

RightIT™

Maximizing Government IT Efficiency



by

Eugene Bounds
bounds_eugene@bah.com

Louise Campanale
campanale_louise@bah.com

Marguerite Morrell
morrell_marguerite@bah.com

Michael Schoep
schoep_michael@bah.com

Booz | Allen | Hamilton

delivering results that endure

RightIT™

Maximizing Government IT Efficiency

The budget deficit and need for comprehensive spending cuts have increased the need to control spending. Federal agencies must acquire needed Information Technology (IT) at the right costs. Booz Allen Hamilton's RightIT™ methodology baselines IT infrastructure and related costs, provides benchmarks to measure IT performance, analyzes alternatives and develops a plan to achieve efficient and effective IT support. Then, Booz Allen brings together certified cost analysts, world-class IT technologists and other experts to deliver long-term IT solutions to our federal agency partners. This paper provides an overview of RightIT™, presents samples of the significant results achieved by our clients, and outlines how the approach can be used by federal agencies to create efficient and effective IT operations.

Current State of Government IT Environment

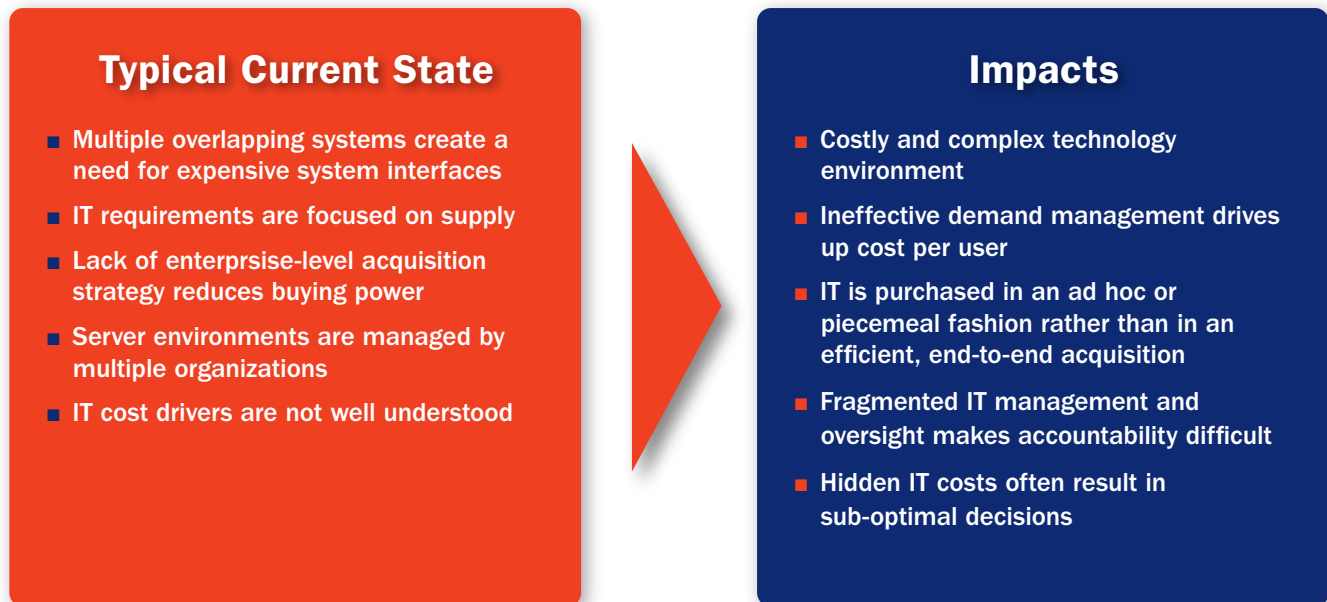
As IT enterprises have evolved over the decades, information infrastructure and related applications have

become fragmented, reducing economies of scale and resulting in unnecessary cost burdens. Government organizations experience these inefficiencies across all elements of their budgets from desktop to data centers, in hardware and software, as well as telecommunications and data networks. Exhibit 1 shows how inefficient practices create unnecessary complexity in the IT environment and drive up costs. In addition, there are often hidden IT costs (e.g., the cost of power, real estate, and administrative overhead for IT operations).

