



IT Investment Board ~ Remarks to the Solutions Committee



The Honorable Aneesh P. Chopra
Secretary of Technology

January 2008



Office of the Secretary of Technology

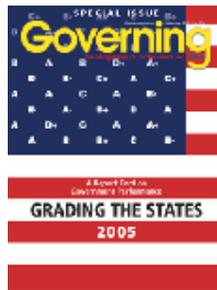
Virginia Leading the Way

A Strong Foundation of Leadership



Effective Management

- Best Managed State (2005)



- 2nd in Digital States Survey (2006)



A Technology Leader

- AeA ranks Virginia #1 in Tech Job Creation (2006)



- Forbes.com named Virginia the best state for business (2006)



#1 From “Cradle to Career”

Education Week says Virginia children are the most likely in the nation to experience success as they move from childhood to adulthood. The typical student in the commonwealth “enjoys higher achievement and is more likely to finish high school and continue on to college than in other states.”

A Company-by-Company Search for Stall Points

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

1964-1984*



The stall point identification process compares 10-year growth rates preceding and following each year in a company's history...

Year	1969	1970	1971	1972	1973	1974	1975	1976	1977	1987	1979
10 Prior Years	4.2%	3.9%	3.6%	4.3%	4.8%	4.8%	3.8%	3.1%	0.3%	0.5%	1.1%
10 Next Years	1.1%	2.6%	2.3%	1.7%	0.0%	(1.1%)	(1.7%)	(1.2%)	(0.2%)	1.1%	1.0%
Stall Delta	3.1%	1.3%	1.3%	2.6%	4.8%	5.9%	5.5%	4.3%	0.5%	(0.6%)	0.2%

...pinpointing 1974 as the year that captures Kodak's stalling growth rate most accurately.

Questions Addressed by the Analysis

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

Lesson 5: Most Stalls Are Controllable

Frequency of Observed Stall Factors

Uncontrollable Factors (12% of Total)

Contextual Factors (12%)

Regulatory Actions
Economic Downturn
Labor Market Inflexibility
Geopolitical Context

Counting the Causes

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

Controllable Factors (88% of Total)

Strategic Factors (70%)

Premium Position Captivity
Innovation Management
Breakdown
Failed Acquisition
Premature Core Abandonment
Key Customer Dependency
Strategic Diffusion/
Conglomeration
Failed International Expansion
Adjacency Failures
Voluntary Growth Slowdown

Organizational Factors (18%)

Talent Bench Shortfall
Organization Design
Incorrect Performance Metrics
Board Inaction

