Virginia Information Technologies Agency

VITA

Infrastructure Sourcing Strategy

Report on the Comprehensive Infrastructure Agreement
to the Virginia Information Technologies Agency – November 2015

FINAL RECOMMENDATIONS REPORT

The Virginia Information Technologies Agency (VITA) provides IT infrastructure services to executive branch agencies throughout the Commonwealth of Virginia, primarily through a contract with Northrop Grumman Services Corporation. In anticipation of contract expiration in 2019, and with recognition of the complexity of change in such a large shared services environment, VITA is currently evaluating sourcing strategies to better align with current best practices and future customer requirements. Toward that end, VITA has commissioned Integris Applied, an IT sourcing advisory firm with focus on the public sector and next-generation sourcing models, to assess the current environment and develop a long-term strategy.

This report is provided by Integris Applied to the Chief Information Officer of the Commonwealth, VITA, its customers, and the Commonwealth of Virginia at large. It is the capstone report for the Recommendation Phase, summarizing the findings of preceding assessment deliverables and describing Integris Applied's recommended sourcing, governance, and services delivery strategy for the Commonwealth.

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1. Executive Summary

The Commonwealth of Virginia took a bold step forward with the management of its technology in signing the Comprehensive Infrastructure Agreement (CIA) with Northrop Grumman in 2006. Addressing challenges faced by many states across the country, the Commonwealth partnered with the private sector to consolidate and upgrade its IT infrastructure.   Under this agreement the Commonwealth has realized benefits such as a consolidated email system, improved security and modern server environments. This foundation would likely not have been achieved without the Commonwealth's strategic partnership decision.

With the approaching expiration of the CIA, evolution of marketplace offerings, and enterprise-wide frustrations with service delivery, the Commonwealth recently implemented a program to develop a next generation sourcing strategy. The IT Sourcing Strategy Program (ITSSP) was designed to examine all factors of the Commonwealth's current infrastructure services delivery model and provide recommendations that would improve upon the current state and position VITA to more effectively support the Commonwealth's technology needs in the future. The ITSSP was launched in February and concludes with these final recommendations.

Integris Applied has found that VITA's current delivery platform, and business and financial structures, cannot support the agency and enterprise needs identified during the program. These needs range from improvements in basic service delivery to greater transparency into delivery processes. Furthermore, the current delivery platform cannot support the changes required to include new offerings available in the marketplace. Inherent throughout the assessment was a desire among agencies and enterprise leadership to make changes to the delivery model now rather than waiting until contract expiration.

Over the course of this ten-month program, Integris Applied has produced numerous reports, all of which culminate in the following recommendations summary:

- The Commonwealth should **start now** to disentangle services from the CIA
- The Commonwealth should adopt a **multi-supplier model** with a **services integrator** through a **competitive bid**
- VITA should create a **Platform Relationship Office** to manage the new services delivery model
- VITA should lead the implementation of a new governance model that **increases agency involvement**

Implementation of these recommendations will be a multi-year journey. However, the ITSSP has built a framework for change and developed momentum for modernization of the Commonwealth's service delivery platform beginning now. The Commonwealth's ability to disentangle services and establish a new delivery model will depend on leadership from VITA, support of VITA by the enterprise, and the dedication of resources in VITA to the management and implementation of necessary changes. The new operating model must include a governance framework that will balance agency and enterprise business requirements and support the Commonwealth's ability to provide services to its citizens.

PROLOGUE

2. Program Overview

The Final Recommendation Report marks the completion of the ITSSP. It is the culmination of a body of work that reviewed the Commonwealth's current infrastructure services, the alignment of those services to current agency and enterprise needs, and the options available to the Commonwealth given contractual and financial parameters, and marketplace capabilities. This review has engaged Commonwealth agencies and leadership in order to reflect all views in its final recommendations, and to build a stakeholder community that would assist in implementation of any accepted recommendations.

2.1   Purpose

VITA initiated the ITSSP to achieve three objectives.

> To develop options for the Commonwealth in anticipation of the June 30, 2019 expiration of the Comprehensive Infrastructure Agreement (CIA) with Northrop Grumman.

> To make recommendations on options identified.

> To develop a second generation sourcing strategy for the Commonwealth of Virginia.
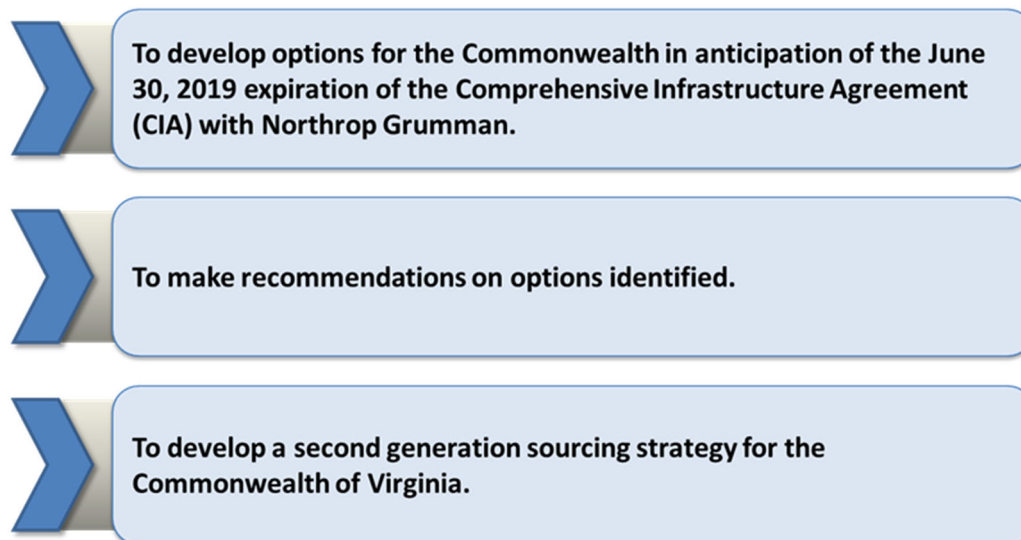
Figure 2-1: ITSSP Objectives

The ITSSP has met these objectives. Integris Applied offers the recommendations in this report as fact-based and realistic. Using the momentum established by the ITSSP and the stakeholder community created for this program, VITA is positioned to implement any recommendations it may accept.

2.2   Journey

This report is built upon the work conducted and findings made by Integris Applied throughout the ITSSP Assessment and Recommendation Phases. The two phases each included multiple workstreams as shown in Figure 2-2 below.
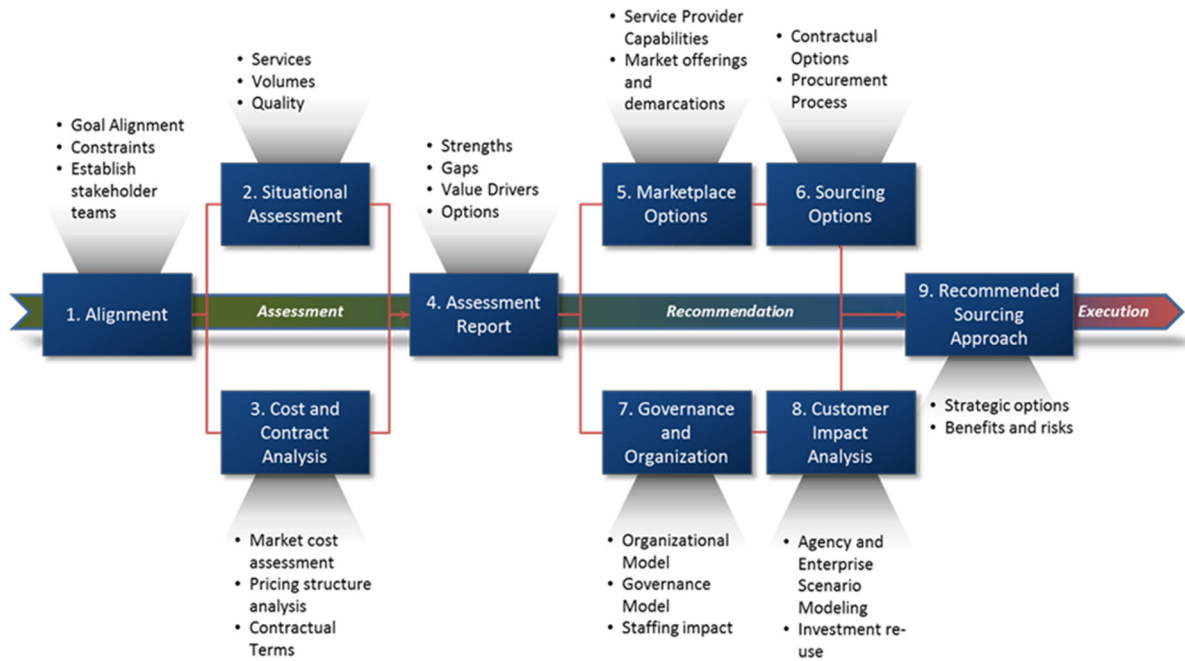
Figure 2-2: ITSSP Journey

VITA's ITSSP is much more than a second generation sourcing event. It is a significant change management program in a political environment. Integris Applied views this initiative as a multi-faceted program designed to improve service management outcomes for agencies and citizens. Our framework for change is depicted in Figure 2-3. In any context, change must be managed and driven by a leading organization and supported by an Enterprise. The right conditions, namely an effective delivery platform and aligned business and financial structures, must also be in place. Finally, the outcomes must improve service management for the consumers of the services provided by the platform.

As discussed in Section 3, this framework was applied during the situational Assessment Phase of the ITSSP. It is intended to highlight the complexity involved in making any change to an enterprise delivery model in a government environment, and the need to include a change management strategy and program when evaluating options, risks and implementation plans.

Figure 2-3: Integris Framework for Change

2.3   Stakeholder Engagement

VITA recognizes that one of the most critical success factors for this change initiative is outreach and engagement across the Commonwealth. This need for outreach drove Integris Applied's interview approach with agencies and enterprise leadership, and was central to a governance model designed to be more inclusive of agency voices and able to balance enterprise and agency priorities.

To include perspectives beyond the executive branch, VITA established an IT Sourcing Steering Committee, comprised of stakeholders representing agency and enterprise needs, financial and policy matters, and feasibility of implementing recommendations. This committee met monthly throughout the ITSSP to provide input and guidance to reports as they were being developed and finalized by Integris Applied. In addition, VITA continually provided communication to stakeholders via existing forums such as the CIO Council, Agency IT Resource (AITR) communication meetings, the IT Advisory Council (ITAC), newsletters, and the public-facing VITA web site.

It is important to note that interviews were conducted with executive branch agencies and leadership. While legislative staff has participated in the ITSSP through the Steering Committee, Integris Applied did not interview members of the legislature.

2.4   The Platform Concept

Throughout this report Integris Applied refers to the "platform" when discussing recommendations for the Commonwealth's new service delivery model. We define "platform" as the aggregation of operational and relational activities that allow for effective service delivery, timely decisions, and continuous improvement. This definition includes the buyer's service management organization, services contracts, service providers, operational governance and relational governance (discussed in Section 8).

A platform thus provides a stable framework that can incorporate change through well-defined principles. Multiple suppliers and stakeholders can participate with the platform based on these principles. Daily delivery activities and strategic governance activities must all be considered within a services model. Viewing these activities as part of a platform allows stakeholders to see connections between all activities and to understand their role within the model.
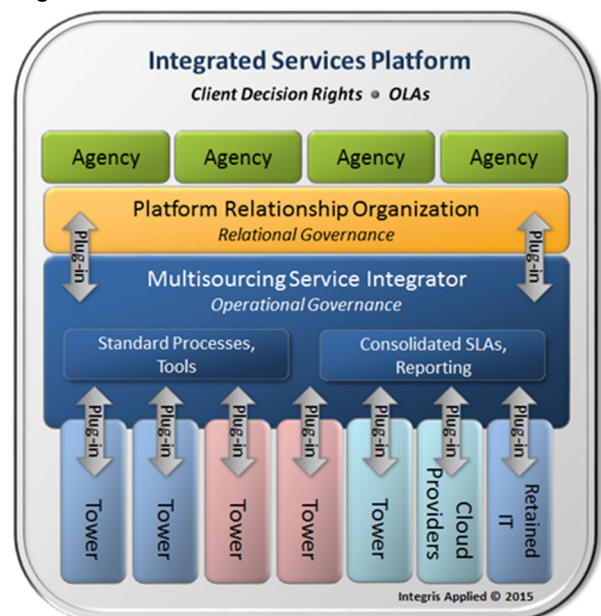
Figure 2-4: Integrated Services Platform

PART I: THE ASSESSMENT PHASE

3. Assessment Phase Overview

The ITSSP began with an Assessment Phase focused on the fundamentals of the Commonwealth's current delivery model – customer needs and contractual structure. The objectives of the Assessment Phase were to:

- Identify the effectiveness of services provided under the CIA;
- Identify agency and enterprise current and future needs;
- Assess CIA terms and conditions against comparable services contracts
- Assess the Commonwealth's readiness to adopt changes to the current delivery model.

Our framework for this phase is depicted in Figure 3-1. The "Agency and VITA Situational Assessment" and the "Cost and Contract Analyses" informed a "Platform/Business Review" and a "Change Readiness Assessment." As noted earlier, the Commonwealth's needs will drive changes to the existing delivery model. If the required changes are extensive, the Commonwealth must understand the ability or inability of its current services contracts, VITA, and other stakeholders to manage and implement those changes.

Figure 3-1: Assessment Approach

The assessment phase concluded with a Strength, Weaknesses, Opportunities and Threats (SWOT) analysis to identify near term actions the Commonwealth could take to prepare for changes to its delivery model.

