

# Achieving World-Class Performance

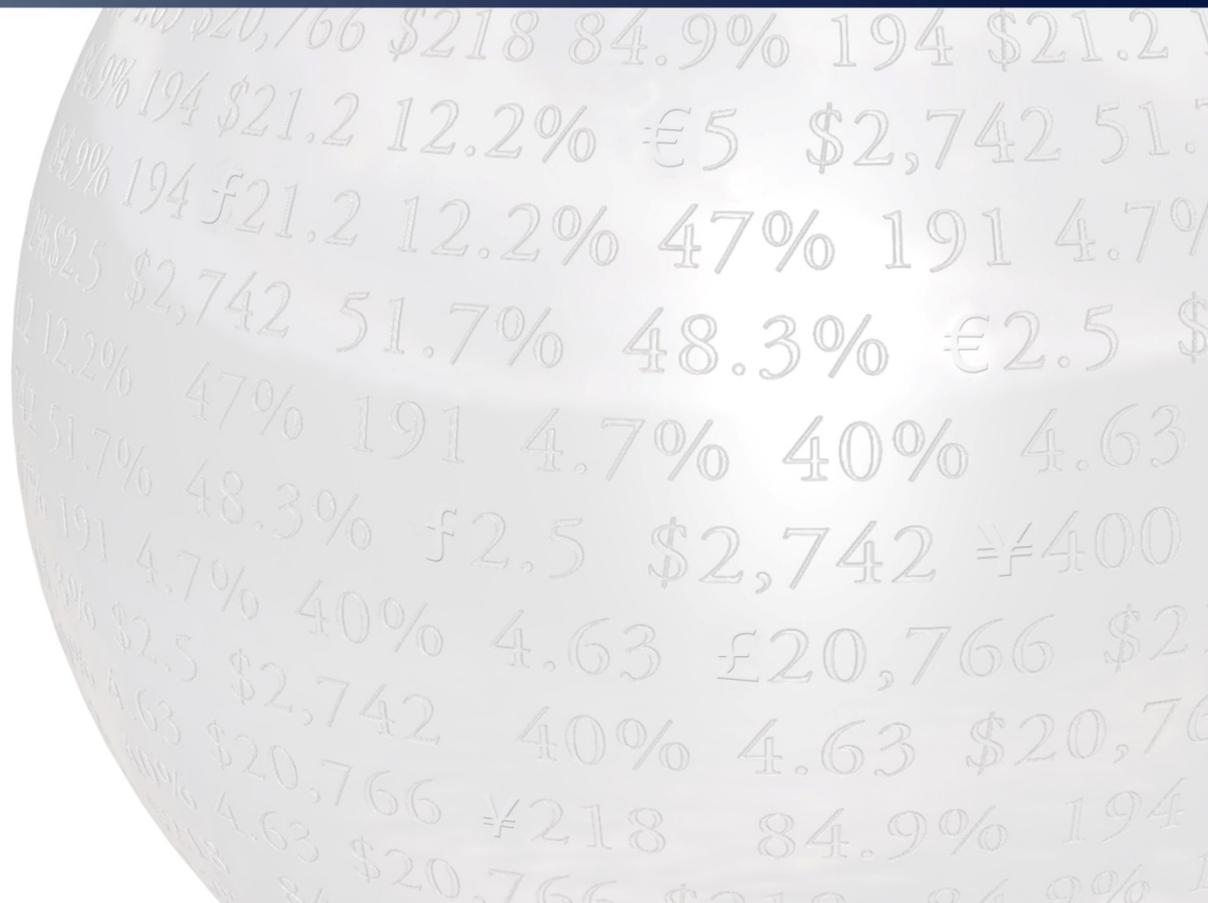
## Rapid Benchmark Report

The Hackett Group  
*World-Class Defined*



**REL**  
*Cash Flow Delivered*

*Presented to:*  
State of Ohio





OBM

OhioDAS

**To:** Cabinet Directors of Agencies participating in The Hackett Group  
Benchmarking Study

**From:** The Office of Ohio Budget and Management,  
The Department of Administrative Services, and  
The Office of Information Technology

**Date:** February 13, 2008

**Re:** The Hackett Group Rapid Benchmarking Report

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First and foremost, a sincere thank you to all the dedicated State employees who supported this important project by gathering and supplying the data necessary for this report. The request for their help came during a period of high activity with the deployment of OAKS Human Resources module in January 2007 and the Finance module in July 2007. The request came with little notice and an aggressive timeline, but their dedication and hard work enabled The Hackett Group to create this report which will certainly be key in helping Ohio improve the effectiveness and efficiency of Ohio State government.

What is benchmarking? Benchmarking is one technique for comparing the cost of State operations to other organizations. It is data. It does not tell us what is bad or good; nor is it a plan for improvement. It is directional information to be used in conjunction with other supportive analysis and tools.

Benchmarking is usually done by an outside organization that develops a standardized methodology for collecting and comparing information. The standardization enables a participant to compare its costs to the costs of other organizations doing similar work. By its very nature it is not perfect. No two organizations or States do things in exactly the same way. The Hackett Group was selected to complete Ohio's benchmarking because they have significant experience and available comparative data across each of the four functions Ohio examined (Finance, Information Technology, Procurement and Human Resources).

Each function is compared to a group of relevant organizations which are chosen based on "drivers" such as the number of information technology end users served or the number of employees. The Hackett Group makes every effort to choose organizations of similar size, scope and complexity. The organizations used for comparative purposes are not the same for each function.

Each Sponsor and The Hackett Group felt that most of Ohio's comparison should be against some of the most efficient operations in the world which have been striving and succeeding for several years.

Not every function had other States included in its comparison. In some cases there was insufficient similarity for comparison. In other cases there was insufficient benchmarking information available.

The outcomes of this study will surprise few who are familiar with Ohio operations. Ohio operates on a federated model of government which is costly and relatively inefficient. This report points to many opportunities to improve our “back office” operations. In this time of great need in Ohio, we are committed to gaining efficiency in these fundamental areas.

Governor Strickland has called on all of us in state government to provide public service built on accountability, efficiency, and transparency. Benchmarking is just the first step on a long journey to transformation of state government business operations.

Respectfully Committed to Ohio's Success,



*Hugh Quill, Director*

The Ohio Department of Administrative Services



*J. Pari Sabety, Director*

The Ohio Office of Budget and Management



*R. Steve Edmonson, Chief Information Officer*

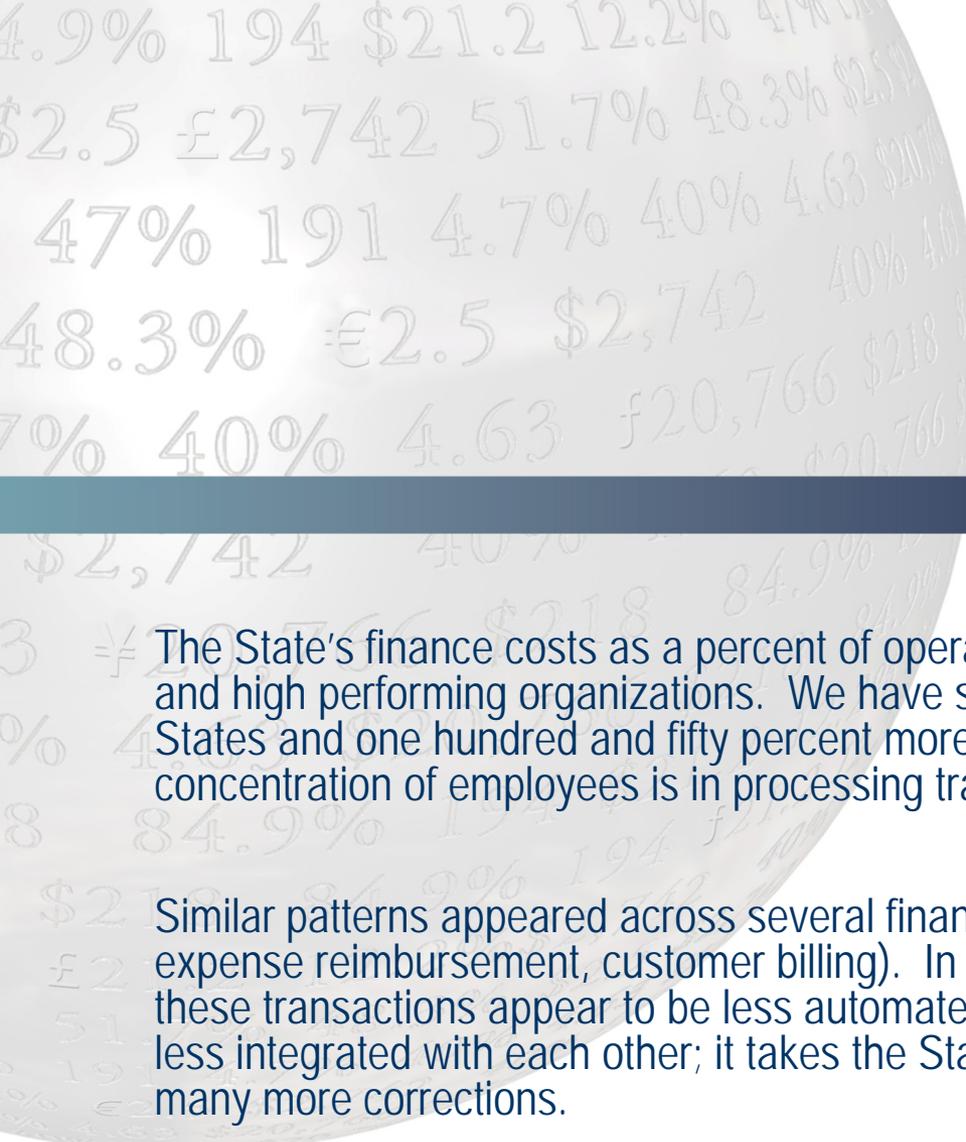
Office of Information Technology

The Department of Administrative Services



## Table of Contents

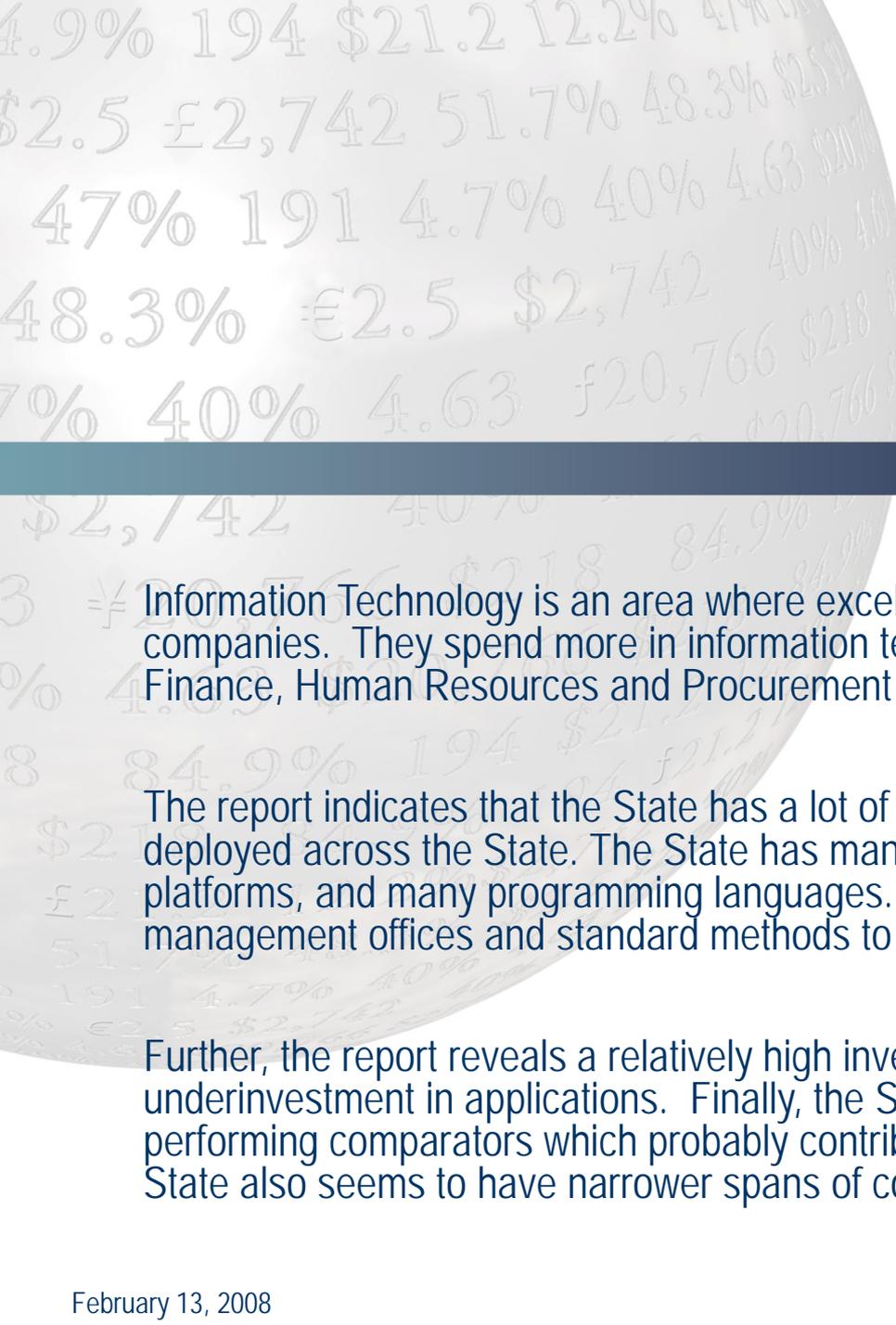
- **Section One**
  - Sponsor's Letter
- **Section Two**
  - Executive Summary
- **Section Three**
  - Appendix
    - Section One
      - Introduction
    - Section Two
      - Financial Rapid Benchmark Report
    - Section Three
      - Technology Rapid Benchmark Report
    - Section Four
      - Procurement Rapid Benchmark Report
    - Section Five
      - Human Resources Rapid Benchmark Report
    - Section Six
      - Achieving World-Class Performance
    - Section Seven
      - About The Hackett Group



## Executive Summary Finance

The State's finance costs as a percent of operating budget are three times those of other states and high performing organizations. We have seventy-five percent more finance staff than other States and one hundred and fifty percent more than high performing organizations. Ohio's concentration of employees is in processing transactions.

Similar patterns appeared across several finance practices (e.g. accounts payable, travel and expense reimbursement, customer billing). In comparison with high performing organizations these transactions appear to be less automated; what automated applications the State has are less integrated with each other; it takes the State longer to complete transactions; and we have many more corrections.

