

GARTNER CONSULTING

IT FINANCIAL MANAGEMENT

Georgia Technology Authority Leverages Gartner IT Benchmarking Capabilities to Reduce Costs by \$28.6 Million

After Georgia Technology Authority (GTA) reorganized to consolidate several IT services, Senior Finance Officer Roosevelt Council was confident there were many areas where significant savings could be realized. To get at the facts, Council hired Gartner Consulting to benchmark GTA's IT costs. The engagement's findings and subsequent efforts to restructure and renegotiate vendor contracts resulted in bottom-line savings of \$28.6 million. "GTA recognized that its strategy for negotiating its major contracts was a bit outdated," Council says. "In the past we have relied on our technical staff to play the lead role in negotiating these major contracts. They would always do a good job; however, I felt we were at a disadvantage being at the table with seasoned negotiators from the vendor side. This is where Gartner stepped in and put us on a level playing field with the vendors. I am convinced that without Gartner expertise and savvy in working with our technical and legal teams, we would not have achieved this level of savings."



GEORGIA TECHNOLOGY AUTHORITY'S MISSION

Deliver secure, reliable technology services and solutions, and provide guidance and oversight that lead to sound decisions for Georgia's government.

- Promote information sharing among state agencies through enterprise architecture and statewide IT governance.
- Establish policies and standards for technology and security.
- Operate the state's data center and telecommunications network.
- Develop and manage the state's Web portal to provide online government information and services.
- Approve the purchase of technology consistent with established policies and standards.
- Oversee IT projects costing more than \$1 million to prevent waste and delay.
- Collect information and report on the IT expenditures of state agencies.

CHALLENGE: WHERE ARE THE SAVINGS?

When senior managers review budget proposals and financial reports, the same questions usually come up:

- Is our spending in line with expectations?
- How can we bring these costs down?
- Are we potentially under-investing in areas where our results are not where we want them to be?
- How do we compare to best-in-class organizations?

Even if staffing is considered optimal, the organization wants to know if its resources are being managed for maximum return.

GTA's senior finance officer, Roosevelt Council, suspected significant savings were possible after a reorganization of the state's telecommunications and data center operations. Council's team agreed the reorganization could likely yield savings by streamlining overlapping or duplicate services, and they sought out the hard facts to better understand where the most significant savings opportunities existed.

GTA ENGAGEMENT SNAPSHOT

Challenge

- Where are the savings from GTA's newly streamlined organization?
- How does GTA's spending compare to that of other organizations?

Approach

- Used the Gartner IT cost benchmarking methodology to model GTA's cost structure for peer comparison
- Showed what a peer group of similar size and complexity would spend to deliver GTA's workload and service quality

Results

- Identified 15% savings in vendor expense, representing \$28.6 million over five years
- Recommended management actions that would yield even more savings

"Once we completed the analysis, we arrived at consensus with GTA's management team as to exactly where the cost savings were. We then put our findings to work by initially targeting telecommunications vendor contracts."

JEFF PERKINS

Engagement Manager, Gartner

APPROACH: WHAT ARE OTHER ORGANIZATIONS SPENDING TO ACHIEVE SIMILAR RESULTS?

Gartner Consulting led GTA through a two-phased approach to find opportunities to reduce costs and capture cost savings. As part of the first-phase efforts, Gartner investigated and quantified the potential for savings opportunities by leveraging its IT cost benchmarking capabilities. Gartner put a portion of these findings to work in the second phase by assisting the state in renegotiating a key telecommunications vendor contract, which in turn led to significant cost savings.

The Gartner engagement drew on a cross-disciplinary team, with expertise in state government, benchmarking, IT financial management, telecommunications and data center services, and contract negotiations.

Engagement manager Jeff Perkins describes the project: "The benchmark we performed at the start of the initial phase served as a foundation for the team's efforts. It allowed us to uncover the necessary facts—about GTA, about comparable organizations, about vendors within the marketplace—in order to make informed decisions going forward. Without using this approach, we would not have known that such a significant portion of the savings potential existed directly within the telecommunications vendor costs."

WHY BENCHMARK?

- Pressures from management to reduce costs
- Support a major outsourcing decision
- Validate competitiveness of existing vendor contracts
- Satisfy management questions about where an organization's spending and management practices stand relative to industry leaders
- Understand how peers are delivering similar workloads at higher ROI
- Support recommendations for additional staff and resources to respond to growing demand

HOW BENCHMARKING WORKS

Fact-based approaches are popular with managers who have a philosophy that "numbers don't lie." But even hard numbers, with all the good intentions of representing the truth, can be misleading if they aren't gathered and analyzed properly.

For GTA's benchmark, which aimed to show how the organization's spending on IT services compared to peers, success meant getting costs together in a way that would deliver a true apples-to-apples comparison.

Terry Lawnicki, GTA project manager and veteran Gartner benchmark consultant, explains it this way: "In order to understand whether GTA's costs represented an efficient use of resources, we needed to capture the client's costs using the Gartner industry-standard chart of accounts, which would make peer comparison possible. Once this data-gathering exercise is complete, we can get a sense of how the client stacks up against a peer group of similar organizations."

Getting the peer group right is critical. For example, comparing GTA's costs to a peer group that is not as complex, large or similar in terms of how GTA defines acceptable service, would have skewed the results.

Lawnicki explains: "Examining state governments with similar environments and goals was a good way to start. We also specifically included private sector organizations for the purpose of comparison. The important thing is to find organizations that represent the client's, in terms of size, complexity, user community, geographical reach and how centralized or decentralized the service delivery organization is. Ultimately, we want to show what a peer group set up to deliver services in a similar way would spend to support the client's workload."

