



World Class Defined and Enabled

Training: State of Washington Overview

November 21, 2019

Introducing the benchmark team



State of WA Team



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Agenda



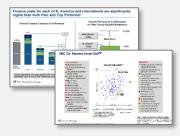
- Hackett Methodology and Scope
- Work Steps and Timeline
- Tool Demonstration
- Appendix
 - General Definitions

The benchmark process: Key inputs

Functional Benchmarks



- Collect and analyze quantitative and qualitative performance information
 - FTEs and costs
 - Transaction volumes
 - Practices and processes
- Covers all in-scope agencies and locations



Executive Interviews



- Gather management's perspective (2 – 3 interviews) on:
 - Overall functional efficiency and effectiveness
 - Strategic connection between each function and specific business objectives
 - How recent, related initiatives affect business objectives
 - Opportunities for improvement across the SDM components



Stakeholder Survey



- Web-based surveys sent to stakeholders of the functions
 - Gathers internal customer feedback on performance
 - Gain insights on perceived performance across processes and capabilities
 - Focus on internal customers to compare and contrast perceptions of performance and priorities



In-scope process taxonomy

In-scope processes

Transactional



Cash Disbursements

- Accounts Payable
- Travel and Expense
- Revenue Cvcle
- Credit
- Customer Billing
- Cash Application
- Collections
- Dispute Management
- General Accounting and **External Reporting**
- Intercompany Accounting
- Fixed Assets
- Cost Accounting
- General Accounting and Close
- Enterprise Consolidation
- External Reporting

Control & Risk Management Management



- Tax Management

- Treasury Management
- Cash Management
- Capital and Risk **Management**
- Compliance Management

Financial Planning 🙎 🧸 🙎 & Analysis

Planning and Forecasting

- Strategic Business Planning Support
- Annual Planning
- Forecasting
- Business Performance **Reporting and Analysis**
- Business Performance Reporting
- Business Analysis

Management and **Administration**

Function Management

Procurement Ops

- Supply Data Management
- Requisition & PO Processing

Please note that under the Planning and Strategy processes, only those resources reporting to Finance should be captured.

Data Collection Guidelines

- Data collection time horizon: 12 months ended June 30, 2019 (e.g. process volumes, outsourcing costs)
- Data is being collected separately for each in-scope agency – responses should reflect the operations which you support
- FTEs should be allocated in 10% increments within Quantum Leap to the processes they are performing



Total Cost is Captured in Four Categories

Labor cost Annual Salaries are captured by process group for: \$ | | Employees *_____* Contractors Shadow Employees **Total cost Outsourcing cost** Fees paid to 3rd party organizations are captured by process group 腽 **Process** cost \$

Technology cost

Costs include:

- HW, SW, and Voice & Data Expenses (equipment operating costs, license fees, maintenance contracts, networking & communication costs, etc.)
- HW, SW, and Voice & Data Depreciation / Amortization
- SaaS, laaS, PaaS
- Labor amortization is excluded

Other cost

- Facilities and overhead (including data center cost)
- Travel & Expense
- Training
- Supplies, subscriptions, expat packages



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State of WA - Proposed Benchmark Timeline

Milestone	Responsible Party	Dates
Planning	State of WA Program Manager, Hackett Group	11/5/2019
Training	State of WA Program Manager, Data Collection Team	11/21/2019
Data Collection & Other Inputs	State of WA Program Manager, Data Collection Team	11/21/2019 – 12/12/2019
Weekly Status Check-ins	State of WA Program Manager, Hackett Group	To be scheduled
Initial Data Submission*	State of WA Program Manager, Data Collection Team	12/12/2019
Internal Data Validation	The Hackett Group	12/12/2019 – 12/14/2019
Data Discrepancies Resolution	State of WA Program Manager, Data Collection Team	12/15/2019 – 12/20/2019
Data Declared Final*	State of WA Program Manager	12/20/2019
Sign-off on Final Data*	State of WA Program Manager	12/20/2019
Executive Preview	State of WA Program Manager, Program Sponsor, Hackett Group	Week of 1/9/2019
Final Executive Results Presentation	State of WA Leadership Team, Hackett Group	Week of 1/16/2019

