



Proposal for Advisory and Benchmarking Consulting Services

TECHNICAL PACKAGE: *Benchmarking*

Integris Applied response to RFP 98000-000000-4597

Integris Applied is a management consulting firm focused on CIOs and their organizations. We guide clients through the changes required to implement sustainable technology-led strategies. We shape IT organizations and environments with an approach that unifies vision, action and the people who influence both. We have walked in your shoes as buyers, sellers and advisors ... and will walk with you now, on your journey.

We have delivered for you in the past. With our deep bench of industry expertise, we stand ready to continue evolving and supporting GTA.

We thank you for considering Integris Applied to serve you on the next stretch of your journey.

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1. Technical Proposal – Benchmarking Services

1.1 Mandatory Requirements

DESCRIPTION	YES or NO
On-shore The State requires all State Government data to be stored only on servers within the United States in order to reduce the jurisdictional and security concerns that attend offshore data storage.	YES
Availability of staff Offeror must agree to provide a working team that is available to work during the State of Georgia’s regular business hours, from 9am-5pm Eastern Standard Time, Monday through Friday	YES
Data Protection Offeror must agree to provide secure engagement file storage and transfer capabilities for all engagement documents whereby 100% of all engagement data stays exclusively within the legal jurisdiction of the United States.	YES
Description of Services Offeror must agree to provide and keep current the submitted rate card aligning with the referenced service categories and an Account Representative or Point of Contact. Selected Offerors must meet this requirement within thirty (30) days of award.	YES
Objective Third Party Offeror must not be a current service provider to GTA for operational or integration services. Service providers currently under contract with GTA, including but not limited to the Georgia Enterprise Technology Services (GETS) program or GTA Direct program, will not be considered. Additionally, Offeror must disclose any business relationships or financial arrangements with existing GTA suppliers, both at the time of this bid and when submitting proposals for work after this RFP is awarded.	YES

1.2 Benchmarking Project Narratives (Appendix G2)

1.2.1. Project 1: GTA Benchmarking / Market Analysis Services

Client: Georgia Technology Authority (GTA); **Dates:** 2014-2019

Sector: Public Sector – State Government; **Project Value:** \$230M/year; **Staffing:** 1.25

Challenge: After initial GETS program successes GTA's customer needs evolved and service quality, costs, and flexibility were in greater focus. GTA required a deeper understanding of its costs and how those costs might be lowered.

Impact: Integrus Applied analyzed \$230M worth of ITS and MNS billings. From this analysis we developed a sourcing strategy, including a market-comparator-based pricing analysis, showing that GTA could achieve its goals of transparency, flexibility and cost competitiveness. GTA negotiated with its incumbent infrastructure supplier (IBM) to extract the integration layer and re-source it as a separate Multisourcing Services Integrator. This provided improved cross functional services and transparency and established a contracting platform to continually source new delivery services under a “Market Test and Rebid” program. GTA uses this award-winning program to improve agency choice and continually engage customers with the marketplace.

The Full Story: Understanding existing environment costs and comparing them to potential opportunities in the marketplace is critical to any change initiative. Public sector organizations in particular must find ways to “do more with less.” When GTA was looking to improve its delivery model Integrus Applied conducted a cost review to determine potential options.

Such cost reviews are often described as “benchmarking”, but we describe our approach more broadly as a market cost analysis because – particularly for clients operating a managed services sourcing environment – our approach provides a more accurate representation than would be possible via traditional benchmarking.

Server	State of XYZ	State of XYZ	Client	Benchmark 1 High Market	Benchmark 1 Low Market	Benchmark 2 Gov High	Benchmark 2 Gov Low	Benchmark 2 Commercial High	Benchmark 2 Commercial
Intel Cost	\$32,484,333		\$10,116,680						
Unix Cost	\$14,259,734		\$2,937,184						
Intel Instances	3,511		1,076						
Unix Instances	639		210						
Cost/Intel	\$ 770.95		\$ 783.44			\$ 991.49	\$ 237.35	\$ 646.19	\$ 186.80
Cost/Unix	\$ 1,858.91		\$ 1,134.93			\$ 924.62	\$ 790.02	\$ 1,072.00	\$ 321.31