Key factors for
Virginia Agencies



Policy Incentives, Leadership Training Critical to Success

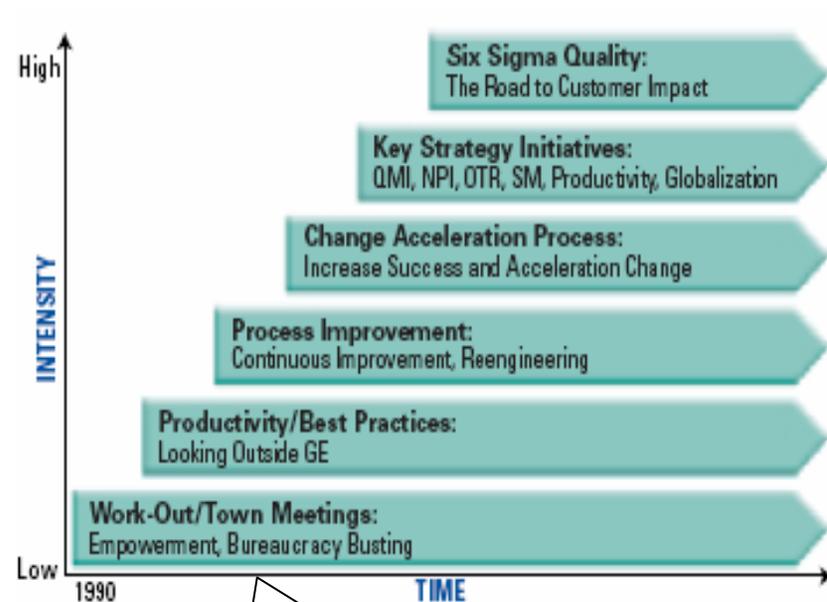
Gainsharing
Savings Distribution



% savings retained by agency to redeploy for higher-yielding activities

% re-distributed through Commonwealth's General Fund

Performance Training
GE "Workout" Methodology



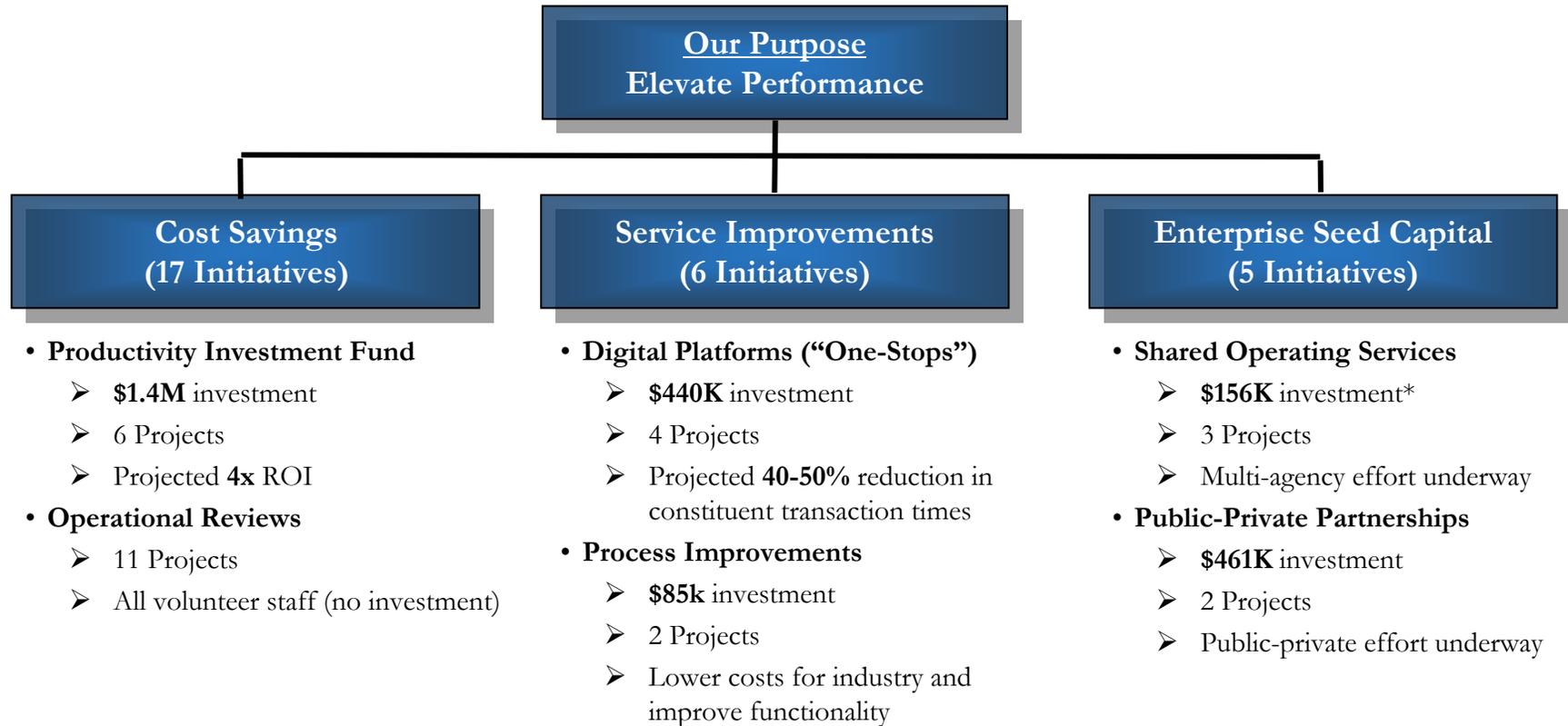
Genworth generously invited 5 high potential leaders to join in training in 2007; goal to develop Commonwealth approach and scale to 50 leaders with rigorous implementation accountability