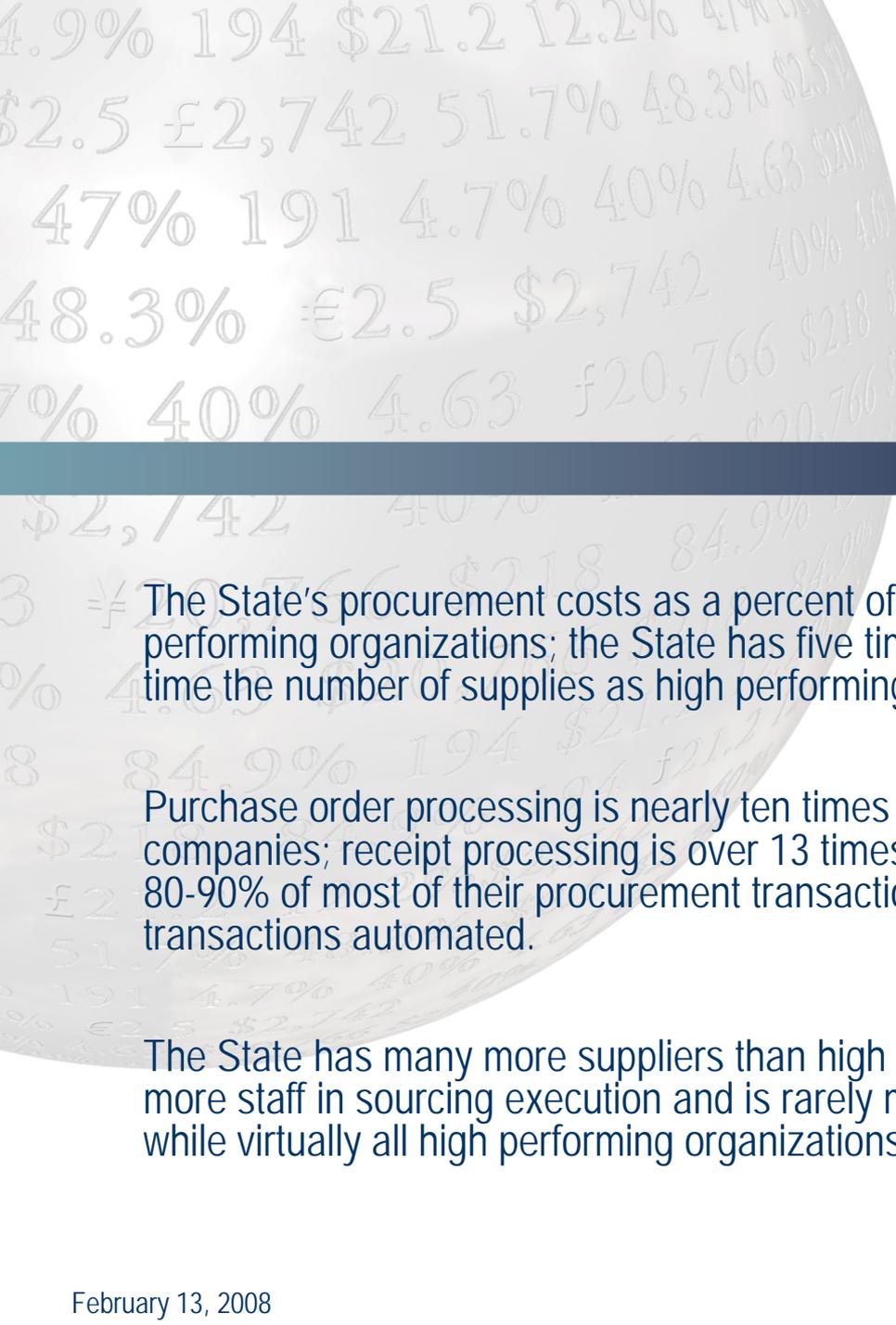
The background features a large, semi-transparent globe on the left side. Overlaid on the globe and the white background are various faint, semi-transparent financial figures, including percentages (e.g., 4.9%, 12.2%, 47%, 48.3%, 7%, 40%, 84.9%), currency symbols (e.g., \$, £, €), and numbers (e.g., 194, 21.2, 2,742, 51.7, 48.3, 4.63, 20,766, 218).

## Executive Summary Information Technology

Information Technology is an area where excellent companies spend MORE money than average companies. They spend more in information technology in order to make other operations in Finance, Human Resources and Procurement more efficient and less costly.

The report indicates that the State has a lot of redundancy in the way information technology (IT) is deployed across the State. The State has many locations, many suppliers, many database platforms, and many programming languages. The report indicates underutilization of program management offices and standard methods to manage IT projects.

Further, the report reveals a relatively high investment in IT infrastructure and a correspondingly underinvestment in applications. Finally, the State has more people at lower cost than high performing comparators which probably contributes to three times more turnover in IT staff. The State also seems to have narrower spans of control than high performing organizations.



## Executive Summary Procurement

The State's procurement costs as a percent of procurement spend is three times that of high performing organizations; the State has five times the number of procurement staff and nearly 1.7 time the number of supplies as high performing organizations.

Purchase order processing is nearly ten times as costly for the State as in high performing companies; receipt processing is over 13 times as costly. The best performing companies have 80-90% of most of their procurement transactions automated; the State has 20-30% of most of its transactions automated.

The State has many more suppliers than high performing companies. The State has five times more staff in sourcing execution and is rarely measuring total cost of ownership and acquisition while virtually all high performing organizations always measure it.



## Executive Summary Human Resources

Ohio has more of its human resource staff focused on transactions than high performing companies. The State's human resource transactions are between 2 and 10 times as costly. The State's transactions have a low level automation and a higher error rate than high performing companies.

The State has high costs and more employees in staffing workforce development and labor relations and lower costs and fewer employees in organization effectiveness. The State's new hire activities are less automated and days to fill open positions is twice as long as high performing companies.

# Table of Contents

**The Hackett Group**  
*World-Class Defined*



**REL**  
*Cash Flow Delivered*

- **Section One**

- Sponsor's Letter

- **Section Two**

- Executive Summary

- **Section Three**

- Appendix

- **Section One**

- Introduction

- **Section Two**

- Financial Rapid Benchmark Report

- **Section Three**

- Technology Rapid Benchmark Report

- **Section Four**

- Procurement Rapid Benchmark Report

- **Section Five**

- Human Resources Rapid Benchmark Report

- **Section Six**

- Achieving World-Class Performance

- **Section Seven**

- About The Hackett Group

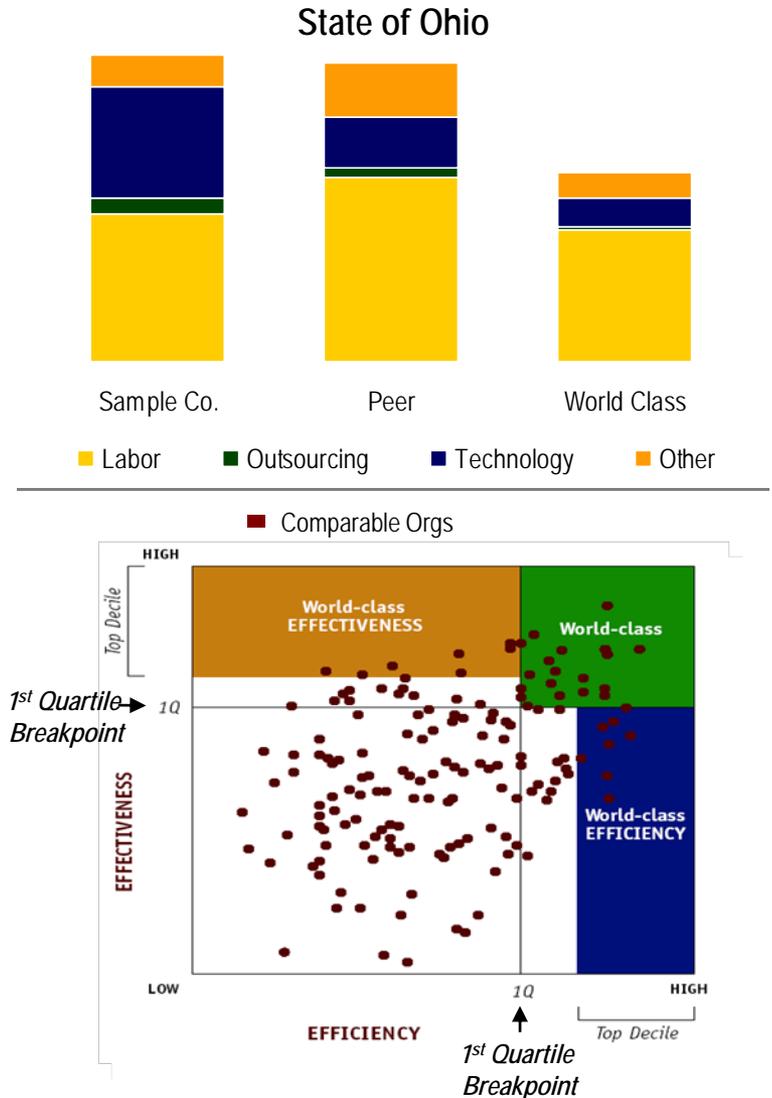
# The Information Technology Benchmark Scope

## Benchmark Scope

- Benchmark covered State of Ohio's investment across Hackett defined processes
  - Information Technology 11 processes
  - Finance 8 processes
  - Human Resources 11 processes
  - Procurement 11 process
- Information was collected globally
  - FTE data and best practice questions were collected across the various agencies within the State of Ohio
- The benchmark period for which costs, full-time equivalents ("FTEs"), practice related and volume data were collected was July 2006 – June 2007.

# The Hackett Group Compared Your Organization to Comparable Orgs and World-Class for Several Key Hackett Metrics

- **Comparable Org Median** - this comparison is against your organization's comparable organization group of *Large Diverse (IT, HR)* or *Consolidated (FIN)* or High Complexity (*PROC*) organizations
- **World-Class** - this represents the median of the World-Class companies in the Hackett database (World-Class was determined based on first quartile performance in both efficiency and effectiveness)
- **Normalization of benchmark data:** Comparable Orgs & World-Class data is adjusted to "drivers" at your organization.  
 End Users = 70,554 (IT)    Employees = 53,751 (HR)
- **Effectiveness and efficiency scores** are mapped to Hackett Value Grids<sup>sm</sup>
- **1st Quartile** represents a specific organization at the 25th percentile



# Benchmark Results Should be Evaluated in Conjunction With the Specific Requirements of Your State's Operations

What this benchmark is . . .	What this benchmark is not . . .
A starting point	Not the end answer
Tells us where to focus	Not a detailed analysis of <i>how</i> to redesign our processes
Process based comparison . . . . . . data was scrubbed internally and externally by Hackett	Not an exact match to our departments . . . no benchmarking is
One input to setting targets	Not the only input
A broad look at Finance, Procurement and HR	Does not cover all aspects of your operations

# Defining Costs

Definitions	<ul style="list-style-type: none"><li>▪ <b>Labor Cost:</b> Labor cost is the cost of providing compensation for full time and part time employees based on a normal work week. Labor cost includes the following: Salaries &amp; wages; Overtime/vacation/sick pay/personal leave; Bonuses/Social Security/Medicare/health; Pension/retirement/savings/401k plans; Bonus plans</li><li>▪ Fully-loaded labor costs are annualized and do not include stock options, one-time severance pay due to restructuring, or signing bonuses</li> <li>▪ <b>Outsourcing Cost:</b> Outsourcing Costs are external costs associated with the delivery of the process or service. Outsourcing costs are typically fees paid to 3rd party firms to manage a process or activity. Examples include strategic consulting, process level consulting, manual data entry, or other activities in which your organization receives support within a process but has limited to no visibility into the supporting tools utilized by the third party or the number of staff involved.</li> <li>▪ <b>Technology:</b> Technology costs include the cost of providing computer processing software, hardware and Management Information Services (MIS) to the organization for the given processes. Technology costs also include all labor related charges associated with the development and ongoing support of systems and software applications for this function.</li> <li>▪ <b>Other Cost:</b> Other costs are the non-labor costs normally required to support the in scope staff and its operations. Other cost includes: facilities and overhead costs (e.g., rent, building depreciation, utilities, etc. Typically allocated by head count or by square footage); travel and travel-related expenses; annual training cost for the in scope staff; other cost (e.g., supplies, magazines, memberships, postage, etc.) for the in scope staff.</li></ul>
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# Defining Staffing (FTEs) and Staff Mix

<p>Definitions</p>	<ul style="list-style-type: none"><li>▪ <b>FTE:</b> A full time equivalent ("FTE") is based on a regular work week, typically 40 hours. An employee that works 20 hours a week would be a .5 FTE. However, anyone working more than 40 hours is still just one FTE. Overtime hours are excluded. FTEs can only be captured in increments of 10%. Include independent contractors in the determination of headcount (and fully loaded labor cost) if they are actively managed (i.e., defined work hours or productivity levels).</li><li>▪ <b>Manager:</b> Managers are persons primarily responsible for leading a department (or a number of departments) and performing oversight, planning, administrative and personnel functions. A manager is any person that directly supervises staff. Exclude those employees that may have a manager title but do not have any staff reporting to them or performance management responsibility for another employee.</li><li>▪ <b>Professional:</b> Professionals are persons primarily performing analytical and technical functions. They work in highly-skilled positions, are normally considered professionals, and are typically exempt from overtime. Professionals are typically degreed and may hold certifications. Persons holding a managerial title but having no supporting staff should be considered as professional.</li><li>▪ <b>Clerical:</b> Clericals are persons primarily performing routine data entry, filing, typing and other related administrative tasks. These persons typically work in hourly positions that are normally eligible for overtime.</li></ul>
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# Table of Contents

**The Hackett Group**  
*World-Class Defined*

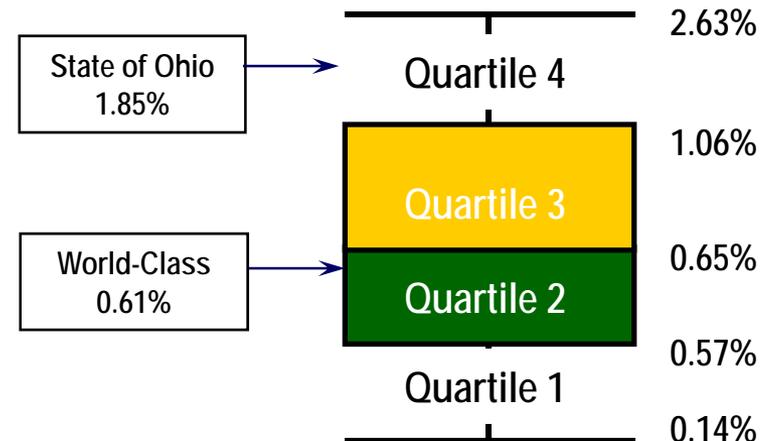
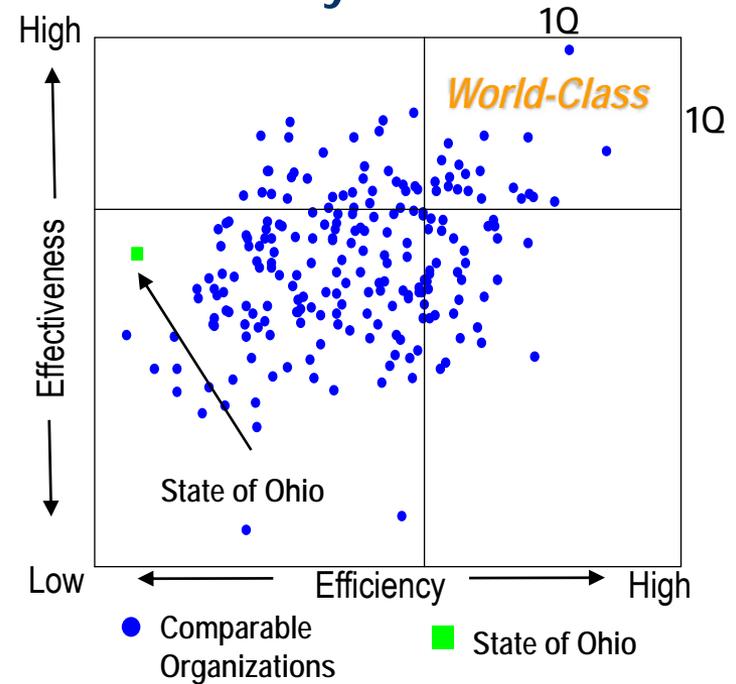