Across the federal government, agencies spend almost \$80 billion per year on IT. Because of the significant size of the expenditure, IT is a target for cost-rebalancing actions and directed budget reductions.

Today, the majority of federal IT investments are defined, funded, and operated by individual programs of record or functional organizations in a decentralized,

Exhibit 1 | Impact of Inefficient Practices in Current Government IT Environment



Source: Booz Allen Hamilton

often ad hoc, manner. In many cases, the individuals who generate program requirements are not familiar with available enterprise capabilities. As a result, IT environments consist of a patchwork of one-off systems with incompatible, inefficient, and costly networks. Furthermore, budgets for power and real estate are managed outside of IT programs. These “hidden” IT costs can account for 30 percent or more of annual IT operating budgets. The current planning, programming, budgeting, and execution process does not provide adequate transparency. As a result of this lack of insight, it is nearly impossible for federal agencies to produce a comprehensive, current state cost baseline. Without the ability to accurately characterize IT costs, there is no effective way to quantify the return on investment (ROI) of IT initiatives or recommend the most cost-effective approach to meet federal IT mandates.

Achieving Cost-Effectiveness with RightIT™

Booz Allen’s RightIT™ methodology is a proven approach to achieve cost-effective IT capabilities. Our world-class team of cost, IT, and change management experts uses this powerful methodology to analyze both supply and demand factors. It also helps us

identify IT acquisition strategies that capture savings and drive increased performance. Our comprehensive assessment will highlight performance improvement and savings opportunities as outlined in Exhibit 2. The overall objective of our approach is to reduce IT spending, while retaining value-added IT capabilities and improving enterprise-level performance.

The approach is designed to realize short-term savings at the outset by implementing improvements within the immediate control of the IT organization. While initial savings are being realized, Booz Allen simultaneously analyzes the IT environment for additional efficiencies that can be harvested as savings over the longer term.

With RightIT™, we begin using a diagnostic process to evaluate the client’s entire IT environment. Our approach identifies the total cost of ownership (TCO), including hidden IT costs. Our experts then highlight potential savings in the areas of infrastructure management (e.g., data center consolidation and new technologies like cloud computing), requirements management (e.g., service level agreements to control demand), acquisition management (e.g., strategic sourcing), and process management (e.g., streamlined IT business processes).

Exhibit 2 | Areas for Performance Improvement and Savings with RightIT™



Source: Booz Allen Hamilton

Booz Allen will identify opportunities for re-designing IT infrastructure utilizing consolidation, virtualization, cloud computing and other technologies. These technologies maximize system availability and are designed to be rapidly shifted to adjacent systems to accommodate maintenance windows, system outages, and other events that affect infrastructure availability. An enterprise focus eliminates service gaps and redundancies.

The RightIT™ approach evaluates IT requirements from both the supply and the demand management perspectives. We evaluate which investments are required to align with the agency's end-state goals, and we use multiple performance parameters to measure ROI and per-unit technical performance.

We use the strategic sourcing perspective to evaluate an agency's IT environment, identifying near-term cost savings that can offset future investments. This analysis of the various cost efficiency drivers ensures that our clients are paying the right price for the IT services they need. As a result, IT acquisition management is rational and efficient.

Identifying the right IT organization structures, streamlined business processes, and most effective governance models are included in our RightIT™ assessment. This is not only important by itself, but also helps to fit all the other management elements together into an integrated IT environment that benefits and serves the entire enterprise.

Our comprehensive RightIT™ approach to improving IT environments ensures that our clients understand which activities have the greatest potential for improvement and savings. We also deliver a comprehensive efficiency and improvement implementation plan that considers mission requirements, available budget resources, timing, and risk factors, along with the value of enhanced IT performance and potential savings.