3.1 Situational Assessment: Identify Agency and Enterprise Needs
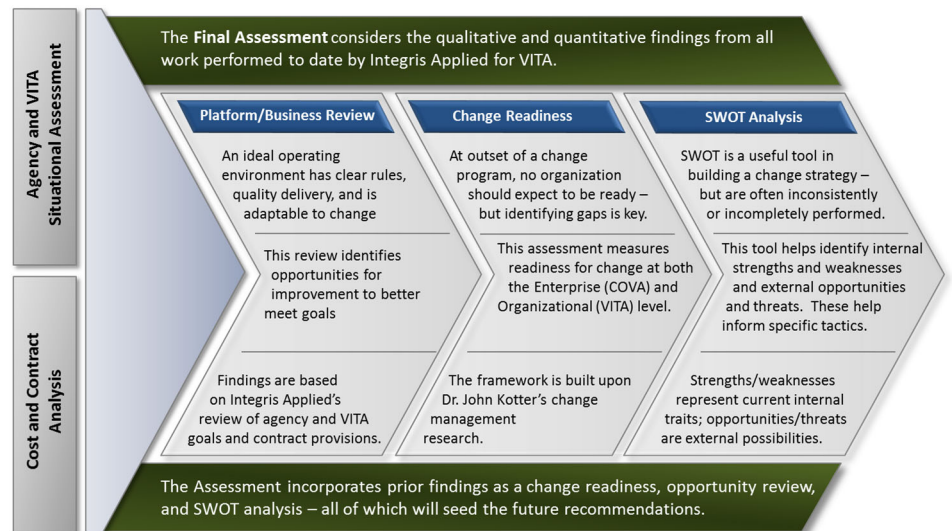
The Situational Assessment workstream was designed to evaluate the Commonwealth's current state and identify goals for a future-state operating model. During this workstream, Integris Applied interviewed business and IT leaders at more than 65 agencies, as well as VITA subject matter experts and enterprise executive leadership, to identify the needs of both agencies and the enterprise. These interviews were supported with an online survey to which 54 agencies responded. The list of respondents as well as summaries of the results are found in the appendix.

3.1.1 Agency Findings

Over the course of the interviews, an agency "hierarchy of needs" became apparent. This hierarchy represents the most pressing delivery issues facing Commonwealth agencies. What also became apparent were key themes, or root causes, that applied across all notable service delivery issues.

The three key themes communicated by agencies over the course of these interviews are:

- **Lack of empathy for agency business operations**
  Agencies do not believe that either Northrop Grumman or VITA understands or appreciates the impact service delays, disruptions or unplanned changes have on their business operations. As a result, agencies do not believe the Partnership responds with the needed sense of urgency when service interruptions occur.
- **Existence of operational silos**
  Agencies experience poor communications between the various VITA and Northrop Grumman internal organizational silos. Agencies also experience poor execution of cross-functional activities during resolution of service incidents and other events.
- **Cost**
  Agencies perceive that Partnership services are much more expensive than what can be purchased in the market. Agencies are frustrated with a lack of control and transparency around cost, forcing many to reduce other services to compensate for perceived increasing charges from VITA.

Underlying these themes, Integris Applied identified a hierarchy of needs as represented in Figure 3-2. The strongest feedback was focused on the most basic needs. Unless the most basic needs are met, the aspirational goals will not be met.

This hierarchy was used throughout the project to summarize the agency goals that need to be addressed in a future operating model.
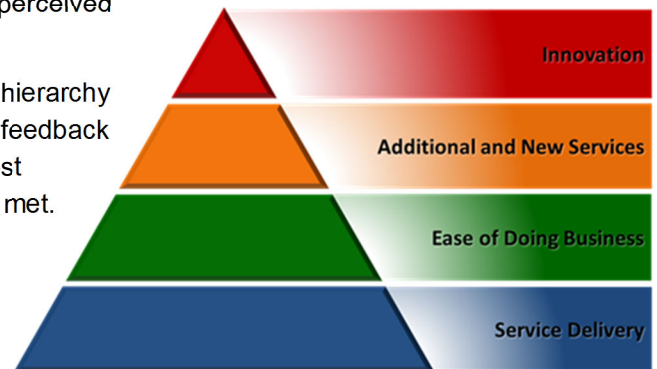
Figure 3-2: Situational Assessment Hierarchy of Needs

3.1.2 Enterprise Findings

In any enterprise shared services model there is a healthy tension between the needs of individual agencies and the enterprise as a whole. Enterprise investments in security, for example, may preclude the use of certain services by agencies. Therefore, the Commonwealth should keep both agency and enterprise views in perspective in considering any recommendation. In conducting interviews with VITA experts and enterprise executive leadership, Integris Applied found three themes:

- **Support for an enterprise model**
Enterprise executive leadership recognizes the need for, and supports, an enterprise approach to technology management. There is little, if any, desire to return to a federated model where services are managed by individual agencies. At the same time, both executive leadership and agencies agree that there is dissatisfaction with the current delivery model and a desire for VITA to make changes.

- **Understanding of policy decisions**
Each issue identified during interviews has strategic and financial implications for the Commonwealth, and it is clear that executive leadership understands these implications. There is an express desire to retain more management control over IT expenditures in a future model, and the Commonwealth is willing to explore options that support this policy goal.

- **VITA's role in the enterprise**
Despite frustrations with the current delivery model, there is a need for VITA's leadership role in the enterprise. VITA has an opportunity to clarify its role in the enterprise, involve customers on improvement projects, and develop a management framework for a new service delivery model that engages agency customers.

A near universal agreement exists across the Commonwealth that the current Partnership is not meeting the basic service delivery needs of the enterprise. The Commonwealth is prepared to make the changes that provide it with the services it needs. Across all stakeholders, there is an understanding of the policy and budgetary implications that any change may cause.

For this change to occur, however, VITA's leadership and the enterprise's support for that leadership are required. Integris Applied believes that the enterprise will support VITA's efforts to transition to a new service delivery model as long as the plan is sound and incorporates lessons learned over the term of the Partnership.

3.1.3   Summary of Situational Assessment Findings

A new delivery model must meet the goals of the Agencies while maintaining the requirements of the Enterprise. Although some attributes may seem oppositional, the reality is that there is alignment across many goals and a future delivery model, with the proper governance, can help balance agency and enterprise objectives when conflicts arise. The findings are summarized in Figure 3-3 below.

Agencies		Enterprise	
Service delivery quality	*Performance expectations met and measured*	Maintain cost competitiveness	*Ability to maintain market pricing and ensure cost competitiveness to stakeholders on an ongoing basis*
Ease of doing business	*Service delivery platform does what we (Customer Agencies) ask in a timely manner*	Management control	*Discretion over service provider action; enforcement mechanisms*
Service flexibility	*Additional and new services, changes to services, capacity flexibility*	Flexibility to evolve	*Adding new services; replacing service providers/personnel*
Evolution and innovation	*Control over evolution and access to innovations*	Supports oversight functions	*E.g., investment management, project management, IT planning*
Agency choice	*Diversity of services; choices of tiers of service*	Standardization	*Efficient use of enterprise scale; driving architecture, security, etc. standards*
Service transparency	*Clarity of services: reporting, quality*	Securing Commonwealth data	*Managed application of security services across enterprise*
Spend transparency	*Clarity of spending: what comprises a billing unit; reporting clarity*	Procurement and transition	*High likelihood of transition success; team capacity to handle procurement activities; lower adverse effects*

Figure 3-3: Agency and Enterprise Goals

These findings are used later as criteria for the sourcing scenario evaluation.

3.2   Business & Financial Structure

The underlying contract in any services arrangement defines the services to be provided, the price to be paid, and the responsibilities of the parties. An optimal agreement allows for an equitable sharing of risk and provides flexible mechanisms for the implementation of new services.

Within the framework of the CIA, Integris Applied assessed the four pieces that comprise the financial health of any services agreement. Depicted in Figure 3-4, each piece has been discussed at length in previous reports. Each report produced its own set of findings and – across those findings – consistent themes began to emerge.

Figure 3-4: Financial and Contractual Review Components

Outlined in the table below, these themes have short- and long-term impacts. In the short-term they might be seen as small barriers that will be addressed over time. If they are not addressed – or if resolution benefits one party over the other – then the long-term relationship of the parties could be adversely impacted.

Financial and contractual review identified three major themes.

- **Barriers to Change**
  Services in the CIA are difficult to change due to barriers such as length of contract term, high fixed cost, minimum revenue commitment and asymmetric Additional Resource Charges (ARCs) and Reduced Resource Credits (RRCs).
- **Shared Risk**
  Operational and financial risk is not equitably shared between parties. It is difficult under the existing contract structure for the Commonwealth to evolve and improve the services.
- **Cost of Services and Control of Options**
  Costs of many services are high compared to the market, yet contract levers and service choices do not provide flexibility needed to reduce prices.

All IT services contracts reflect the needs of the parties at the time of agreement. Integris Applied understands the original CIA's objectives and the Commonwealth has made substantial progress achieving those objectives.

The current contract structure cannot, however, support the Commonwealth's changing needs and a rapidly evolving marketplace. In a new service delivery and contracting model the themes enumerated above will need to be addressed.
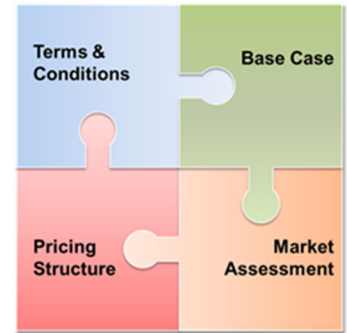
3.3 Need for Change

In the Final Assessment Phase Report, Integris Applied documented the reasons why VITA's current service delivery model needs to change, what needs to change within VITA and within the Commonwealth, and how to begin a change program. As noted in Section 2.2, implementing a second generation sourcing strategy will require a concerted change management program that creates buy-in across multiple stakeholders and balances competing interests. Integris Applied used its change management assessment methodology during this phase of the assessment.

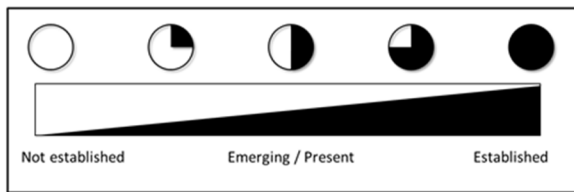Integris Applied used the scale depicted in Figure 3-6 in this review.

Figure 3-5: Integris Framework for Change

Figure 3-6: Change Readiness Scale

Integris Applied began with a review of VITA's service delivery platform, and its business and financial structures (the "What'). This review evaluated the capacity of VITA's current delivery model and the contractual framework that underpins to adapt to changes identified by Commonwealth stakeholders. Our assessment factors are outlined in Figure 3-7 and discussed in Sections 3.3.1 and 3.3.2 below.

Services Delivery Platform	Business and Financial Structure
Factors	*Factors*
• Defined and transparent rules-based environment • Can make equitable adjustments among competing interests • A learning environment that can adapt to change • Able to balance the interests of the enterprise with the exceptions of the agency need • Maintains competitive pressure through low barriers to change and effective plug & play	• Legal • Governance & Change • Service & Scope • Quality Management • Finance & Pricing • Human Resources
Measurement Approach	
Each factor is reviewed on a five point scale of Not Established to Fully Established. The average of the evaluated factors creates a category evaluation.	

Figure 3-7: Services Delivery and Business / Financial Factors

Organizational (VITA) Readiness	Enterprise (COVA) Readiness
Factors	*Factors*
• Clear vision established and communicated frequently • Acceptance of the need for change/Burning platform exists • Change champion identified • Coalition for change identified and active • Short term wins identified and accepted • Drumbeat established and supported by coalition	• Clear vision established and communicated frequently • Acceptance of the need for change/Burning platform exists • Change champion identified • Coalition for change identified and active • Short term wins identified and accepted • Drumbeat established and supported by coalition
Measurement Approach	
Each factor is reviewed on a five point scale of Not Established to Fully Established . The average of the evaluated factors creates a category evaluation.	

Figure 3-8: Organizational and Enterprise Change Readiness Factors

Next Integris Applied reviewed VITA's and the enterprise's organizational readiness (the "How"). As the organization responsible for leading the implementation of a new sourcing strategy, VITA must be in a position to drive and manage the change that will be required across the enterprise. Likewise, Commonwealth leadership must be willing to support VITA's strategy with time, effort and resources. The factors used to assess organizational readiness are aligned with industry accepted change management practices, and are outlined in Figure 3-8 and discussed in Sections 3.4.1 and 3.4.2 below.

After assessing the "the What" and "the How," Integris Applied used Strength, Weakness, Opportunities and Threats (SWOT) to analyze the Commonwealth's current state relative to the need for change. This approach helps identify barriers to change, suggests steps that can be taken immediately to address those barriers and lays the foundation for future recommendations. The SWOT translates the readiness review into actions that can help the Commonwealth build on the momentum VITA has created for changes to its delivery platform through the ITSSP. The initial SWOT is depicted in Figure 3-9 and further discussed in Section 3.5 below.
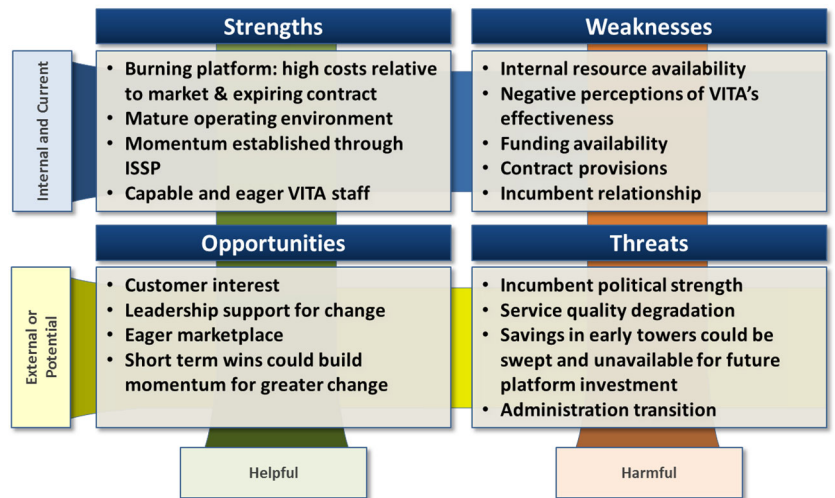

Strengths	Weaknesses
• Burning platform: high costs relative to market & expiring contract • Mature operating environment • Momentum established through ISSP • Capable and eager VITA staff	• Internal resource availability • Negative perceptions of VITA's effectiveness • Funding availability • Contract provisions • Incumbent relationship
Opportunities	Threats
• Customer interest • Leadership support for change • Eager marketplace • Short term wins could build momentum for greater change	• Incumbent political strength • Service quality degradation • Savings in early towers could be swept and unavailable for future platform investment • Administration transition

Figure 3-9: SWOT Analysis

The findings from this report are:

1. Agencies and the enterprise agree that changes to the Commonwealth's infrastructure services delivery platform are necessary to improve services, pricing and flexibility.
2. The current contract and pricing structure cannot support the flexibility needed by the enterprise and by agencies.
3. VITA's sourcing strategy program has engaged the agencies and other key stakeholders, built momentum for change, and established a foundation for an agency-inclusive service management framework.
4. The Commonwealth and VITA should use the strengths and opportunities identified through the ITSSP to maintain momentum and increase the probability of successful changes.
5. Leadership by VITA is required to implement sustainable changes to the services platform. The enterprise is ready and willing for VITA to fill the leadership role.