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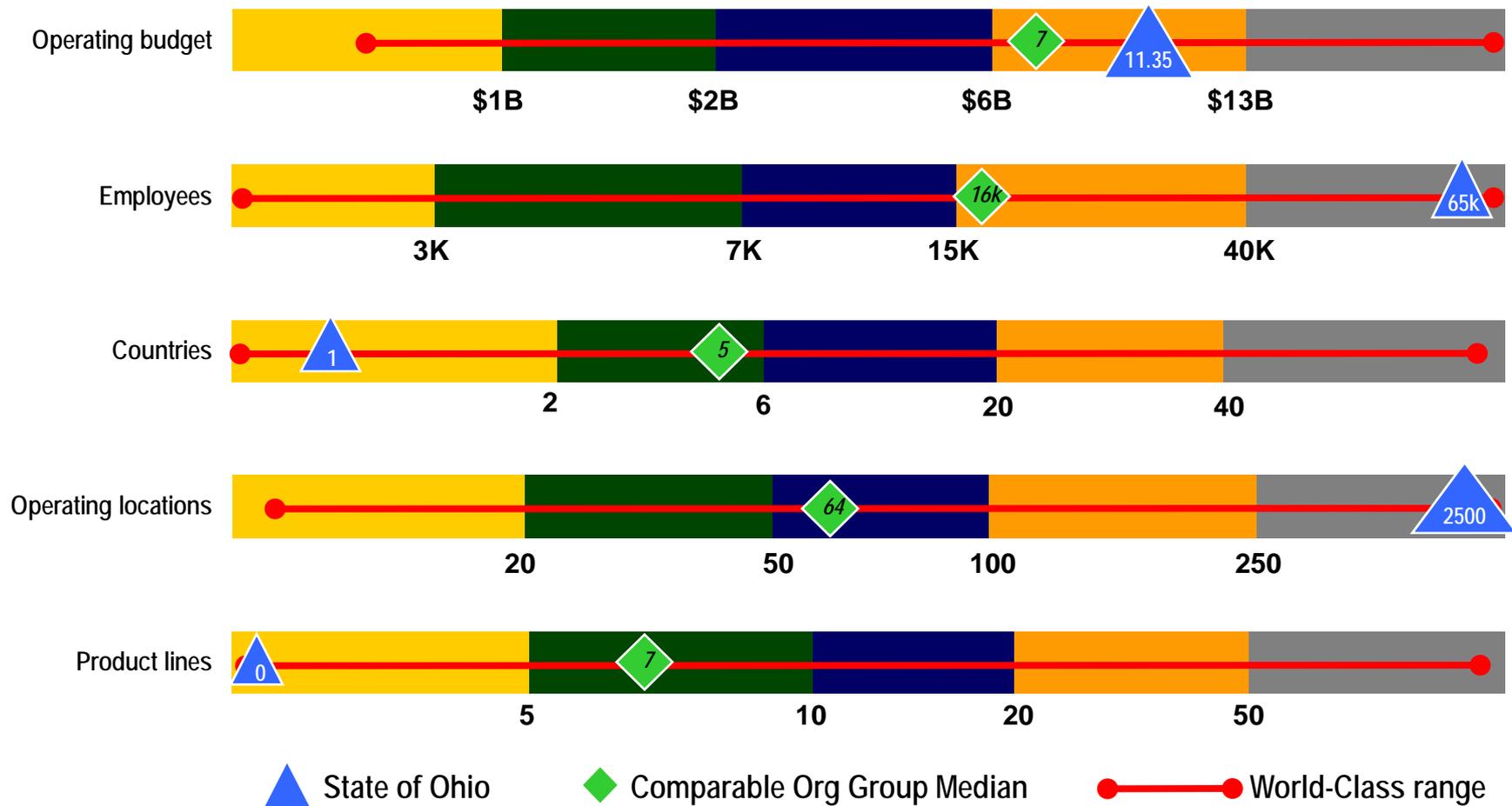
- **Section One**
  - Sponsor's Letter
- **Section Two**
  - Executive Summary
- **Section Three**
  - Appendix
    - Section One
      - Introduction
    - **Section Two**
      - Financial Rapid Benchmark Report
    - Section Three
      - Technology Rapid Benchmark Report
    - Section Four
      - Procurement Rapid Benchmark Report
    - Section Five
      - Human Resources Rapid Benchmark Report
    - Section Six
      - Achieving World-Class Performance
    - Section Seven
      - About The Hackett Group

# Efficiency and Effectiveness Ranking as Calculated by The Hackett Group's Finance Value Grid

- Finance costs for the in scope processes were \$210.09 million**
  - Total Finance cost of \$210.09m equates to 1.85% of operating budget (4th quartile)
  - Higher staffing levels and outsourcing costs
  - 75% focus on Transactional processing
  - Even staff mix between Clerical, Professional and Managerial
- FN scores fourth quartile on the Hackett Value Grid for efficiency**
  - Low efficiency plotting on the value grid due to high total and transaction processing costs, higher FTEs and cycle times and minimal technology leverage and lower productivity
- FN scores third quartile on the Hackett Value Grid for effectiveness:**
  - Low effectiveness plotting attributed to Finance role, talent management, lower value of analysis, quality, economic return and information access



# Finance Demographics Comparison – Ohio and the Large Consolidated Organization Slice of the Hackett Database



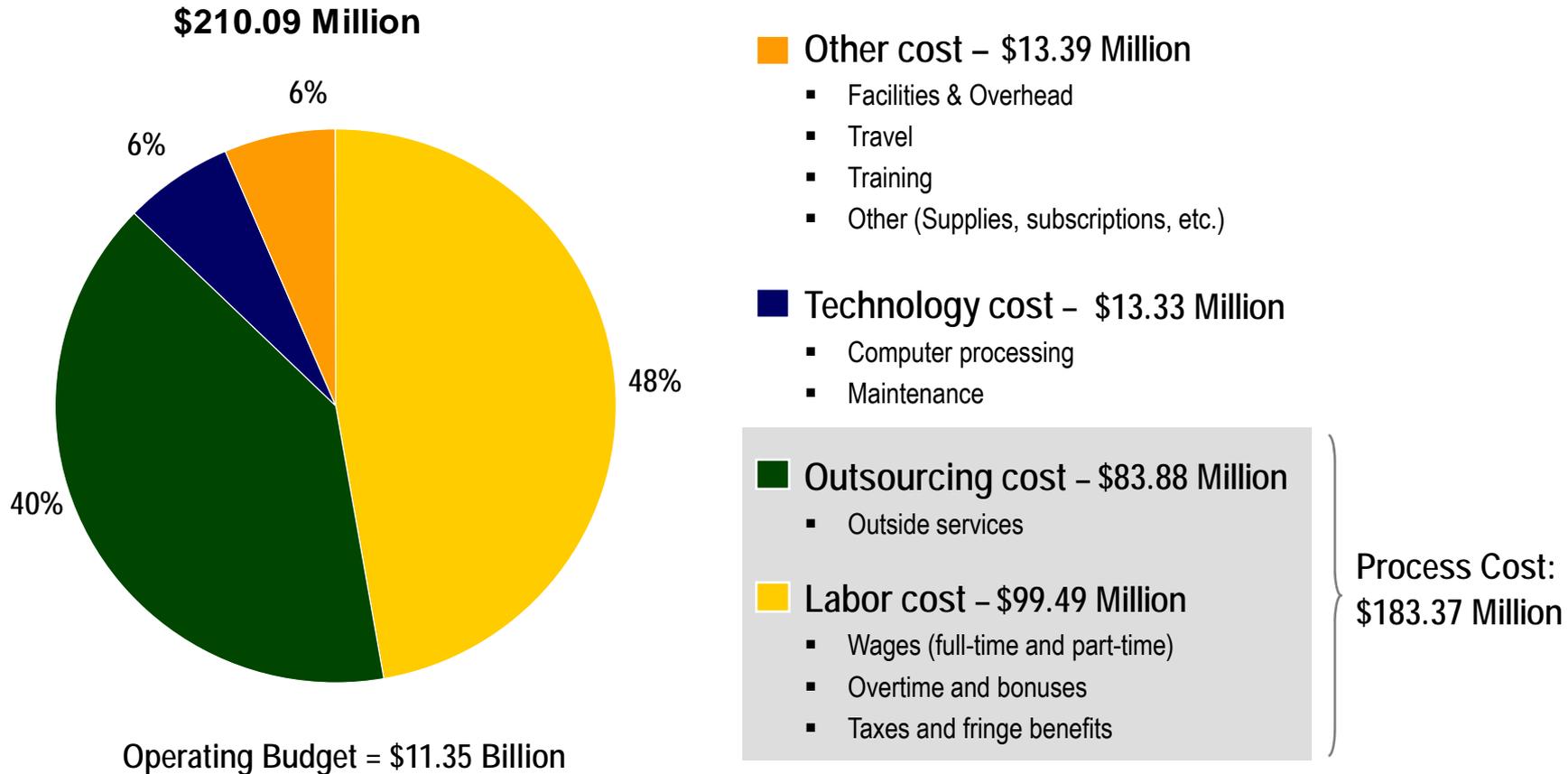
# Finance Participants in the Large Consolidated Organization Slice of the Hackett Database

- AAFES - Army and Air Force Exchange Service
- Advanced Micro Devices Inc.
- Ameren Corporation
- Arrow Electronics
- Basell Polyolefins
- BJ's Wholesale Club, Inc.
- Capital One Financial Corporation
- Centrica plc
- Citgo
- CMS Energy Corporation
- Commonwealth of Massachusetts
- Constellation Energy
- Corning, Inc.
- Corporate Express
- Countrywide Financial Corporation
- Daimler Chrysler Corporation
- Department of Commerce
- Eastman Chemical Company
- EMC Corporation
- Freightliner Group
- GMAC
- HCR-Manor Care
- Highmark
- Hormel Foods
- Interbrew
- International Truck and Engine Corporation
- Irving Oil Limited
- Johnson Controls, Inc.
- Land O'Lakes
- Liz Claiborne, Inc.
- NASACT – State of Arizona
- NASACT – State of Colorado
- NASACT – State of Delaware
- NASACT – State of Georgia
- NASACT – State of Tennessee
- NASACT – State of Mississippi
- NASACT – Commonwealth of Massachusetts
- Newmont Mining Corporation
- Nextel Communications, Inc.
- NiSource, Inc.
- Nissan Motor Corporation
- Northwest Airlines
- Ontario Power Generation
- Oracle Corporation
- Panasonic
- Philip Morris USA Inc.
- Portugal Telecom
- PSEG Corporation
- Radio Shack
- Renault SA
- Royal Caribbean Cruises, Ltd.
- Saudi Aramco
- The TJX Companies, Inc.
- TIAA-CREF
- UAL Corporation
- Unisource Worldwide, Inc.
- United Space Alliance
- Visteon Corporation
- We Energies
- Williams Company

# Data was Collected in Accordance with Hackett's Finance Taxonomy

Transactional	Control and Risk Management	Planning and Strategy	Management and Administration
<ul style="list-style-type: none"> <li>▪ <b>Cash Disbursements</b> <ul style="list-style-type: none"> <li>– Accounts Payable</li> <li>– Travel and Expense</li> </ul> </li> <li>▪ <b>Revenue Cycle</b> <ul style="list-style-type: none"> <li>– Credit</li> <li>– Customer Billing</li> <li>– Collections</li> <li>– Cash Application</li> </ul> </li> <li>▪ <b>Accounting and External Reporting</b> <ul style="list-style-type: none"> <li>– Fixed Assets</li> <li>– Inter-Agency Accounting</li> <li>– General Ledger Accounting</li> <li>– Cost Accounting</li> <li>– External Reporting</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Treasury Management</b> <ul style="list-style-type: none"> <li>– Cash Management</li> <li>– Capital and Risk Management</li> </ul> </li> <li>▪ <b>Compliance Management</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Planning and Performance Management</b></li> <li>▪ <b>Business Analysis</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Function Management</b></li> </ul>

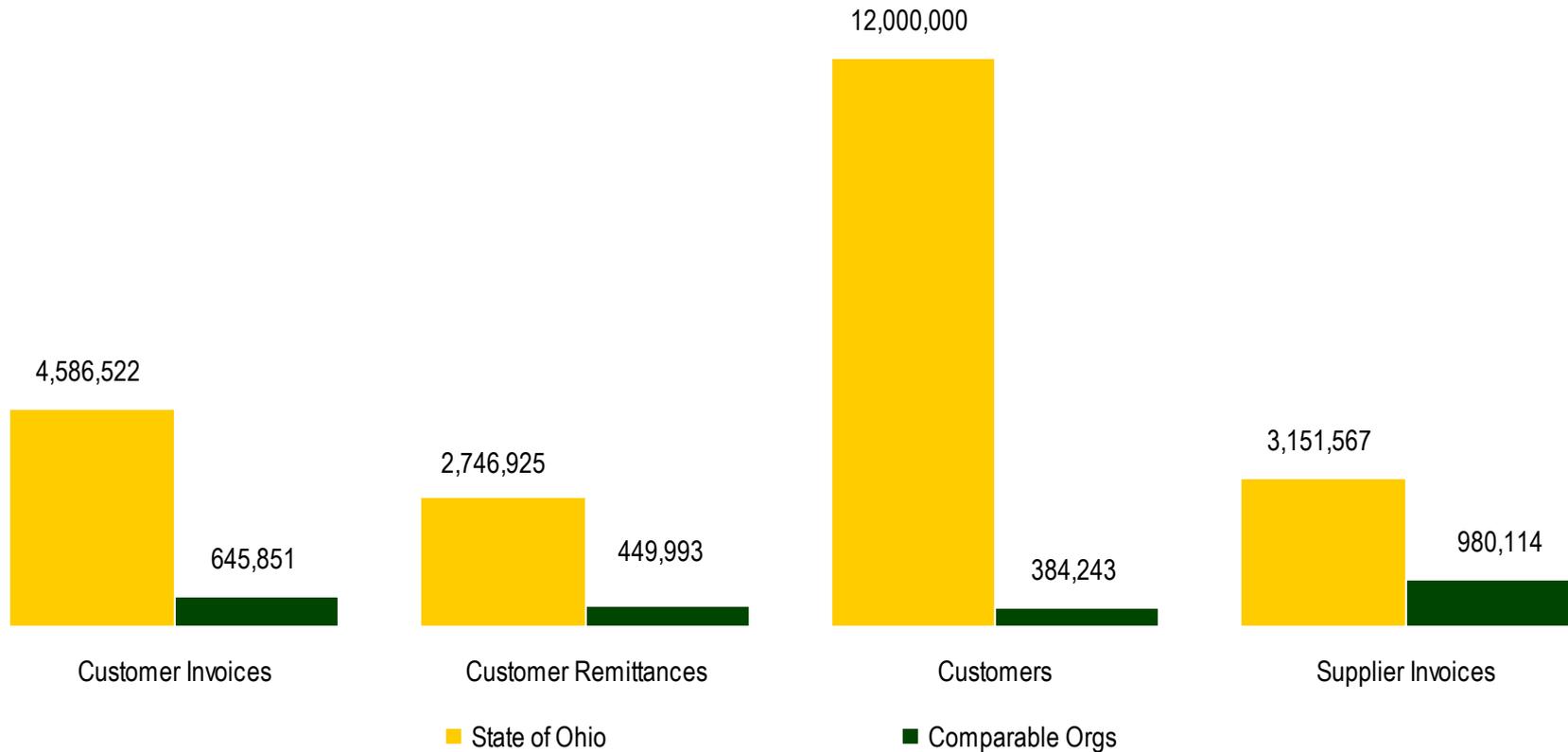
# State of Ohio's Baseline of Annual Finance Cost \*



\* Total cost excludes Other Non-labor Process Cost for comparability to benchmark database.