Helping Clients Get Results with RightIT™

Booz Allen's RightIT™ approach has already helped government agencies improve IT performance and reduce costs. The following are some of our client engagements:

- We helped a major military command validate its corporate architecture and performance (CAP) standards for IT services. Our experts then baselined the command's 10 installations against the CAP standards, and provided the command's Chief Information Officer with "best practice" benchmarked costs for providing IT services at each base. The command used the cost model we developed to identify inefficiencies and assess trade-offs on technology investments. The result was a well justified budget for base-level IT services.
- Booz Allen helped a global pharmaceutical and consumer products company make informed IT choices that saved between \$34 and \$50 million on a \$164 million baseline, or 20 to 30 percent. The company had a distributed IT function that was expensive and difficult to administer. Booz Allen helped them remedy those problems by establishing an IT shared services model that was both effective and economical.
- A large federal government organization lacked the capability to effectively manage IT investments. As a result, it was unable to evaluate benefits, costs and risk in its IT investment projects. Booz Allen developed and implemented a portfolio management process that resulted in a 40-percent reduction in proposed enterprise architecture expenditures and a 21-percent reduction in office automation spending. The new portfolio management process is both effective and transparent.
- Booz Allen helped a government health organization create an effective IT investment management and decision making framework that aligned spending with medical transformation objectives. Booz Allen analyzed IT requirements, developed an investment evaluation process, built a detailed transition plan, and stood up a governance structure to manage IT investments. The enterprise wide solution will save more than \$20 million.
- A national diagnostics testing company was undergoing a merger and was expected to reduce operating expenses. Booz Allen developed an IT infrastructure baseline, determined total cost of IT ownership, established benchmarks, and prepared

short-term, mid-term, and long-term action plans to rationalize IT operation within the merged organization. As a result, the client’s IT costs were reduced by approximately 20 percent, a savings of \$43 million.

- A defense acquisition program inherited numerous aging servers with no centralized management process to effectively monitor or manage their system. As a result, IT costs were very high. Booz Allen re-designed the IT infrastructure utilizing consolidation, virtualization, and cloud computing technologies. These efforts reduced maintenance downtime by 75 percent and saved \$6 million in hosting and licensing costs. We also developed an optimized architecture that used virtualization to reduce the program’s IT footprint by 83 percent.

The Three-Phased Approach of RightIT™

To improve IT performance and achieve savings, we implement the RightIT™ approach in three phases: Diagnostic, Planning, and Implementation (as shown below in Exhibit 3). This approach ensures that our federal clients are compliant with agency mandates and documentation requirements that may be audited

or reviewed by government oversight entities. It also provides an important support for agency budget requests.