3.3.1 Services Delivery Platform

An optimal services delivery platform must be able to adapt to market evolution and manage tradeoffs between the enterprise and agencies. It should be able to adjust to changing consumption patterns, and use competition to improve pricing and service availability and delivery. If this flexibility does not exist then the platform must change. Integris Applied's assessment, shown in Figure 3-10 below, is that the current service delivery platform cannot accommodate the types of changes envisioned by the Commonwealth and needed by VITA's customers to improve the delivery of IT infrastructure services.

Platform Assessment	Evaluation
Defined and transparent rules-based environment	◑
Can make equitable adjustments among competing interests	○
A learning environment that can adapt to change	◑
Balances interests of the enterprise with the exceptions for agency need	◑
Competitive pressure: low change barriers and effective plug & play	○
Overall Platform Assessment	◑

Figure 3-10: Platform Assessment

Findings that support this conclusion include the following:

> ## Primary Findings
>
> - **Agency business needs cannot be addressed in a timely manner by the current model.**
>
> - **New services cannot be added to the delivery model in an efficient manner.**
>
> - **Current platform does not allow a competitive market to influence pricing and services.**
>
> - **The Commonwealth's IT infrastructure services delivery platform is not mature enough to implement changes to support the enterprise's IT needs and therefore must change.**

VITA must now implement a program to drive those changes with its current supplier, with its customers, and within its own organization.

3.3.2   Business and Financial Structure

Integris Applied's assessment, shown in Figure 3-11 below, is that the service delivery platform is not ready to accommodate the types of changes envisioned by the Commonwealth and needed by VITA customers to improve the delivery of IT infrastructure services.

Business & Financial Structure	
Legal	◑
Governance & Change	◔
Service & Scope	◔
Quality Management	◔
Finance & Pricing	○
Human Resources	◕
Overall Business & Financial Structure	◔

Figure 3-11: Business & Financial Structure Assessment

To achieve a future state that addresses concerns expressed by Commonwealth stakeholders, existing IT infrastructure services must be re-procured to address the following shortcomings:

> **Primary Findings**
>
> - Contracts that determine pricing, services and outcomes are:
>   - Outdated; and,
>   - Not aligned with market standards or COVA needs.
>
> - Risks are not equitably shared by the Commonwealth and Northrop Grumman
>
> - The Commonwealth is paying above market rates for commodity services.

The Commonwealth's business and financial structure is outdated, cannot support the Enterprise's IT needs, and therefore must change. This change must go beyond a renegotiation with the current provider. Not only has the Commonwealth used all option years available to it under the current CIA, but the current delivery platform and the contract that supports it cannot adapt to changing enterprise and agency needs. New contracts created through competitive procurements are the best means of affecting the change the Commonwealth requires to meet its needs. Through the ITSSP, VITA has identified those aspects of the business and financial structure that should change in a new model. VITA must now implement a program to disentangle services and negotiate new contracts that align better with Commonwealth interests.

3.4   Change Readiness

This review measured the <u>Organizational Readiness</u> and <u>Enterprise Readiness</u> for change. Through this analysis Integris Applied assessed the Commonwealth's ability to drive and implement a change program. The readiness review was a point in time assessment of the enterprise's and VITA's ability to implement a change agenda *today.* While the ITSSP has made progress identifying future state goals, building momentum for change and engaging stakeholders, enterprise leadership still must demonstrate support for a change program through actions such as budgetary allocations and support for VITA's decisions to change current program elements.

3.4.1   Organizational (VITA) Change Readiness

Integris Applied's assessment, shown in Figure 3-12 below, is that VITA still needs to articulate a clear vision for change, engage its own organization at a deeper level, and garner more support from key enterprise stakeholders. At the same time, progress has been made to build a guiding coalition and articulate a need for change. Progress is substantial and VITA should take advantage of the momentum it has created by continuing with short term strategies that support the demand of agencies for new and more flexible services.

Organizational Readiness	Evaluation
Clear vision established and communicated frequently	◑
Acceptance of the need for change/Burning platform exists	●
Change champion identified	●
Coalition for change identified and active	◑
Short term wins identified and accepted	◑
Drumbeat established and supported by coalition	◕
Overall Organizational Readiness	◕

Figure 3-12: Organizational Readiness Assessment

VITA is prepared to lead agencies and the enterprise through the changes needed to support the Commonwealth's business needs. This view is based on the following:

> ## Primary Findings – Organizational Readiness
> - VITA invested in a sourcing strategy program to engage stakeholders and prepare the enterprise for changes in the Partnership.
>
> - VITA is prepared to lead the enterprise in changes needed to support COVA's business needs.
>
> - VITA has built credibility and momentum for changes to the Partnership.
>
> - A clear vision for VITA's role in the enterprise must be articulated and a drumbeat for the enterprise must be established.

Change programs depend on leadership, momentum and wins to demonstrate progress. VITA's likelihood for success will improve if it builds on the progress it has made through the ITSSP.

3.4.2 Enterprise Change Readiness

Change initiatives rely on support from multiple stakeholders outside the leading organization. Willingness to change must be matched with resources dedicated to the initiative, and the willingness of the enterprise's leadership to support the change and make decisions accordingly.

Enterprise Readiness	Evaluation
Clear vision established and communicated frequently	◔
Acceptance of the need for change/Burning platform exists	◕
Change champion identified	◑
Coalition for change identified and active	◑
Short term wins identified and accepted	◔
Drumbeat established and supported by coalition	○
Overall Enterprise Readiness	◑

Figure 3-13: Enterprise Readiness Assessment

Our assessment was based on the following primary findings:

Primary Findings – Enterprise Readiness

- The enterprise accepts the need for VITA's enterprise role, but does not yet see a clear vision for VITA's leadership position.

- The enterprise wants changes to the current IT infrastructure partnership.

- Enterprise leadership is engaged in VITA's sourcing strategy program.

- Long term support for VITA's change program has not yet been determined.

Implementation of any recommendations accepted by VITA and the Commonwealth will test the momentum and support built during the ITSSP. However, VITA has built a substantial foundation for change that will help implement recommendations should the Commonwealth decide to move forward with a next generation sourcing strategy.

3.5   Strengths, Weaknesses, Opportunities, Threats (SWOT) Analysis

A Strength, Weakness, Opportunity, and Threat (SWOT) analysis is a traditional business strategy planning tool. It can be used to build a case for change – but more importantly – can help inform and refine a strategy for how to change.

For purposes of this analysis, Integris Applied defined categories as follows:

- **Strengths and Weaknesses** are internal to the organization and are current realities; these should be within the organization's control.
- **Opportunities and Threats** are external to the organization and represent possibilities; these may be possible to accentuate or mitigate.

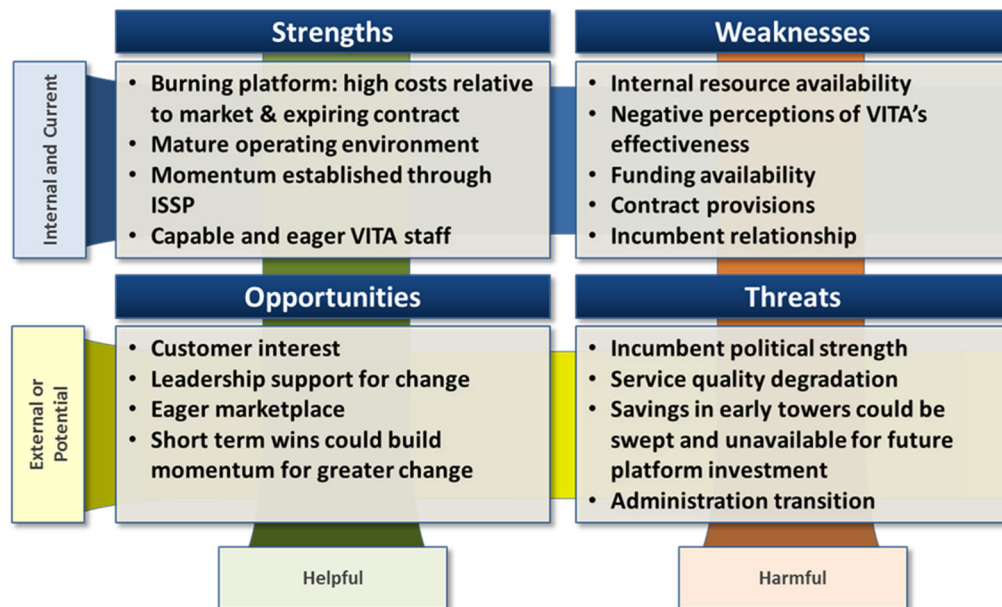The SWOT analysis is presented in Figure 3-14.

Strengths (Internal and Current)
- Burning platform: high costs relative to market & expiring contract
- Mature operating environment
- Momentum established through ISSP
- Capable and eager VITA staff

Weaknesses
- Internal resource availability
- Negative perceptions of VITA's effectiveness
- Funding availability
- Contract provisions
- Incumbent relationship

Opportunities (External or Potential)
- Customer interest
- Leadership support for change
- Eager marketplace
- Short term wins could build momentum for greater change

Threats
- Incumbent political strength
- Service quality degradation
- Savings in early towers could be swept and unavailable for future platform investment
- Administration transition

Helpful | Harmful

Figure 3-14: SWOT Analysis

It is important to build strategy based on the findings. For example:

- **How can we leverage our strengths to exploit our opportunities and mitigate our threats?**
- **How can we exploit our opportunities to minimize our weaknesses and augment our strengths?**

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The SWOT is used to identify barriers to change, and the tactics and strategies to overcome those barriers. It is driven and informed by the delivery platform's structural readiness, and the enterprise's readiness to implement changes to the delivery platform. The view of strategies and tactics that can be implemented to maintain momentum and mitigate barriers to change is presented in Figure 3-15 below.

Figure 3-15: SWOT Applied - Findings Inform Strategic Options

These findings formed the foundation of the recommendations in this report, particularly the transitional activities that will help move VITA from the current state to a next generation sourcing strategy.

PART II: RECOMMENDATION PHASE

4. Recommendation Phase Overview

The Assessment Phase helped identify the depth of agency and enterprise challenges with the status quo. It also demonstrated that the current delivery model could not support the changes needed to address those challenges. In the Recommendation Phase, Integris Applied developed a sourcing strategy and a governance framework designed to address those challenges identified during the Assessment Phase.

To frame its recommendations, Integris Applied developed the following strategy statement:

In support of its mission to "support the commonwealth by providing cybersecurity, IT infrastructure services and IT governance," VITA should engage Commonwealth agencies and the technology marketplace to modernize, shape and evolve its IT services delivery platform. The Commonwealth's model for technology delivery and standards should focus more on agency business needs, while implementing a governance framework that can balance tradeoffs between the enterprise and agencies.

To help VITA achieve its mission Integris Applied makes the following recommendations:

VITA should start now to disentangle services from the CIA.

The Commonwealth should adopt a multi-supplier model with a services integrator through a competitive bid.

VITA should create a Platform Relationship Office to manage the new services delivery model.

VITA should lead the implementation of a new governance model that increases agency involvement.

Figure 4-1: Summary Recommendations

There are three underlying components of these recommendations, all of which are discussed in greater detail in the following sections. These components and the details that support them are summarized in Figure 4-2 below. The implementation of the above recommendations will require a multi-year journey, the activities of which should be designed to support an integrated services platform and an agency-centric governance model. The **sourcing model** is the end state, the **transition plan** outlines the steps needed to reach that end state, and the **governance & organizational design** sustains and improves upon a new delivery model.

Sourcing Model	• A multiple service provider platform leveraging service domain/tower expertise and marketplace terms • Separated, focused IT service integration expertise via multisourcing service integrator (MSI) • In certain, appropriate service domains/towers, two or more service providers to enable choice and competition
Transition Plan	• Implement a 3-wave program to change the delivery model; begin Wave 1 now with RFPs and disentangle mainframe, email, MS licensing and internal applications • Begin RFP development for MSI services in early 2016 • Request agency involvement in VITA's long term program; Identify cross agency teams for RFP development • Align internal program operations with a future-state Platform Relationship Office • Increase tempo of core team meetings to two per week and create extended core team with agency involvement • Begin recurring discussions with NG

Governance & Organizational Design	• Announce the intention to create VITA's Platform Relationship Office
	  • Fill director role and direct reports roles
	  • Use sourcing strategy program activity to help build the office
	• Establish new agency-centric engagement model
	  • Agencies will be involved at all levels of the new service delivery platform
	  • Establish Platform Relationship Council (PRC) to monitor critical elements of the platform, including agency representation

Figure 4-2: Recommendation Summary

As with any change program of this scope and duration, there are risks that could impact outcomes. Integris Applied suggests that by starting now the Commonwealth will determine quickly which risks might materialize. This in turn will allow adjustments to an implementation plan, including cancellation of the change program, should the risks become unbearable. Figure 4-3 highlights key risks and potential mitigations.

Risks		Mitigations
NG Response	• Operational • Financial / Contractual – Minimum Revenue Commitment (MRC) • Speed – could delay negotiations	• Communications strategy to manage NG • Contact from NG referred back to VITA • Request NG "Team 2" to manage negotiations
Market Response	• Response to RFPs is less than anticipated • Pricing does not achieve run rate reductions	• Begin procurement activity now • Conservative estimates used in financial models • Stop the program
Funding	• Provider pricing does not achieve run rate reductions	• Begin procurement activity now • Conservative estimates used in financial models • Stop the program
Political	• Administration change • Legislative coordination • NG lobbying	• Begin procurement activity now • Continue legislative outreach • Contact from NG referred back to VITA
Operational	• Resistance to change • Dates are not met	• Begin program now • Core team to enforce dates

Figure 4-3: Risks and Mitigations

Integris Applied recommends that VITA and the Commonwealth take advantage of the momentum developed by the ITSSP and begin disentanglement activities now. Doing so puts the Commonwealth on a path to improve service delivery and create more flexibility in service offerings and, more importantly, begins the process of changing the governance framework to one that can, through inclusion of agencies, more effectively support a capability to change and evolve the service delivery platform.