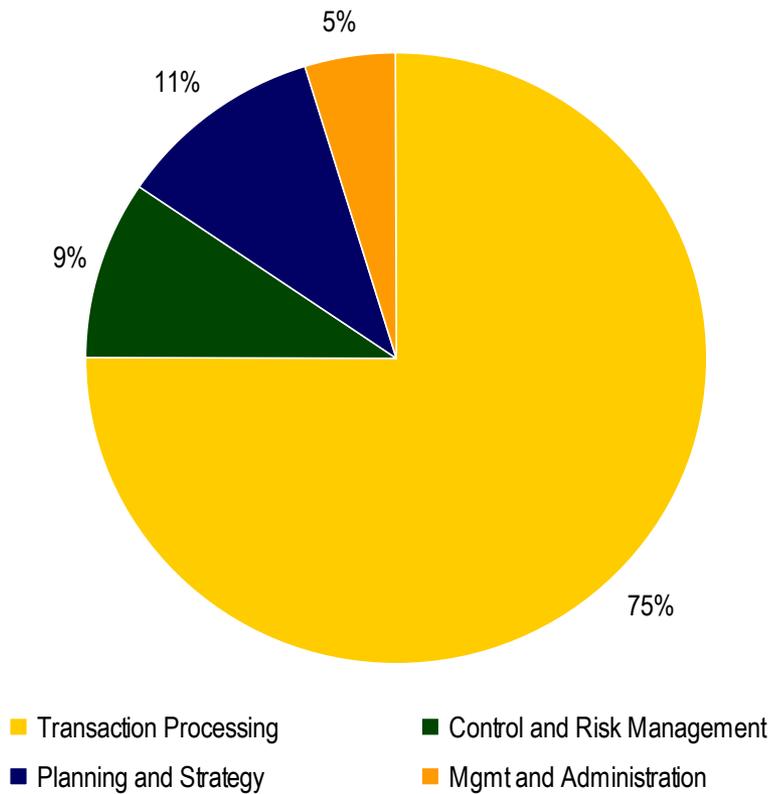
# State of Ohio's Volumes Related to the Large Consolidated Organizations

## Finance Transaction Volumes

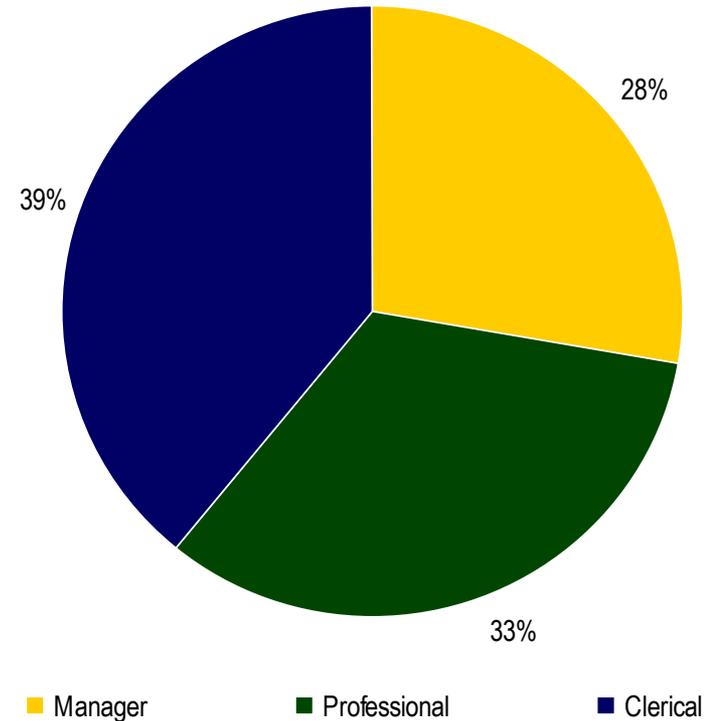


# State of Ohio's Baseline Resource Allocation and Staff Mix

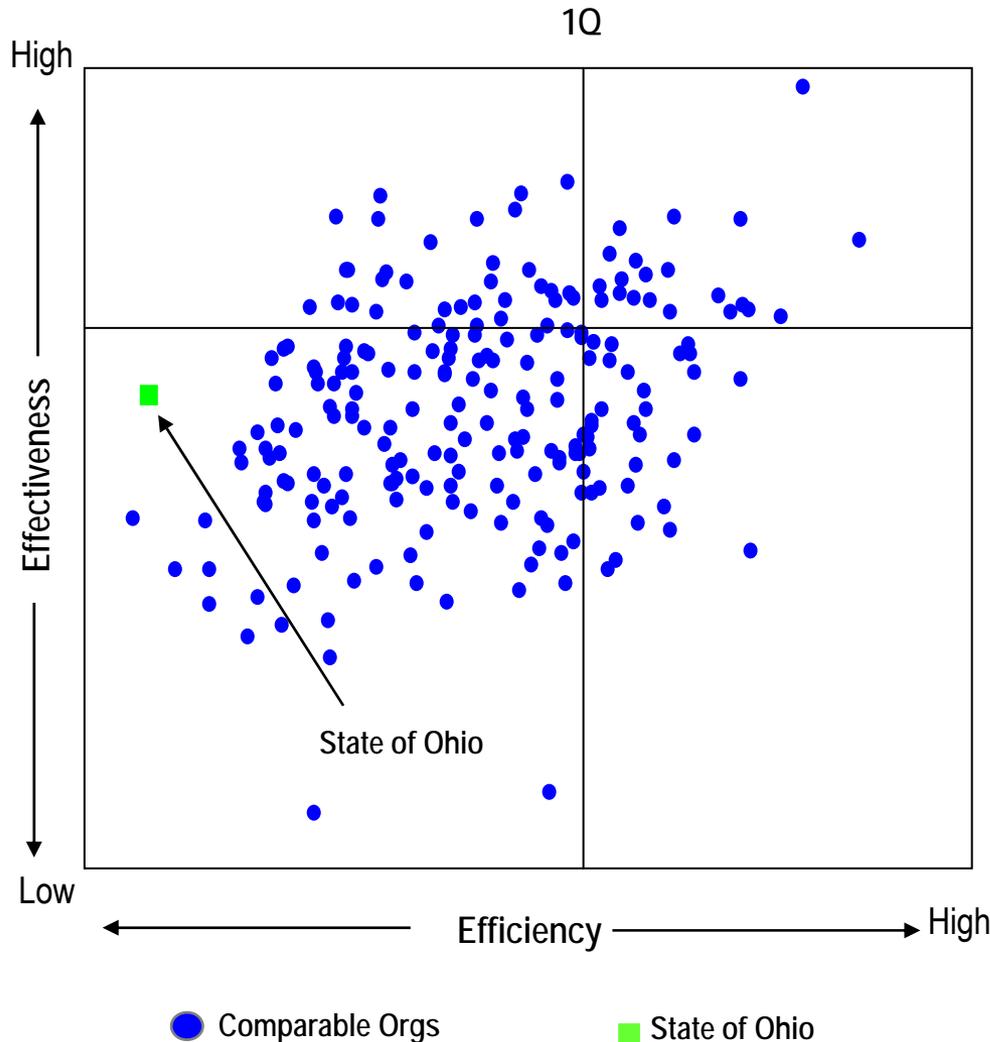
## Resource Allocation



## Staff Mix



# State of Ohio's Value Grid Shows Opportunity to Improve Performance in Effectiveness and in Efficiency

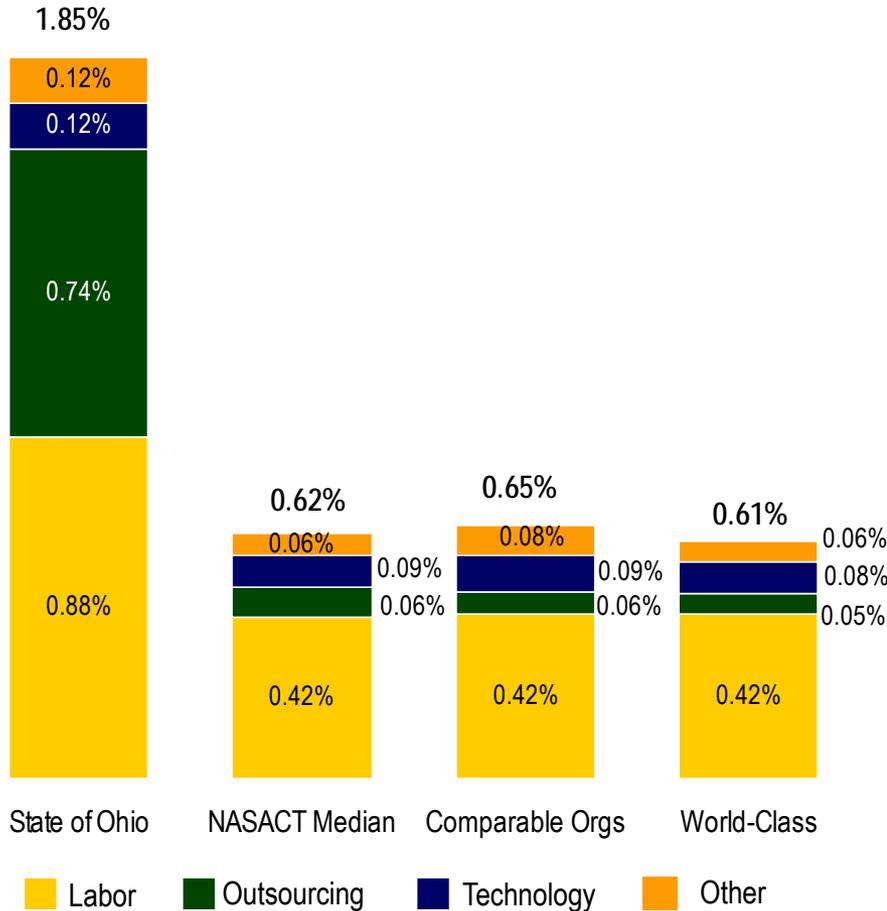


		Key Finance Drivers	State of Ohio
Efficiency	Total Cost		●
	Transaction Processing Cost		●
	FTEs & Productivity		●
	Cycle Time		●
	Technology Leverage		●
Effectiveness	Role of Finance		●
	Talent Management		●
	Value of Analysis		●
	Quality		●
	Economic Return		●
	Information Access		●

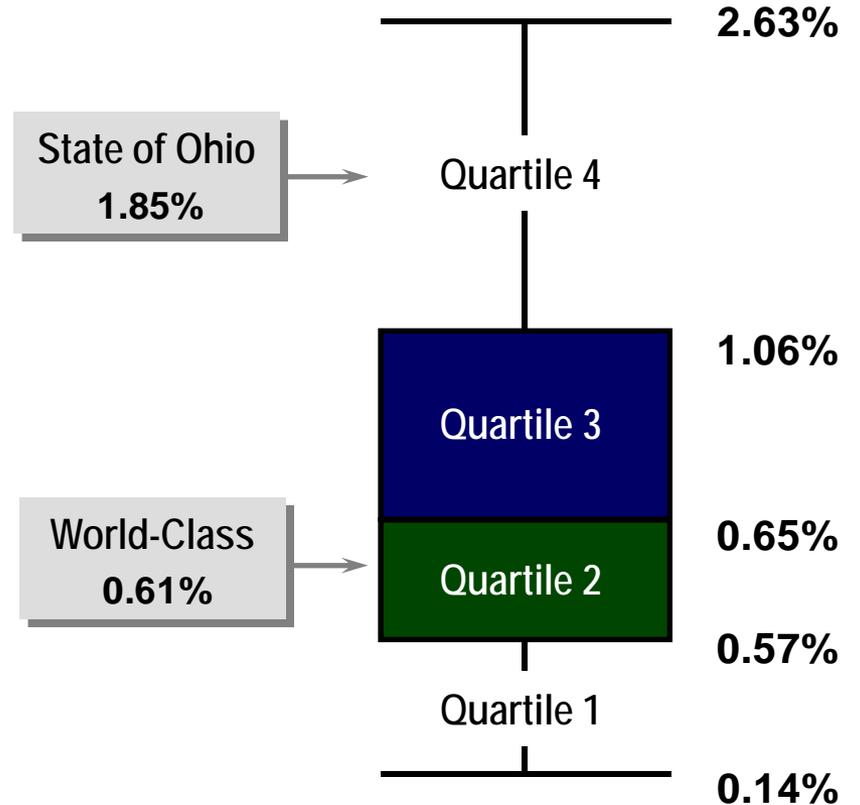
- Most KPIs for the Key Driver are at or near World-Class
- Some KPIs for the Key Driver are at or near World-Class
- Most KPIs for the Key Driver are far from World-Class