Diagnostic Phase

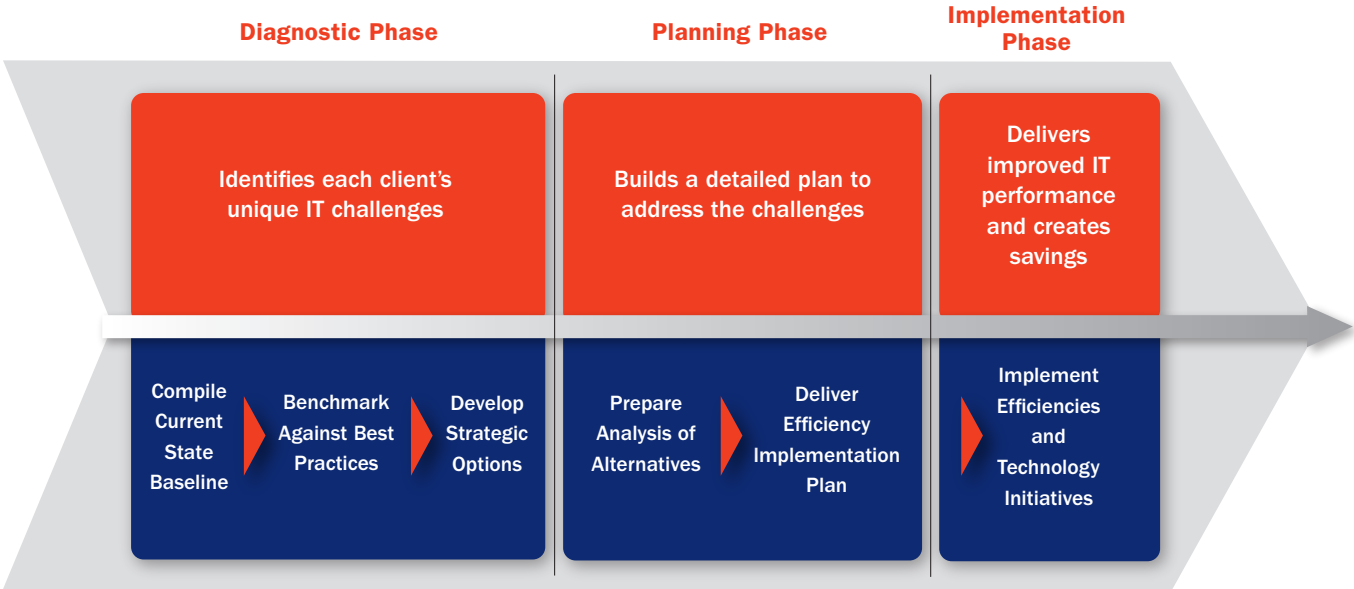
Compile Current State Baseline

A comprehensive understanding of IT expenditures is important to create a current state baseline. Through careful navigation of multiple appropriation baselines, financial systems, and execution vehicles, Booz Allen can compile a comprehensive IT cost baseline. During the initial diagnostic phase, we also establish a series of per-unit costs (e.g., power consumption per server and cost per user), which are then used to calculate expected cost savings associated with IT alternatives.

Benchmark Against Best Practices

With a TCO baseline established, the RightIT™ approach benchmarks the status quo against industry averages. The differences found when comparing the baseline line-items with the benchmarks will help identify where cost savings can be achieved most effectively. Benchmarking will also highlight target areas for IT service performance improvement.

Exhibit 3 | Three Phases of Booz Allen’s RightIT™ Methodology



Source: Booz Allen Hamilton

Develop Strategic Options

With visibility into how an agency's IT environment compares to industry standards, alternatives can be identified and evaluated. Our approach considers which savings and improvement strategies will yield the greatest value to the organization. Trade-offs between expected benefits, implementation costs, desired service levels, budget resources, and delivery methods are examined to determine which options will achieve required service levels and generate the most efficiency. Through this process, the optimal architecture and delivery methods are identified. Typical alternatives include data center consolidation, migrating to cloud computing, and performing business process reengineering across the enterprise. However, every agency's solution set will be unique.

Planning Phase

Prepare Analysis Of Alternatives

Our approach provides a robust mechanism to evaluate the TCO of alternatives, whether those alternatives exist at the enterprise level (e.g., data center consolidation) or within a particular concentration area (e.g., private cloud as opposed to public cloud or hybrid cloud). Our methodology accounts for agency-specific compliance policies for evaluating technical and cost parameters, as well as auditing requirements. The RightIT™ approach leverages the expertise of our world-class cost and IT analysts to evaluate IT alternatives for decision makers. We use agency-specific Business Case Analysis (BCA) to highlight the benefits, costs, and risks of various solutions. The Booz Allen team has the capability to evaluate the industry vendor base, available contracting mechanisms, and the requirements of the federal budgeting system to ensure BCA recommendations can be incorporated into the next budget cycle.

Deliver Efficiency Implementation Plan

The efficiency implementation plan maps the approved IT solutions into an executable game plan that ensures all the improvement initiative priorities and dependencies are integrated and work together to deliver the expected results. This step ensures that all initiatives contribute to the enterprise-level end-state. Booz Allen also ensures that robust documentation, communication plans, and stakeholder coordination are part of the planning process.

Technology Efficiency Implementation Phase

Implement Efficiencies And Technology Initiatives

The RightIT™ approach is designed to ensure that end-state goals for performance enhancement and cost savings are achieved. During the implementation phase, the Booz Allen team expands to include appropriate IT experts needed to complete every task on time and within budget. Our world-class IT expertise will ensure that the implementation fully achieves the results outlined in the efficiency implementation plan.