5. Marketplace Findings

Any future state delivery platform will require support from marketplace providers. It is important for Commonwealth stakeholders to understand commercial solutions, and for the marketplace to understand what the Commonwealth might be considering. Under Integris Applied's facilitation, VITA conducted a Request for Information (RFI) effort to engage in a conversation with the marketplace.

There were multiple reasons to conduct the RFI. Externally, the RFI communicates to the marketplace that change is coming and that the Commonwealth will seek change in a collaborative and creative manner. Some providers with close ties to Virginia may have been aware of the upcoming Northrop Grumman contract expiration and disentanglement phase, but a wide group of potential providers may not have been aware. Further, providers might not have been confident that VITA would be considering new sourcing models to address its challenges.

Internally, the RFI creates exposure to stakeholders so that they see "the art of the possible" from the provider community – RFI Working Team participants, the Steering Committee for the IT Sourcing Project, and other VITA and customer stakeholders who are interested in the change program

VITA established an RFI Working Team that included both agency and VITA staff who issued an RFI requesting input from the service provider

Figure 5-1: RFI Phase - by the numbers

experts on a variety of topics. Responses came from 29 providers; the team then met with 13 of the providers in four-hour interviews that included 100 provider executives from around the country.

The response from the marketplace reflects a high degree of interest in VITA's research for a new business model. In both the written responses and during live sessions, providers showed a strong interest in VITA's next generation service model. During the discussions providers indicated that virtually all modern IT environments are multi-supplier and thus the need exists for an integration function to coordinate cross-functional processes. In addition, they discussed at length the impact of cloud computing on provision of infrastructure services.

The RFI Working Team made the following summary observations.

- The market is motivated to provide services to the Commonwealth;
- The range of services and service providers is large;
- Agencies can anticipate more choice in the future;
- Agencies will need to prepare their applications and data for migrations to new environments;
- Incumbent providers typically do not provide innovation.
- Technology cycles are faster and the increased use of cloud services will force on-going expenses to maintain technical currency.
- New technologies require current IT expertise – the need for IT support/staff does not go away

These findings are incorporated into the final recommendation and help frame next steps within the reality of what is and is not available in the marketplace. Engaging the market now reduces the risk that the Commonwealth asks for solutions that are not available. It also increases the likelihood that the market will articulate to the Commonwealth what it can, **and cannot**, do.

6. Sourcing Options

The marketplace provides solutions and capabilities that governments typically cannot develop on their own. Contracting for technology infrastructure support and services has been used as a strategy by organizations for over 40 years. In developing a sourcing strategy, the Commonwealth should first consider why it should source a service. Then it may determine to what extent it would most effectively source a particular set of services.

6.1   Insource vs. Outsource

The framework depicted in Figure 6-1 is Integris Applied's view of how organizations should approach a decision to source a specific function.

The Commonwealth embarked on a sourcing strategy for IT infrastructure in 2005 services in part because the internal capabilities to keep pace with best practices were not in place; the services sought were commodities services in the market; and the investment cycles in government could not keep pace with changing technology.

These same factors hold true today, and are drivers behind engaging the market for a next generation sourcing strategy.
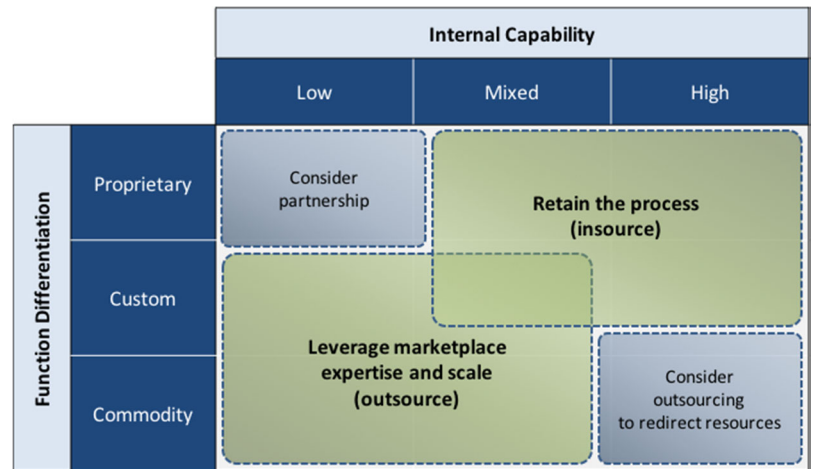


Figure 6-1: Integris Insource vs. Outsource Framework

As the sourcing of technology services continues the trend toward shorter contracts and discrete services from multiple providers, the Commonwealth should revisit this framework in the future to validate its mix of sourced and retained capabilities.

6.2 Decision Tree

The framework depicted in Figure 6-2 further distills the process of deciding what to retain and what to source. Decisions to insource or outsource come with permutations depending on the needs of the organization.

The next section assesses the permutations that were the most applicable to the Commonwealth's current situation and current needs. A range of options was used to test assumptions and validate that a particular sourcing scenario could potentially meet the Commonwealth's needs.

Figure 6-2: Platform Change Decision Tree
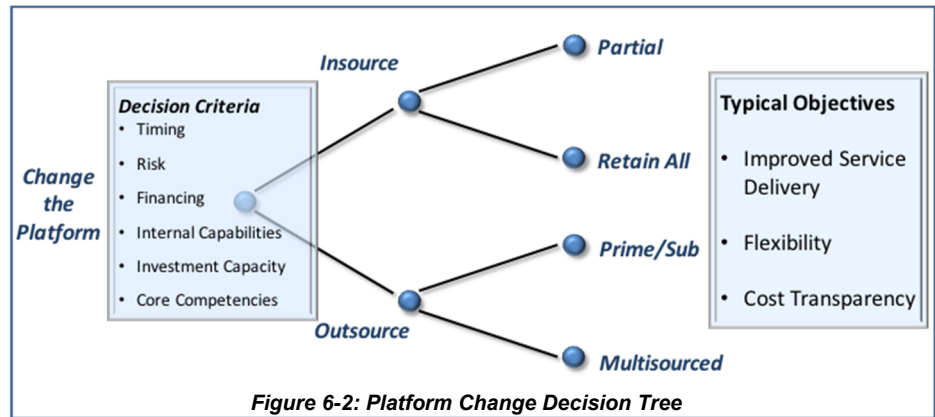
6.3 Scenario identification

Integris Applied distilled the wide range of sourcing permutations to seven representative scenarios. These are shown in the table below. Those beginning with "1" represent the alternatives that source services at CIA expiration. Those beginning with "2" are sourced in successive waves. The final group, beginning with "3", are options for insourcing services.

1a. Rebid full scope at term with all services outsourced to a prime contractor with its own subcontracts.
1b. Rebid full scope at term with towers outsourced to multiple suppliers, but service integration built internally
1c. Rebid full scope at term with all services, including service integration, outsourced to multiple suppliers
2a. Rebid in waves for all services, including service integration, to multiple suppliers
2b. Rebid in waves for all services, including service integration, but individual towers may be sourced as multiple competitive contracts
3a. Full Insource in waves with all services insourced
3b. Partial Insource in waves with many services insourced, including service integration

6.4   Decision Criteria and Scenario Evaluation

Each of the sourcing scenarios was reviewed based on its potential to meet the goals of agencies and the enterprise, as shown in Figure 6-3 below. As discussed in Section 3.1.3, these goals were developed during the Assessment phase and align with the direct feedback received from agencies and enterprise leadership. The likelihood of each scenario meeting each goal was rated on the five-point scale as described below.

Rating Scale

1 – Will not meet goals
2 – Unlikely to meet goals
3 – Neutral
4 – Likely to meet goals
5 – Will meet goals

Agencies		Enterprise	
Service delivery quality	Performance expectations met and measured	Maintain cost competitiveness	Ability to maintain market pricing and ensure cost competitiveness to stakeholders on an ongoing basis
Ease of doing business	Service delivery platform does what we (Customer Agencies) ask in a timely manner	Management control	Discretion over service provider action; enforcement mechanisms
Service flexibility	Additional and new services, changes to services, capacity flexibility	Flexibility to evolve	Adding new services; replacing service providers/personnel
Evolution and innovation	Control over evolution and access to innovations	Supports oversight functions	E.g., investment management, project management, IT planning
Agency choice	Diversity of services; choices of tiers of service	Standardization	Efficient use of enterprise scale; driving architecture, security, etc. standards
Service transparency	Clarity of services: reporting, quality	Securing Commonwealth data	Managed application of security services across enterprise
Spend transparency	Clarity of spending: what comprises a billing unit; reporting clarity	Procurement and transition	High likelihood of transition success; team capacity to handle procurement activities; lower adverse effects

Figure 6-3: Agency and Enterprise Goals

Two scenarios, 2a and 2b, most effectively meet the goals of both agencies and the enterprise simultaneously (Figure 6-4). These two scenarios have similar characteristics: multi-supplier solutions using an external integration service, and transitioning services in waves. However, scenario 2b, the recommended scenario, additionally includes that certain towers be sourced as multiple competitive contracts in order to increase vendor competition within that tower or service. Integris Applied believes that use of competition is the best means of meeting the needs of agencies, since it will allow the agencies to make the buying decisions.

Primary Alternatives	Agency	E'prise	Notes
1a. Rebid full scope at term with all services outsourced to a prime contractor with its own subcontracts.	2.4	3.0	A prime-sub arrangement is most similar to current-state. Although some improvements to the contract terms are likely in a new agreement, the model will not meet the flexibility, competitiveness, transparency, and innovation goals of the future.
1b. Rebid full scope at term with towers outsourced to multiple suppliers, but service integration built internally.	3.3	3.1	Simultaneously rebidding multiple towers creates operational and negotiating risk. Building internal service integration function requires hiring and investment in internal capabilities and tools.
1c. Rebid full scope at term with all services, including service integration, outsourced to multiple suppliers	4.3	3.4	Although future operating model is likely to meet needs, simultaneously rebidding multiple towers creates operational and negotiating risk.
2a. Rebid in waves for all services, including service integration, to multiple suppliers.	4.3	3.9	This operating model is likely to meet needs, but limits flexibility because it lacks competitive towers. Complexity of change exists, but is mitigated by staggered procurements.
2b. Rebid in waves for all services, including service integration but towers may be sourced as multiple competitive contracts	4.7	4.1	This operating model is likely to meet needs, and would provide agency flexibility through competitive towers. Complexity of change exists, but is mitigated by staggered procurements.
3a. Full Insource in waves with all services insourced. Change program occurs over time.	2.4	2.4	Full insourcing would require COVA to invest in internal capabilities. Capital outlay would be required to buy equipment. This scenario will not meet the flexibility, competitiveness, transparency, and innovation goals of the future.
3b. Partial Insource in waves with many services insourced, including service integration. Optionally outsource some towers. Change program occurs over time.	2.9	2.6	Building internal service integration function requires hiring and investment in internal capabilities and tools. Outsourcing towers selectively could provide some flexibility. Sustained integration capability and innovation will require continuous investment.

Figure 6-4: Scenario Evaluation – Scenarios 2a and 2b most effectively meet Agency and Enterprise needs

Integris Applied also concludes that the Commonwealth should begin disentanglement activities now to lower implementation risk and leverage time remaining on the contract. This conclusion is supported by financial modeling conducted by Integris Applied but not included in this report.

7. Transition Strategy

7.1 Migration to a multi-supplier model

VITA should migrate from the current monolithic model with a prime contractor to a multi-supplier model as illustrated in Figure 7-1.
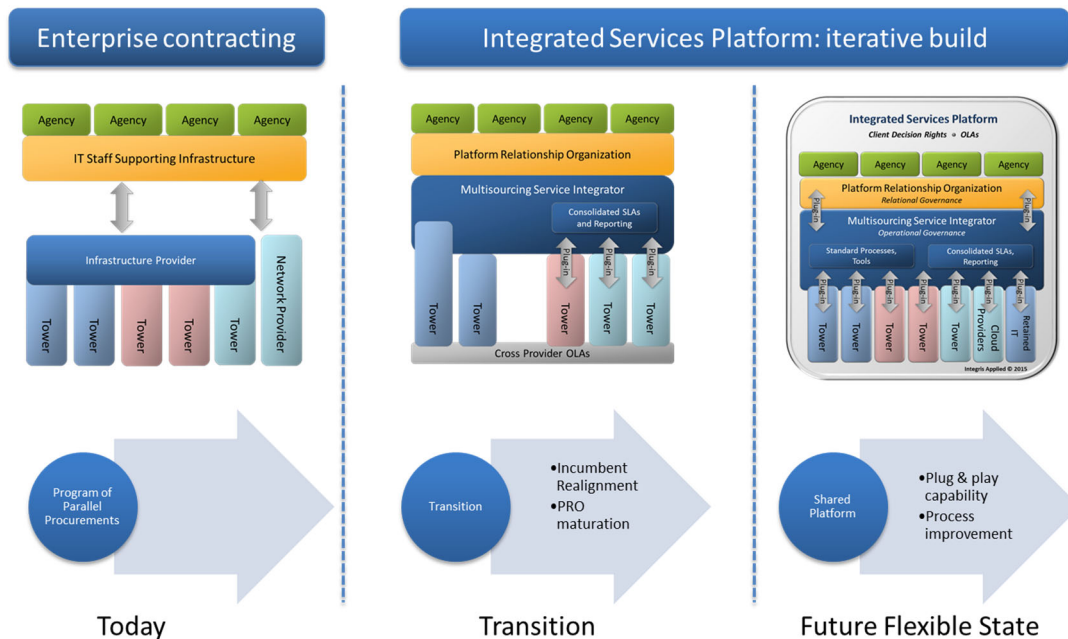

Figure 7-1: Platform Iterative Build

VITA should conduct multiple procurements and transitions over the next several years in a total of three waves beginning with mainframe, email, Microsoft licensing, and internal chargeback. The remaining waves would focus on the implementation of a service integrator, and the reprocurement of other services that are currently included in the CIA.