^{*}If these key milestones dates are missed, the project timeline will need to be adjusted

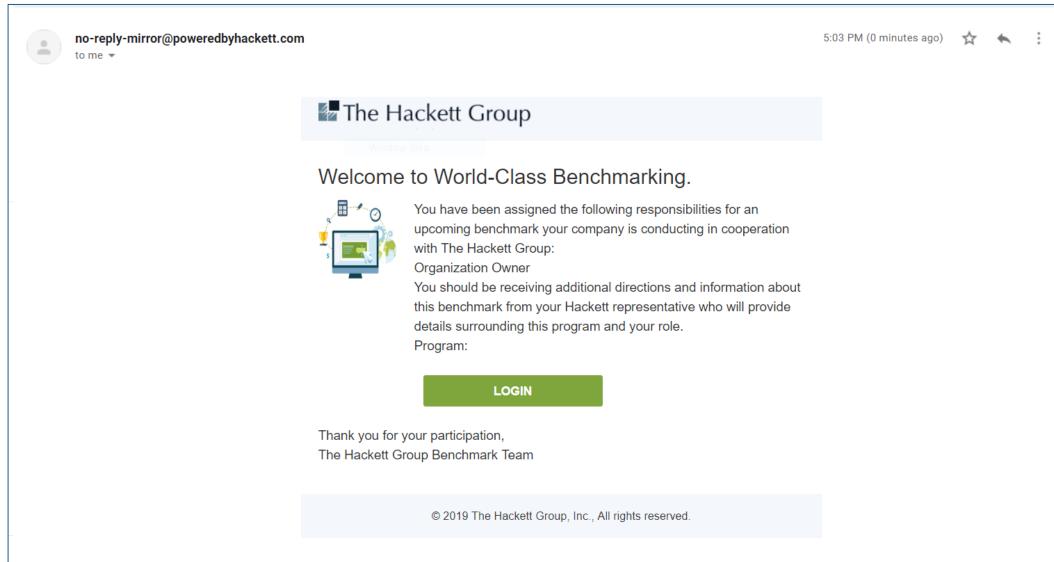


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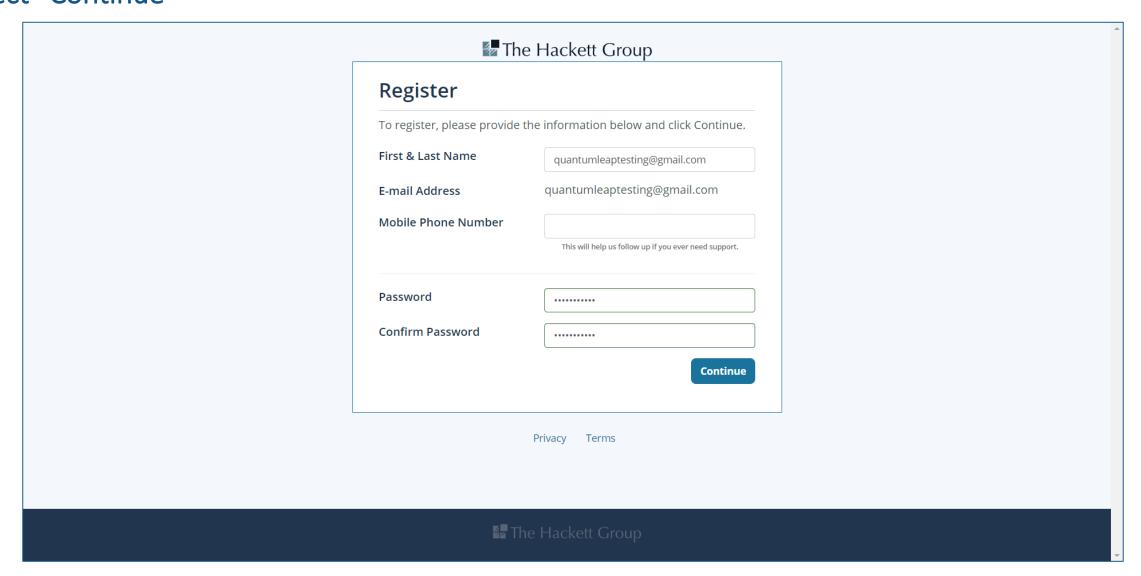