Right-sizing with RightIT™

The RightIT™ approach is a comprehensive analytical framework for making informed decisions that maximize savings and IT performance, while reducing costs and minimizing risks in pursuing the approved IT solutions. It begins by developing a current state IT cost baseline. Once this baseline is established, appropriate benchmarks will help identify savings and improvement targets. The efficiency implementation plan provides a detailed roadmap for achieving cost savings and improved performance. To implement the plan, Booz Allen will bring world-class talent to the engagement, ensuring expected results are delivered.

Contact Information:

Eugene Bounds

Senior Vice President
bounds_eugene@bah.com
703-377-4186

Louise Campanale

Principal
campanale_louise@bah.com
703-377-5242

Marguerite Morrell

Principal
morrell_marguerite@bah.com
281-280-6199

Michael Schoep

Principal
schoep_michael@bah.com
202-203-3746

About Booz Allen

Booz Allen Hamilton has been at the forefront of strategy and technology consulting for nearly a century. Today, Booz Allen is a leading provider of management and technology consulting services to the US government in defense, intelligence, and civil markets, and to major corporations, institutions, and not-for-profit organizations. In the commercial sector, the firm focuses on leveraging its existing expertise for clients in the financial services, healthcare, and energy markets, and to international clients in the Middle East. Booz Allen offers clients deep functional knowledge spanning strategy and organization, engineering and operations, technology, and analytics—which it combines with specialized expertise in clients’ mission and domain areas to help solve their toughest problems.

The firm’s management consulting heritage is the basis for its unique collaborative culture and operating model, enabling Booz Allen to anticipate needs and opportunities, rapidly deploy talent and

resources, and deliver enduring results. By combining a consultant’s problem-solving orientation with deep technical knowledge and strong execution, Booz Allen helps clients achieve success in their most critical missions—as evidenced by the firm’s many client relationships that span decades. Booz Allen helps shape thinking and prepare for future developments in areas of national importance, including cybersecurity, homeland security, healthcare, and information technology.

Booz Allen is headquartered in McLean, Virginia, employs more than 25,000 people, and had revenue of \$5.59 billion for the 12 months ended March 31, 2011. *Fortune* has named Booz Allen one of its “100 Best Companies to Work For” for seven consecutive years. *Working Mother* has ranked the firm among its “100 Best Companies for Working Mothers” annually since 1999. More information is available at www.boozallen.com. (NYSE: BAH)

To learn more about the firm and to download digital versions of this article and other Booz Allen Hamilton publications, visit www.boozallen.com.

Principal Offices

Huntsville, Alabama

Sierra Vista, Arizona

Los Angeles, California

San Diego, California

San Francisco, California

Colorado Springs, Colorado

Denver, Colorado

District of Columbia

Orlando, Florida

Pensacola, Florida

Sarasota, Florida

Tampa, Florida

Atlanta, Georgia

Honolulu, Hawaii

O'Fallon, Illinois

Indianapolis, Indiana

Leavenworth, Kansas

Aberdeen, Maryland

Annapolis Junction, Maryland

Hanover, Maryland

Lexington Park, Maryland

Linthicum, Maryland

Rockville, Maryland

Troy, Michigan

Kansas City, Missouri

Omaha, Nebraska

Red Bank, New Jersey

New York, New York

Rome, New York

Dayton, Ohio

Philadelphia, Pennsylvania

Charleston, South Carolina

Houston, Texas

San Antonio, Texas

Abu Dhabi, United Arab Emirates

Alexandria, Virginia

Arlington, Virginia

Chantilly, Virginia

Charlottesville, Virginia

Falls Church, Virginia

Herndon, Virginia

McLean, Virginia

Norfolk, Virginia

Stafford, Virginia

Seattle, Washington

The most complete, recent list of offices and their addresses and telephone numbers can be found on www.boozallen.com