7.2   Three-Wave Strategy

A roadmap of the proposed three-wave strategy is depicted in Figure 7-2.
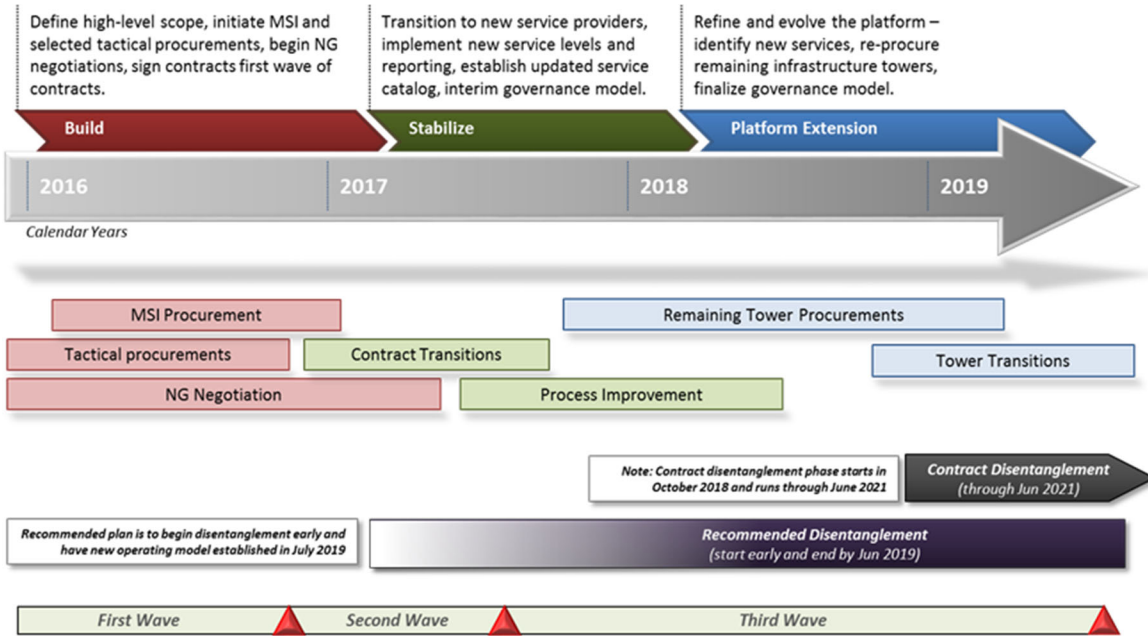
Figure 7-2: Three-Wave Strategy

An illustration of how the three waves of procurements might be implemented is shown in Figure 7-3. Even though a detailed plan has not yet been developed, the sequence and approximate timing reasonably indicates the proposed effort.

Each wave of activity supports the subsequent wave in two ways:

1. The services are re-procured based on management complexity, with the least complex service transitioning first;
2. Each wave helps VITA and the teams it will lead develop the tempo and organizational maturity needed to implement a subsequent wave of increasing complexity.

The next section discusses the activities required to prepare for and implement any accepted recommendations.

Figure 7-3: Potential Procurements

7.3 Transitional Task Force

Integris Applied recommends the creation of a transitional sourcing task force that will drive the implementation of any recommendations accepted by VITA. The organization of this transitional organization is depicted in Figure 7-3. In advance of the first wave of disentanglement activity, VITA must increase the tempo of the Core Team and build an Extended Core Team co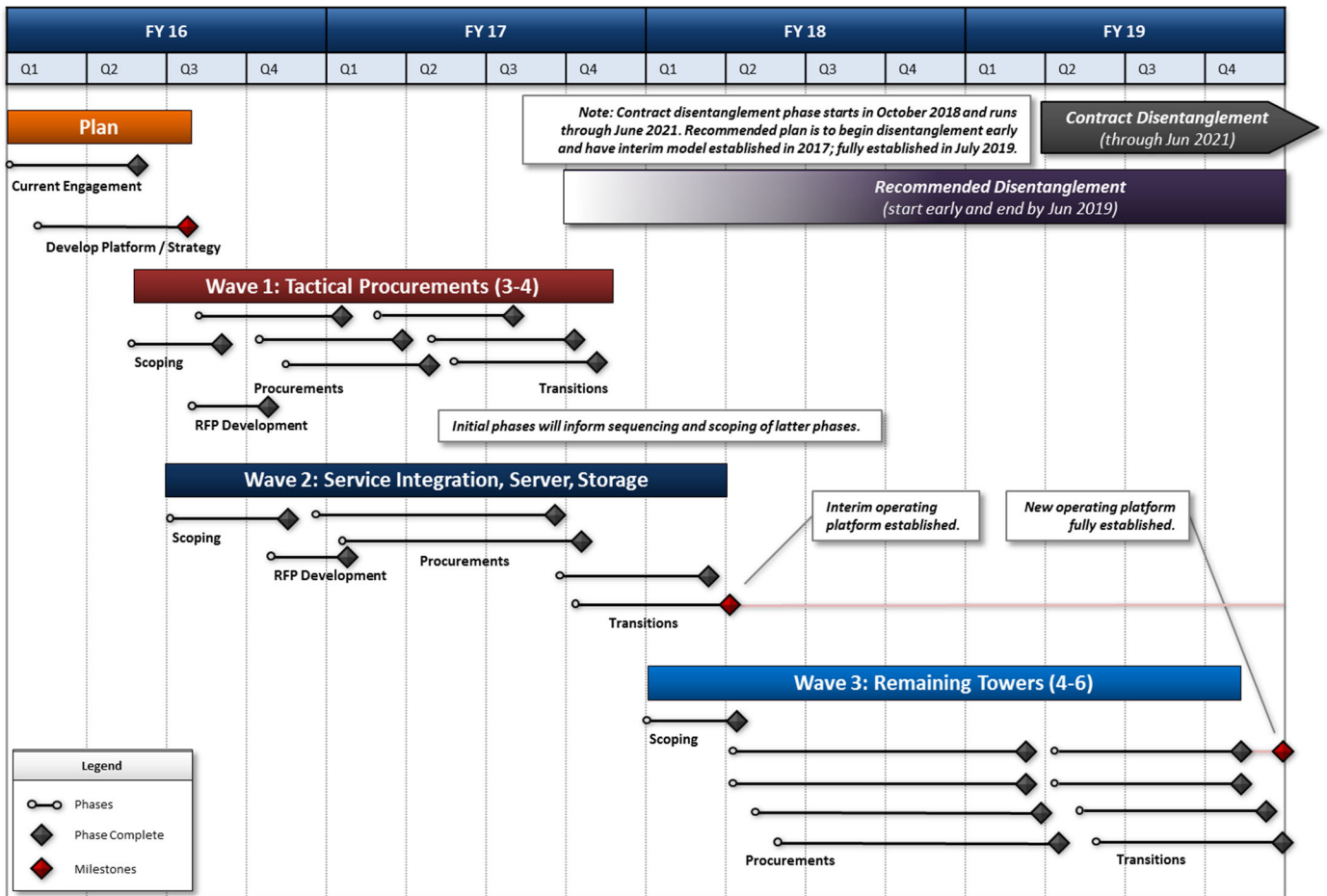mprised of leaders representing other functions within VITA (such as Supply Chain Management and Delivery) and agency representatives. Because of the increased sourcing activity, VITA will need to add personnel resources in the near term. Agency representatives will participate in preparing the RFPs and participate in evaluation teams to ensure that their requirements are defined and ultimately met by the service providers chosen.
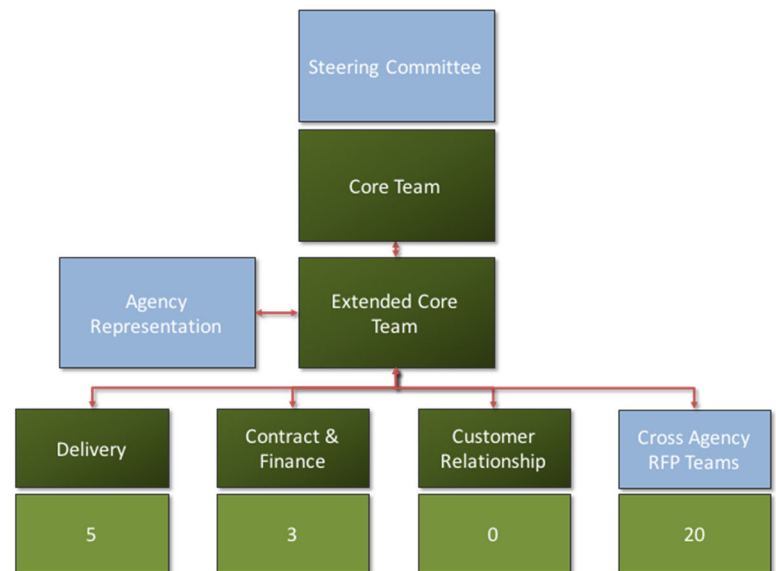
Figure 7-3: Sourcing Task Force

This organization should be implemented immediately and communicated to VITA and VITA's customers. This transitional task force aligns with Integris Applied's recommendation of a Platform Relationship Office (PRO) described at length in Section 8.3.1 below. Furthermore, the transitional task force builds the foundation for a future state governance framework by including agencies in the design, development and evaluation of new solutions.

Organizational activity to begin before the end of calendar year 2015:

- Increase tempo of VITA's core team to two meetings per week
- Create extended core team to include other VITA functions (i.e. Procurement, Program Management, Architecture) and representatives from agencies
- Announce road shows (conduct 1-3 prior to holiday break)
- Identify RFP teams for Wave 1 activity
- Introductory Wave 1 kick-off
- Announce pending need for agency engagement in RFP
- Announce intended transitional organization
- Dialogue with Northrop Grumman

VITA should continue stakeholder engagement and participation with the Steering Committee and a Communications Plan to include legislative outreach.

7.4   Why Now?

As noted in Section 3.3.2, the Commonwealth's business and financial structure is outdated, cannot support the Enterprise's IT needs, and therefore must change. This change must go beyond a renegotiation with the current provider. Not only has the Commonwealth used all option years available to it under the current CIA, but the current delivery platform and the contract that supports it cannot adapt to changing enterprise and agency needs. New contracts created through competitive procurements are the best means of affecting the change the Commonwealth requires to meet its needs.

These reasons alone are sufficient to begin changes now. Integris Applied has identified other factors that support the implementation of a change program now. These factors are outlined in Figure 7-4 below

Current contract is not aligned with or able to keep pace with the market

- NG pricing is above market rates
- Commonwealth cannot take advantage of emerging models such as cloud
- Current services cannot keep pace with customer demand
- Terms & conditions impede agency ability to change services

Momentum is established through IT Sourcing Strategy Program

- Agencies are engaged
- Steering Committee members have helped guide program direction

Time is an ally – but only for the time being

- Starting now reduces operational and financial risk to the Commonwealth

The market is capable of supporting the Commonwealth's needs

- 29 respondents to RFI
- 13 sessions with suppliers to discuss COVA needs and market ability to meet those needs

Financial case for change is strong

- Takes advantage of run-rate reductions sooner

Figure 7-4: Reasons to Start Now

8. Service Governance

In this section Integris Applied discusses recommendations for the future service governance framework. Integris Applied has found that the service governance framework used by the Commonwealth today cannot support a future state delivery model. Current governance committees are not focused exclusively on the services defined in the CIA, VITA lacks the organizational focus needed to manage a complex set of services across a large customer base, and agencies have not played a strong enough role in the service governance model. These conditions are not uncommon in long-term sourcing agreements and can be attributed to a number of factors, including organizational fatigue and/or supplier performance challenges.

Integris Applied's recommendations are designed to reduce the risk of service governance entropy by:

1. Establishing the proper focus on the services agreement(s) at the VITA and enterprise level;
2. Delineating governance functions between "Relational" and "Operational";
3. Defining agency engagement in the governance framework;
4. Creating the forums necessary to escalate and, when necessary, evaluate the "health" of the platform.

Integris Applied's findings and recommendations regarding VITA organization, governance forums, and agency engagement are summarized in Figure 8-1.
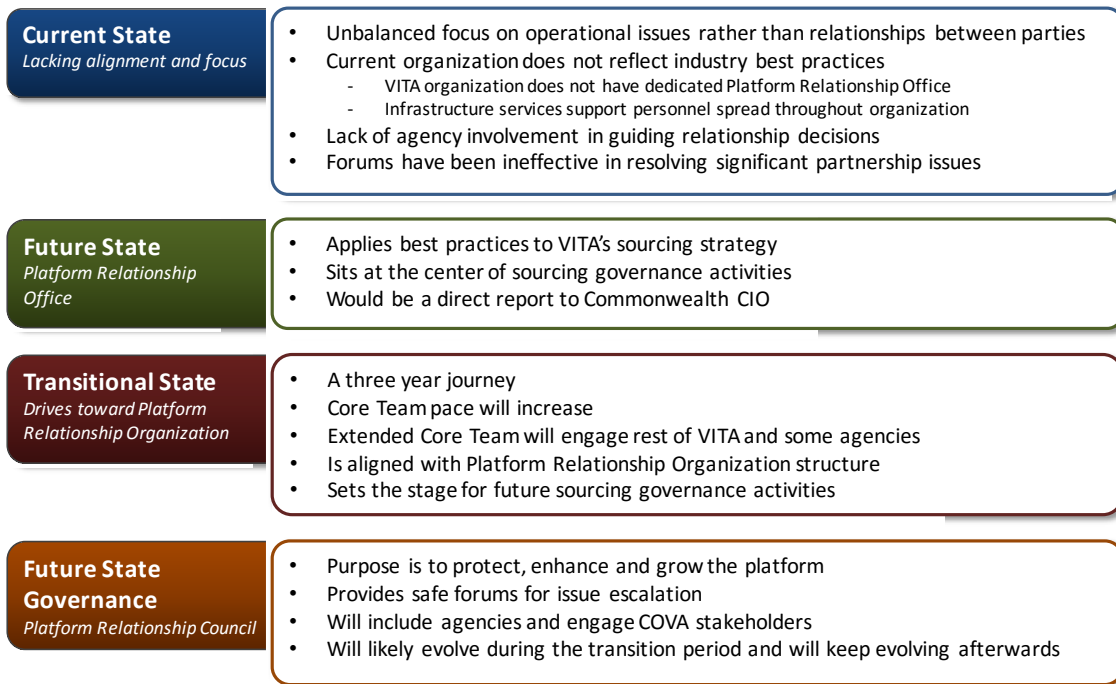

Current State
Lacking alignment and focus
	• Unbalanced focus on operational issues rather than relationships between parties
	• Current organization does not reflect industry best practices
	   – VITA organization does not have dedicated Platform Relationship Office
	   – Infrastructure services support personnel spread throughout organization
	• Lack of agency involvement in guiding relationship decisions
	• Forums have been ineffective in resolving significant partnership issues

Future State *Platform Relationship Office*	• Applies best practices to VITA's sourcing strategy • Sits at the center of sourcing governance activities • Would be a direct report to Commonwealth CIO
Transitional State *Drives toward Platform Relationship Organization*	• A three year journey • Core Team pace will increase • Extended Core Team will engage rest of VITA and some agencies • Is aligned with Platform Relationship Organization structure • Sets the stage for future sourcing governance activities
Future State Governance *Platform Relationship Council*	• Purpose is to protect, enhance and grow the platform • Provides safe forums for issue escalation • Will include agencies and engage COVA stakeholders • Will likely evolve during the transition period and will keep evolving afterwards

Figure 8-1: Current to Future-state Governance

A future state service governance framework should be built around VITA's reshaped Platform Relationship Office. VITA should begin to move toward this new structure during the initial months of implementing any recommendations accepted from this report. VITA should also begin to engage the agencies in any initial disentanglement activities, setting the stage for a new governance framework. This transitional period will place VITA in a position to have a fully established governance model when the service integration function is implemented. This approach is consistent with the stakeholder engagement strategy employed to date by VITA, reduces implementation risk, and provides enough runway to communicate changes to the agencies.

