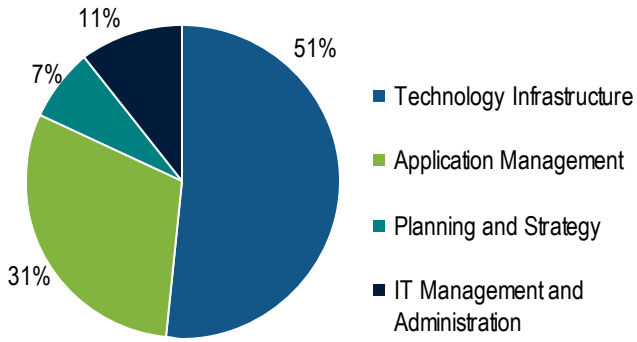
Process Cost: $11.6 m

- **Technology cost – $12.2 m**
  - Hardware
  - Software
  - Voice & Data
- **Other cost – $0.8 m**
  - Facilities & Overhead
  - Travel
  - Training
  - Other (Supplies, subscriptions, etc.)

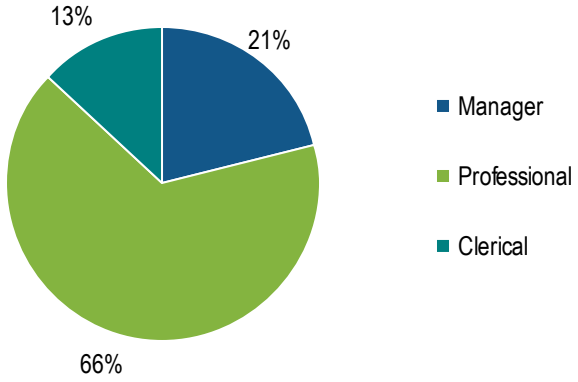
End Users: 9,700

FTEs = 153.6

FTE Allocation



Staff Mix



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Defining staffing (FTEs) and staff mix

FTE	▪ A full time equivalent ("FTE") is based on a regular work week, typically 40 hours. An employee that works 20 hours a week would be a .5 FTE. However, anyone working more than 40 hours is still just one FTE. Overtime hours are excluded. FTEs can only be captured in increments of 10%. Include independent contractors in the determination of headcount (and fully loaded labor cost) if they are actively managed (i.e., defined work hours or productivity levels).
Manager	▪ Managers are persons primarily responsible for leading a department (or a number of departments) and performing oversight, planning, administrative and personnel functions. A manager is any person that directly supervises staff. Exclude those employees that may have a manager title but do not have any staff reporting to them or performance management responsibility for another employee.
Professional	▪ Professionals are persons primarily performing analytical and technical functions. They work in highly-skilled positions, are normally considered professionals, and are typically exempt from overtime. Professionals are typically degreed and may hold certifications. Persons holding a managerial title but having no supporting staff should be considered as professional.
Clerical	▪ Clericals are persons primarily performing routine data entry, filing, typing and other related administrative tasks. These persons typically work in hourly positions that are normally eligible for overtime.

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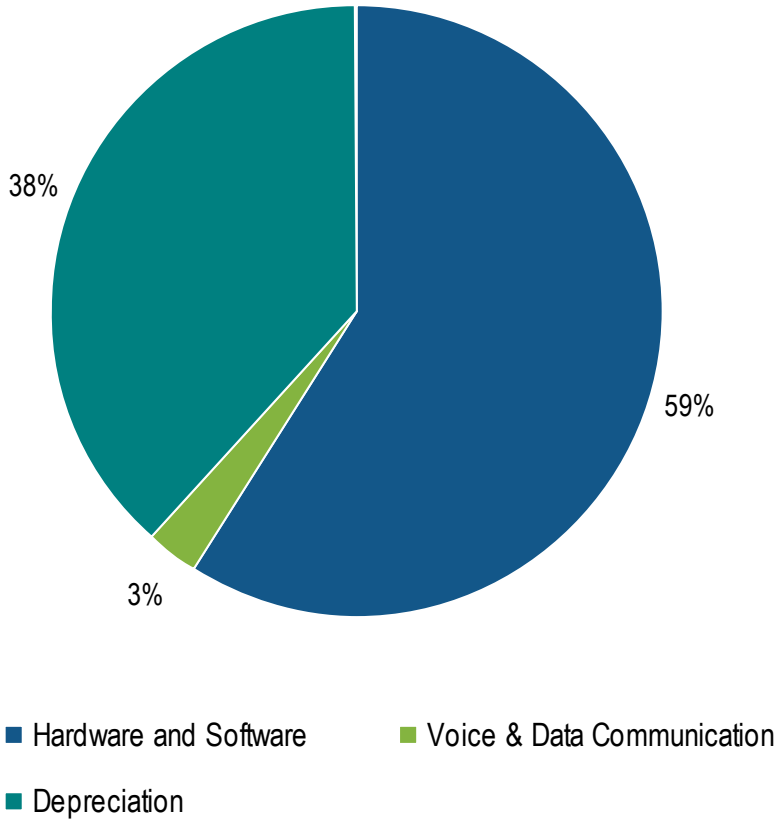
UT's technology and other costs

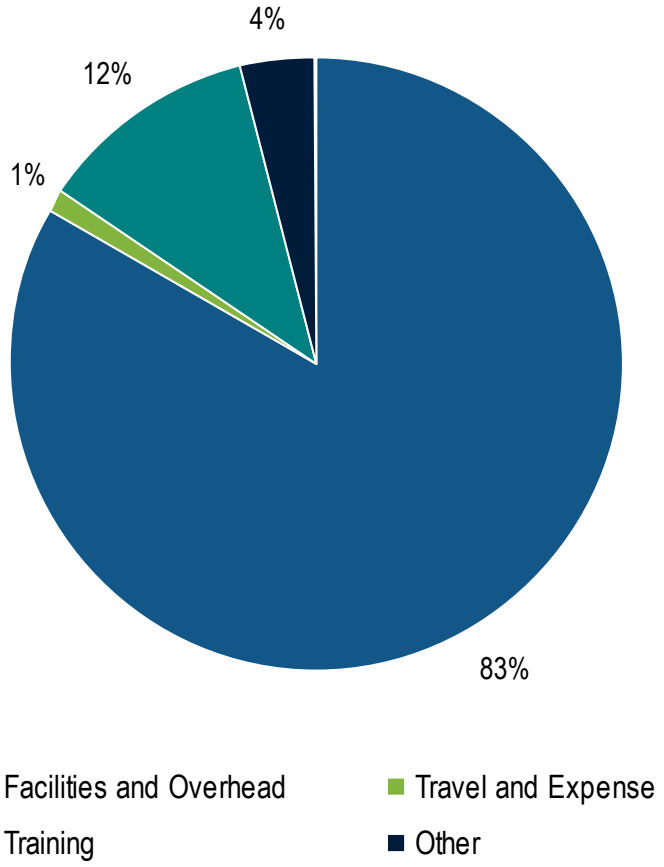
Technology Cost Distribution

IT - Technology Cost = 12,188,000



IT Other Cost Distribution

IT - Other Cost = 781,000



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Executive Summary

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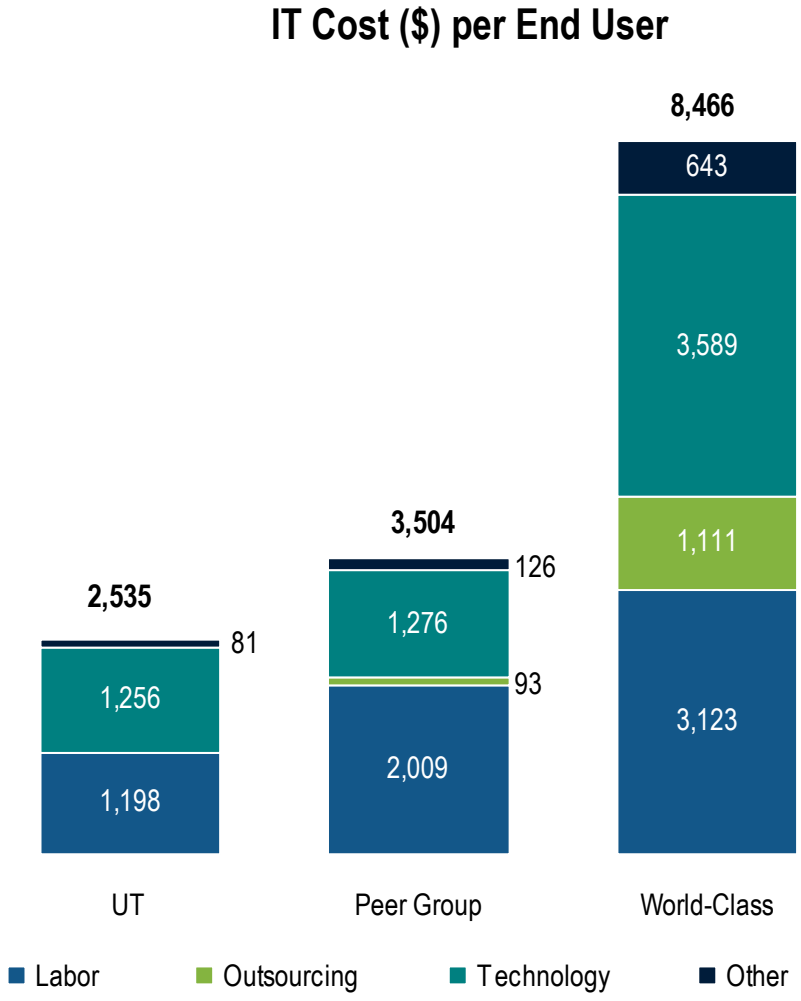
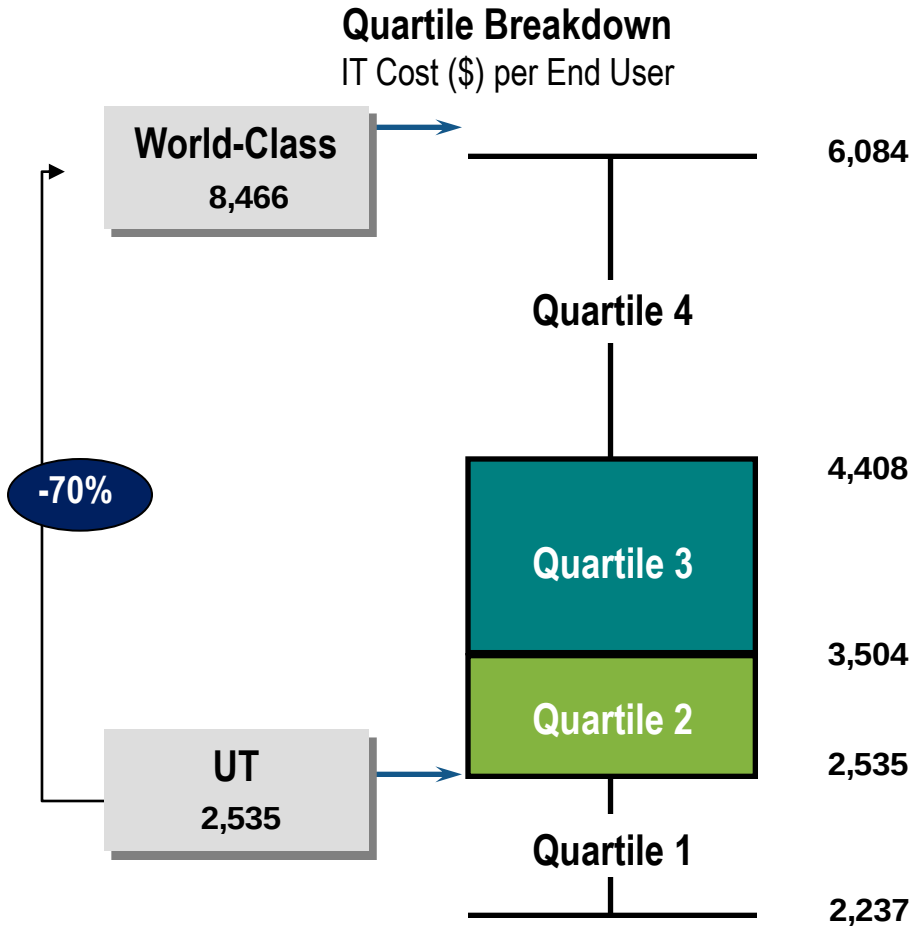
IT cost per end user is 28% lower than the peer median driven primarily by lower process costs