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The invite email will look like the below and come from no-reply@poweredbyhackett.com – (Emails may appear in Spam folder.) Select the green "Login" button to proceed.

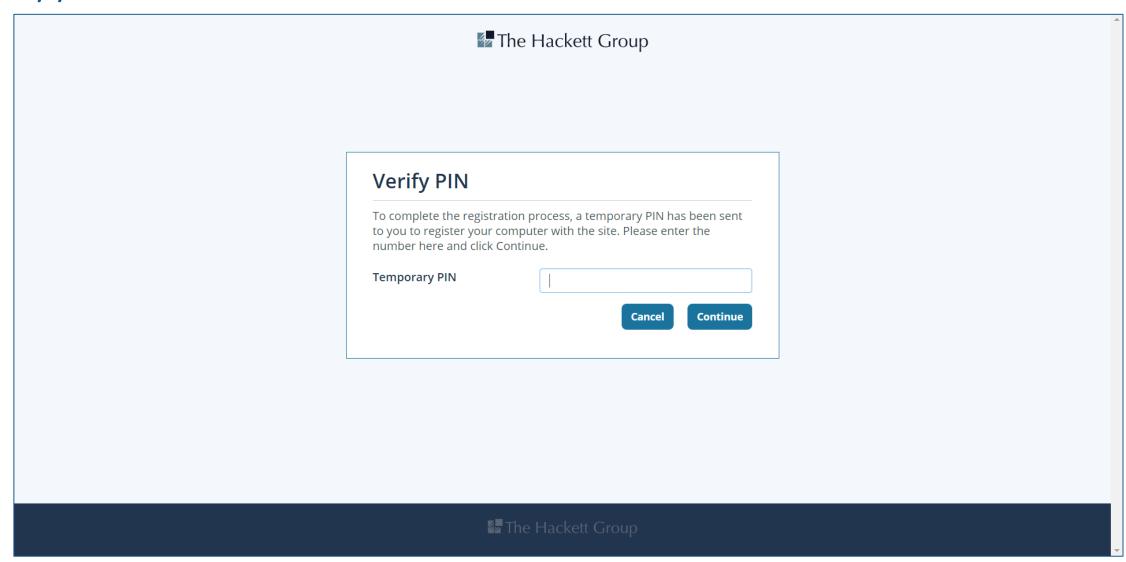


The account creation screen appears below – Please note that mobile phone number is optional. Select "Continue"