# Finance Cost as a Percent of Operating Budget by Quartile

Finance Cost as a % of Operating Budget

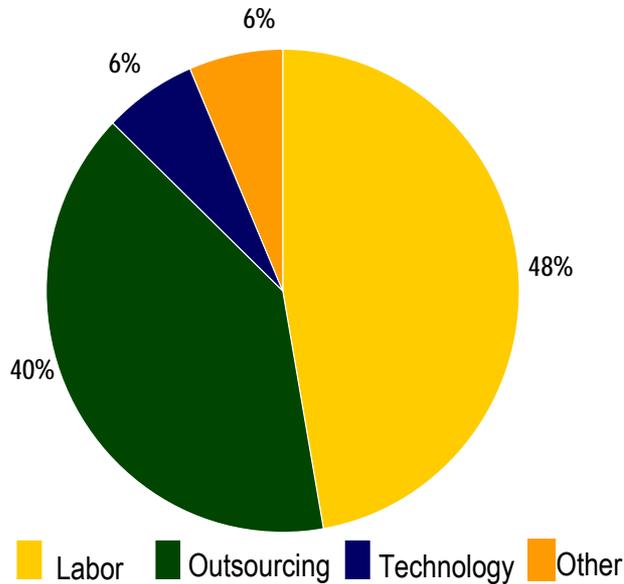


Comparable Org Group  
Quartile Breakdown as a % of Operating Budget



# State of Ohio's Finance Costs are Driven by Staffing and Outsourcing

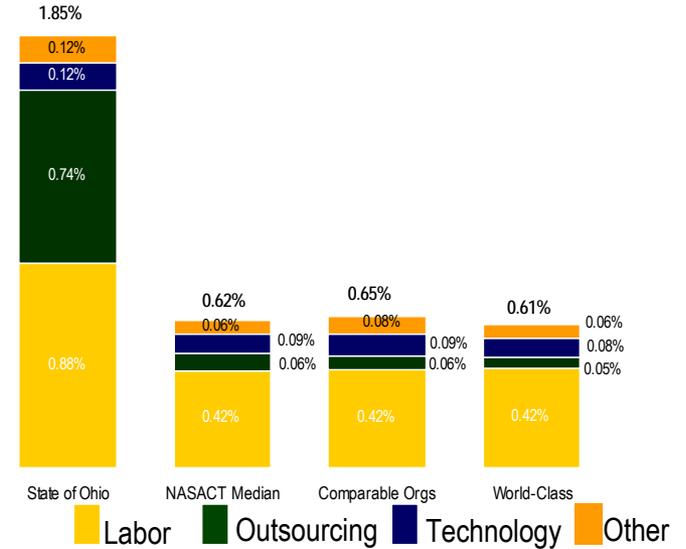
**\$210.09 Million**



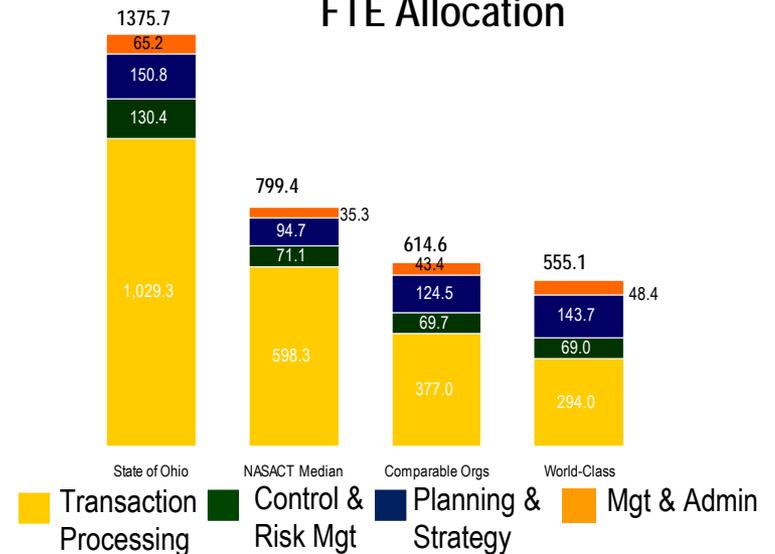
• Total cost excludes Other Non-labor Process Cost for comparability to benchmark database.

Operating Budget	\$11.35 billion
Labor	\$99.49 million
Outsourcing	\$83.88 million
Technology	\$13.33 million
Other	\$13.39 million

## Finance Cost as a % of Operating Budget

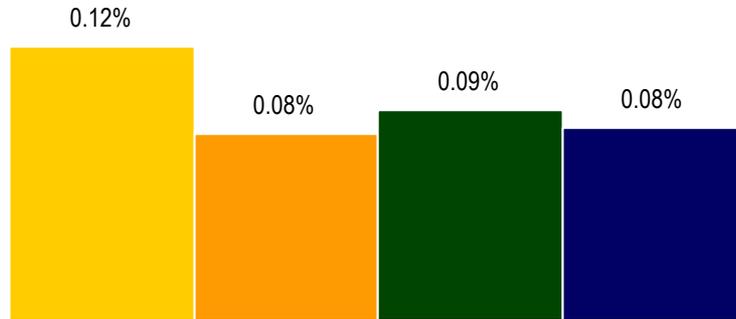


## FTE Allocation



# Higher Investment in Technology has not Reduced Overall Staffing

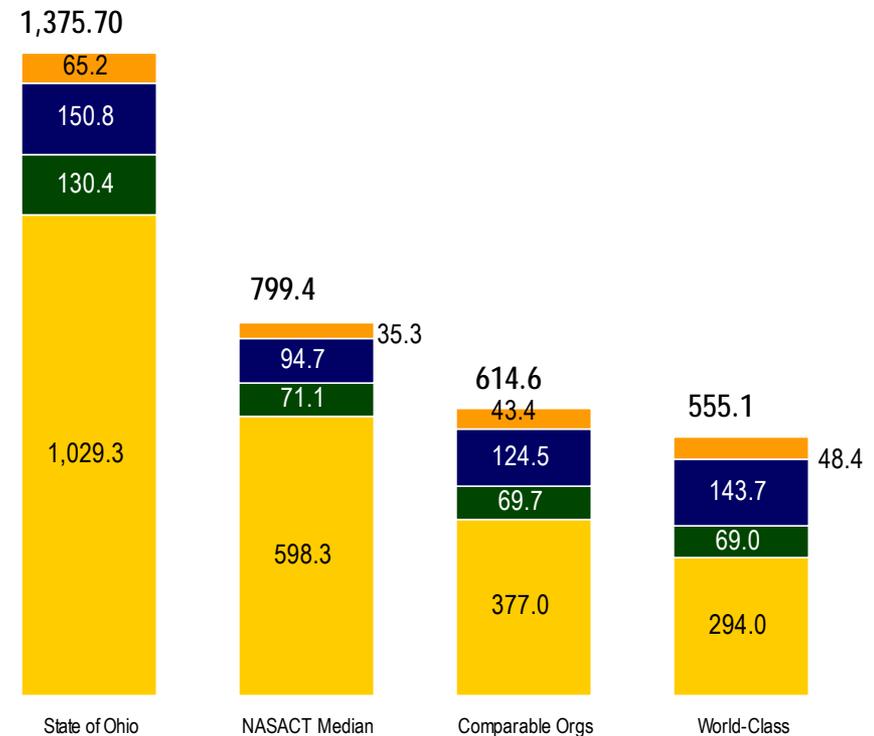
## Technology Cost as a % of Operating Budget



■ State of Ohio 
 ■ NASACT Median 
 ■ Comparable Orgs 
 ■ World-Class

Allocation	State of OH	NASACT Median	Comparable Orgs	World-Class
Transactional	75%	75%	61%	53%
Control and Risk Management	9%	9%	11%	12%
Planning & Strategy	11%	12%	20%	26%
Mgt & Admin	5%	4%	7%	9%

## Finance Staffing (FTEs) Comparable Org Group and World-Class Normalized based on Operating Budget



■ Transaction Processing 
 ■ Control and Risk Management  
■ Planning and Strategy 
 ■ Management and Administration

# Finance Cost Differences to Comparable Organizations and to World-Class

## Finance Cost Differences (in \$)

Finance Processes	State of Ohio's Costs (in Millions)	State of Ohio's Gap To Comparable Orgs (in Millions)	State of Ohio's Gap to World-Class (in Millions)
Cash Disbursements	62.7	57.0	57.3
Revenue Cycle	62.9	57.2	58.2
General Accounting and External Reporting	14.6	3.3	4.8
Treasury Management	12.9	10.6	10.7
Compliance Management	9.7	1.7	2.2
Planning and Performance Management	8.9	1.0	(0.8)
Business Analysis	5.9	0.2	(0.2)
Management and Administration	5.9	0.7	0.5
<b>Total Process Costs</b>	<b>183.4</b>	<b>131.7</b>	<b>132.7</b>
Technology Cost	13.3	3.1	4.0
Other Cost	13.4	4.3	7.1
<b>Total Finance Cost</b>	<b>210.1</b>	<b>139.1</b>	<b>143.8</b>

### Comments

- Cost Differences: The cost differences shown are mathematical calculations intended to give an understanding of processes with potential for performance improvement. Areas of focus and actual performance improvement targets should be developed only after considering issues such as organizational structure, business requirements, regulatory requirements, investments required and other factors.

# Cash Disbursement Practices

Accounts Payable Best Practices	State of Ohio	Top Performers
Integration of AP applications with Purchasing applications	48%	100%
Integration of AP applications with GL applications	50%	100%
Percent supplier/vendor transactions automated	12%	68%
Days to process an invoice once received in AP	9	2
Suppliers submitting invoices electronically	10%	25%
Suppliers using self-service over the Internet	3%	8%
Percent A/P invoices require correction	4%	1%
Travel & Expense Best Practices		
Travelers complete and submitting expense report online	31%	100%
Percent T&E transactions automated	25%	Na
Extent payment is made directly to the travel card provider	18%	Low sample size
Expense reports requiring correction	13%	1%
Travel expense s report sampled for compliance	86%	48%

\*na = New Question/Small Sample Size

**Total Process Cost: \$62.7 million**

**Total FTEs: 616.16**

**Cost per AP invoice: \$29.06**

**AP invoice per FTE: 5,582**

**Cost per T&E transaction: \$37.32**

**T&E reports per FTE: 4,435**

# Revenue Cycle

Customer Billing Practices	State of Ohio	Top Performers
Percent billing transactions automated	22%	98%
Billing cycle time	16	Na
Occurrence of billing errors	3%	1%
Billing application integration to sales/order entry	20%	100%
Billing application integration to AR	33%	100%
Billing system enables consolidated invoicing for multiple items	23%	Na
Invoices are sent to customers electronically	4%	41%
Customer self-service for problem resolution and inquiries	14%	100%
Percent cash application transactions automated	29%	97%
Average time to apply cash (days)	3	1

\*na = New Question/Small Sample Size

**Total Process Cost: \$62.9 million**

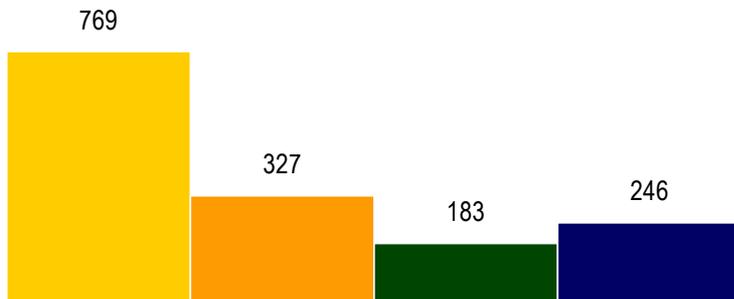
**Total FTEs: 220.2**

**Cost per billing transaction: \$2.11**  
**Bills per FTE: 69,304**

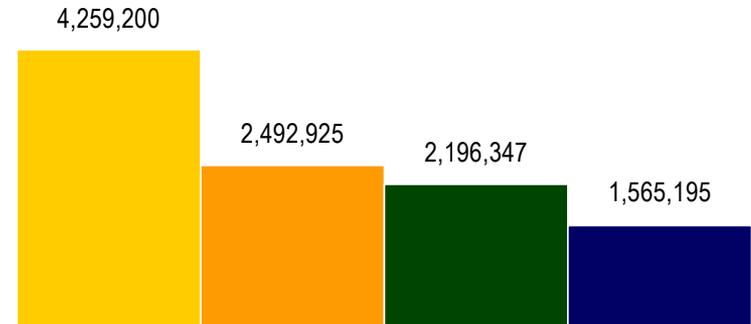
**Cost per remittance: \$11.24**  
**Remittances per FTE: 28,749**

# Treasury Management Practices

Bank Accounts per State of Ohio's Operating Budget

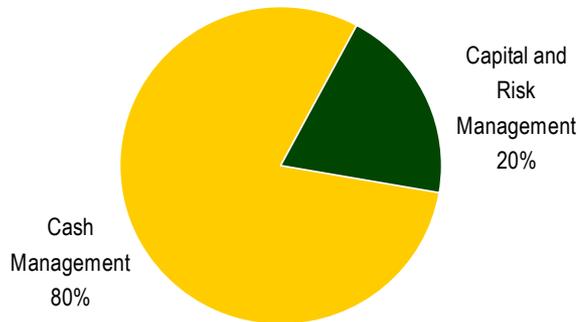


Annual Gross Banking Fees per State of Ohio's Operating Budget (\$)

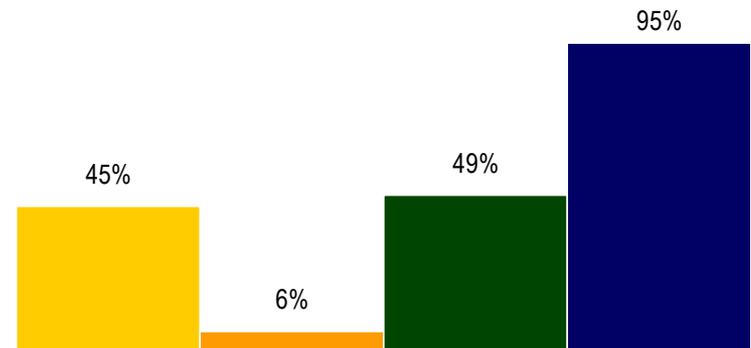


■ State of Ohio 
 ■ NASACT Median 
 ■ Comparable Orgs 
 ■ World-Class

Treasury Management FTE Distribution

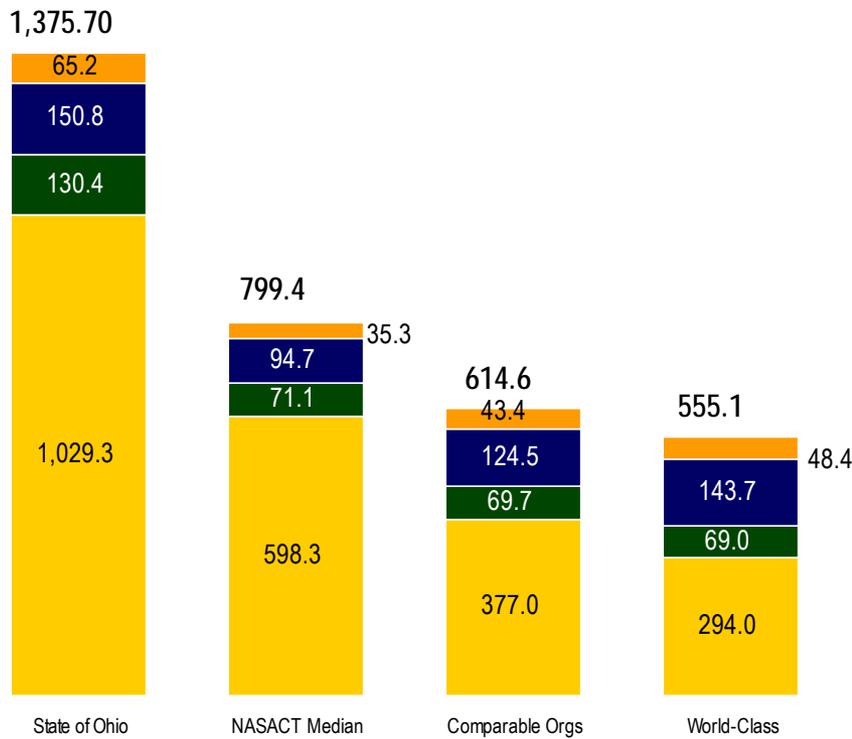


% of Cash Transactions with Daily Cash Positioning and Funds Mobilization Automated