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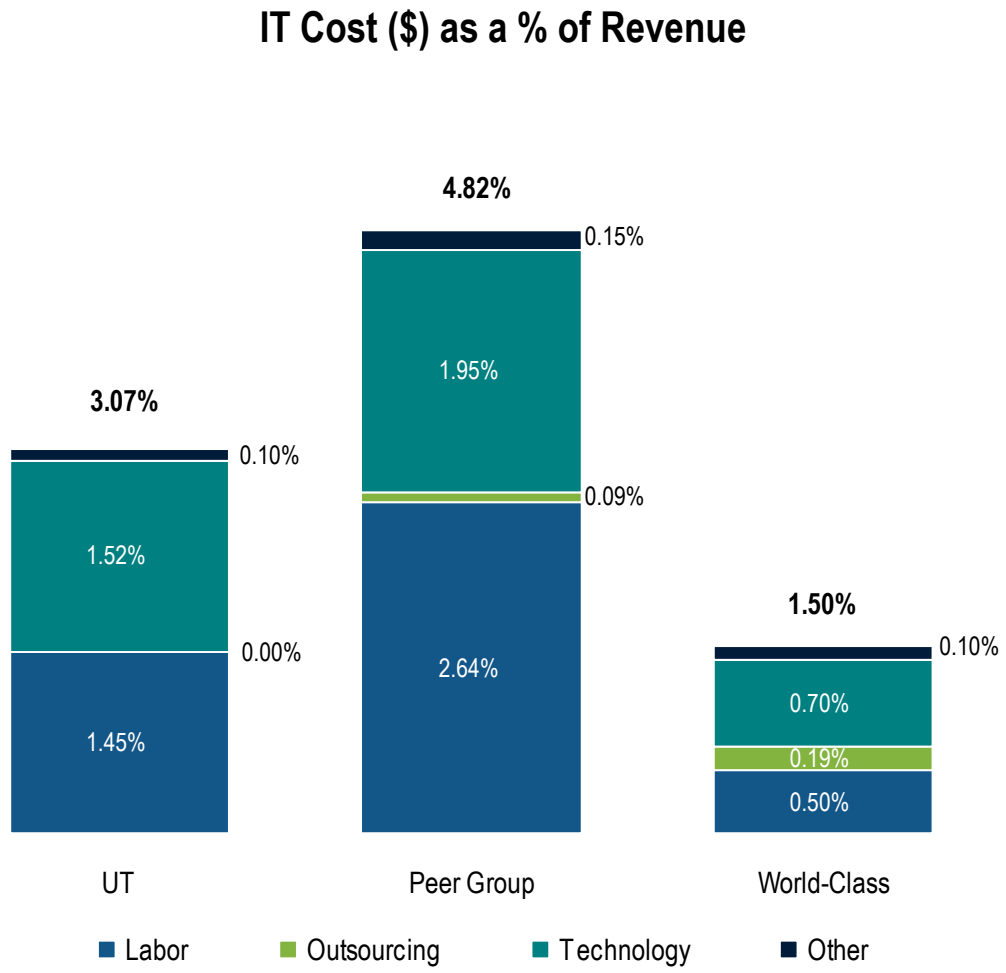
UT's IT cost as a percent of revenue is also lower than the IUC peer median



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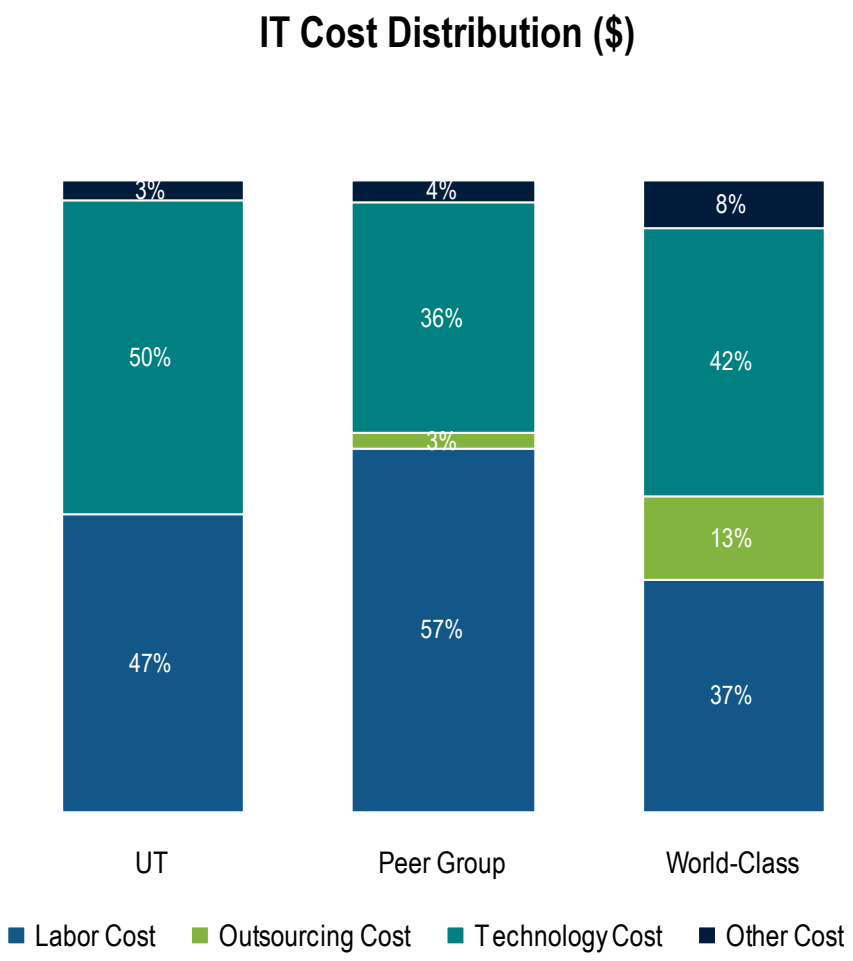
UT's IT cost distribution reflects a higher allocation to technology and a lower allocation to process cost than the peer profile



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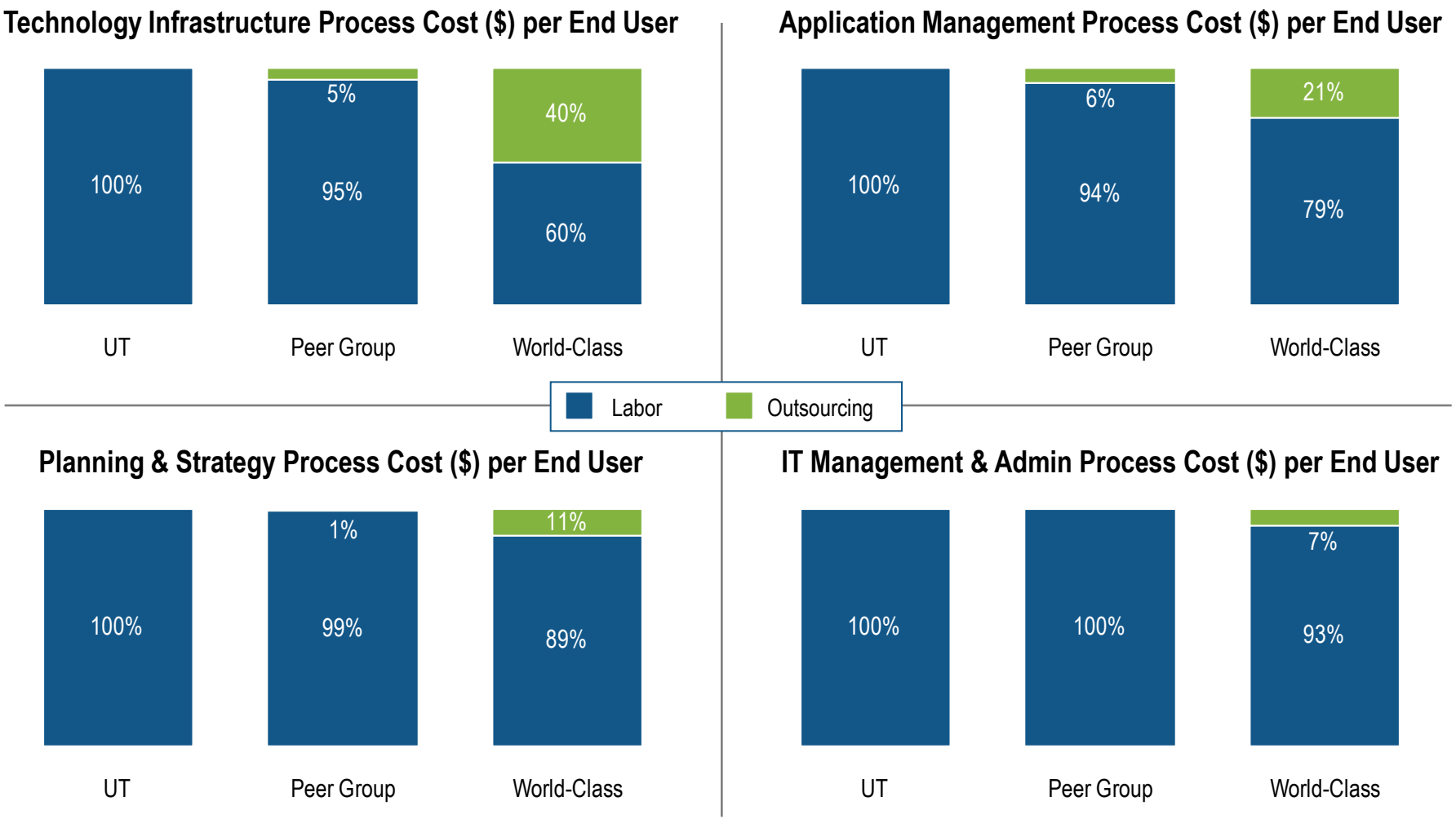
UT does not utilize any outsourcing at all



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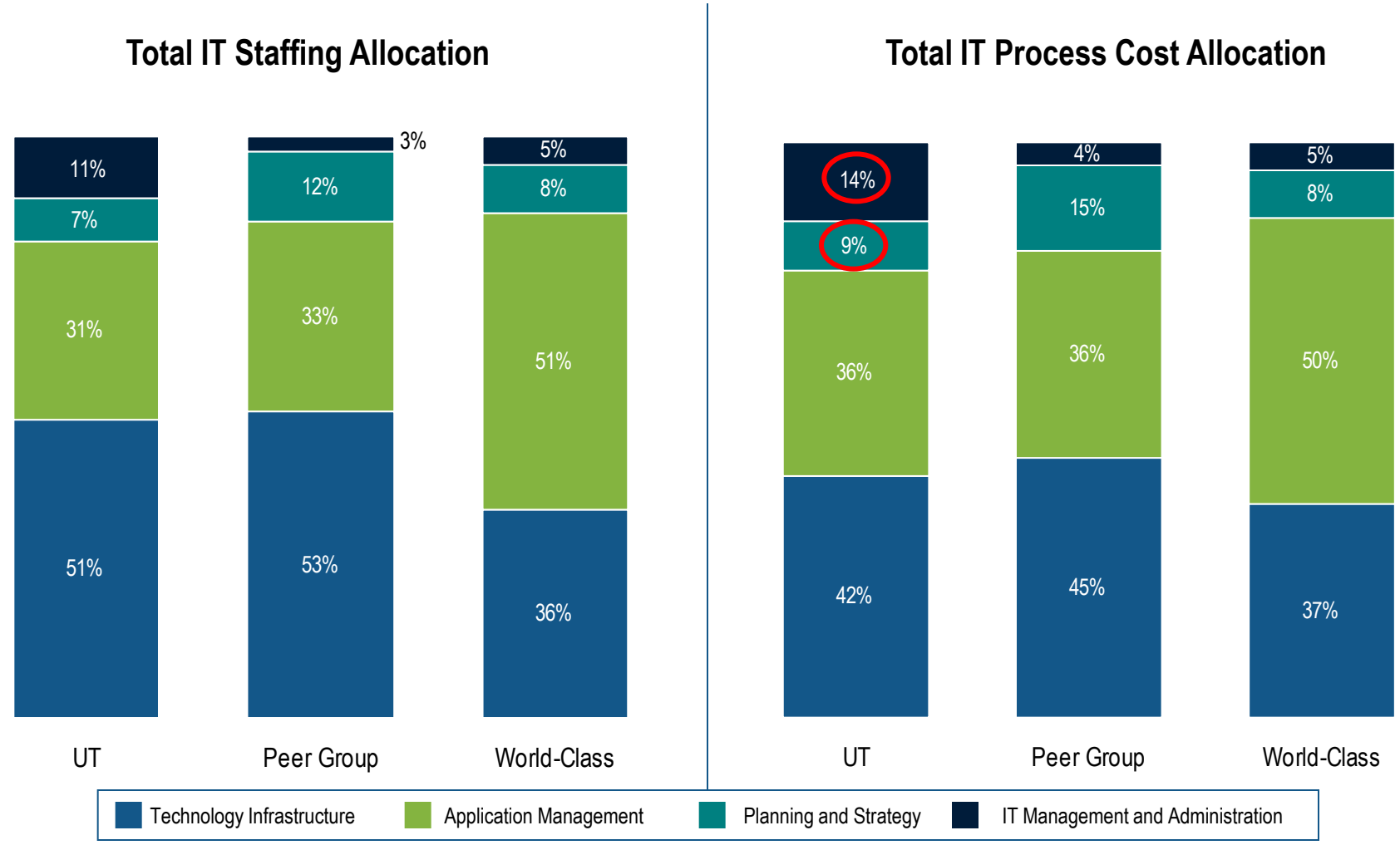
UT staffing and process cost reveals an over-allocation to IT management and less than typical in planning and strategy