Office of the Secretary of Technology

Productivity Investment Fund

A Portfolio Management Approach to Deliver Productivity Investments



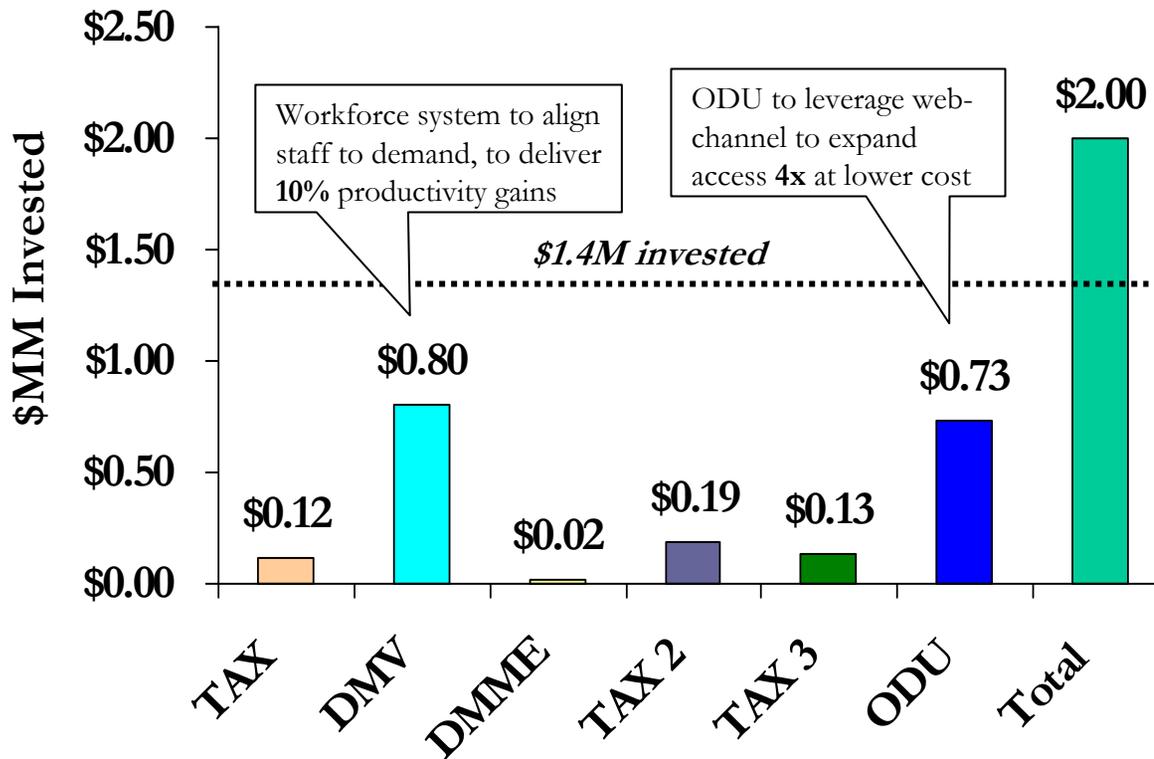
Effective Public & Private Sector Governance
(Enterprise Solutions Oversight Board & Productivity Advisory Committee)



Cost Savings

Cost Savings Portfolio Expected to Return 4x ROI After Three Years

Annualized Savings Potential – Base Case



Productivity Investment Fund in Brief

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

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

Portfolio: Across two rounds, we have invested **\$1.4M** to fund the following savings initiatives:

- Dept of Tax: Image Cash Letter
- DMV: Workforce Mgmt System
- DMME: Field GIS
- Tax 2: Corporate E-File
- Tax 3: Eliminate Vouchers
- ODU: VIDEO-D-U

Using the base case, the 3-year return per dollar invested is approximately \$4



Service Improvements

Pilot Projects Leverage Digital Platform to Improve Service

Pilot Project	Description
<i>Business One Stop</i>	New website designed to streamline myriad forms required to start a new business in Virginia and avoid data entry duplication; of 37 most common forms, 445 data fields include 324 duplicates
<i>Mining Permit e-Forms</i>	New web-based multi-year mining permit process will reduce 90 day wait time to 14 days ; DMME will also begin accepting digital signatures further lowering industry regulation costs
<i>Streamlined Application Processes</i>	New web-based Medicaid application for aged, blind and disabled to dramatically lower time to determine eligibility; current 90 day period to fall to 45 days ; an enhanced Employment Commission website will ensure more accurate applications lowering review time