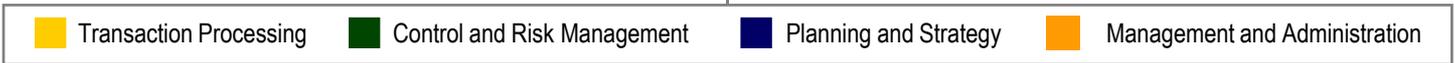
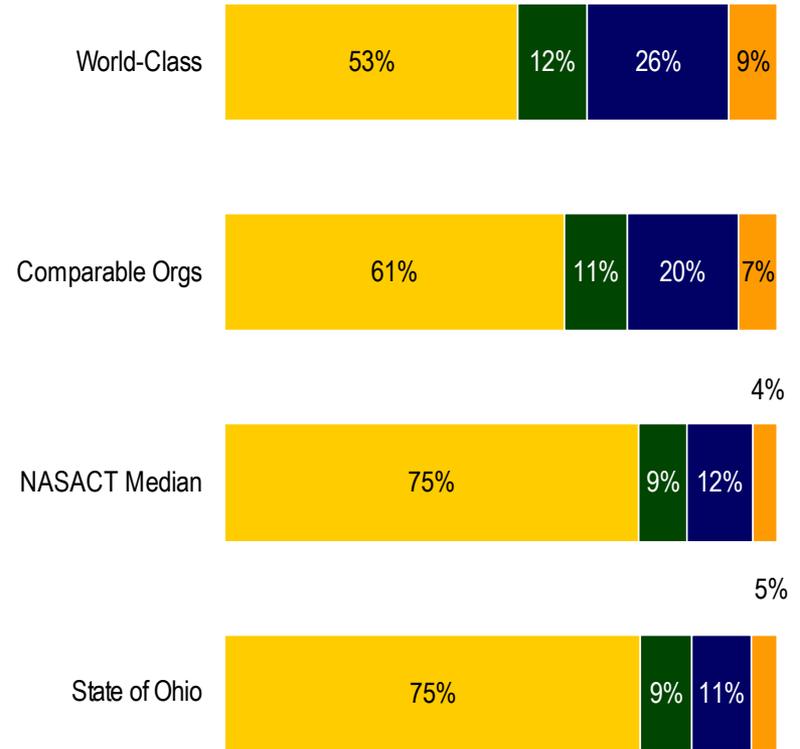


# Finance Staffing and Resource Allocation

**Finance Staffing (FTEs)**  
Comparable Org Group and World-Class Normalized based on Operating Budget

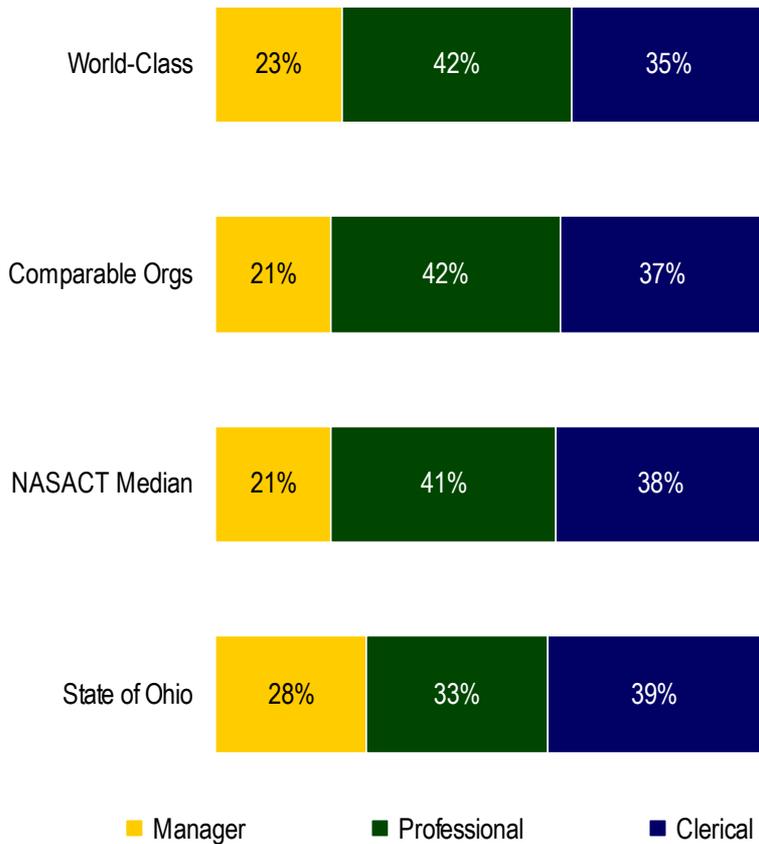


**Finance Resource Allocation**

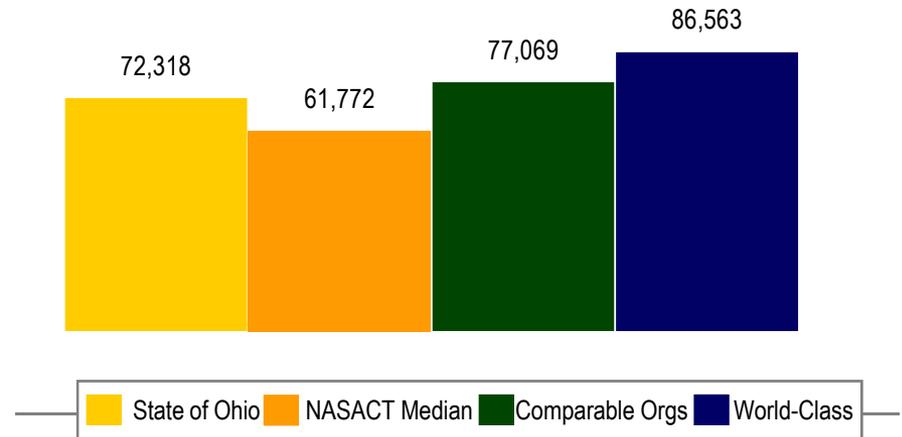


# Staff Mix, Labor Rates and Spans of Control

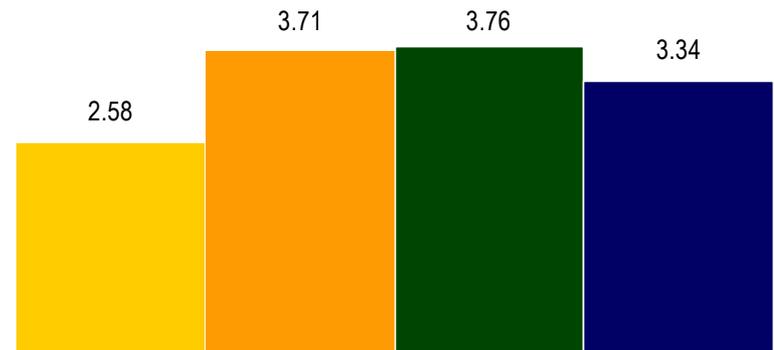
## Staff Mix



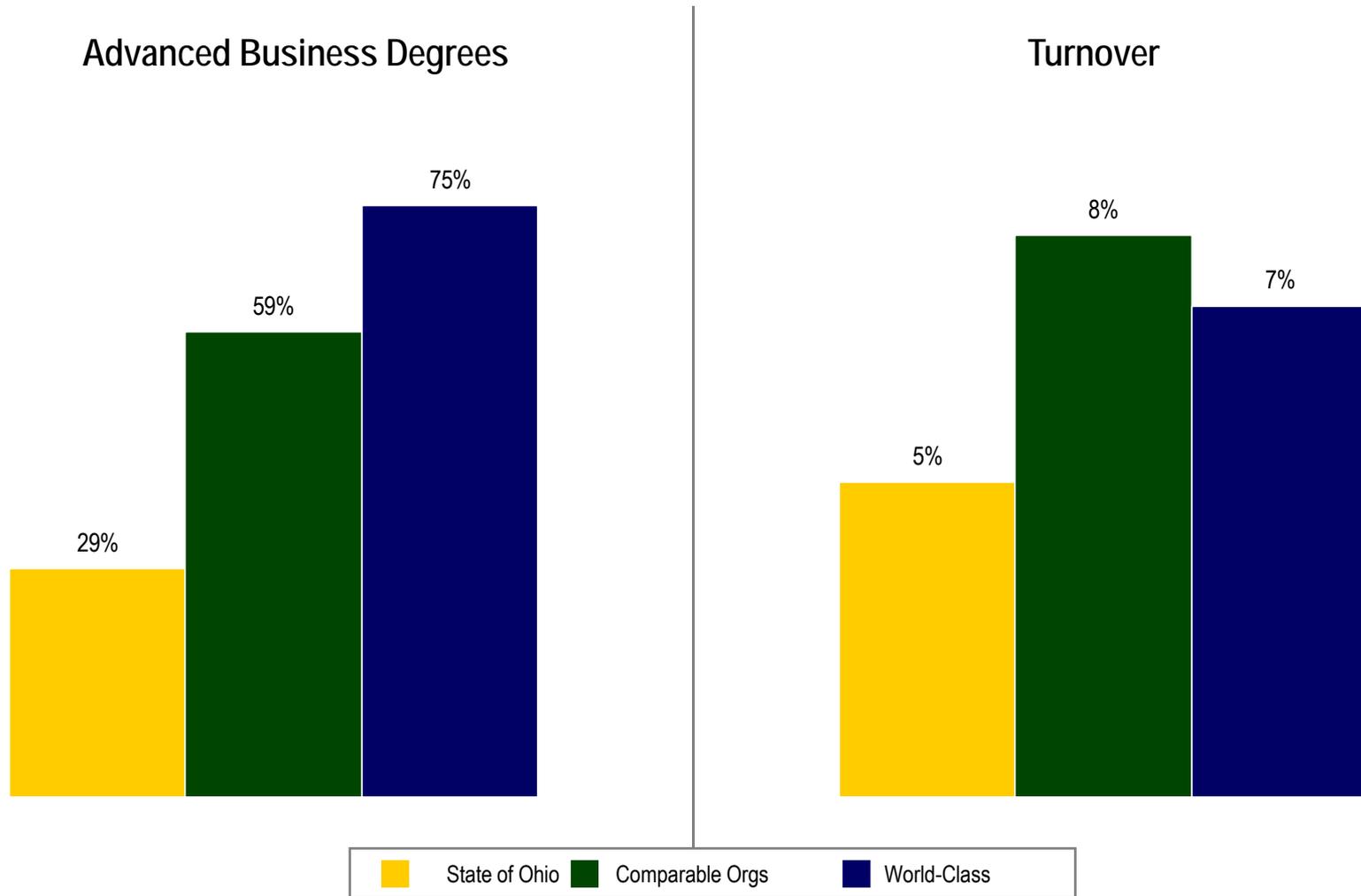
## Average Fully Loaded Labor Cost (\$) per FTE



## Number of Staff to Managers (Span of Control)

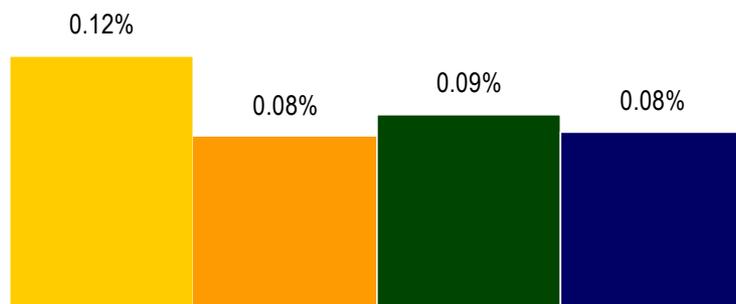


# Formal Business Experience and Turnover of the Finance Staff

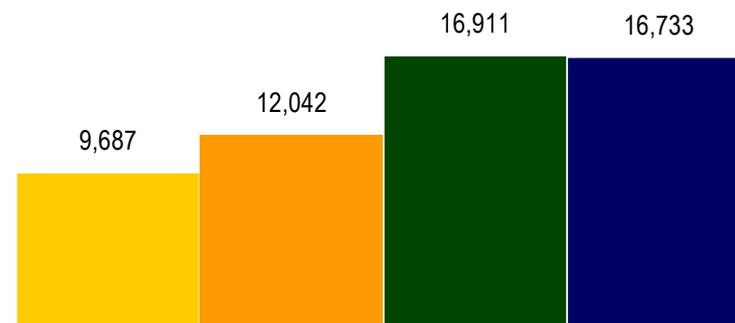


# Technology Cost as a Percent of Operating Budget and Cost per Finance FTE

Technology Cost as a % of Operating Budget



Technology Cost (\$) per FTE



■ State of Ohio 
 ■ NASACT Median 
 ■ Comparable Orgs 
 ■ World-Class

Comments

- Technology: Top performing companies typically have higher technology cost as a % of Operating Budget and higher technology cost per FTE, with lower actual FTE counts particularly in the transactional processes.
- Technology costs include hardware, software, depreciation, networking, telecommunications and support costs related to the in scope Finance processes.
- Technology Cost will vary based upon the age of the applications and the stage of the investment cycle.