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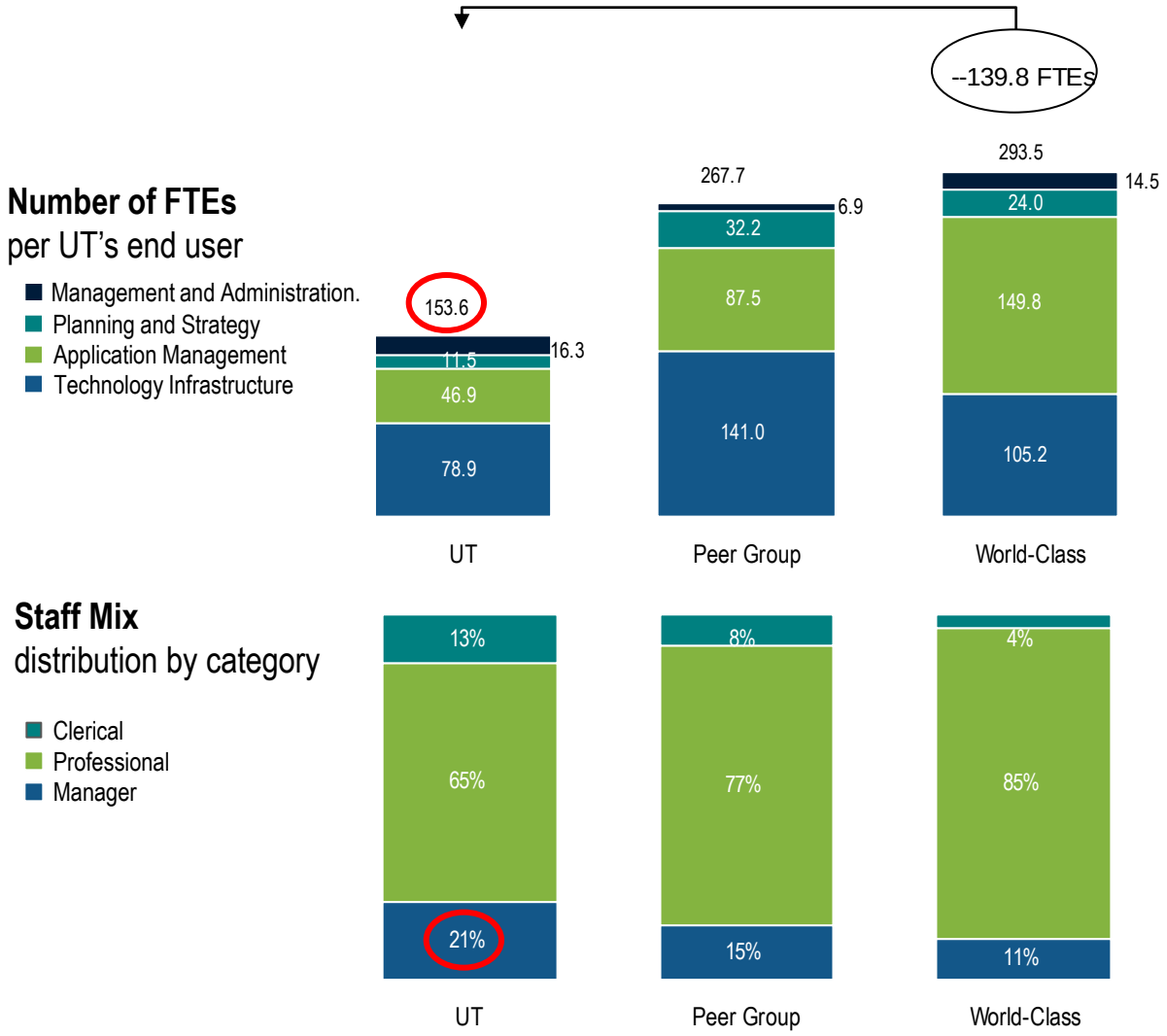
UT's process costs are also lower than the peer because the staff is leaner – 43% less FTEs than the peer



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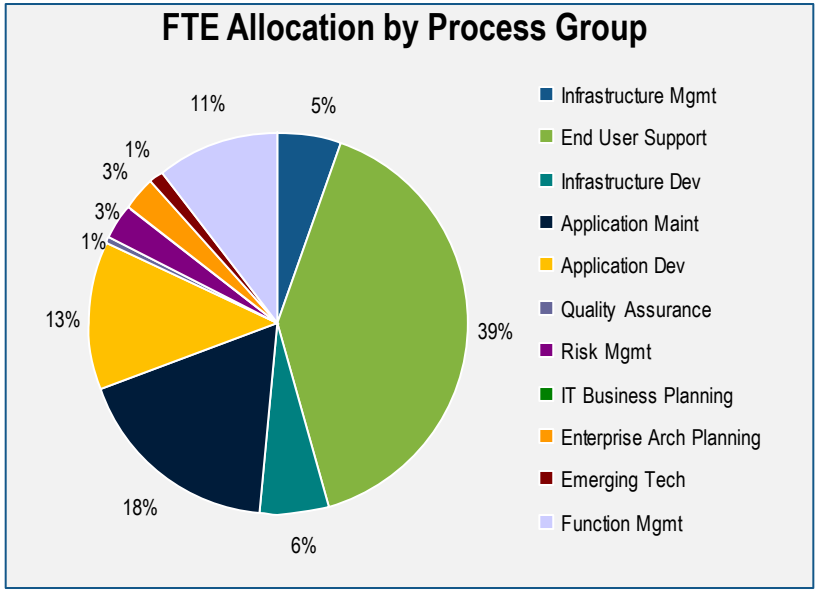
A deeper dive reveals UT appears to be significantly understaffed in almost every process except Function Management; 0 FTEs in IT Business Planning would be an area of concern



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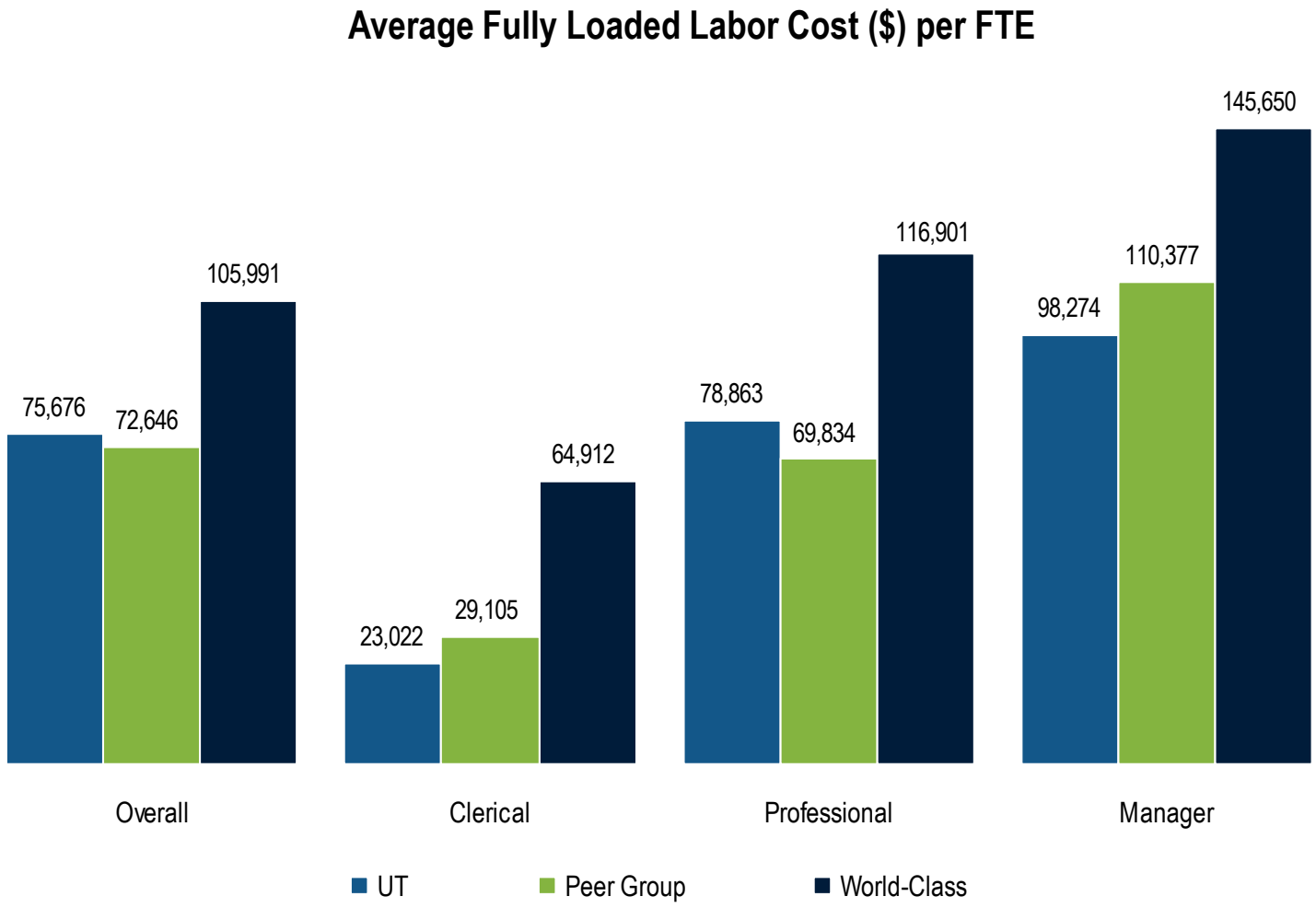
UT's average fully loaded labor costs are in line with the peer comparison



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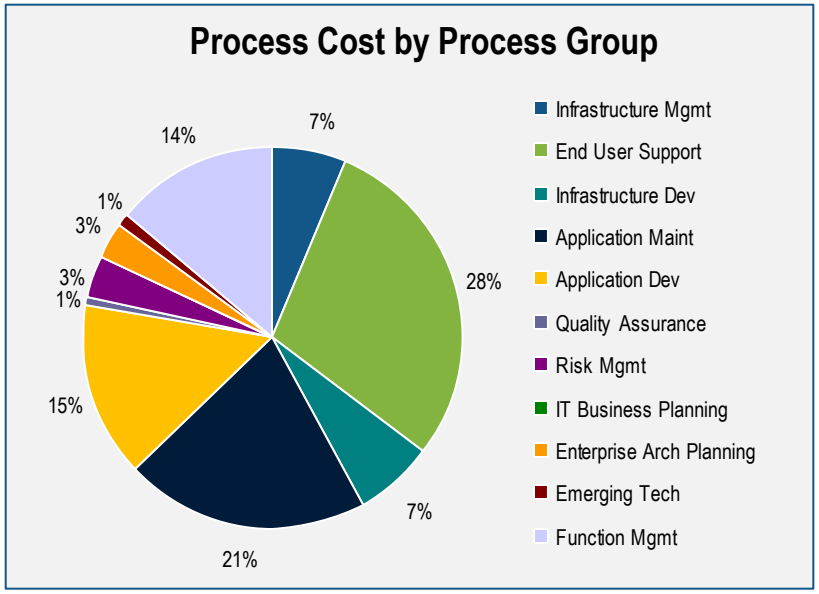
Process costs, however, are significantly lower across the board because of less FTEs and zero spend in outsourcing