8.1 The Integris Applied Approach

Service governance should be a feature of any service delivery platform, which we define as the aggregation of operational and relational activities that allow for effective service delivery, timely decisions, and continuous improvement. This definition includes the buyer's service management organization, services contracts, service providers, operational governance and relational governance.

Sourcing has become more discrete. Organizations are now able to buy offerings "as a service" that previously could only be bought as part of a larger offering. For instance, "cloud" environments have evolved from a set of client dedicated servers sitting inside a provider data center, to a virtualized environment that can be turned on and off at a client's discretion and independent of any service provider relationships. This shift is placing pressure on traditional ITO sourcing models and offering organizations more transparency and choice for their infrastructure services. This change toward increased segmentation has reduced development times and infrastructure needs. While this evolution has made the purchase and maintenance of certain services easier, it has not eliminated the need for managing the technology an organization consumes. The proliferation of new offerings has in fact made management of an IT services portfolio more complex.

Figure 8-2: Integrated Services Platform

This change in what an organization buys and consumes must be accompanied by a change in how IT services are managed. To address this, Integris Applied believes that organizations must view their technology governance as part of a management platform that can adapt to changing market offerings and shifting customer needs. This approach provides the focus service governance needs without treating governance as a special science or allowing it to deteriorate over time. Later in this report we will apply our Service Management Framework to the Commonwealth's governance needs.
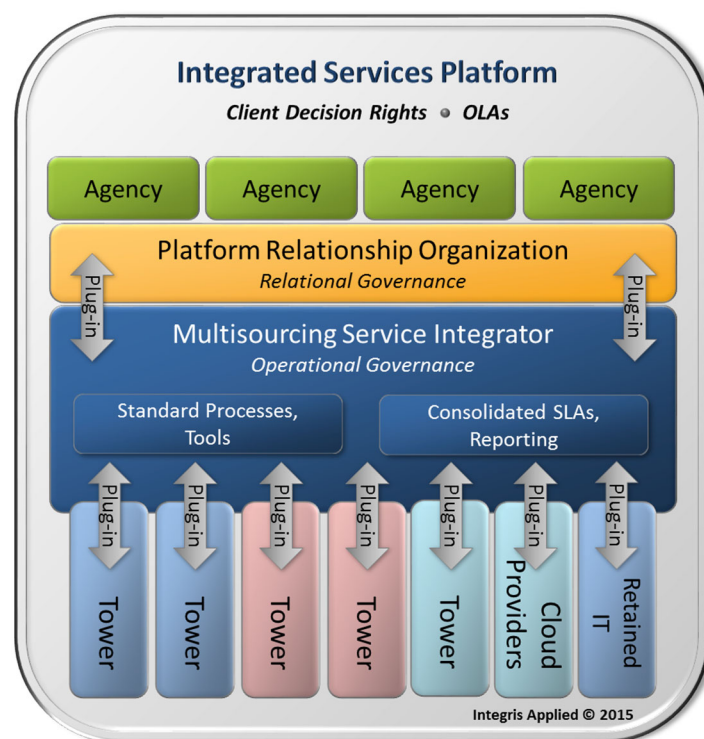
8.1.1 Purpose and Principles of Governance

Poorly managed service governance tends to deteriorate over time. As governance atrophies, it is no longer able to effectively support the outcomes the delivery platform is intended to produce for the organization and its clients.

The deterioration of governance can be attributed to a number of factors, including organizational fatigue. Governance tends to start off being well-managed, but responses to pressing operational challenges can divert attention from the strategic relationship. If this behavior is sustained, stakeholders establish their own informal routes of escalation and ultimately the core relationships become strained.

Purpose
- Produce customer outcomes
- Protect, enhance & grow the platform

Principles
- The CIO organization sits at the center of sourcing governance
- Sourcing governance engages the entire platform
- VITA is accountable and retains decision rights
  - Agency centric focus puts primary emphasis on customer needs
  - Agency needs do not give them decision rights
- Decisions are made at the lowest level
- Hold participants mutually accountable (you-and-you) solve this together
- Sourcing governance can be separated into two categories:
  - Relational: ensures effective working relationships among parties
  - Operational: ensures services are delivered as contractually required
- Platform needs to continually evolve to keep up with customer needs and changing marketplace

Figure 8-3: Governance Purpose and Principles

The Commonwealth can avoid this entropy by adopting the proper frameworks, a clear definition of roles, and ensuring a focus on governance is built into the escalation process itself. Moreover, by clearly stating and then adhering to the purpose and principles of governance, the Commonwealth will empower the governance structure to help maintain the platform's efficacy and resilience, thereby enabling the platform to adapt to changing market offerings and shifting customer needs.

To be effective, governance must be able to **protect**, **enhance** and **grow** the platform. Especially in a government environment, a platform will come under pressure from powerful stakeholders (agencies, and service providers alike) who seek exemptions from the processes that are designed to balance the needs of the enterprise and individual agencies. By focusing on those elements of a platform that are most critical to long term outcomes and continuous improvements, effective governance protects these processes. Looking towards a future state model, the elements most critical to a multi-supplier environment include:

- **Governance effectiveness.** Are principles being upheld? Is the platform being enhanced? Is the platform growing? Are decisions being made in a timely manner?
- **Operational Level Agreements (OLAs).** OLAs establish shared accountability across all parties in the platform. Have they been created and documented? Are they being used to improve processes?

Through stakeholder engagement at all levels of the delivery platform, effective service governance **enhances** the program by identifying areas for service improvement and service evolution. This in turn enables platform **growth**, offering new services that other agencies useful in serving their customers.

In any service governance program it is important that the decision rights of the CIO and his organization are retained. Without a clear decision maker, governance breaks down. Many challenges faced by the Commonwealth today are in part due to the breakdown of governance and the historical inability of the Commonwealth CIO to use the tools provided in the CIA.

8.2   A Governance Framework for the Commonwealth

To ensure accountability and to preserve the Commonwealth CIO's decision rights, VITA sits at the center of the proposed governance model. VITA's proposed Platform Relationship Organization (discussed in Section 8.3.1 below) establishes and leads the Relational Governance forums, and participates with the service integration function in the Operational Governance forums. Because decision rights are retained by VITA, the PRO serves as the primary focal point for issue escalation and resolution.

Figure 8-4 below provides a framework for the recommended future state service governance model.
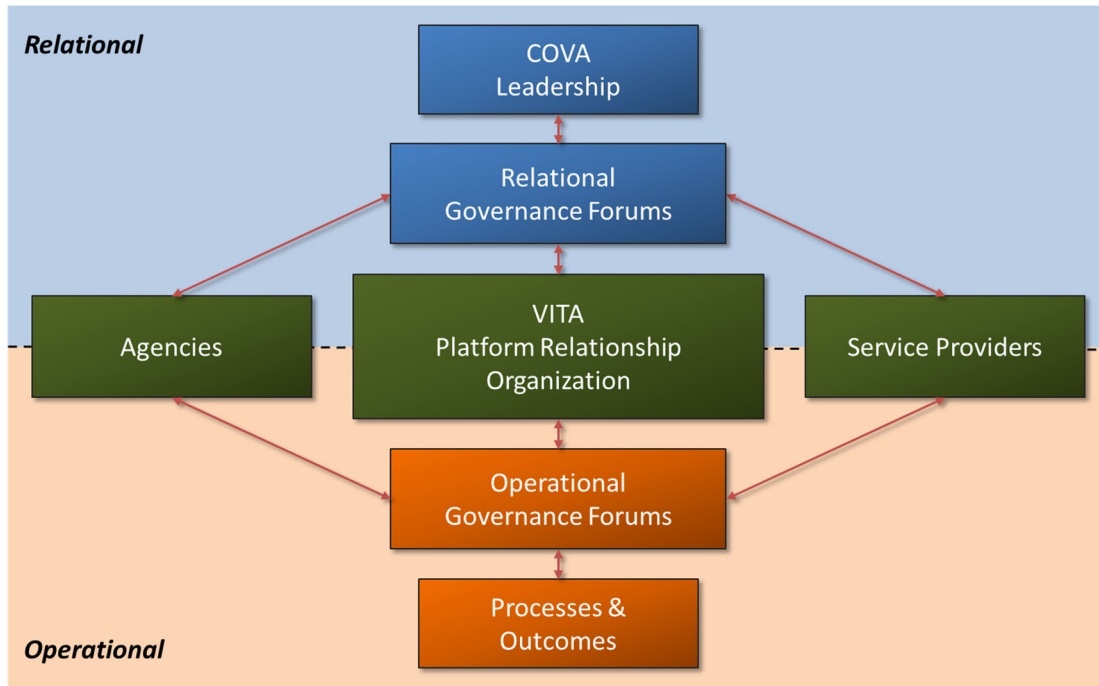

Figure 8-4: PRO Sits at Center of Governance

Agencies and service providers are engaged at all levels of the service governance structure. This level of participation will increase transparency and accountability across all parties. Agency participation would be defined through the Agency Interface Model (AIM) which is discussed in Section 8.5. Because it would be impractical for all agencies to participate in governance forums, a process to define representation is delineated. Furthermore, the proposed governance framework will leverage existing Commonwealth forums such as the IT Advisory Committee and the CIO Council. The proposed service governance framework will focus exclusively on the future state delivery platform and the outcomes the platform produces. This clear definition of roles and focus on the service delivery platform does not exist in the current state.

8.3 VITA Organization

8.3.1 VITA Service Management

Consistent with best practices in large sourcing initiatives in both the private and public sectors, Integris Applied recommends an internal team dedicated to managing the relationship between customers and service providers. The "Platform Relationship Organization (PRO)" would exist within VITA and report directly to the CIO. The individuals could be a mix of dedicated and leveraged, but they need to see their primary roles in service to the governance organization. The PRO would be comprised of four teams:

- **Delivery:** focused on overseeing delivery quality, improve service processes, and continually enhancing and aligning services with evolving customer needs and market offerings.
- **Contract & Finance:** charged with managing the contracts, administering changes, and interpreting and resolving contractual or invoice disputes.
- **Customer Relationship:** front-line role with the customers, staying attuned to customer business requirements and communicating them to the peer teams within the PRO; seeks to enhance the platform by adding new customers.
- **Market Test & Rebid:** dedicated team to engage the marketplace for new services; seeks to enhance the platform by adding offerings.
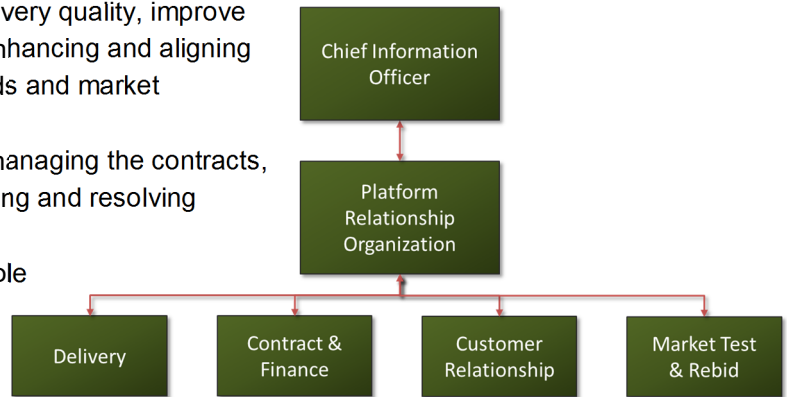
Figure 8-5: Proposed Platform Relationship Organization (PRO)

8.4   Forums

8.4.1   Purpose and Definitions

Defined forums are a necessary component of any service governance framework. They provide structure, transparency, and stakeholder engagement for service delivery and actions of governance. Regular activities are reported upon, issues are illuminated and considered, and decisions are made.

VITA has a mission broader than providing infrastructure services to its agencies. Therefore, both by statute and by historical practice, a number of forums already exist (e.g., ITAC, ISOAG, AITR) and are not directly related to the governance of the services relationship. The recommendations provided in this document are not intended to change those existing forums, but do acknowledge that these forums exist, will continue to serve their purpose, and will help inform the proposed service governance framework.

Integris Applied defines forum as a group of individuals formally established to produce outcomes for the betterment of the integrated services platform. Forums will either be meetings or councils defined as follows:

- **Council:** Provides advisory, consultations, or direction on specific topics. Generally includes a cross section of stakeholders;
- **Meeting:** Gathering of people for a particular purpose and empowered to address and solve issues. Generally does not include as broad a cross section of stakeholders as a council.

The focus of Integris Applied's recommendations is on replacing or establishing those forums that support the future state services delivery platform. In accordance with the principles enumerated in Section 8.1.1 recommended forums will provide opportunities for agency advice and engagement, seek to resolve issues at the lowest possible level, hold participants mutually accountable, and retain VITA's decision-making authority. In summary, they will seek to protect, enhance, and grow the services delivery platform.