Mainframe	State of XYZ	State of XYZ	Client	Benchmark 1 High Market	Benchmark 1 Low Market	Benchmark 2 Gov High	Benchmark 2 Gov Low	Benchmark 2 Commercial High	Benchmark 2 Commercial
Mainframe	\$38,664,323	\$41,000,000	\$34,770,241						
MIPS	5,691	3,500	3,417						
Cost/MIPS	\$566.16	\$976.19	\$847.97	\$733	\$458				

Exhibit 6: Rate Comparison Sample

A market cost analysis in a managed services program requires a thorough understanding of not only the client environment, but also its key comparisons. Integrus Applied was and is best positioned for such analyses because it knows Georgia and other state government IT infrastructure and sourcing initiatives – including the reasoning behind negotiated terms. This knowledge covers:

- Relevant comparator clients
- Sourcing scope
- Services volumes
- Quality levels and metrics
- Financial engineering

We brought to bear our proprietary database of sourcing transactions of similar size, type, and scope, developed by our expert advisors who had performed the sourcing work at key comparator clients. While many firms will just check numbers against a database, Integris Applied is able to use its knowledge of comparator clients and contracts to adjust for factors such as amortized one-times or lease rates that can artificially inflate run costs.

We also considered other financial impacts than the total per-unit number. For example, pricing variability can have a significant impact in the future based on how a client flexes and changes its services. Exhibit 7 depicts some of the analysis we performed for GTA.

Integris Applied's study performed as part of this market cost analysis allowed GTA to plan its Services Integration Initiative (SII) program. The numbers became part of a financial base case, which was updated as the SII progressed – initially by extracting services integration functions from IBM to procure them through Capgemini, and then with other towers of services. A solid financial footing is necessary to lay the groundwork for any change program.

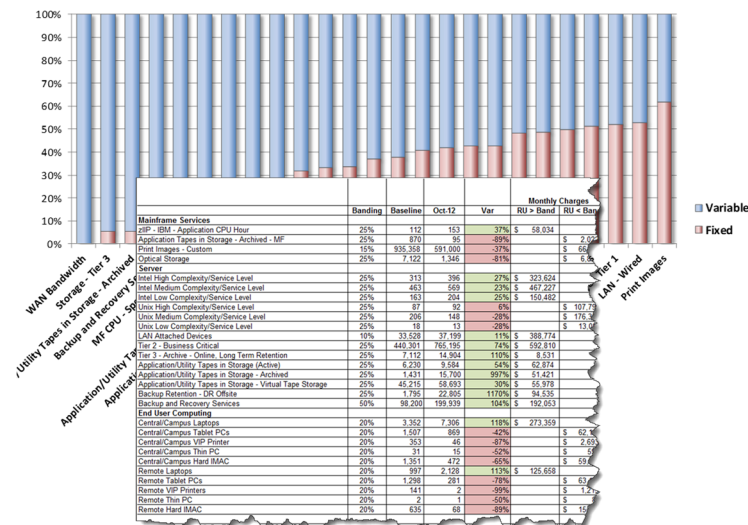


Exhibit 7: Pricing Variability Analysis

1.2.2. Project 2: VITA Contract Evaluation

Client: Virginia Information Technologies Agency (VITA); **Dates:** 2015-2019

Sector: Public Sector – State Government; **Project Value:** \$197M/year; \$1.05B TCV; **Staffing:** 1.25

Challenge: VITA was ten years into a \$2.5B full-scope infrastructure service contract. The Commonwealth did not believe it was receiving from its incumbent the transparency, value or service evolution required for its Agency customers. Services had stagnated, costs were high, customers had little insight into the underlying service delivery, and VITA felt steep contract exit fees were a barrier for change.

Impact: Integris Applied performed a detailed study of contract terms and costs. We found that VITA could exit its contract early, move to a multisourcing delivery model and reduce costs. VITA executed the program and is on target to save \$154M (6.9%).