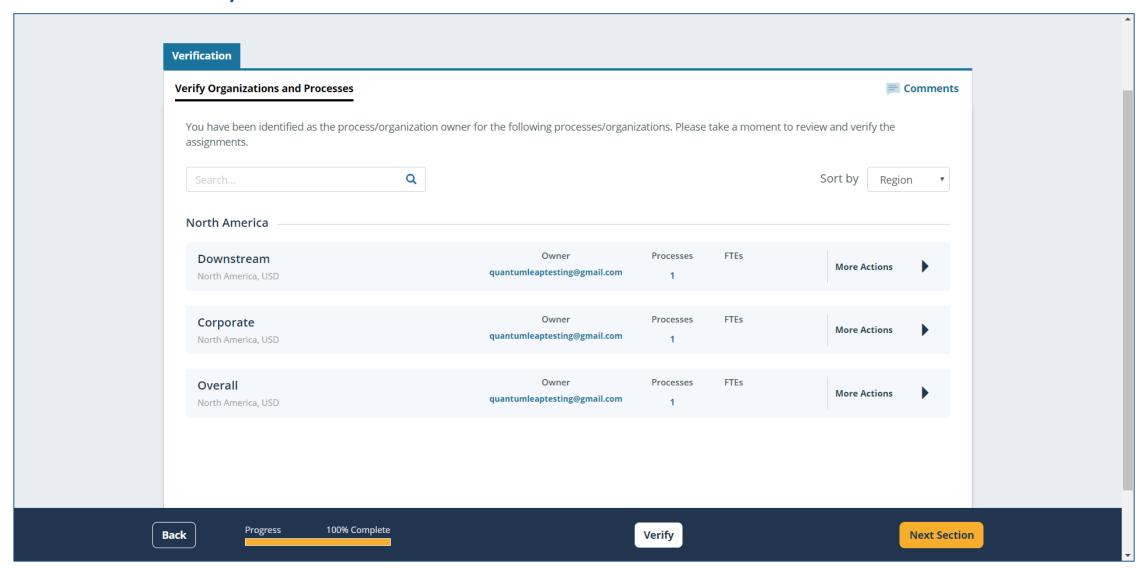




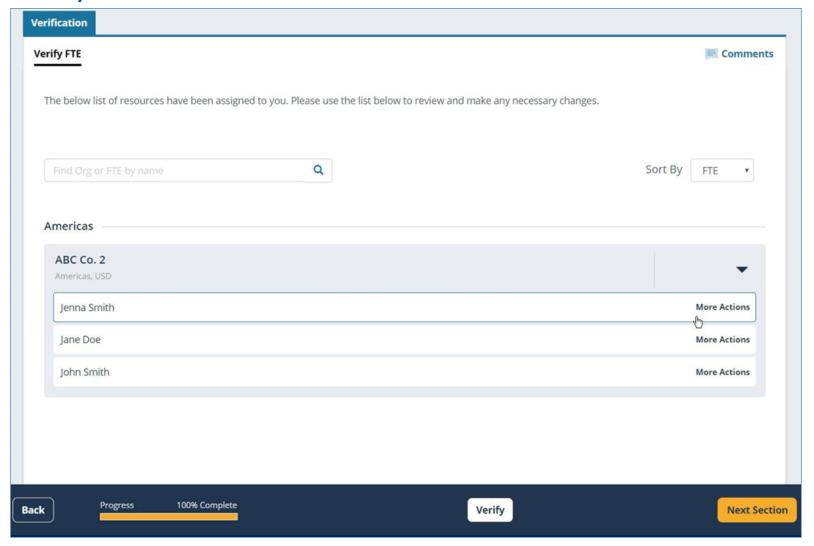
You will receive a 6-digit PIN from <u>no-reply@poweredbyhackett.com</u>. Please input that PIN below to verify your account



Next, you will be taken to the view – We have already configured the data collection structure. Please click the "Verify" button in the bottom bar



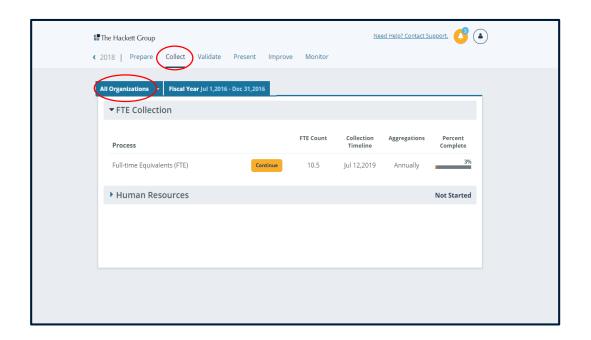
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Tool Demonstration