Peer groups typically consist of eight to 20 clients in the benchmark database, with the number of peers largely dependent on how closely their environment matches the client's. The primary cost drivers used for selecting the peers within telecommunications environments include the number of active extensions, the number of physical locations, the geography of the client, as well as the number of moves, adds and changes.

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TERRY LAWNICKI

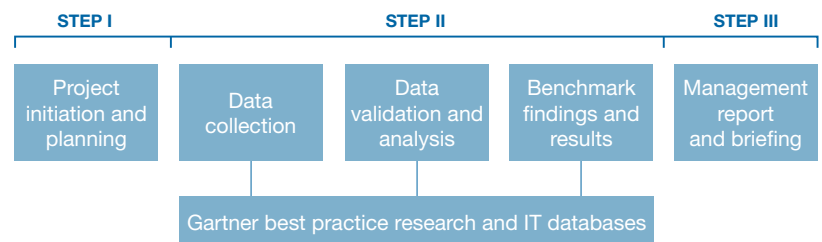
Senior Consultant, Benchmark Analytics, Gartner

DRAWING ON A TRUSTED SOURCE OF PERFORMANCE DATA

One way to ensure you’ve got a representative peer group is to have a large repository of comparative client data to draw from.

Chris Renn, group vice president of Gartner Benchmark Analytics, notes, “Last year alone we identified aggregate savings for clients in the hundreds of millions of dollars. Our benchmarking repository, the largest in the industry, represents 1,400 organizations and 17,000 benchmarks. We refresh the data every quarter, and our continuing investments in benchmarking help us deliver engagements with the speed and accuracy our clients expect.”

ENGAGEMENT SCHEDULE



The above illustrates a typical benchmark engagement. The end-to-end process can be completed in just six to eight weeks.

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Group Vice President, Benchmark Analytics, Gartner

FINDING OPPORTUNITIES TO SAVE

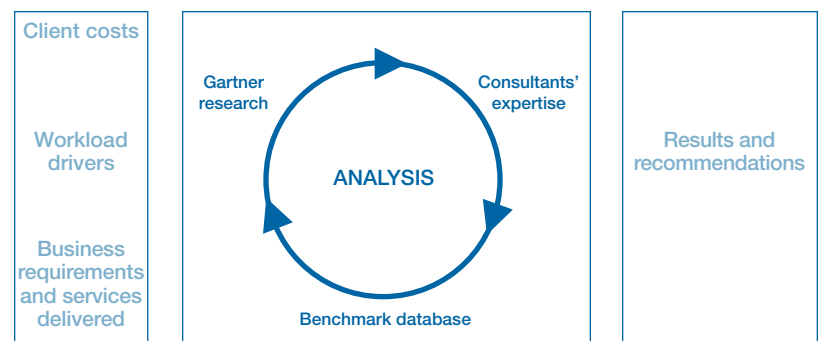
The GTA engagement began with a mapping exercise, aligning resources (vendor and non-vendor) with activities that deliver telecommunications and network services. This meant identifying and capturing the costs of all staff providing centralized support, as well as support from local field operations.

Lawnicki describes how the team got started: “We worked with GTA representatives to review and identify the overall workload, including the number of voice extensions and the number of locations being supported.”

The data collection involved several on-site meetings to ensure a common understanding of the environment. Gartner consultants also met with GTA’s executive steering committee regularly to review the findings and opportunities.

“Once we completed the analysis,” Perkins says, “we arrived at consensus with GTA’s management team as to exactly where the cost savings were. We then put our findings to work by initially targeting telecommunications vendor contracts.”

ANALYSIS METHODOLOGY



Benchmark consultants analyze the client's IT spend against Gartner insight and our benchmark performance repository, the largest in the industry.

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TANYA OSENSKY

Deputy General Counsel, Georgia Technology Authority

RESULTS: \$28.6 MILLION IN COST SAVINGS OVER FIVE YEARS

As part of the second-phase efforts, Gartner assisted in developing the renegotiation strategy and provided at-the-table guidance throughout the vendor renegotiation process. Improved contract terms and a 15% reduction in direct vendor costs resulted in \$28.6 million in savings for the state over the life of the five-year contract.

Perkins notes, “GTA was eager to implement our recommendations. During the renegotiation effort, we worked side by side with the client’s Office of General Counsel to get the best deal possible for the state.”

Areas like vendor savings are just the start. As Perkins explains, “GTA has embarked on a journey of transformation to adapt to changing conditions and a new organization. Our two-phased engagement is just the initial stage of a larger transformation effort for the organization.”

Tanya Osensky, GTA’s deputy general counsel, says, “Our renegotiation of vendor agreements yielded savings to the state worth \$28.6 million over the term of a five-year agreement, as well as other valuable terms that greatly enhanced the contract we already had in place.”

Staff of the governor’s office were kept apprised of the negotiations and were pleased with the savings, as was Senior Finance Officer Roosevelt Council. The state’s CIO, Tom Wade, was particularly happy to report twice the savings he had originally forecasted. “This is one case where doubling my estimate was a good thing,” he says.



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ROOSEVELT COUNCIL

Senior Finance Officer, Georgia Technology Authority

ADVICE AND RECOMMENDATIONS

- When managers suspect significant savings are possible but need the facts, a data-driven approach such as benchmarking makes sense.
- Consider benchmarking when the organization needs to adapt to changing business conditions and is unsure of how staff and other resources should correspondingly adjust.
- Use cost-accounting practices that are standard for your industry to facilitate accurate peer comparison.
- Benchmark annually or at least every two years.
- Benchmark vendor prices when you're about to make a large outsourcing decision or you suspect your current vendor expense is no longer competitive.