Relational Forums will be established and led by VITA; they will provide strategic oversight and seek to resolve escalated issues. Operational Forums will be established and led by the service integrator and overseen by VITA; they will be grounded in ITIL processes and align with the service integrator's core

functions. All forums will have charters and leadership roles (chair and co-chair) whose roles will be defined in the charter. Agency representation will be defined in the charters of each forum. The intent of the proposed governance framework is to increase agency engagement and provide transparency into the decision making process. There will be meetings that do not require agency participation, such as the Platform Relationship Meeting. In these cases, it is VITA's responsibility to drive decisions that have been escalated through standard processes. However, VITA can choose to invite agencies to these meetings.

8.4.2   Forum Recommendations

The chart in Figure 8-5 below describes the current and future forums. Solid boxes at the left represent the current forums, many of which (i.e., those not directly related to service governance) will remain unchanged in the future model. The lighter boxes at the right indicate future forums, some of which replace existing activities. These forums are further described in the next subsections.
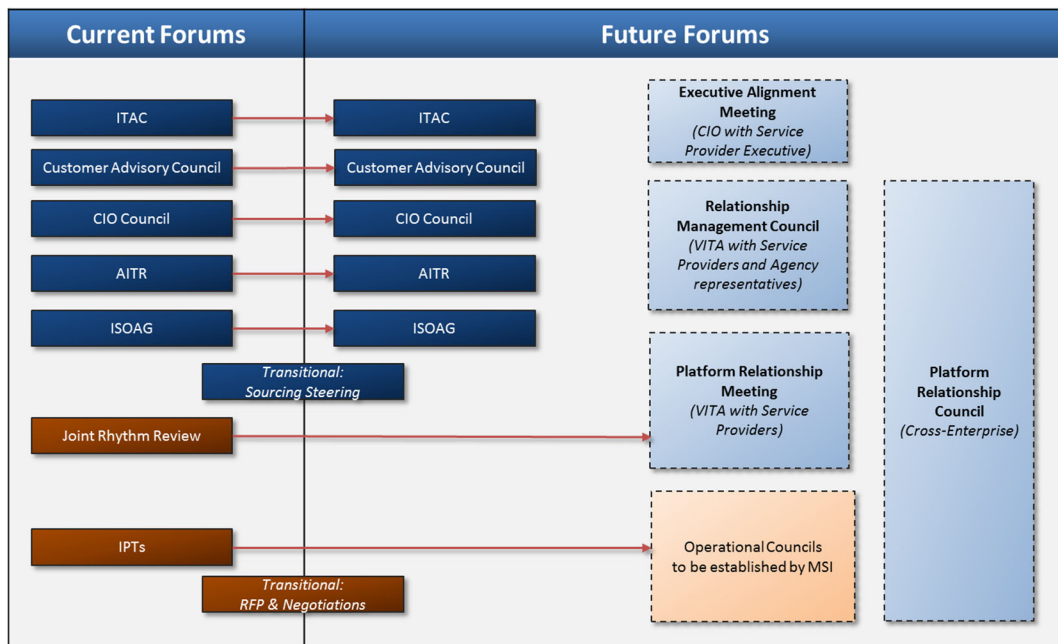

Figure 8-5: Aligning Current and Future Forums

8.4.3   Operational Councils

Operational councils will be established by the organization/supplier responsible for integration tasks and grounded in ITIL processes -- called the Multisupplier Service Integrator (MSI) in the remainder of this report. Examples include change approval board (CAB), tower meetings, agency meetings, transition status meetings, etc. Depending on the council's purpose, either a VITA PRO member or an MSI representative will lead (as Chair) the meetings. In all cases, the MSI representative is responsible (as Co-Chair) for establishing the meeting cadence, building the agenda, compiling materials, etc.

At least one agency representative will participate in each of the operational councils. The reach of the process governed by a council will help determine the number of agencies participating on it. In some cases, such as the Change Advisory Board (CAB), agency participation could vary depending on who would be impacted by a particular change.

8.4.4 Platform Relationship Meeting

VITA's Platform Relationship Organization will meet at least monthly with the service providers to track activities and address issues that could not be resolved at the operational level. This meeting is intended to be an internal session between VITA and the service provider(s) to resolve issues. These issues typically have been escalated from the operational councils and agencies have transparency into the topics being escalated. It may occur on a regular (e.g., monthly) basis for key service providers, and less frequently or ad hoc for other providers. Agency representatives or other stakeholders may be invited to participate by the PRO executive.

8.4.5 Relationship Management Council

The primary forum for agency and stakeholder engagement in governance is the Relationship Management Council (RMC). On a monthly basis, this council will meet to receive reports on service quality, changes, transition activities, etc. They will consider and attempt to resolve issues that the PRO has chosen to bring to the RMC for attention.

Membership will include the PRO executive, the directors of each of the PRO divisions, and three agency representatives. The RMC will be chaired by the PRO executive and co-chaired by one of the agency representatives. An MSI executive will support the co-chair in the agenda-building and tracking activities for the meeting.

8.4.6 Executive Alignment Meeting

On a regular basis (no less than quarterly for key service providers), the Commonwealth CIO should meet with service provider senior executives who do not directly work on the service provider account. These leaders have responsibility for the strategic direction of the agreement and the relationship between the parties. It provides oversight and seeks to resolve issues that could not be resolved at an operational or management level. This meeting serves as the Commonwealth CIO's formal point of escalation with and and all service providers. The CIO would reserve the right to invite agencies, but because VITA manages the platform on behalf of the Commonwealth this meeting is intended for decision makers.

8.4.7 Platform Relationship Council

The Platform Relationship Council (PRC) is special forum that sits alongside the other governance forums. Its role is unique to the multi-supplier services delivery platform recommended for COVA. The PRC is a cross-enterprise council to analyze the effectiveness of the services delivery platform and advise the Commonwealth CIO on issues systemic to the services delivery platform. The PRC will not make decisions. It will be a forum to create transparency for agency engagement, service delivery, and competing interests across parties.

The PRC will:

• Sustain the agency-centric governance model
• Protect the platform by validating service delivery, governance effectiveness and agency engagement
• Enhance the platform by validating the addition of new services

- Grow the platform by validating the addition of new agencies
- Provide support for changes to the platform that will improve service delivery to the agencies and the enterprise
- Slow the "entropy" of service governance

The focus is limited to systemic issues critical to the health of the platform, such as:

- Operating level agreements (OLAs) between delivery participants
- Operational governance
- Stakeholder engagement
- Systemic issues often missed by "normal" governance
- Critical platform components often neglected due to day to day management issues

The PRC provides distance from governance activities. It brings transparency and builds support for key relationship decisions that the CIO must make on behalf of COVA or the services delivery platform. Comprised of a cross-enterprise selection of representatives (some of whom which are not involved in day-to-day activities of governance), it allows for critical and independent reviews of effectiveness.

Membership includes the CIO, Deputy CIO(s), all members of the RMC, and members appointed by ITAC and the Customer Advisory Council. Initially the meetings should be facilitated by an independent third party representative. This cross-section of individuals provides a unique opportunity to address the most critical multi-party issues in the relationship.

8.5   Future State: Agency Interface with Governance

8.5.1   Agency Interface Model (AIM) Purpose

This section provides structure and clarity to the ways in which agencies interact with the service delivery platform - service provider(s), VITA, and the overall governance structure. The key feature of this framework is not in the definition of how agencies participate within the platform, but in its emphasis on the need for agencies to participate. By recognizing the critical role of agencies, outlining their participation, and making their participation a defined component of governance, VITA acknowledges the ongoing and necessary role of agencies in improving services. Of equal importance, agencies clearly see their own level of accountability and expectations for their participation in the platform are established.

The framework:

- Recognizes the need to engage multiple parties in service delivery effectiveness
- Documents the reasons why agencies should be engaged in the delivery model
- Defines how customers engage in governance forums
- Leverages existing forums
- Preserves the Commonwealth CIO's decision rights
- Establishes the parameters for Operational Level Agreement (OLA) development and implementation
- Establishes points of shared accountability: I-do-then-I-get

This solves several problems. From the agency point of view it holds the providers accountable for delivery by:

- Providing the agencies transparency into delivery processes that are geared towards enterprise solutions, and
- Supporting the CIO's organization in identifying and resolving systemic platform issues.

From the provider point of view it creates buy in and holds agencies accountable for their participation:

- Creates buy in - agencies are not fully compelled to utilize the services and may seek competitive services
- Creates accountability - the provider's risk is that customers under-cooperate in service delivery or otherwise undermine successful delivery

With defined agency participation in the PRC, the proposed governance structure seeks to maintain an appropriate balance between enterprise and agency needs. The PRC, in turn, will only focus on the health of the service delivery platform (principles for which will be defined in the PRC charter) and will provide a level of focus from a Commonwealth forum that does not exist today.

8.5.2 AIM Described

Agencies interact with the relationship in three ways – each distinct from each other. These forms of interaction are:

1. As accountable customers;
2. As strategic advisors;
3. As delivery participants.

The AIM helps to clarify those roles, then further document how those roles can become more effective.

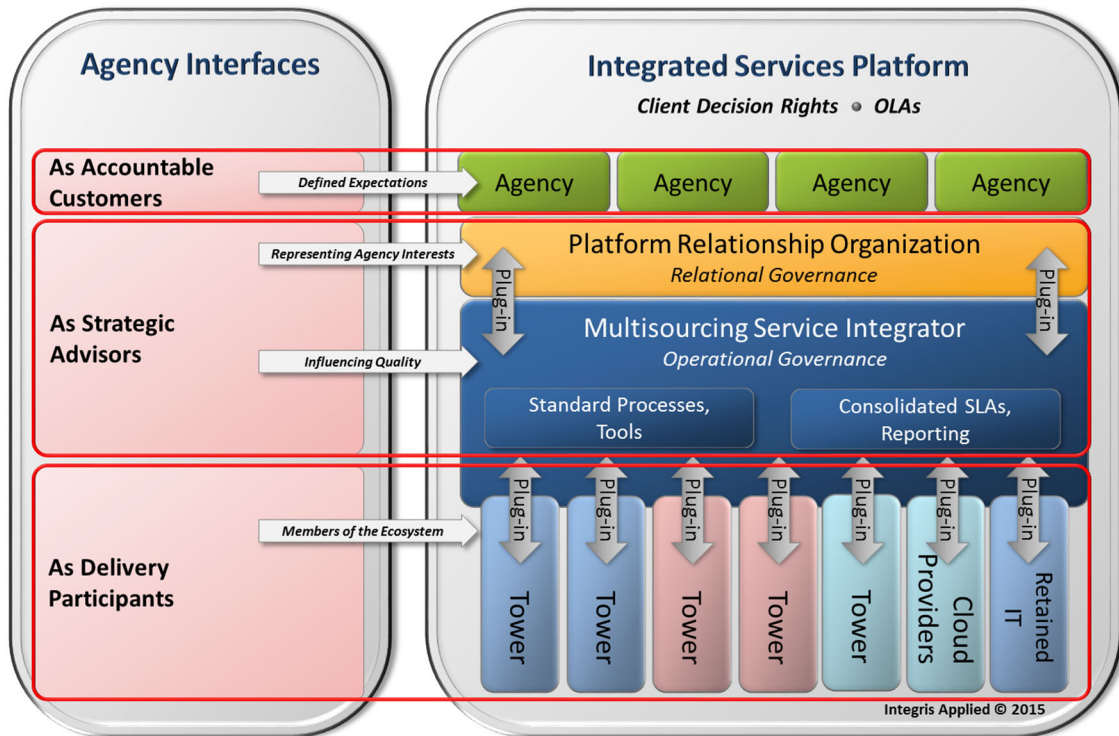The chart in Figure 8-6 depicts roles and relationships, and the sections below add detail.

Figure 8-6: Agency Interfaces with Integrated Services Platform

8.5.2.1. Agency Interaction: *As Accountable Customers*

Every agency that receives services is, by definition, a customer of the services delivery platform. At the same time, agencies play a role in the effective delivery of services. Issue resolution at the application layer, for instance, requires agencies to validate status and assist at some level in a root cause analysis. Clarifying those activities required from the agencies to deliver services helps define customer expectations. If effective, this clarity allows the customers to be in more control and therefore more accountable for their own services.

Components of the AIM in support of the customer relationship include:

*   Improved reporting transparency and performance focus through agency-level reports
*   Defined service commitments through key performance indicators;
*   Simplified service catalog with minimum required fields and timing commitments (delivery and billing);

- Training materials;
- Self-service options (e.g., password self-reset);
- Development of, and inclusion in, Operating Level Agreements (OLAs).

Defining expectations is a process that begins well before service contracts are signed and continues as long as the service relationship is intact. The "accountable customer" concept defines expectations for the full set of stakeholders and allows for more transparency in service delivery and improvement

8.5.2.2. Agency Interaction: *As Strategic Advisors*

Agencies should have a voice in guiding the direction of services and resolution of issues. The governance organization and forums described earlier in this document are intended to include agency representation at both the Relational and Operational levels.

The RMC includes three agency representatives, which can be identified by the CIO and confirmed by the Customer Advisory Council. These RMC members are also members of the PRC. Each of the Operational Forums should have at least one agency representatives. They will represent agency interests and provide input to the PRO on goals and concerns. At the operational level, they will influence service delivery quality directly by helping resolve day-to-day issues.

8.5.2.3. Agency Interaction: *As Delivery Participants*

The third way in which some agencies may interact with the services delivery platform is as participants in service delivery directly. This will not apply to all agencies, but only those (typically larger) agencies that have a retained internal IT function.

This participation is voluntary, but is intended to improve the integration of services delivery between agency IT representatives, tower service providers and the MSI.

Just as, for example, operating level agreements (OLAs) will exist between a server support provider and the MSI, such OLAs should exist between an agency application maintenance team and the MSI. Documenting operating handoffs and timing metrics clarifies responsibilities and improves overall service quality.

8.6 Governance Summary

VITA has a vision to "deliver agile technology services at the speed of business." This can only be done if VITA has a service delivery platform that can purchase and manage new technologies, and an understanding of agency business needs that drives new solutions. Once a new delivery platform has been established, well managed service governance with stakeholder engagement can protect, enhance and grow the new framework.