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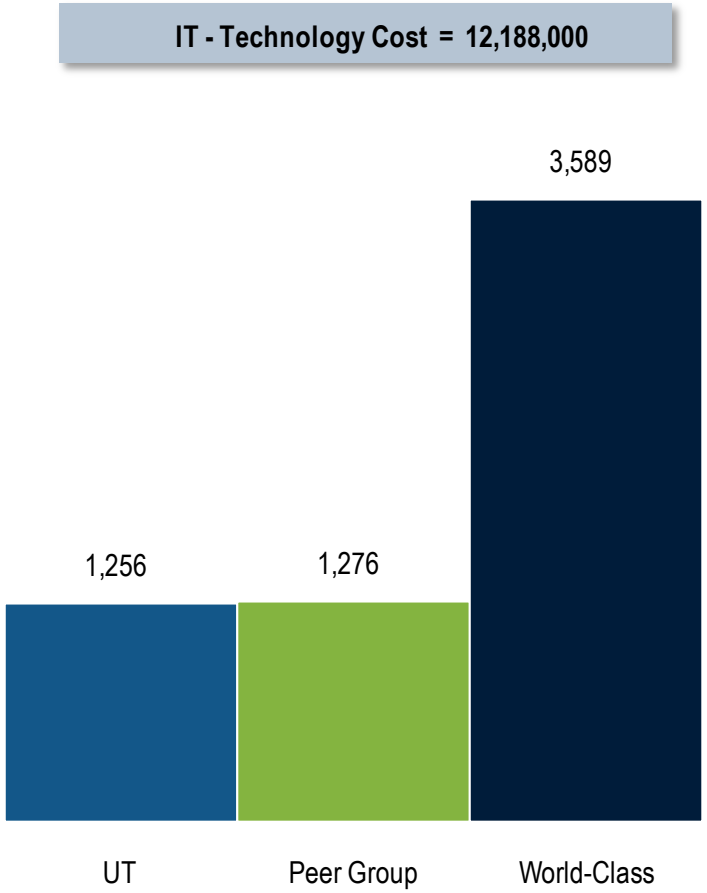
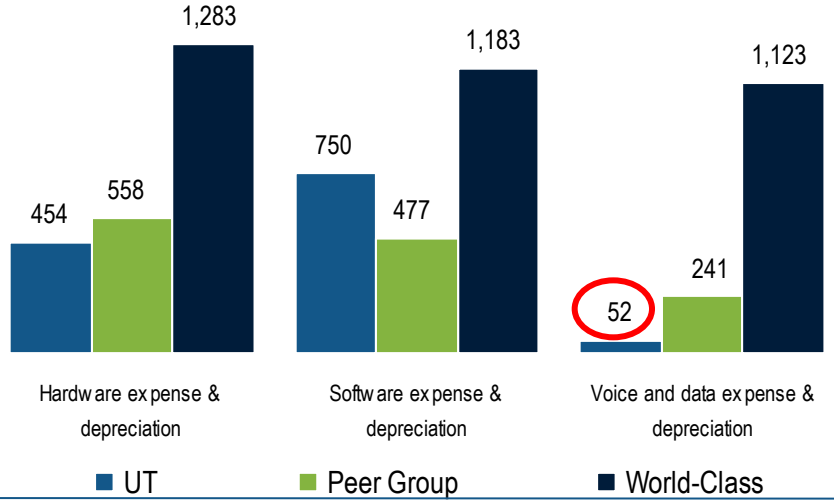
UT's technology costs are in line with the peer median overall, but significantly lower for voice and data

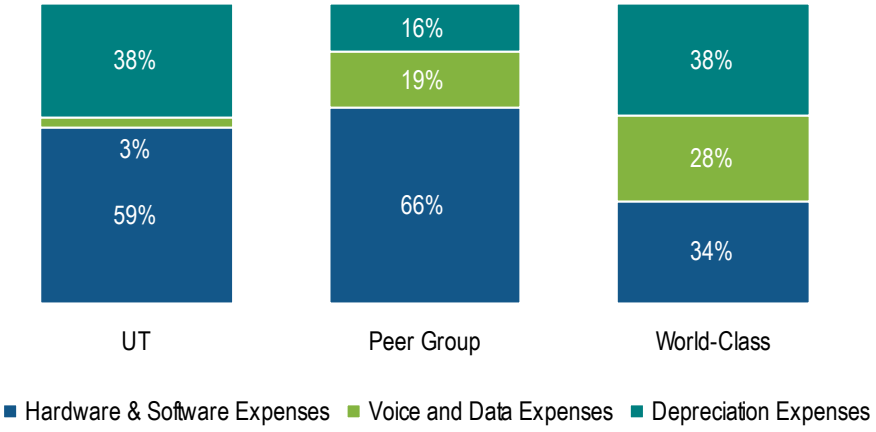
Technology Cost ($) per End User



Technology HW & SW Cost ($) per End User



Technology Expense & Depreciation Cost Comparison



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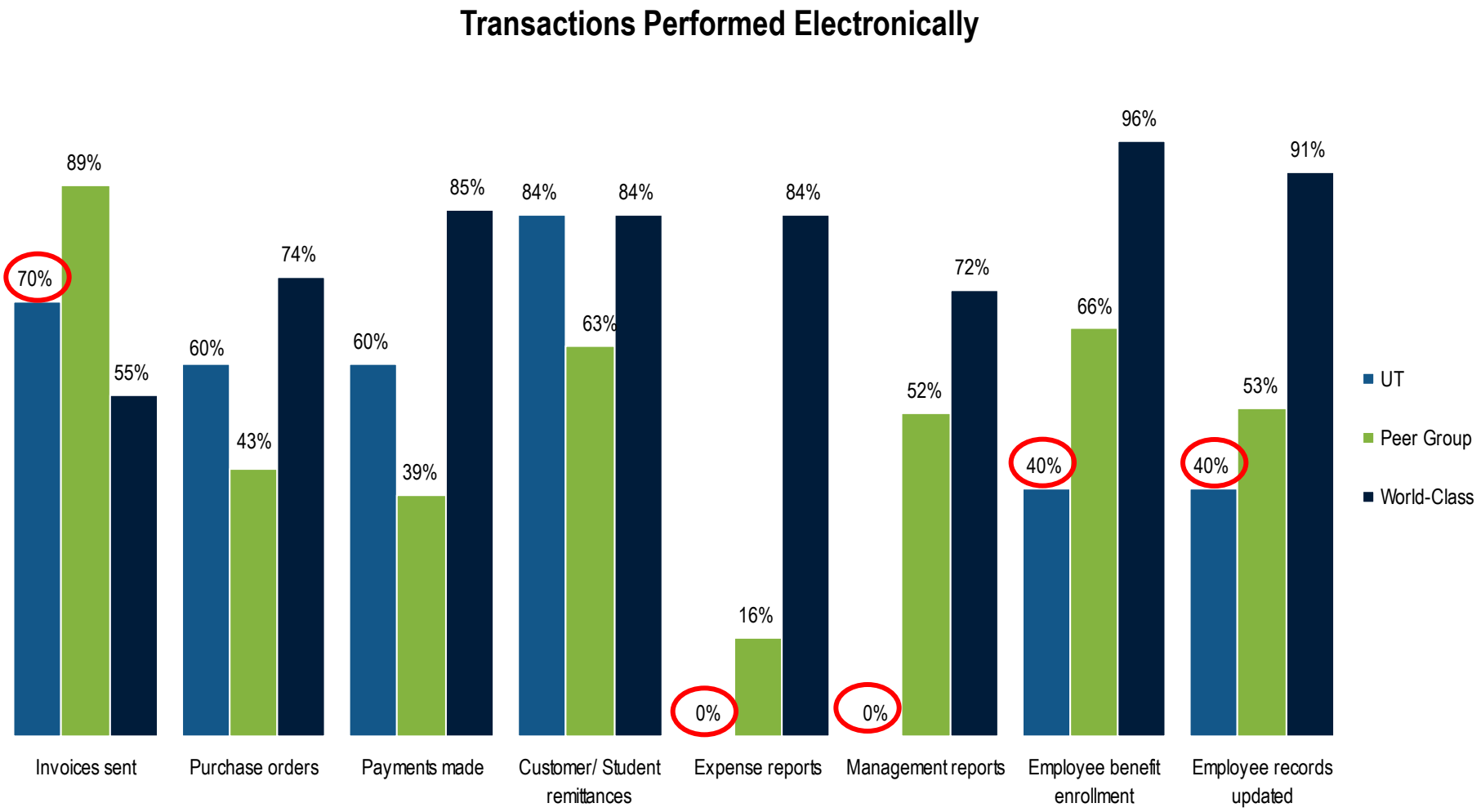
UT has leveraged transaction automation in some areas, but remains below the peer in invoices sent, management reports, and other employee services



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Performance Driver Analysis

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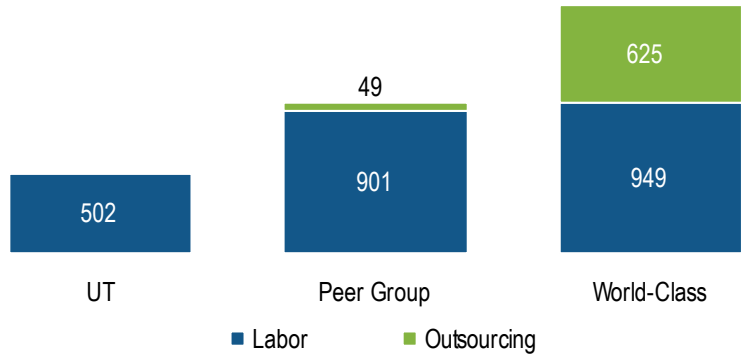
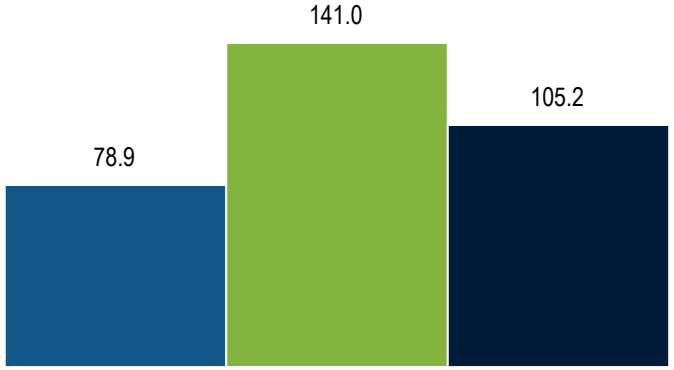
Technology infrastructure overview: UT appears to be understaffed, particularly in the maintenance of existing infrastructure