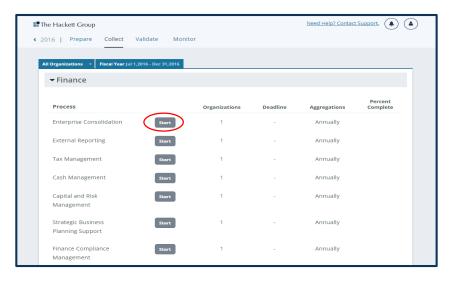


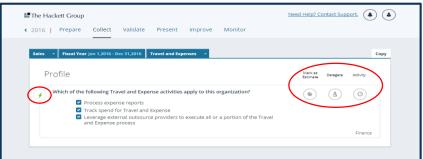
Accessing Collect



- The FTEs you have been assigned can be accessed by clicking the drop-down arrow next to FTE Collection and clicking the highlighted "Continue" button
- The question sets you have been assigned are organized by function and will be available in the section below
 - To access question sets for a specific organization, click on the "All Organizations" tab and choose from the dropdown menu

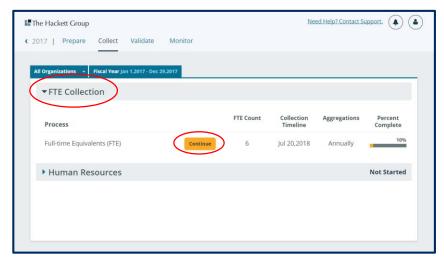
Answering in Collect – Question Sets

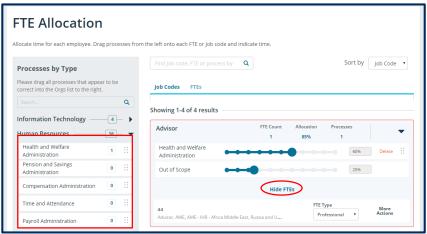




- By clicking on the Function name (i.e. Finance), a drop down menu of question sets will be shown
- To begin answering a question set, click start next to the question set's name
- Inside the question set you will be directed to input data or answer process-specific questions
- You also have the ability to delegate a question to a colleague, mark an answer as an estimate, and leave comments by selecting the respective icons on the right side of the screen
- To answer a question for multiple organizations and save time, click the green lightning bolt icon to the left and answer the questions in the pop-up screen

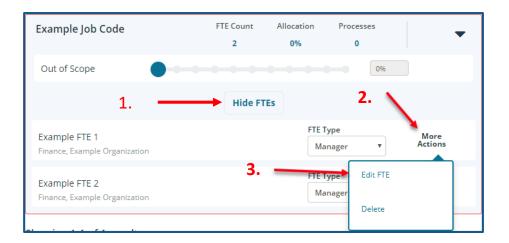
Answering in Collect – FTE Allocation

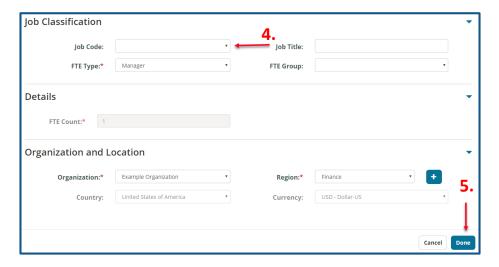




- The FTEs you have been assigned can be accessed by clicking the drop-down arrow next to FTE Collection and clicking the highlighted "Continue" button
- The following FTE Allocation page includes the job codes you have been assigned to allocate time to and the in-scope processes on the left side of the page
- Drag and drop processes to assign them to job codes and use the slider bars to allocate a percentage of time to each process
- The FTEs assigned to the job code can be seen by clicking the "View FTEs" button

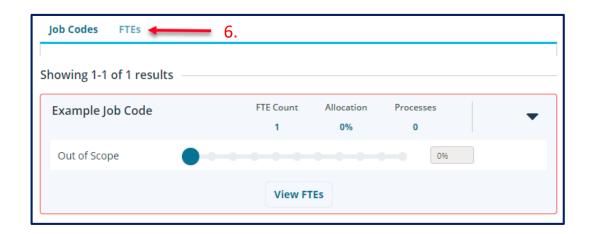
Answering in Collect – Deallocating FTEs from Job Codes