\$525K investment should lower constituent transaction time 40-50%, saving citizens time and money



Enterprise Seed Capital

Seed Capital to Plan for Streamlined Enterprise Operations

Governor's Agenda
Enterprise Initiatives

Portfolio

Shared Operating Services

#**Virginia Enterprise Applications Partnership**— a shared service approach to lowering “back-office” operating costs

#**“Paperless Government”** — an enterprise standard to convert paper records into an automated workflow

#**e-Payments** — an enterprise approach to convert paper checks to electronic payment systems

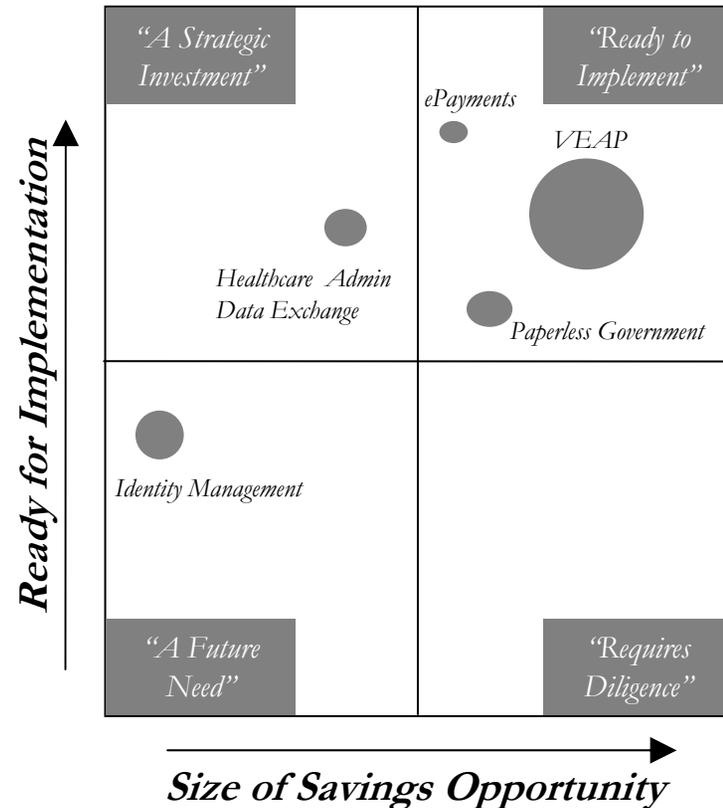
Public-Private Partnerships

#**Healthcare Administrative Data Exchange**— a public-private partnership to leverage electronic medicaid claims submission to lower administrative costs for all payers

#**Identity Management**— a review of existing identity management activities to assess viability of public-private Real-ID leveraged shared service

\$617K investment yielded four viable projects

Mapping Enterprise Opportunities
By Size of Implementation Cost



● Denotes Size of Investment Cost at Full Implementation

*Separately funded and project launched



The Path Forward

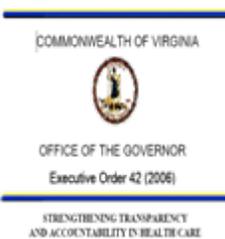
Kaine Administration Seeking Innovative Approach to Health IT

Accountability, Transparency and Standards

Commonwealth Policy



HB 2198 requires that all Health Records Systems purchased by the Commonwealth adhere to accepted standards of interoperability.



Executive Order 42 calls for standards compliance for all public health IT procurements and improved transparency on pricing and quality

Value-Based Healthcare

2009-10 Biennial Budget

The Challenge: DHRM shall explore options within the health insurance plan for state employees to promote value-based health choices aimed at creating greater employee satisfaction with lower overall health care costs

Gainsharing: It is the General Assembly's intent that any savings associated with this employee health care initiative be retained and used towards funding state employee salary or fringe benefit cost increases

Clarifying the PPEA

Notwithstanding any other provision of law, including but not limited to the definition of "qualifying project" provided in § 56-575.1 of the Code of Virginia, the **Governor** or his designee may authorize any state agency to purchase goods or services aimed at increasing state government **productivity or efficiency** using the procurement procedures outlined in the Public-Private Educational Facilities and Infrastructure Act of 2002, codified at §56-575.1 et seq., Code of Virginia.