Technology Infrastructure Process Cost ($) per End User

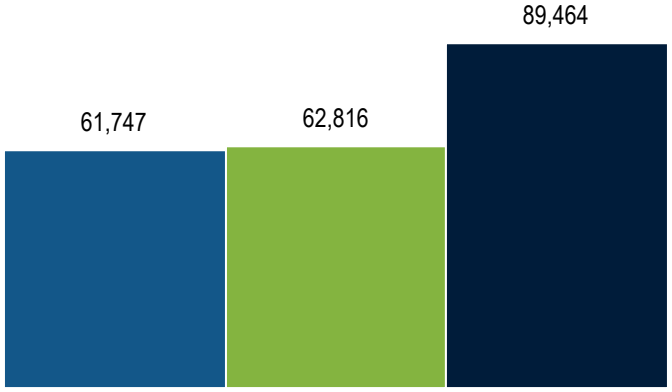


Technology Infrastructure FTEs at UT End Users

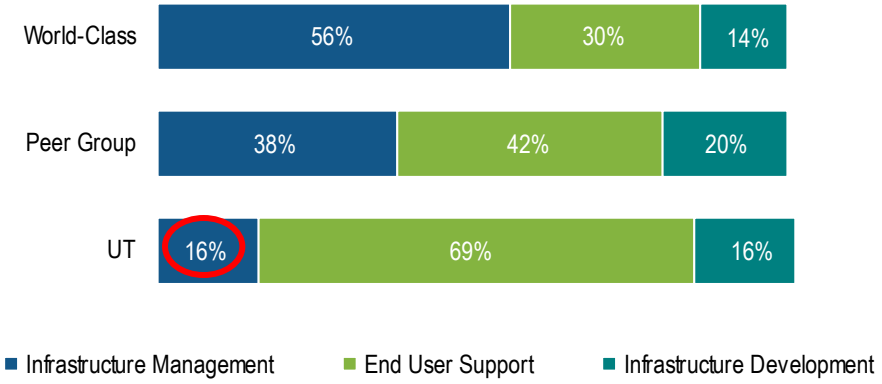


UT | Peer Group | World-Class

Average Fully Loaded Labor Cost ($) per Technology Infrastructure FTE



Technology Infrastructure Process Cost Allocation



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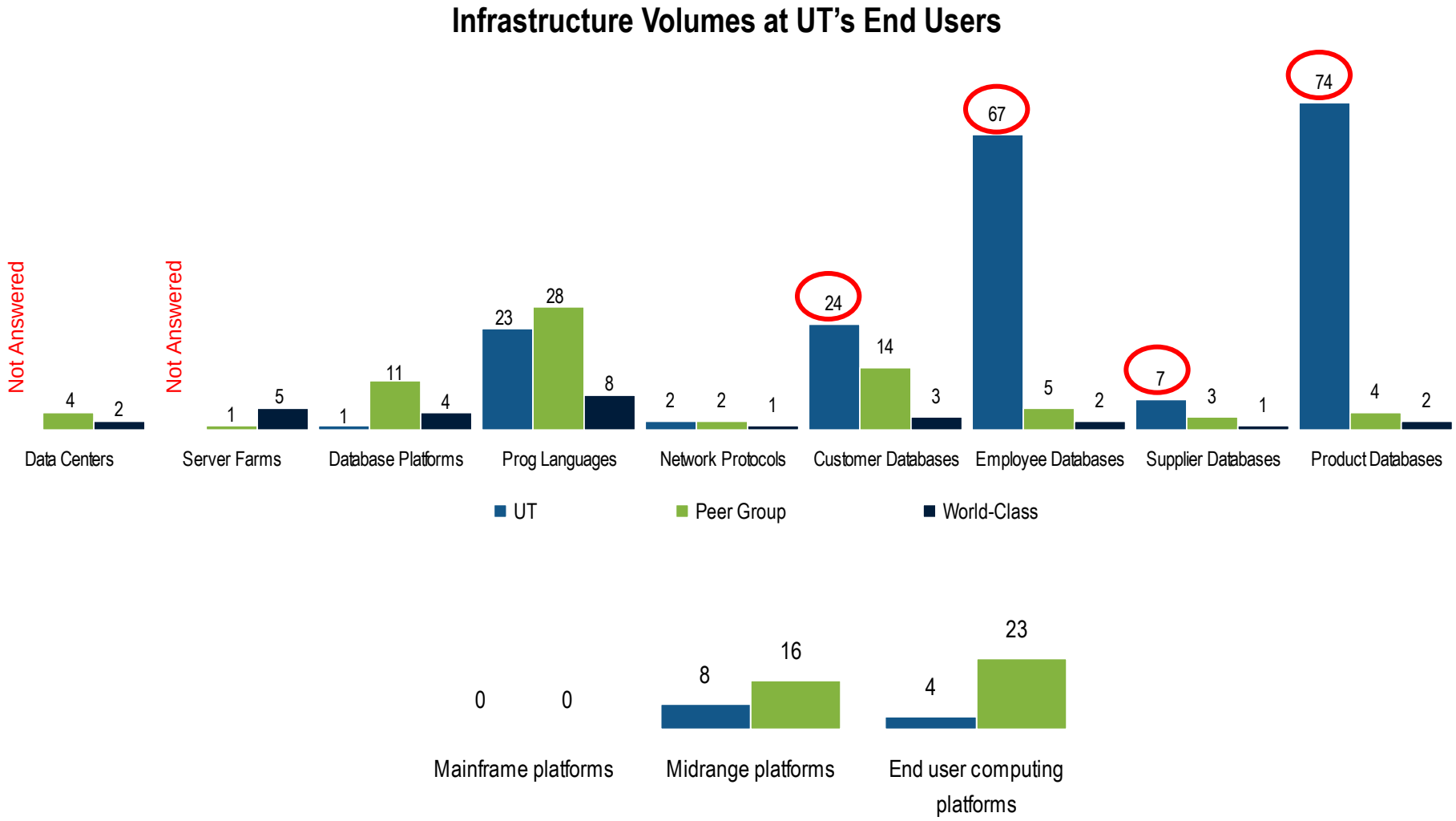
UT's infrastructure profile generally appears not to be too complex; opportunity exists in database consolidation/management



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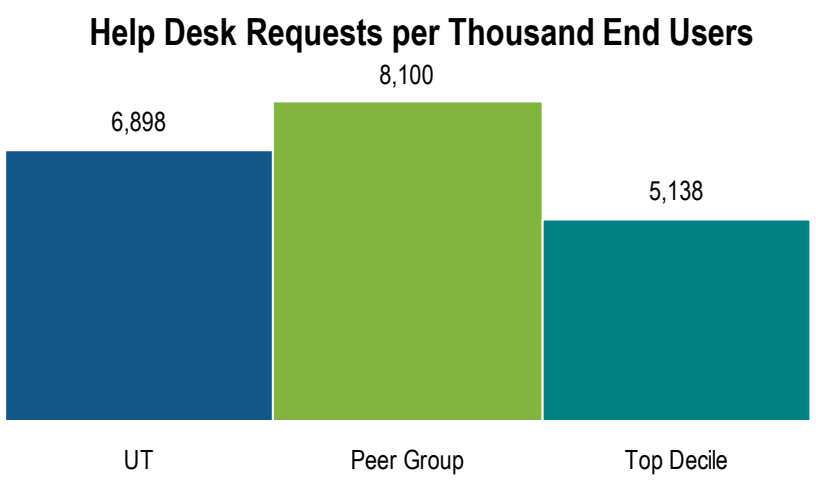
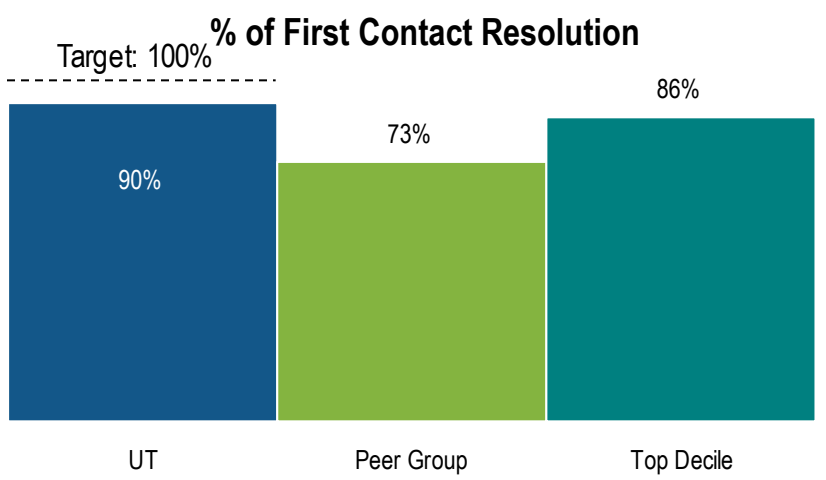
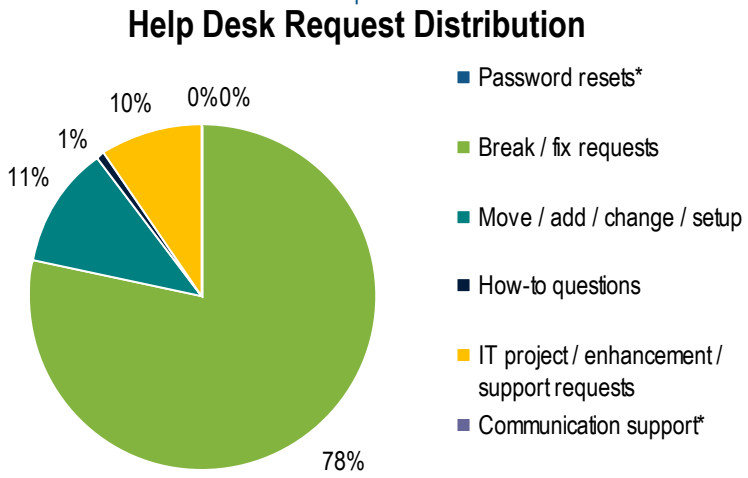
UT's help desk handles less requests than the peer median at a higher first contact resolution







*Data integrity note: UT indicates that (1) all "Password Resets" during the benchmark period were self-service, (2) the help desk does not support "Communication Support" requests

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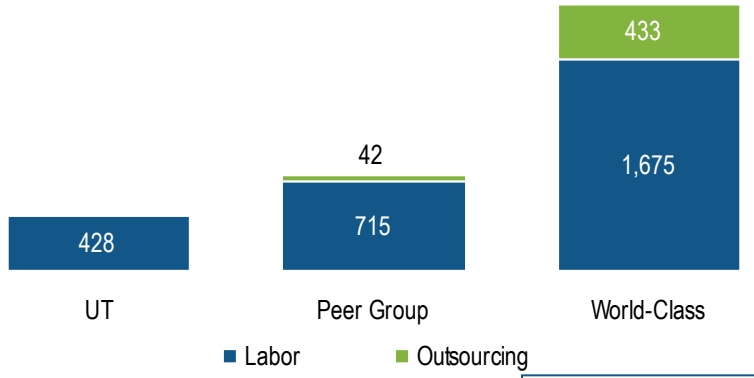
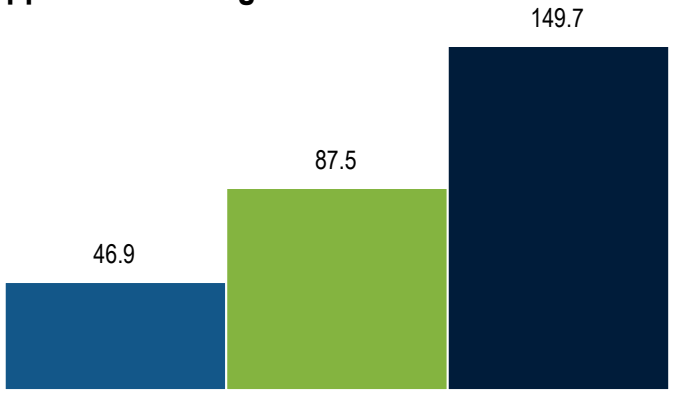
Application management overview: The university has 46% less resources in application management

Application Management Process Cost ($) per End User

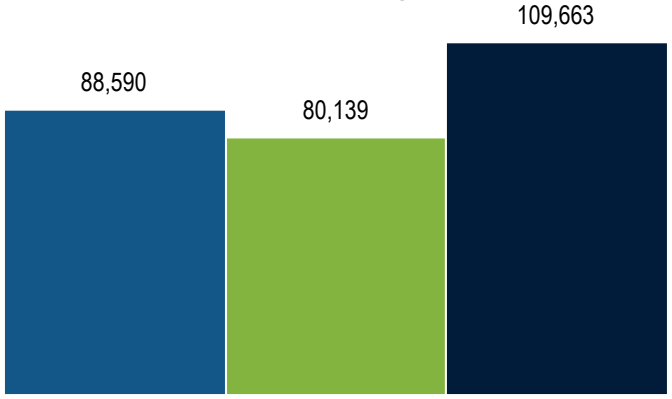


Application Management FTEs at UT's End Users

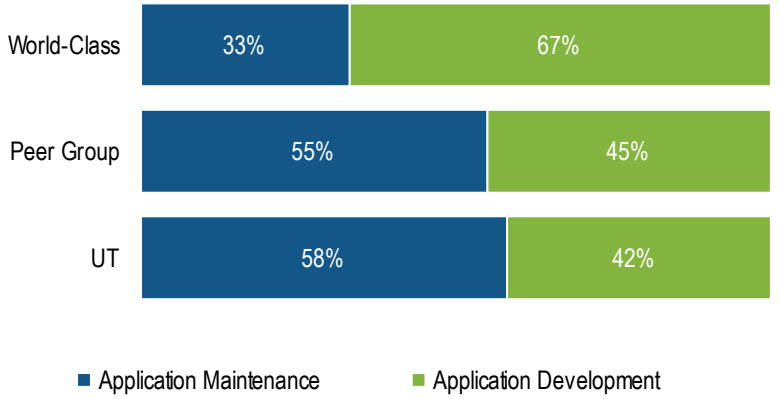


UT | Peer Group | World-Class

Average Fully Loaded Labor Cost ($) per Application Management FTE



Application Management Process Cost Allocation



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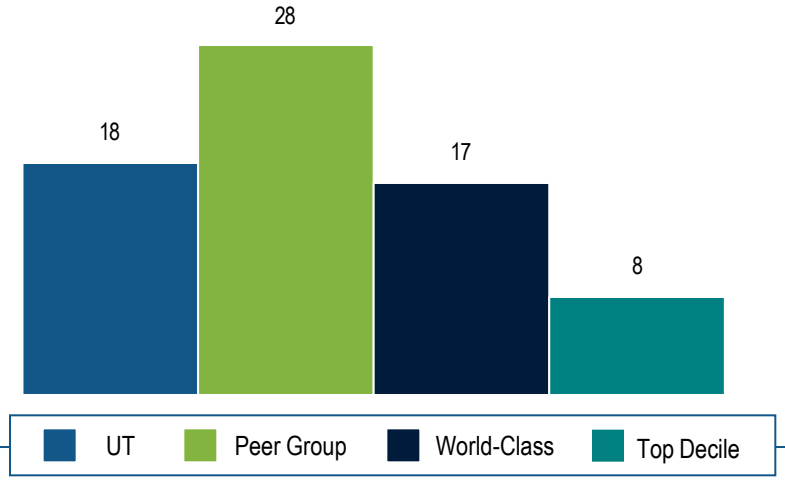
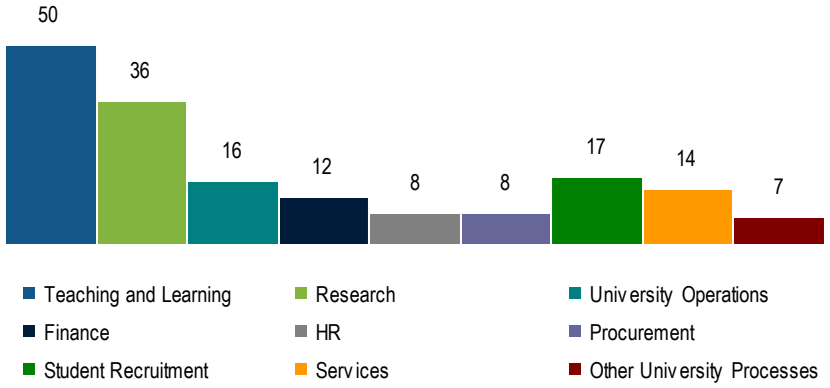
UT supports less applications per 1,000 end users than the IUC peer