The Full Story: VITA had signed a contract with Northrop Grumman (NG) in 2005 to provide all IT infrastructure services – including servers, data and voice network, e-mail, and end user computing. The sourcing effort was a key component in a program to consolidate agency services and build out a new data center, which would also become VITA's staff offices.

Although the program itself was largely successful in achieving consolidation, after ten years and multiple contract renegotiations, VITA and its customers were getting frustrated with the lack of flexibility. The contract was set to expire at the end of 2018 (a total of thirteen years). Due to the size of the contract and NG's relative strength, the various modifications had stacked the contract heavily in NG's favor. VITA was looking for options to get out early and brought in Integris Applied to advise them.

When Integris Applied analyzes a managed services contract, we do not “score” terms and conditions that were negotiated by the parties for some prior purpose. Rather, we assess the existing language in its usefulness for action to meet the parties’ goals today. With extensive industry experience and a veteran sourcing attorney on our team, we were able to organize and interpret VITA’s contract with NG to provide both a path to exit and recommendations for better future contracts.

Advisors typically recommend that clients consider the “three-legged stool” of contracting: services, quality, and price. If those are not adequately present in a contract, the metaphorical stool will not balance. This metaphor is apt but incomplete. Integris Applied recognizes that a managed services contract must address two more components: governance within the relationships and the personnel involved in delivering the services.

For that reason, we consider our contracts to have five core components, as indicated in Exhibit 8.

At VITA, we first organized their NG contract into this framework, so we could determine whether certain key operational provisions were documented. Our interpretation and assessment of these provisions allowed us to identify a path for VITA to exit its contract despite a significant minimum revenue commitment, a broken Base Charges + ARC/RRC pricing structure, and heavy termination fees.

We also studied their service levels and found them to be lacking in many ways. Service levels must effectively communicate delivery expectations to customers, manage and incentive supplier performance, and encourage continual improvement. We helped VITA write new service levels to cover services in a more end-to-end, customer-focused approach. They also introduced shared accountability in the supplier environment, supported by operating level agreements between the parties.

Because sharing the details of our assessment would affect VITA’s contract negotiations and as permitted under statute, we maintained confidentiality of detailed findings. An excerpt of the public assessment paper is shown in Exhibit 9. The paper documented the following findings:

- Lack of alignment with current market standards, applicable statute, and customer requirements
- High exit and resolution fees
- Statements of work and service responsibility incomplete, pushing risk back to Virginia
- Service quality (i.e., SLA) provisions lacking and inconsistently documented
- High proportion of fixed costs; financial disincentives to accomplish goals
- Governance processes incomplete