Integris Applied's recommendations create the right conditions for the Commonwealth by:

1. Establishing the proper focus on the services agreement(s) at the VITA and enterprise level;
2. Delineating governance functions between "Relational" and "Operational";
3. Defining agency engagement in the service governance framework;
4. Creating the forums necessary to escalate and, when necessary, evaluate the "health" of the platform.

Although a new set of contracts will be a tangible result of the change program, the contracts themselves only represent a part of the services delivery platform. The contracts must continually evolve to support the changing needs of the customers and the offerings of the marketplace. This platform can only be successful if supported by the right governance structure: putting primary emphasis on meeting customer needs, retaining and clarifying VITA decision rights, and creating transparency to hold participants accountable.

9. Conclusion

The Commonwealth of Virginia has been largely successful in meeting the goals established by the Comprehensive Infrastructure Agreement. However, changing needs of the Commonwealth and its citizens, combined with rapid technological evolution in the marketplace, highlight that the current contract structure and its services must evolve. By moving toward a multi-supplier model with an agency-centric governance framework, the Commonwealth can implement a platform that will take advantage of new offerings in the marketplace and establish the transparency needed to make any necessary changes in the future. Both the successes of and the challenges with the current model leave VITA well-positioned to lead the implementation of a new services delivery platform.

The recommendations contained in this report are intended to balance the needs of agencies and the enterprise, decrease transition risk, and preserve VITA's ability to make decisions about the future of the platform. As noted in the Executive Summary, our recommendations include:

- **The Commonwealth should start now to disentangle services from the CIA.**
  Starting now with a multi wave approach reduces implementation risk and provides VITA and the Commonwealth with the time needed to establish a transition organization and a new governance framework.

- **The Commonwealth should adopt a multi-supplier model with a services integrator through a competitive bid.**
  The sourcing of technology services has become more discrete and the Commonwealth will benefit from a platform that provides a greater ability to add new services. More important, a services integrator will provide the Commonwealth with transparency into the cross functional activities that bind service delivery. This transparency will improve accountability for all stakeholders.

- **VITA should create a Platform Relationship Office to manage the new services delivery model.**
  VITA's organization must reflect the focus it places on managing the services platform. The PRO will manage service providers and will sit at the center of the governance framework.

- **VITA should lead the implementation of a new governance model that increases agency involvement.**
  Governance should protect, enhance and grow the platform. While VITA will retain decision rights, engaging agencies and enterprise stakeholders in the platform will help all parties identify and address the challenges a new model will present.

The transition to a new model will be a multi-year journey and must include a broad set of stakeholders. VITA, through the ITSSP, has built a framework for change and developed momentum for implementation of the recommendations contained in this report. Virginia has long been a leader in its use of technology to enable government services. We believe these recommendations will help the Commonwealth continue its leadership role, and allow it to better serve all Virginians.
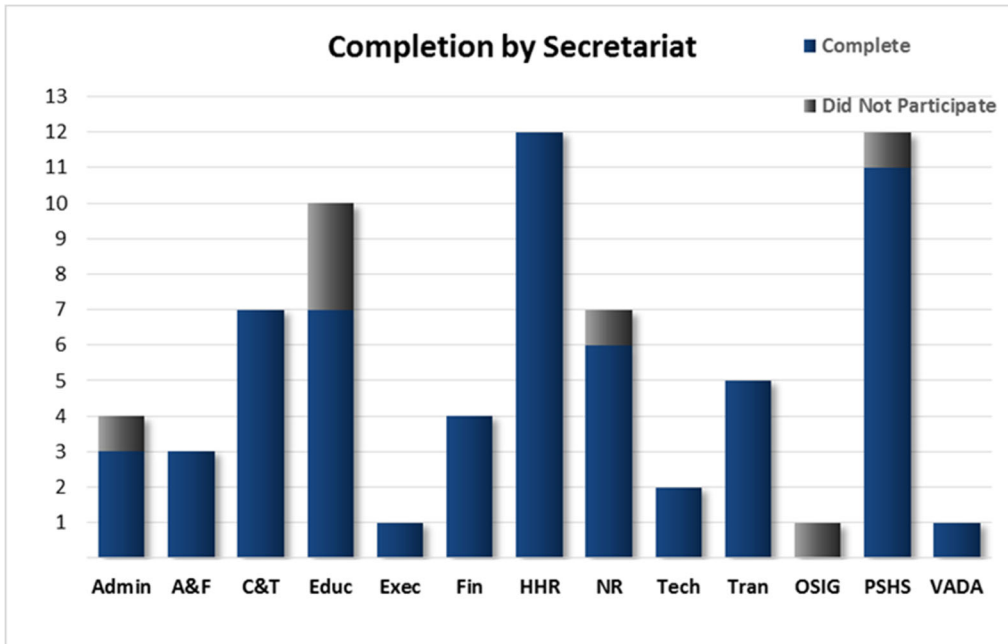
APPENDIX

10. Additional Charts

10.1 Agency Interviews and Surveys

The Integris Applied team met with ninety percent of the in-scope agencies to discuss future business needs and difficulties with the current model.

Surveys were sent to AITRs at 65 agencies with questions designed to confirm the feedback collected during the agency surveys. Completed responses were received from the following 54 agencies.

Secretariat	Agency
Agriculture and Forestry	Department of Agriculture and Consumer Services
	Department of Forestry
Administration	Compensation Board
	Department of Elections
	Department of General Services
	Department of Human Resource Management
Commerce and Trade	Board of Accountancy
	Department of Housing and Community Development
	Department of Labor and Industry
	Department of Mines, Minerals and Energy
	Department of Professional and Occupational Regulation
	Department of Small Business and Supplier Diversity
	Virginia Employment Commission
	Virginia Racing Commission
Education	Department of Education - Central Office Operations
	Frontier Culture Museum of Virginia
	Jamestown-Yorktown Foundation
	State Council of Higher Education for Virginia
	The Library of Virginia
	The Science Museum of Virginia
	Virginia Museum of Fine Arts
Finance	Department of Accounts
	Department of Planning and Budget
	Department of Taxation
	Department of the Treasury

Secretariat	Agency
Health and Human Resources	Comprehensive Services for At-Risk Youth and Families
	Department for Aging and Rehabilitative Services
	Department of Health
	Department of Health Professions
	Department of Medical Assistance Services
	Department of Social Services
	Dept. of Behavioral Health and Developmental Services
	Woodrow Wilson Rehabilitation Center
Natural Resources	Department of Conservation & Recreation
	Department of Environmental Quality
	Department of Game and Inland Fisheries
	Department of Historic Resources
	Marine Resources Commission
	Virginia Museum of Natural History
	Virginia Outdoors Foundation
Public Safety & Homeland Security	Alcoholic Beverage Control, Department of
	Department of Corrections, Central Activities
	Department of Emergency Management
	Department of Fire Programs
	Department of Forensic Science
	Department of Juvenile Justice
	Department of Military Affairs
	Department of State Police
	Department of Veterans Services
Transportation	Department of Aviation
	Department of Motor Vehicles
	Department of Rail and Public Transportation
	Department of Transportation
	Motor Vehicle Dealer Board

Survey questions were designed to validate the importance of certain Partnership characteristics to the agencies, most notably service delivery. After validating the importance of a characteristic, agencies were asked how effectively the Partnership was delivering upon that characteristic. A display of the responses is shown in the chart below. Fifteen of the 17 processes were given an "importance rating" of 4 or higher on a scale of 5. Notably, 5 of the characteristics scored low for effectiveness. These results are consistent with agency interviews that identified the impact of service delivery and cost as two of the most important areas of concern.
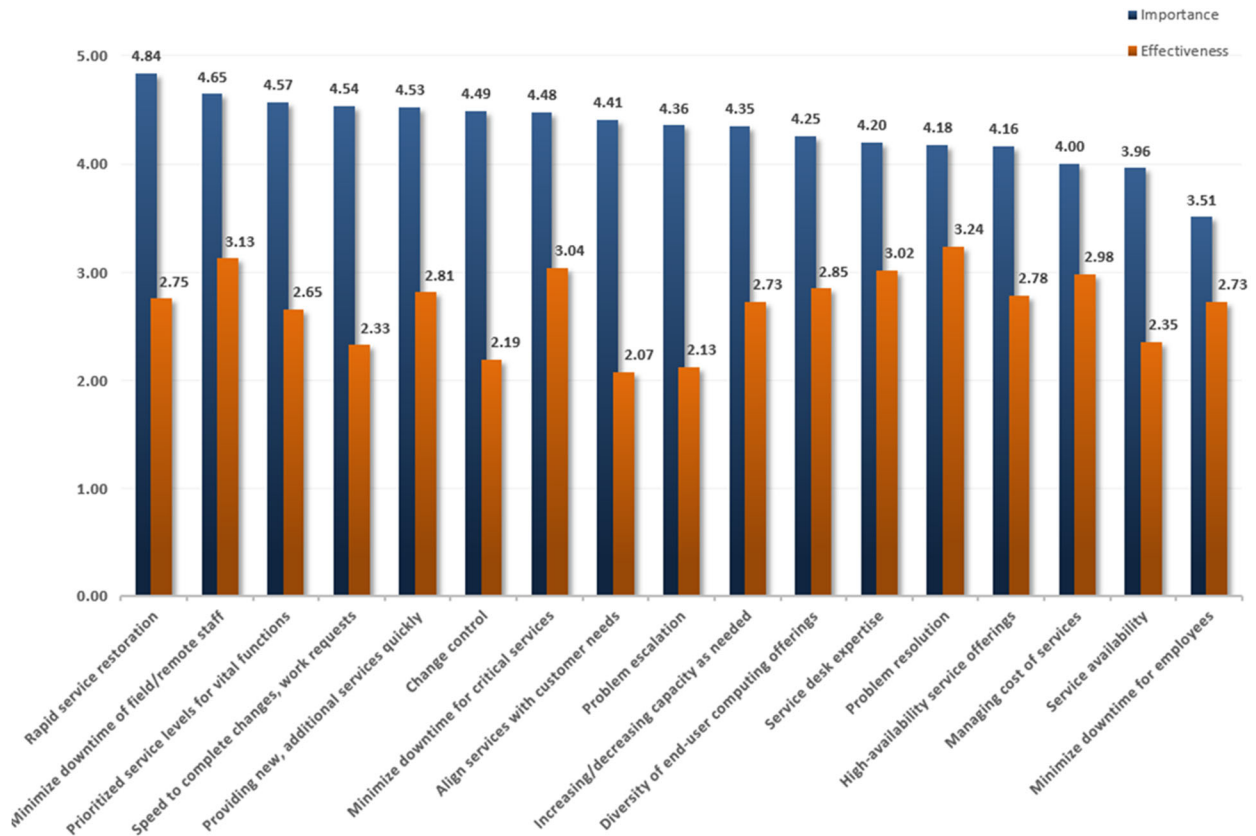
10.2 Marketplace Options (RFI Phase) Respondents

VITA received twenty-nine responses, across a variety of industry focus areas, as indicated below:

10.3 Sourcing Scenario Matrix and Evaluation

Scenarios→ / Component Factors↓	1a — Rebid full scope at term to single prime with subcontracts	1b — Rebid full scope at term; multisourced with internal SI	1c — Rebid full scope at term; multisourced with external SI	2a — Rebid in waves; multisourced with external SI	2b — Rebid in waves; multisourced with competitive towers and external SI	3a — Full insource in waves	3b — Partial insource in waves; selectively outsource towers
Timing	All at End of Term	All at End of Term	All at End of Term	Iterative Build	Iterative Build	Iterative Build	Iterative Build
Ecosystem / Contracts	Prime contractor with subcontracts	Multisourcing	Multisourcing	Multisourcing	Multisourcing	Fully Insourced	Mixed
Service Integration	External Function (held by Prime)	Internal Function	External Function	External Function	External Function	Internal Function	Internal Function
Towers	Under subcontract to Prime	Individual contracts held by VITA - traditional full towers	Individual contracts held by VITA - traditional full towers	Individual contracts held by VITA - traditional full towers	Individual contracts held by VITA - competition within towers	Insourced	Individual contracts held by VITA - traditional full towers
Insource vs. Outsource	Fully Outsourced	Primarily outsourced, but mix possible	Primarily outsourced, but mix possible	Primarily outsourced, but mix possible	Primarily outsourced, but mix possible	Fully Insourced	Mixed
Characteristics →	*All services outsourced to a single prime contractor with its own subcontracts. Change occurs entirely at expiration date.*	*All towers outsourced to multiple suppliers, but service integration built internally. Change occurs entirely at expiration date.*	*All services (including service integration) outsourced to multiple suppliers. Change occurs entirely at expiration date.*	*All services (including service integration) outsourced to multiple suppliers. Change program occurs over time.*	*All services (including service integration) outsourced to multiple suppliers. Towers may be sourced as multiple competitive contracts. Change program occurs over time.*	*All services insourced. Change program occurs over time.*	*Many services insourced, including service integration. Optionally outsource some towers. Change program occurs over time.*

	1a: Rebid full scope at term; Prime with sub-contractor; service integration handled within prime	1b: Rebid full scope at term; multi-tower with service integration internal	1c: Rebid full scope at term; multi-tower with service integration external	2a: Rebid in waves; multi-tower with service integration external	2b: Rebid in waves; multi-tower with some competitive towers; service integration external	3a: Full insource in waves; all towers including service integration insourced	3b: Partial insource in waves; towers a mix of internal or external; service integration internal
Agency Goal Alignment							
Service delivery quality	4	4	5	5	5	3	3
Ease of doing business	3	3	4	4	4	3	4
Service flexibility	1	3	4	4	5	2	3
Evolution and innovation	2	3	4	4	5	1	2
Agency choice	3	4	4	4	5	3	3
Service transparency	2	3	5	5	5	3	3
Spend transparency	2	3	4	4	4	2	2
Summary	2.4	3.3	4.3	4.3	4.7	2.4	2.9
Enterprise Goal Alignment							
Maintain cost competitiveness	2	4	4	4	5	2	2
Management control	2	3	4	4	5	4	4
Flexibility to evolve	2	3	4	4	5	2	3
Supports VITA oversight functions	3	3	3	3	3	3	3
Standardization	5	4	4	4	3	2	2
Securing the Commonwealth's data	3	4	4	4	4	3	3
Procurement and Transition	4	1	1	4	4	1	1
Summary	3.0	3.1	3.4	3.9	4.1	2.4	2.6

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11. Table of Figures