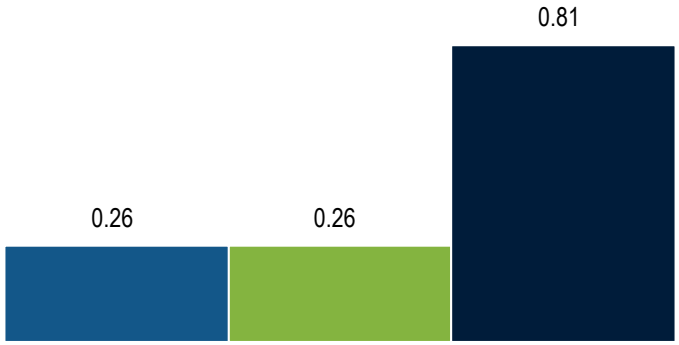
Number of Applications Supported per 1,000 End Users



Application Breakdown by Function (excluding BI applications)



Application Management FTEs per Application



Total Application Count	
Primary business application suite vendor	Lawson
Primary business application suite modules	23
Secondary business application modules	22
Productivity applications	4
Collaboration tools	7
Domain specific or Best of breed applications	49
Custom applications	74
Total	**179**

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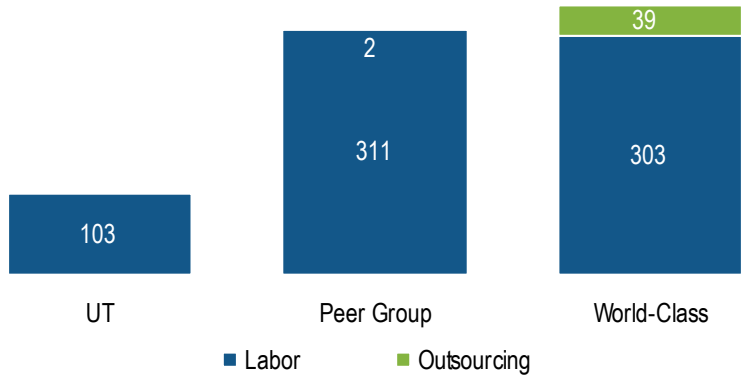
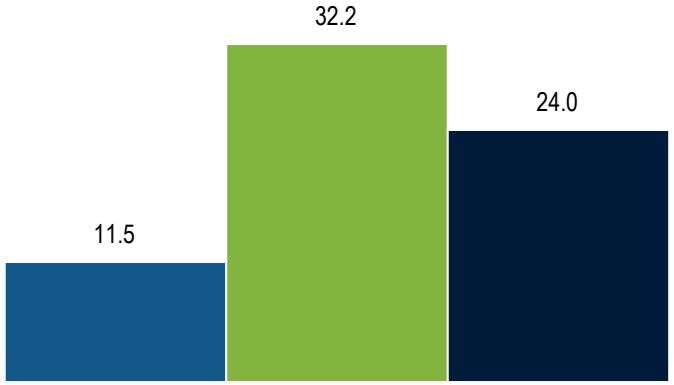
Planning and strategy overview: UT appears understaffed in planning and strategy, particularly IT Business Planning

Planning & Strategy Process Cost ($) per End User

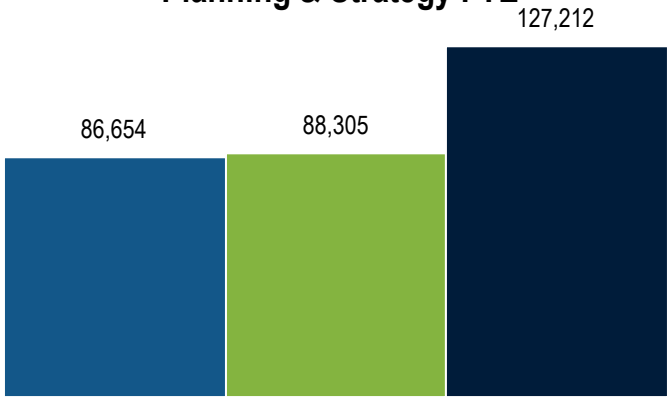


Planning & Strategy FTEs at UT's End Users

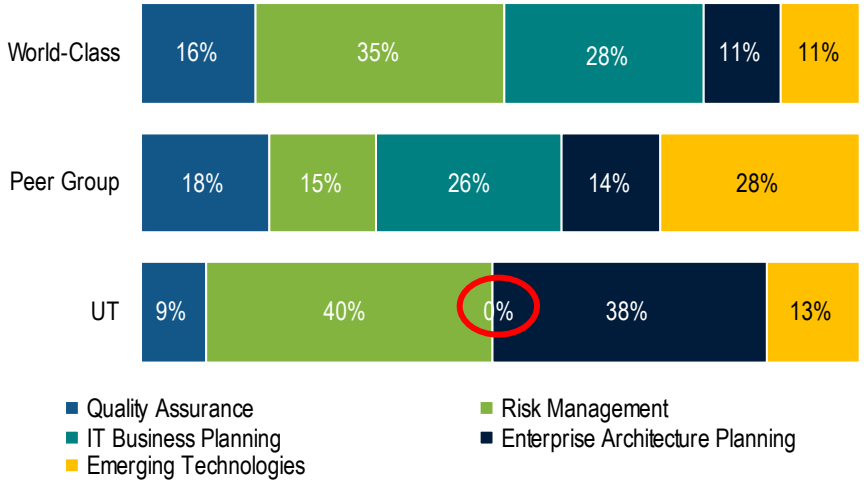


UT | Peer Group | World-Class

Average Fully Loaded Labor Cost ($) per Planning & Strategy FTE



Planning & Strategy Process Cost Allocation



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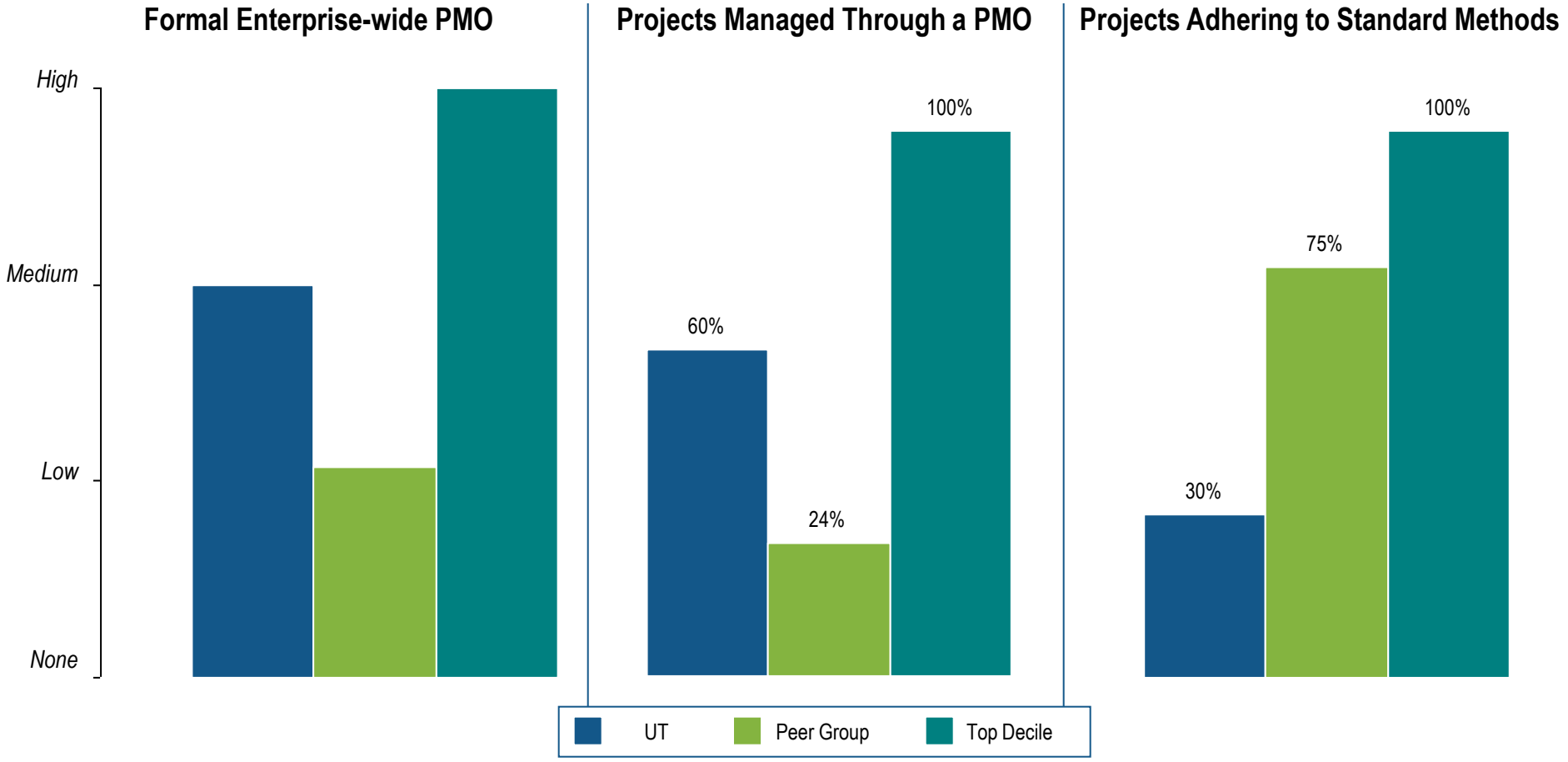
UT reports that a formal enterprisewide PMO exists and manages 60% of projects



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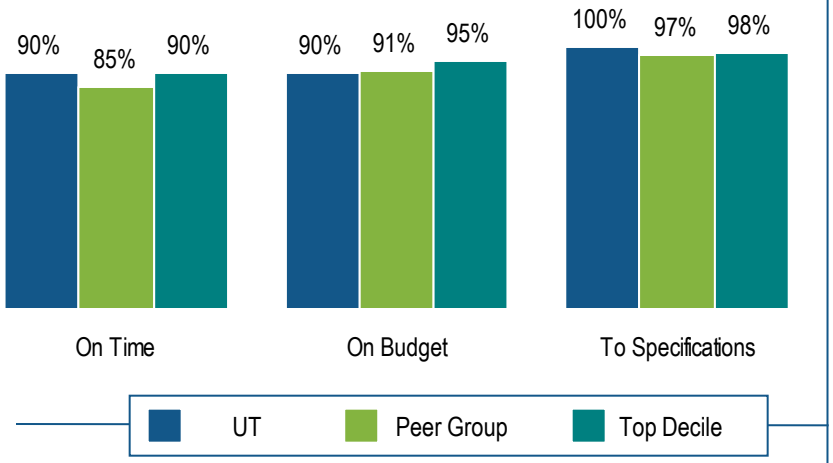
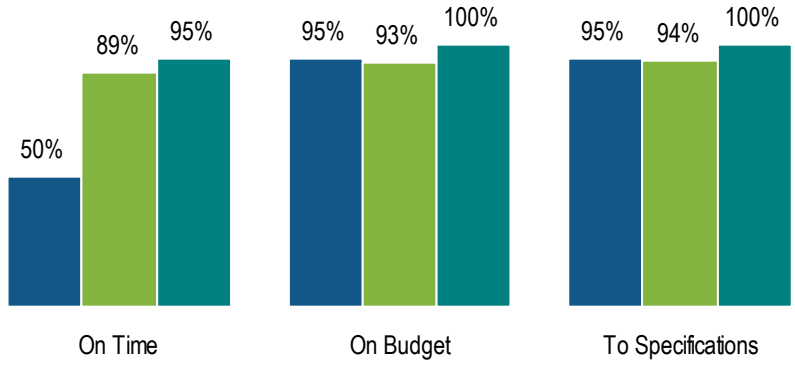
On time delivery appears to be a concern with infrastructure projects, perhaps not surprising given the lean staff