# Finance Cost Differences to Comparable Orgs and to World-Class

## Finance Cost Differences (in \$)

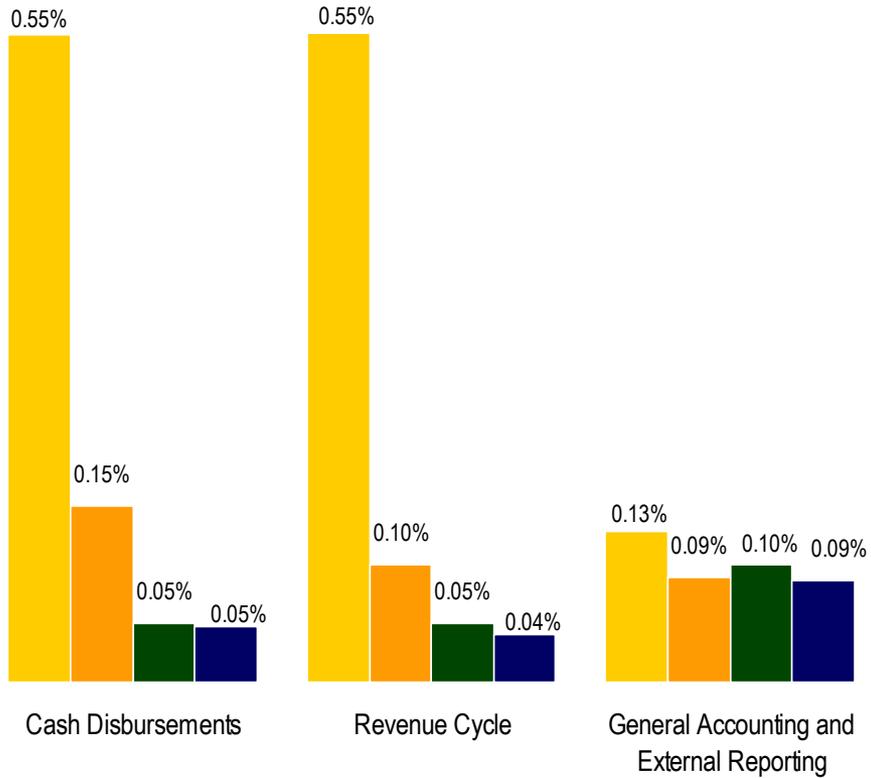
<b>Finance Processes</b>	<b>State of Ohio's Costs (in Millions)</b>	<b>State of Ohio's Gap To Comparable Orgs (in Millions)</b>	<b>State of Ohio's Gap to World-Class (in Millions)</b>
Cash Disbursements	62.7	57.0	57.3
Revenue Cycle	62.9	57.2	58.2
General Accounting and External Reporting	14.6	3.3	4.8
Treasury Management	12.9	10.6	10.7
Compliance Management	9.7	1.7	2.2
Planning and Performance Management	8.9	1.0	(0.8)
Business Analysis	5.9	0.2	(0.2)
Management and Administration	5.9	0.7	0.5
<b>Total Process Costs</b>	<b>183.4</b>	<b>131.7</b>	<b>132.7</b>
Technology Cost	13.3	3.1	4.0
Other Cost	13.4	4.3	7.1
<b>Total Finance Cost</b>	<b>210.1</b>	<b>139.1</b>	<b>143.8</b>

### Comments

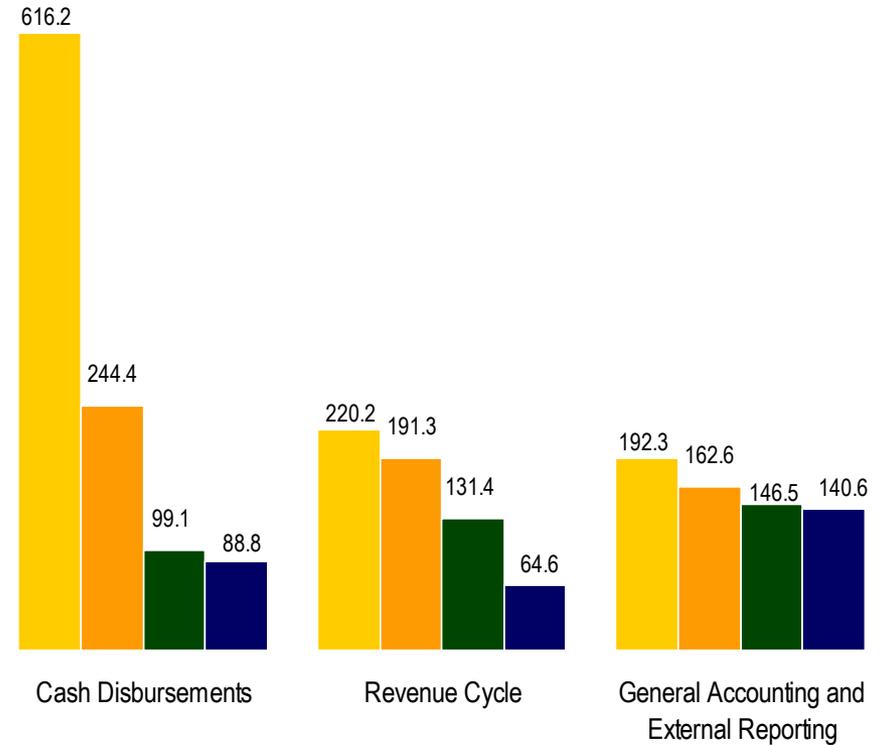
- Cost Differences: The cost differences shown are mathematical calculations intended to give an understanding of processes with potential for performance improvement . Areas of focus and actual performance improvement targets should be developed only after considering issues such as organizational structure, business requirements, regulatory requirements, investments required and other factors.

# Transaction Processing Costs and Staffing Levels

## Process Cost as a % of Operating Budget

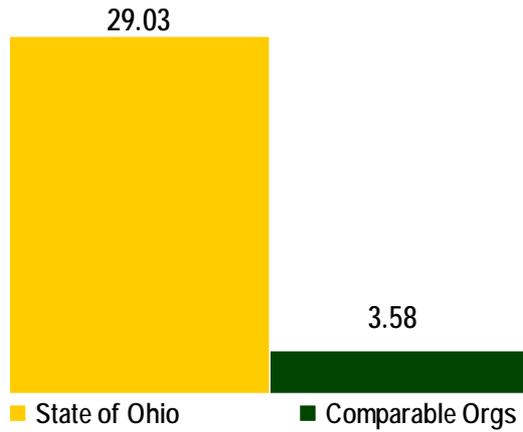


## Transaction Processing FTEs

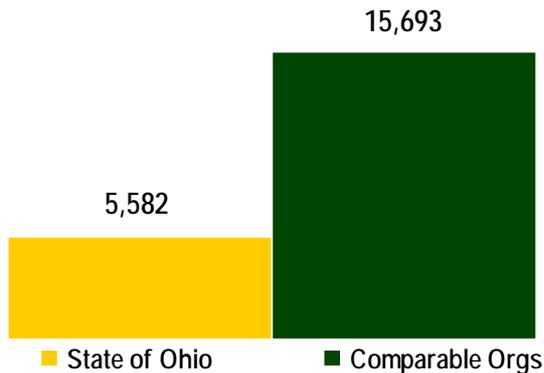


# Accounts Payable Practices

A/P Cost (\$) per Invoice



A/P Invoices per FTE

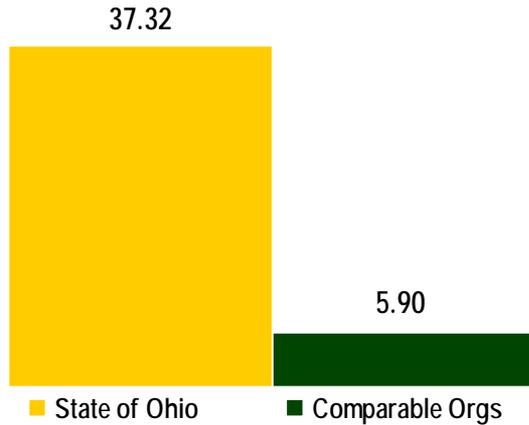


Accounts Payable Best Practices	State of Ohio	Top Performers
Integration of accounts payable applications with purchasing applications	48%	100%
Integration of accounts payable applications with general ledger applications	50%	100%
Extent policies and procedures for accounts payable are standardized across business units	0%	na
Percent supplier/vendor transactions automated	12%	68%
Days to process an invoice once received in accounts payable	9	2
Suppliers submitting invoices electronically (based on volume)	10%	25%
Suppliers using self-service over the Internet (based on volume)	3%	8%
Percent A/P invoices require correction	4%	1%
Average days payables outstanding (DPO)	14.7	na
Percent invoice transactions are self-billed (Evaluated Receipt Settlement = ERS)	1%	na

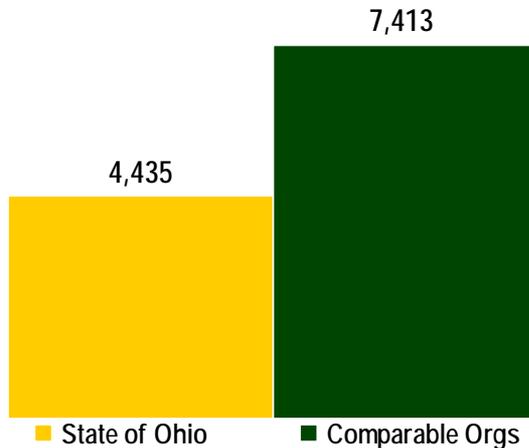
\*na = New Question/Small Sample Size

# Travel & Expense Practices

Travel & Expense Cost (\$) per Transaction



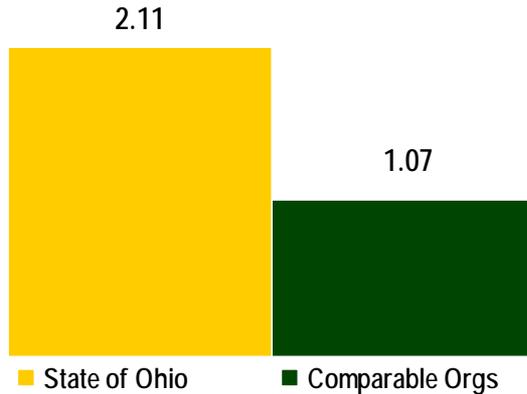
Travel & Expense Reports per FTE



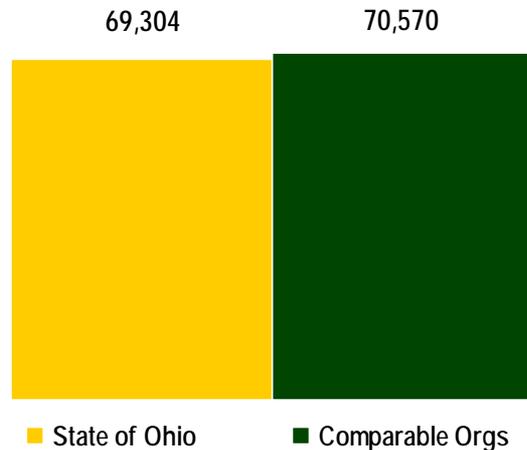
Travel and Expense Best Practices	State of Ohio	Top Performers
Percent T&E transactions automated	25%	na
Extent policies and procedures for travel and expenses standardized across business units	95%	na
Travelers complete and submitting expense reports online	31%	100%
Expense reports requiring correction	13%	1%
Extent payment is made directly to the travel card provider	18%	low sample size
Travel expense reports sampled for compliance	86%	48%

# Customer Billing Practices

Customer Billing Cost (\$) per Transaction



Customer Bills per FTE

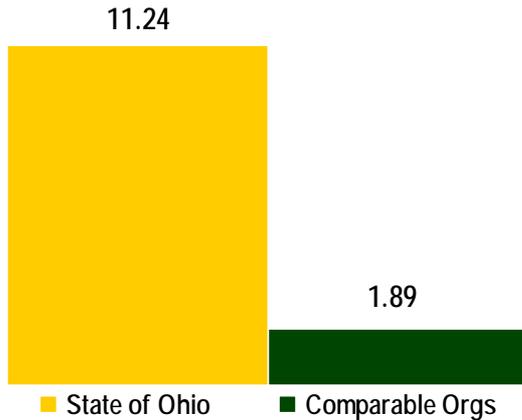


Customer Billing Best Practices	State of Ohio	Top Performers
Percent billing transactions automated	22%	98%
Billing cycle time	16	na
Occurrence of billing errors	3%	1%
Billing application integration to sales/order entry	20%	100%
Billing application integration to accounts receivable	33%	100%
Billing system enables consolidated invoicing for multiple items	23%	na
Invoices are sent to customers electronically	4%	41%
Customer self-service for problem resolution and inquiries	14%	100%
Customer billing policy/ procedure standardization (Finance Fin)	50%	na
Utilization of electronic bill payment and presentment	10%	na
Utilization of standardized pricing, including discounting, rebates and mark-ups	38%	na

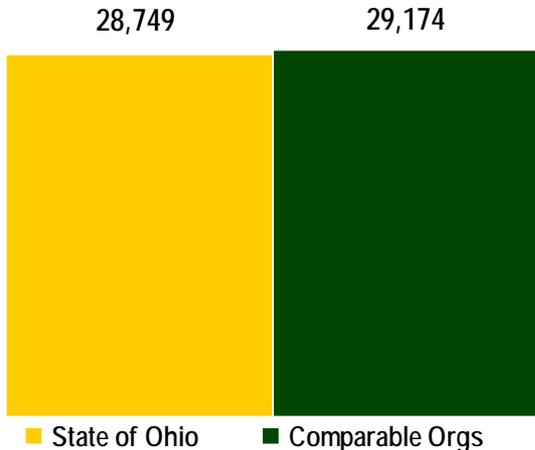
\*na = New Question/Small Sample Size

# Cash Application Practices

Cash Application Cost (\$) per Remittance



Cash Application Remittances per FTE

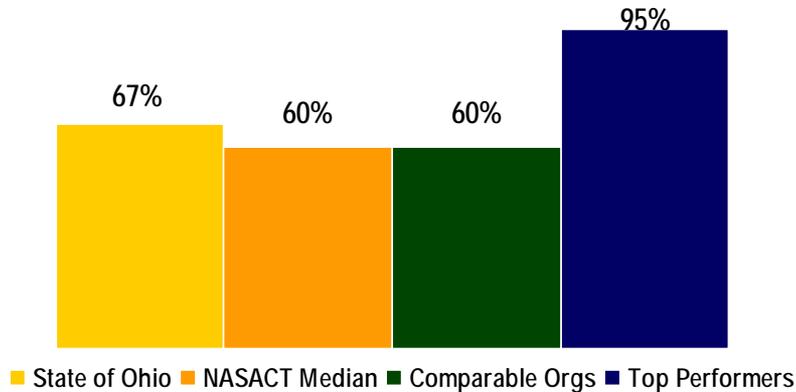


Cash Application Best Practices	State of Ohio	Top Performers
Cash application policy/ procedure standardization	95%	na
Percent cash application transactions automated	29%	97%
Average time to apply cash (days)	3	1
Automatic cash application rate	47%	94%
Days Sales Outstanding ('DSO')	48	24
Credit sales are collected within terms	73%	94%
Established mechanism to track root causes of adjustments and customer disputes	43%	na
Process to reduce those issues resulting in adjustments and customer disputes	35%	na