- To deallocate an FTE from a job code in order to individually assign a process allocation, please follow the steps below:
- Select View FTEs under the Job Code card
- 2. Select More Actions to the right of the FTE card
- Select Edit FTE
- 4. In the pop-up window, select the blank space under the Job Code drop-down menu
- 5. Select Done

Answering in Collect – Deallocating FTEs from Job Codes (continued)



- To assign process allocations to an individual FTE, please follow the steps below:
- 6. Select FTEs on the top of the FTE Allocation page
- 7. Allocate processes and process activity time to



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What is an FTE?

A full-time equivalent ("FTE") relates to a person, who normally works a full week (e.g., ~40 hrs)

- For full-time employees or contractors, one person equals one FTE
 - If a person works 60 hours in a week, one FTE is still reported
 - Labor costs will still include any overtime pay
- Temporary staff performing a process is included as an FTE
- Part-time employees become fractional FTEs based on the regulated work week
 - For example, if an employee works for 20 hours, he/she would be .5 FTE (annualized)
- If the regulated work week is LESS than 40 hrs (e.g., 35 hrs) use the lower hours as the basis for allocating time spent in a process by FTEs
- FTEs need to be classified by type:
 - Employee persons who are employed by your organization
 - Subcontractor persons who are contracted by your organization in a staff augmentation role to perform/support a specific process and are managed by your organization
- See additional FTE scenarios on the following slide





FTEs need to be designated by level as defined by Hackett

Manager

 Includes anyone who directly supervises the performance of other employees

Professional

- Primarily performs analytical and technical functions
- Typically work in highly skilled positions
- People with a manager title, but no supporting staff, should be considered a professional

Clerical

- Primarily performs routine data entry, filing, typing and other related administrative tasks
- Could be working in hourly positions

Additional FTE information

FTEs need to be assigned to a region as defined by Hackett

- On the FTE Worksheet, you are required to list the country where each FTE resides. Based on country, the worksheet will automatically assign the FTE to a region as defined by Hackett. The regions are as follows:
 - Africa and Middle East
 - Asia China
 - Asia India
 - Asia Other
 - Australia and Oceania
 - Eastern Europe
 - Latin America
 - North America
 - United Kingdom
 - Western Europe



FTEs need to be classified by type

- Internal FTE
 - Persons who are employed by your organization
- External FTE
 - Persons who are contracted by your organization in a staff augmentation role to perform/support a specific process and are managed by your organization

FTE scenarios

Scenario

- Full time employees
- Full time staff augmentation contractors
- Part Time Ongoing Employees (incl. job sharing)
- Part time ongoing contractors
- Recurring interns or co-ops
- Non-recurring short-term contractors (for Programs)
- Full or part time employee roles not filled for the full year (e.g. Maternity leave)
- Open positions actively being recruited for

Hackett guidance

- Capture 1 FTE as of the end of benchmark period
- Capture fractional FTE (e.g. 0.5, 0.75, etc.) for the benchmark period
- Capture FTEs for the duration of time worked during the benchmark period (e.g. 3 months = 0.25 FTE)
- If for a one-time initiative: exclude
- If for IT Programs: Capture FTEs for the duration of time worked during the benchmark period, but report in a non-recurring data collection location
- If the role will exist going forward, capture full FTE and annualize the cost. Do not double count the backfill.
- Capture 1 FTE (full time) or fractional FTE (part time) as of the end of benchmark period