Application Project Delivery Success



Infrastructure Project Delivery Success



UT Project Related Information

Projects Started in the Benchmark Period

Projects w/ >1 FTE Started in Later Half of the Period	UT	Peer Group	World-Class
Infrastructure development projects	4	4	18
Application development projects	3	10	38

	UT	Peer Group	World-Class
What percent of projects deliver anticipated benefits?	98%	85%	75%

Percentage Allocation Relative to VOI for the Completed Projects

	UT	Peer Group	World-Class
Meeting VOI	50%	26%	52%
Missing VOI	10%	9%	12%
VOI Not Tracked	40%	65%	37%

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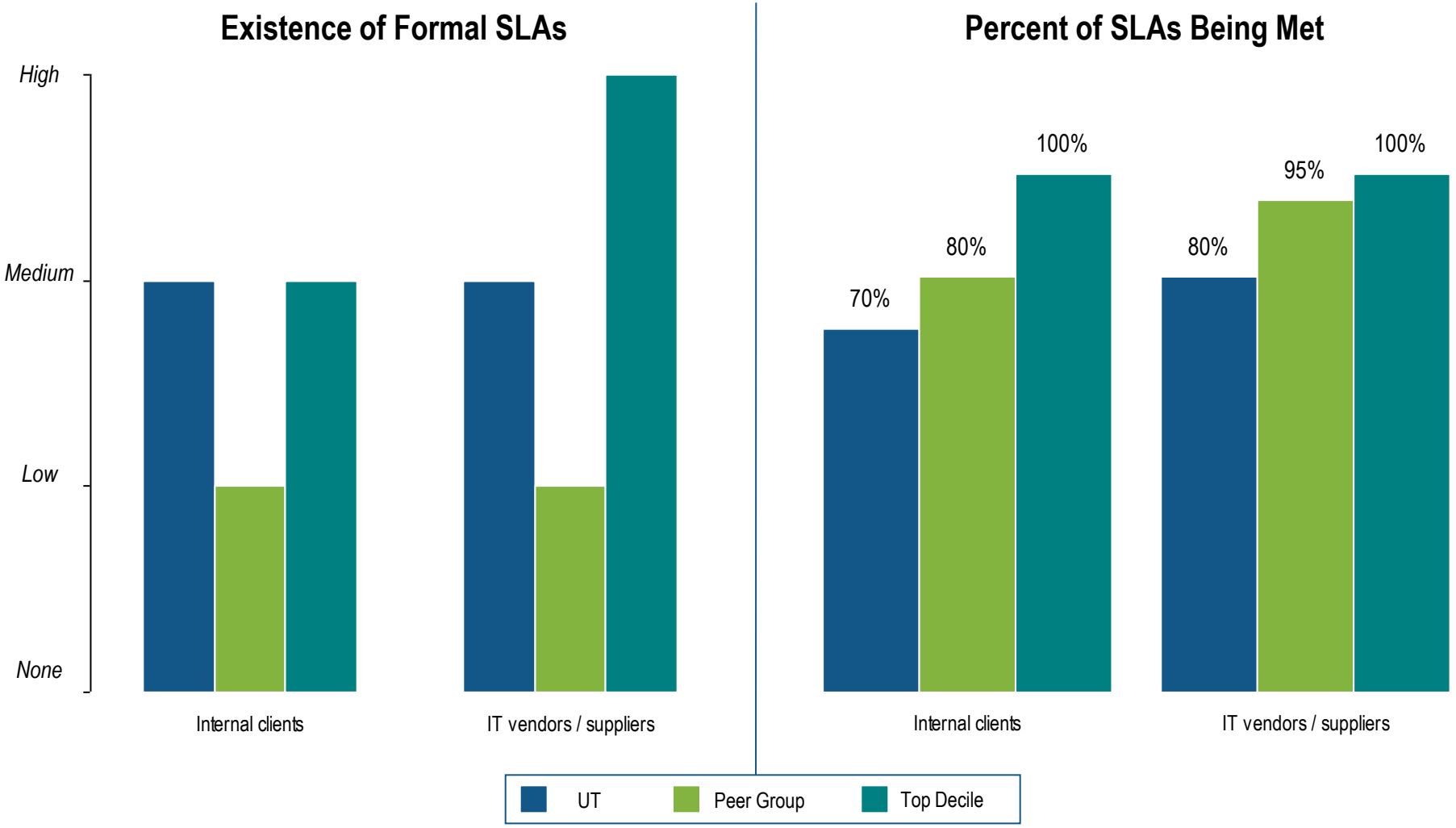
While UT utilizes SLAs for both internal clients and external vendors, performance is below the peer median



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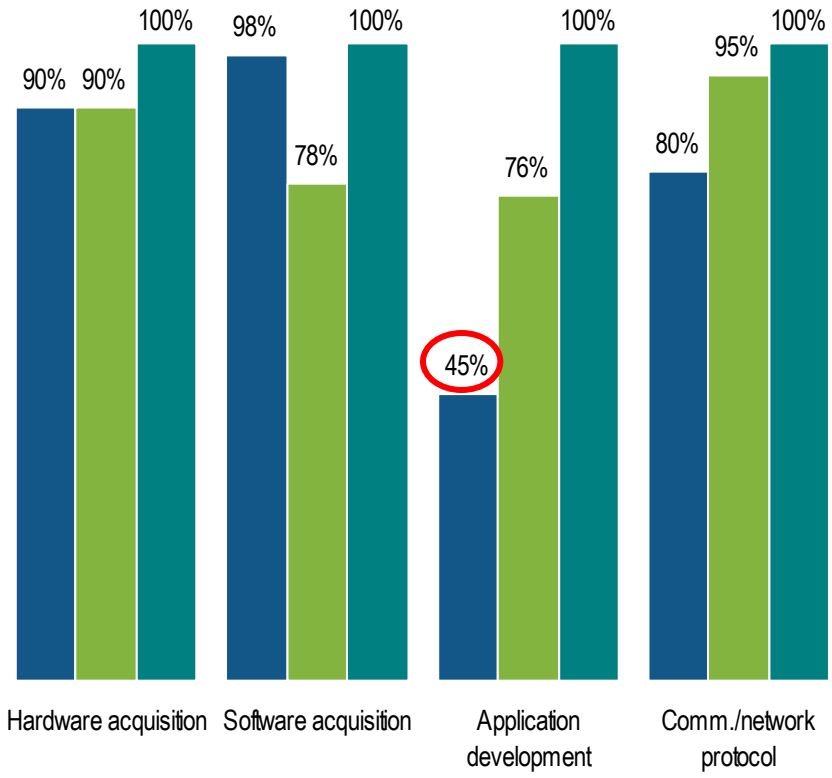
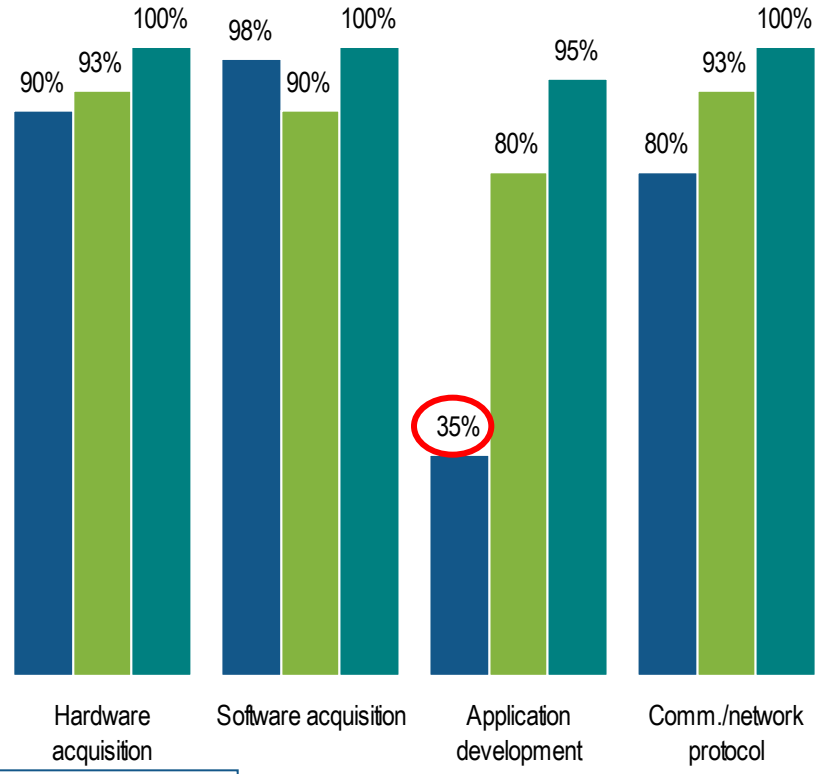
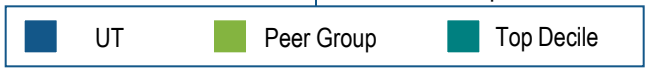
Application development standards represents an area of opportunity for UT

Percent of Organizations Utilizing Standard Definitions



Percent of Organization Adhering to Standards





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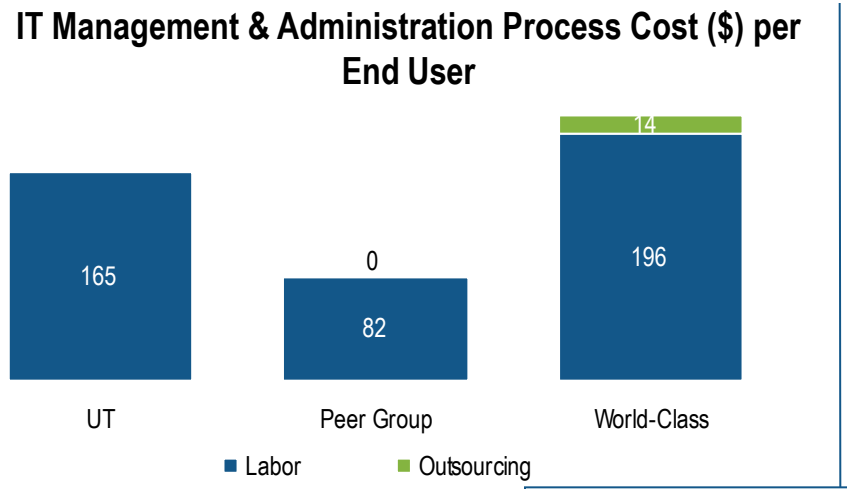
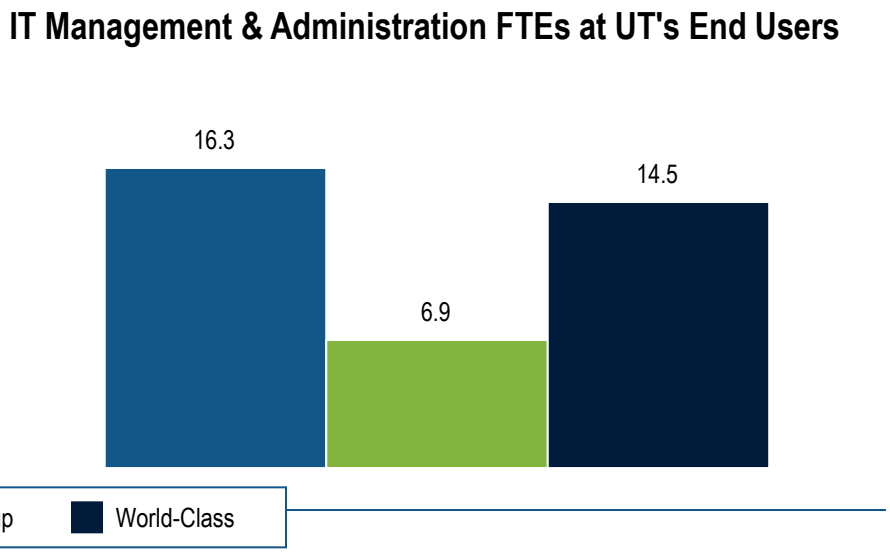
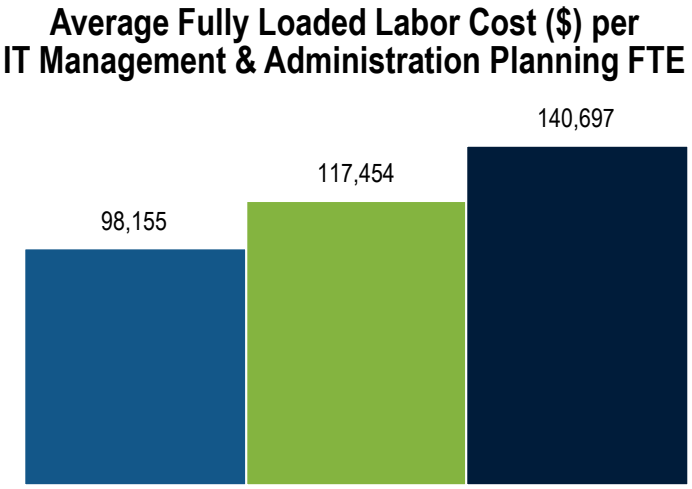
IT management and administration overview: UT appears to be overstaffed in IT management and administration