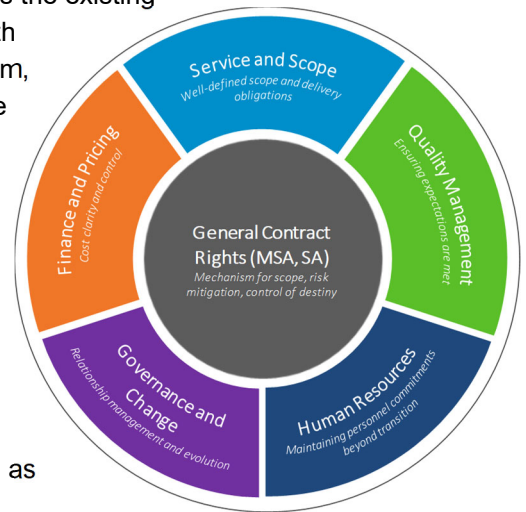


Exhibit 8: IA Contract Framework

Category	Assessment Overview
Legal <i>Risk mitigation, control of destiny</i>	<ul style="list-style-type: none"> • Termination options mostly align with the market; • Lacking some specific options for service level failures; • Exit strategies challenged by: <ul style="list-style-type: none"> ◦ Lack of underlying asset value or calculation clarity; and ◦ High costs (where those costs are articulated) • Audit requirements allow validation of operation and financials, but may reflect current regulatory and security requirements. • Lengthy contract term is not typical, but reflects vendor initial investment.
Governance and Change <i>Relationship management and evolution</i>	<ul style="list-style-type: none"> • Relationship between governance forums unclear. • Required processes and forums light; do not reflect current market standards (e.g., additional oversight functions, delivery framework such as ITIL, etc.)
Service and Scope <i>Well-defined scope and delivery obligations</i>	<ul style="list-style-type: none"> • Statements of Work (SOWs) include both vendor and COVA responsibilities, pushing risk back to COVA; • Solution documents exist for most SOWs, providing additional clarity for service provider responsibilities; • Many SOWs reference documents that should have been developed at the Interim Phase, but were not completed – resulting in scope confusion and inconsistent document numbering.
Quality Management <i>Ensuring expectations are met</i>	<ul style="list-style-type: none"> • Service level metrics are not included in all SOWs; • Metrics inconsistently documented; • Blanket service level exclusions for legacy environments, increasing COVA risk; • Ability to add and change metrics is limited by time horizons and subject to contract amendment process, reducing COVA flexibility; • Reporting requirements and ability to change stated, but sample report lists not complete. • Customer satisfaction requirements and metrics are poorly defined.
Finance and Pricing <i>Cost clarity and control</i>	<ul style="list-style-type: none"> • Financial structure creating disincentives for service innovation; • Financial responsibilities of each party not clearly articulated; • Differences between fixed and variable cost not appropriately addressed.

Exhibit 9: VITA Contract Analysis

In a multi-sourced environment, each contract must be wired to create shared accountability between the multiple delivery providers. Our expertise in contracting has served other clients, including GTA, where a review of the original IBM contract allowed Integrus Applied to facilitate GTA extracting service integration functions and sourcing them to Capgemini.

At GTA, VITA, and elsewhere, Integrus Applied's contract expertise has allowed it to improve existing relationships and create new ones, with greater alignment toward customer goals.

1.2.3. Project 3: GTA Market Trending

Client: Georgia Technology Authority (GTA); **Dates:** 2015-2019

Sector: Public Sector – State Government; **Project Value:** \$230M/year; **Staffing:** 1.25

Challenge: GTA wanted to provide safe, secure, reliable and timely delivery, increase GETS value and grow market share, ensure market competitive pricing and improve the customer experience. To achieve these goals GTA sought a second-generation sourcing model that would regularly engage the market and be continuously contemporary in service to its evolving customer needs.

Impact: Integrus Applied developed and helped GTA implement the Market Test and Rebid (MTR) program.

The Full Story: GTA recognized that in order to keep its quality high, its services contemporary, and its costs competitive they would need to more actively connect customer needs with supplier capabilities. This would mean more continual engagement with the marketplace than occurs in traditional public sector procurement processes. Integrus Applied developed and helped GTA implement a program called Market Test and Rebid (MTR). This program created a continuous lifecycle of procurement activities in the form of conversations with the supplier marketplace.

The landscape of available technology services is rapidly evolving and changing. Knowing which services are most compelling or which are most cost effective is more challenging than ever. Benchmarks to other state contracts and other areas are interesting but do not prove that GTA could get those services and rates in its program. The only way to ensure customers are receiving the most competitive rates and most current and compelling services is to go to market. As GTA itself stated in its IAOP award submission for the MTR program in 2018, the program “grew from recognition that traditional benchmarking practices did not meet its needs.”

With Integrus Applied's guidance, GTA established its practice for Market Test and Rebid to ensure that it was regularly gathering and testing that market information. The program allows GTA to establish and maintain relationships with the supplier community formally but separately from any particular contracting opportunity.

The MTR program uses stages such as a Requests for Qualified Contractors (RFQC) to allow providers to be shortlisted for more detailed conversations with GTA and its customers. Requests for Information (RFI) and other market engagements are then conducted to allow service providers to describe their offerings to GTA, to indicate price points and pricing models, and to demonstrate compelling reasons for their services.

The program allows customers to stay aware of supplier capabilities, communicate their needs proactively, and contract for services in a more agile manner. Importantly, this continual engagement also improves GTA's relationships with its customers.

Ultimately the MTR programs allows GTA to best serve its customers by connecting them directly with the marketplace to buy the most modern, safe, compelling, and cost-effective services.



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