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Other cost

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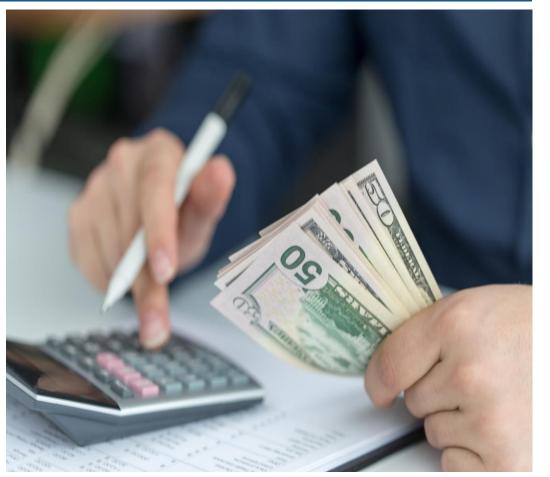


Labor cost is fully loaded

Labor cost



- Labor, the cost of providing compensation for full time and part time employees based on a 40-hour work week, includes the following:
 - Salaries & wages
 - Overtime/vacation/sick pay/personal leave
 - Social security/medicare/health
 - Pension/retirement/savings/401k plans
 - Bonuses
 - Benefits weighting is typically utilized



Do not include stock options, one-time severance pay due to restructuring, or signing bonuses



Outsourcing costs are captured at the process-level as applicable

Outsourcing cost



- Outsourcing costs are fees paid to third-party firms to manage a process or activity
- Include all external costs associated with the delivery of the process or service
- Include outsourcing volumes in question responses where appropriate
- Temporary workers, if managed on a day-to-day basis by your organization's staff, and not by a service level agreement, are captured as FTEs with labor costs rather than as an outsource cost in the benchmark



Outsourcing cost examples for Finance

Examples





Cash DisbursementsAP processing



Revenue Cycle Credit / collection agencies



Tax ManagementTax planning & strategy



Compliance Management
External audit fees



Finance Function Management
Finance process improvement
consulting



Outsourcing cost examples for Procurement

Examples





Supply Data Management Item/material master management, vendor data management



Requisition and PO ProcessingTransaction processing



SourcingBuy desks/sourcing



Sourcing and Supply Base StrategyMarket intelligence, spend
analytics

Technology costs

Technology Costs



- Technology (IT) costs refers to the costs to provide computer processing for the company, and should include the following for the benchmark period:
 - Hardware and infrastructure costs
 - Equipment operating lease
 - Equipment expenses
 - Equipment maintenance contracts
 - Software costs
 - Software license costs
 - Software maintenance contracts
 - Telecom i.e. data and voice related networking and communications costs, including:
 - Costs associated with Landline, wireless, PBX, IVR, VoIP etc.
 - Cellphone equipment and usage costs
 - Depreciation/amortization on hardware, software and telecom assets (DO NOT include labor amortization)



Please EXCLUDE Hardware and Software spend on High-cost R&D, Engineering, Manufacturing or Operational Technology e.g. Line control devices, Programmable Logic Controller (PLCS), Numeric Controls (NC), and computing devices used to control or test a machine or PLC



Example for allocation of Technology costs

Technology cost

Direct IT cost



IT Labor & outsourcing cost to support the function

MIS support, Application support, Infrastructure support

If a direct usage-based allocation is not available for applications/systems related costs, please allocate by end-users as a default

Technology cost of Function A



Technology cost of Function A



Technology Cost of Function A



Technology cost of Function A



of end-users in Function A

of total end-users in the entity

Other cost is corporate overhead expenses

Other cost





Facilities

- Allowances for depreciation of property and buildings
- Rent of rented buildings
- Costs for subcontracting facilities management
- Costs related to facilities maintenance
- Cleaning, electricity, gas, water, etc. costs
- Allowances for depreciation of furniture and fittings

Travel, Expense

- Transportation costs (airfare, taxi, etc.)
- Accommodation costs & meals

Training

Transferable skills training

Other / Miscellaneous

- Stationery, postage, subscriptions
- Expatriate packages (school fees, housing allowance, tax support)

Note: All data collection locations that report labor cost are expected to have associated other costs



Other costs are non-labor costs normally required to support a Program function(s) staff and its operations (by function)





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