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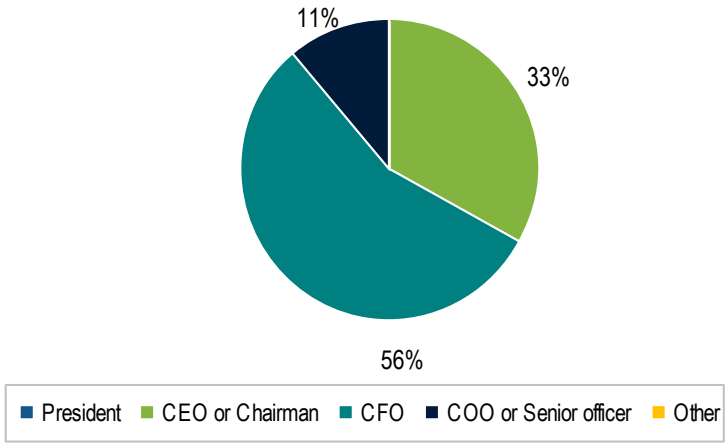
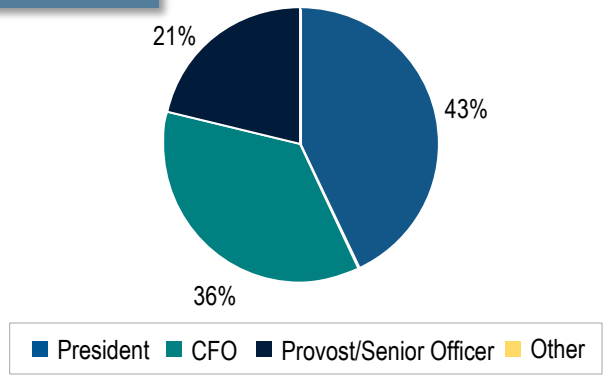
MU's CIO controls 80% of the university's IT spend

Reporting Channel of Senior IT Leader / CIO
(World-Class Distribution)

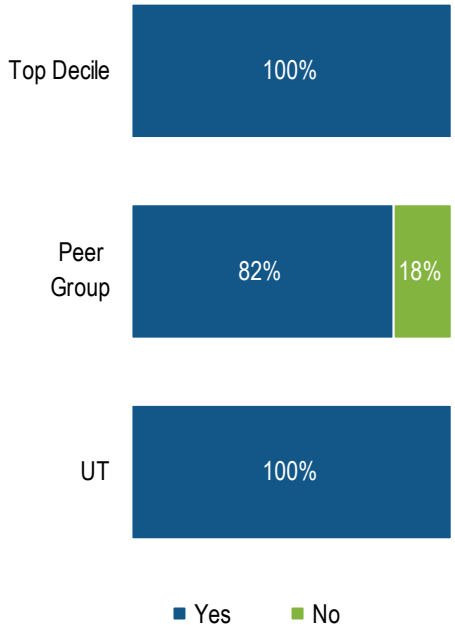


UT
CIO reports to the
CFO

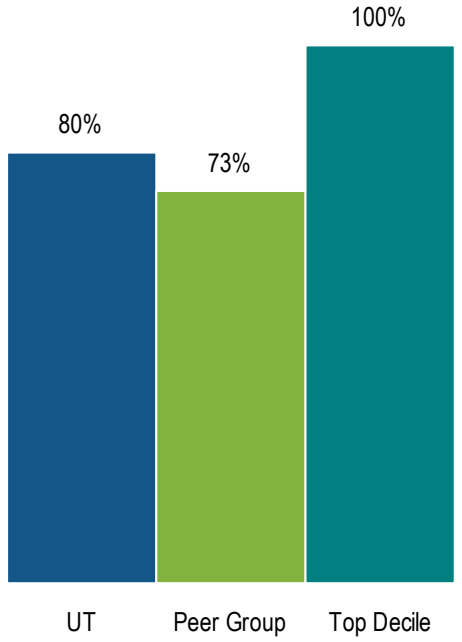
(Peer Distribution)



CIO Member of Senior Leadership Committee (Top Decile comparison)



Percent of Total IT Spend Controlled by IT Executive



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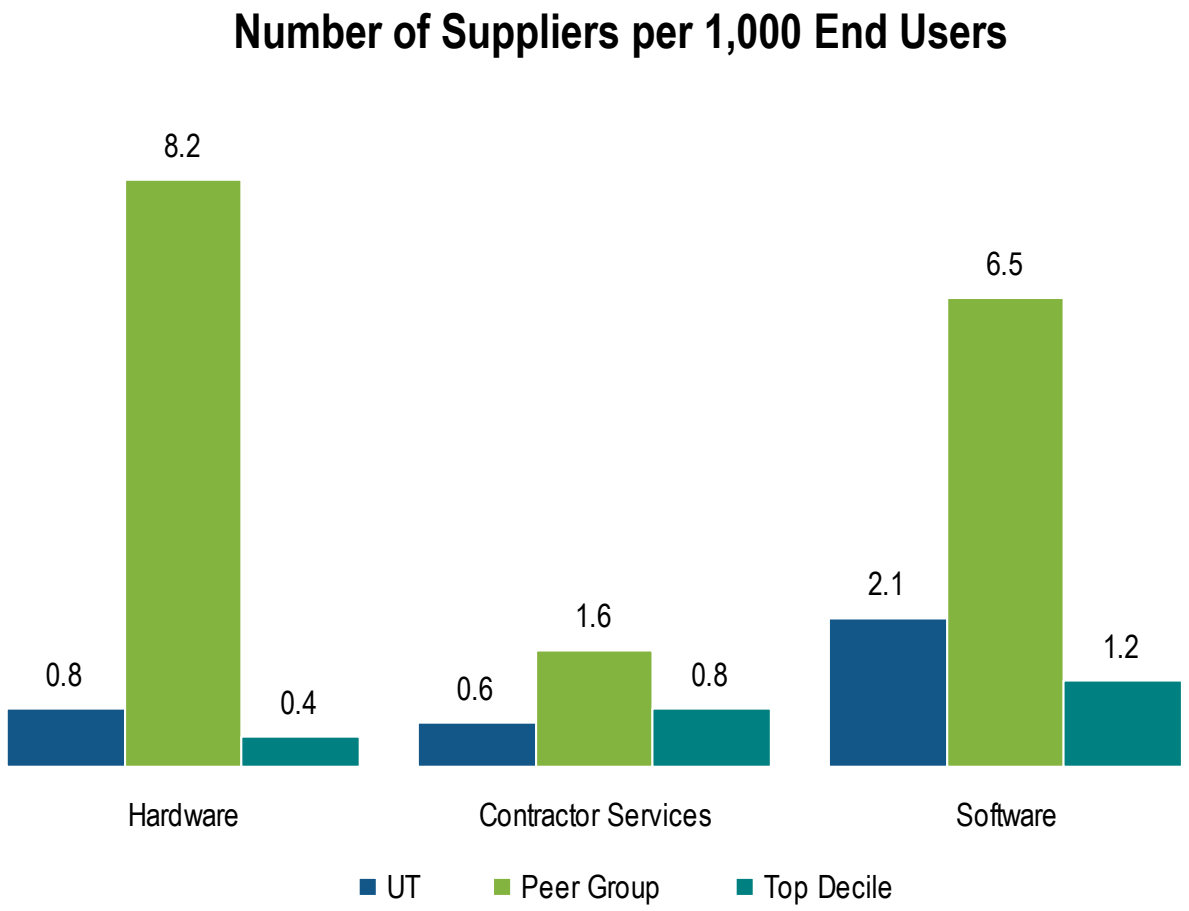
UT appears to have rationalized its supply base well



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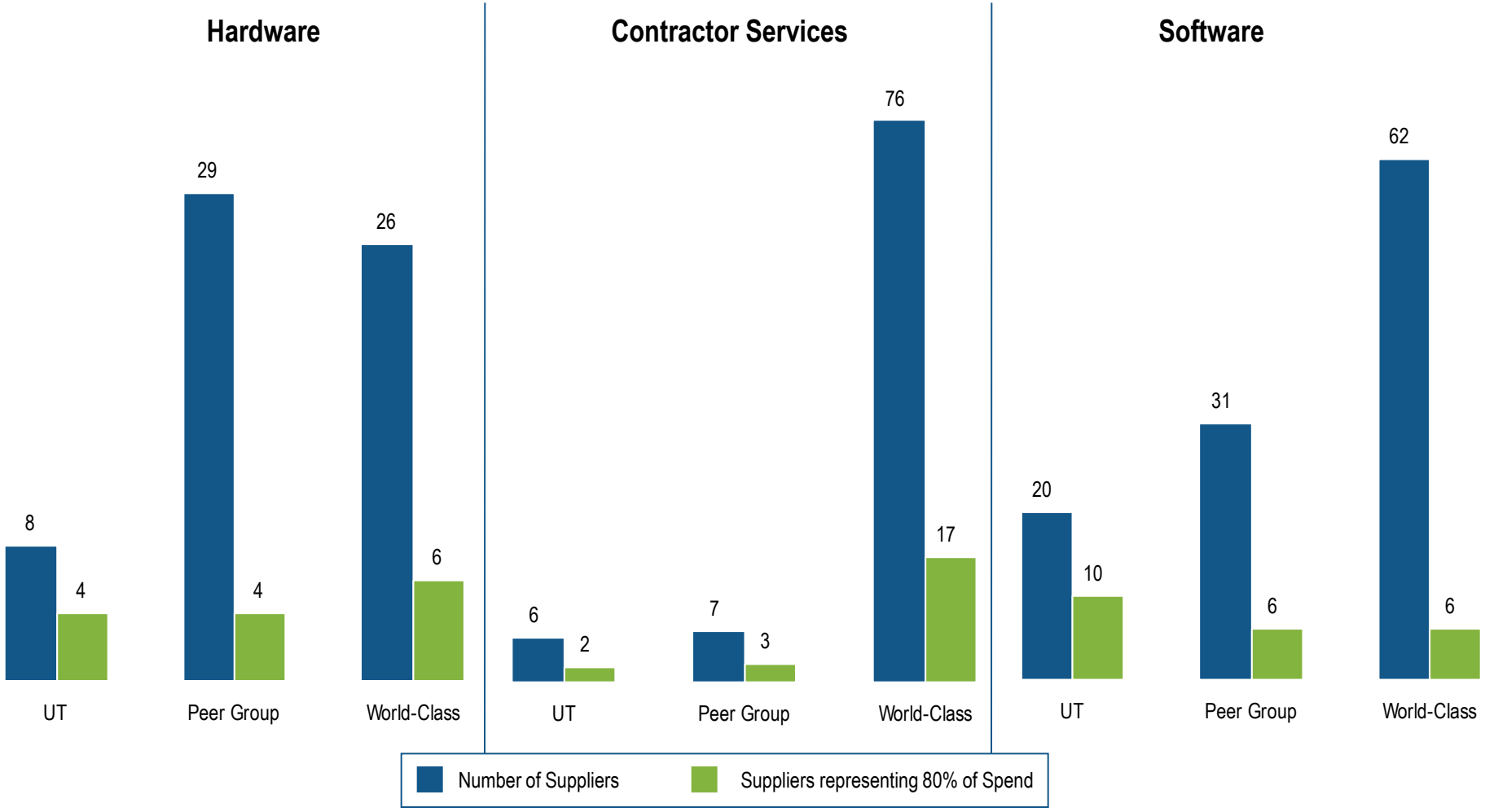
Supplier leverage



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