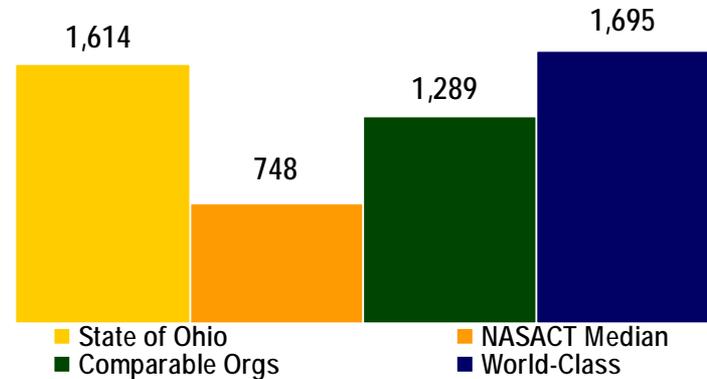
\*na = New Question/Small Sample Size

# General Accounting and External Reporting Metrics

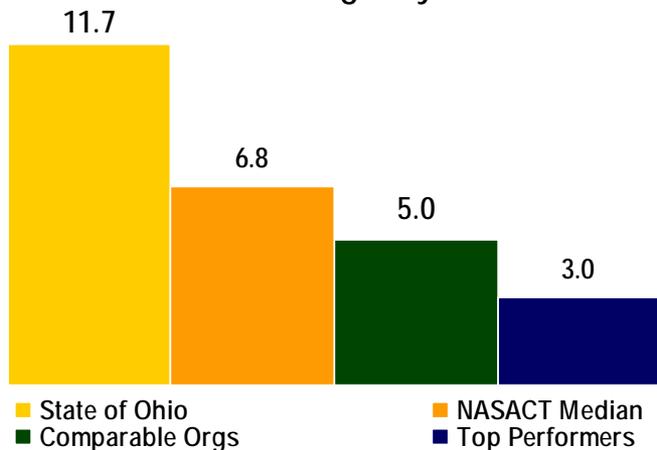
Percent Automated Journal Entries



Active General Ledger Accounts

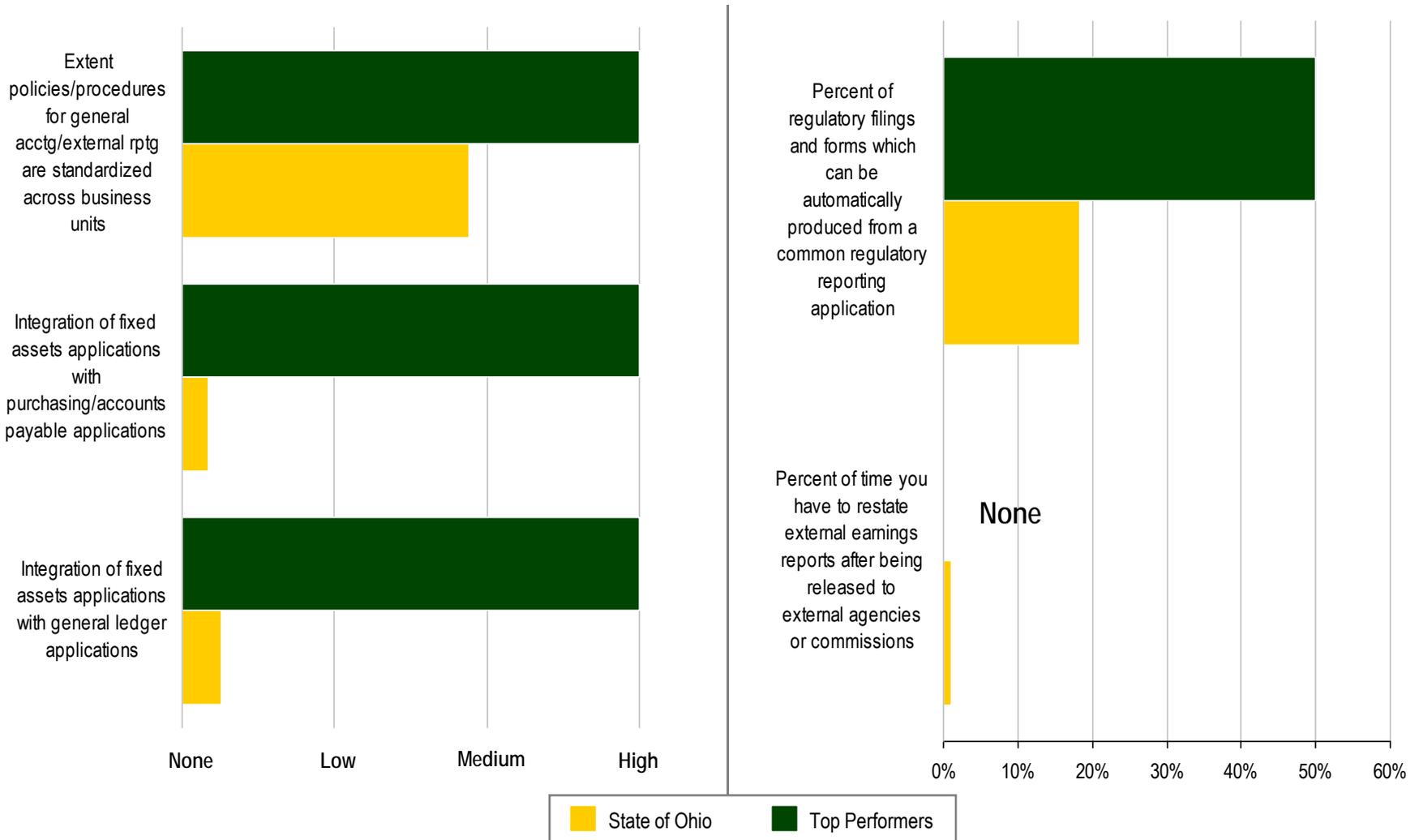


General Accounting: Days to Close



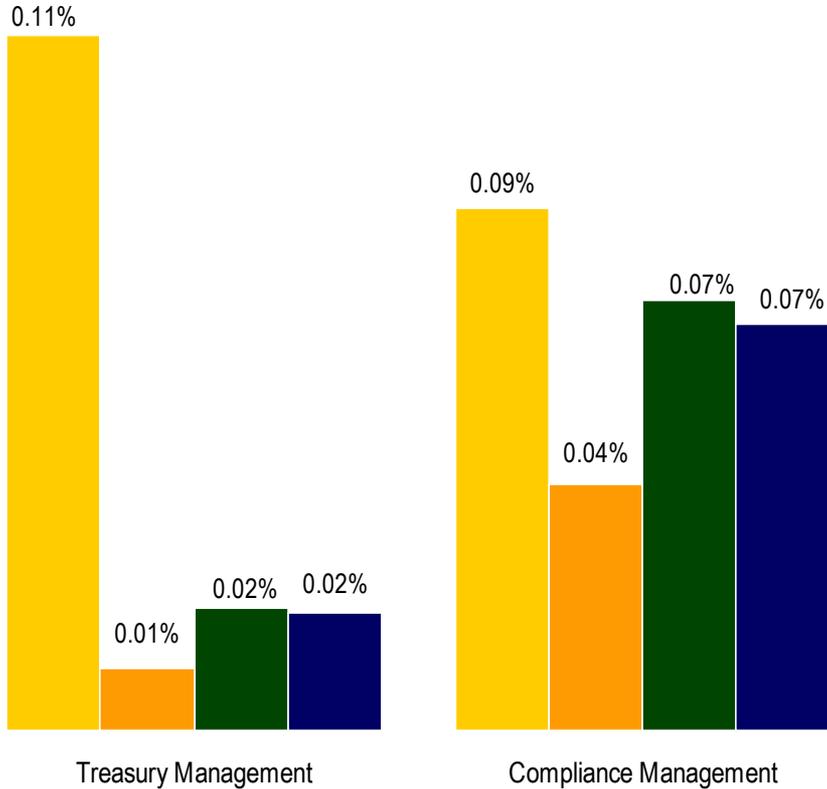
FTE Distribution	State of Ohio
Fixed Assets	51.7
Intercompany Accounting	19.8
General Accounting	63.4
Cost Accounting	14.6
External Reporting	43.6

# General Accounting and External Reporting Practices

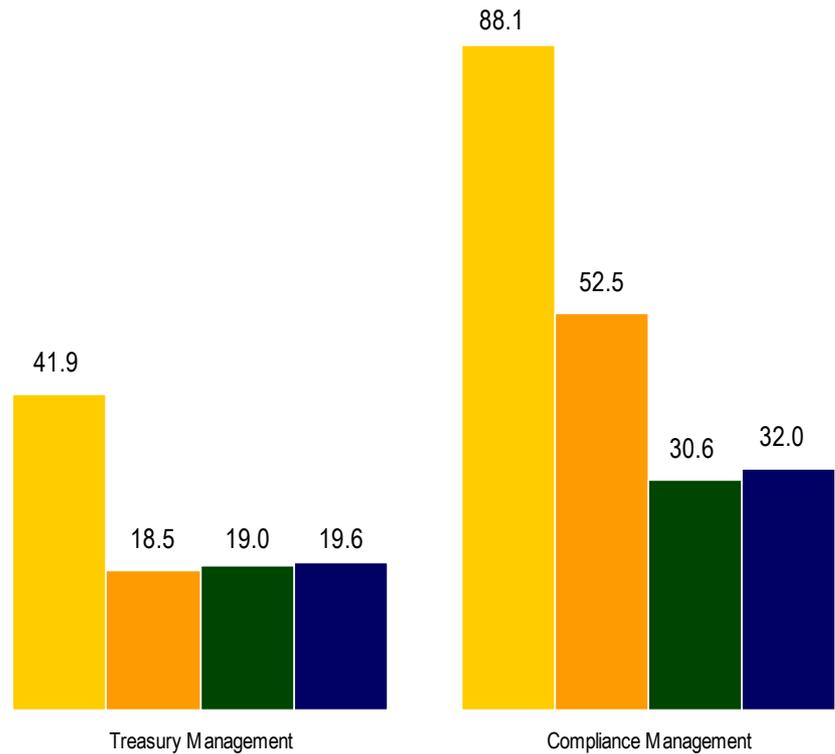


# Control and Risk Management Costs and Staffing Levels

## Process Cost as a % of Operating Budget



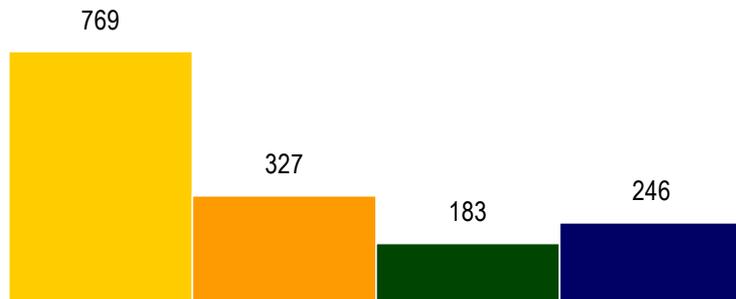
## Control and Risk Management FTEs



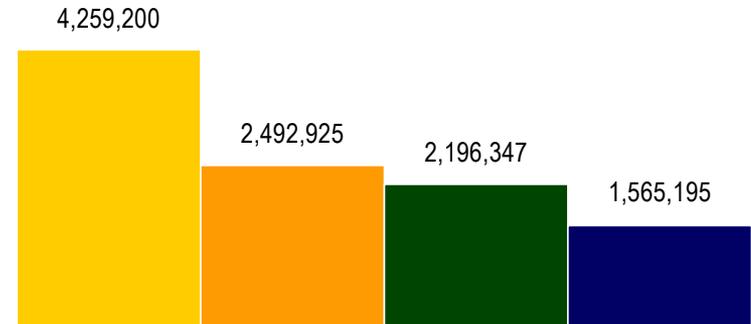
■ State of Ohio 
 ■ NASACT Median 
 ■ Comparable Orgs 
 ■ World-Class

# Treasury Management Practices

Bank Accounts per State of Ohio's Operating Budget

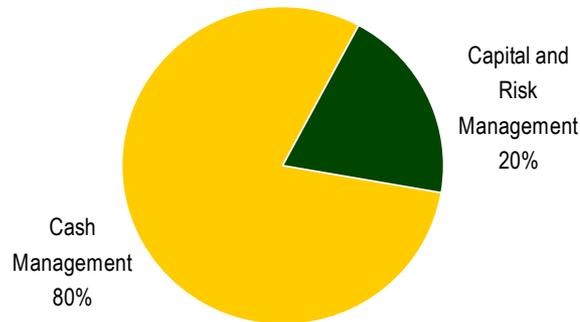


Annual Gross Banking Fees per State of Ohio's Operating Budget (\$)

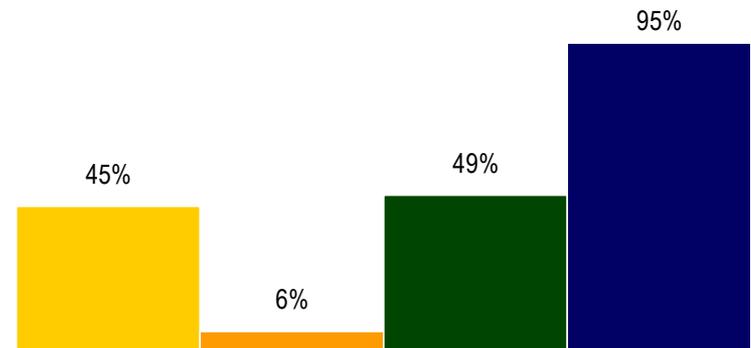


■ State of Ohio 
 ■ NASACT Median 
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 ■ World-Class

Treasury Management FTE Distribution

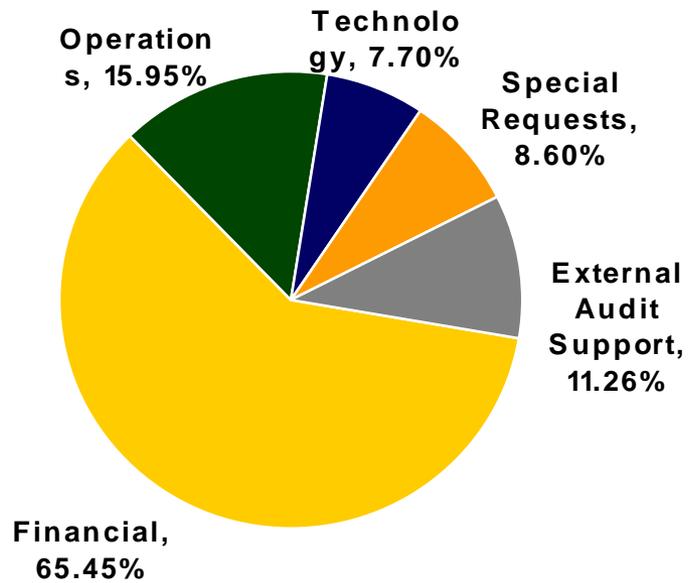


% of Cash Transactions with Daily Cash Positioning and Funds Mobilization Automated

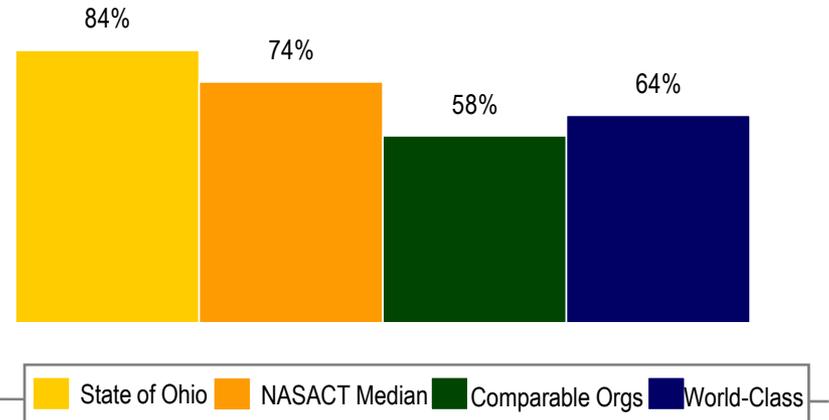


# Compliance Management Practices

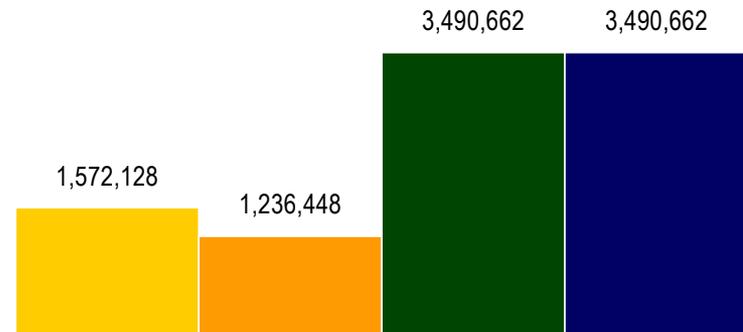
Engagement Distribution



% of Locations Audited Annually

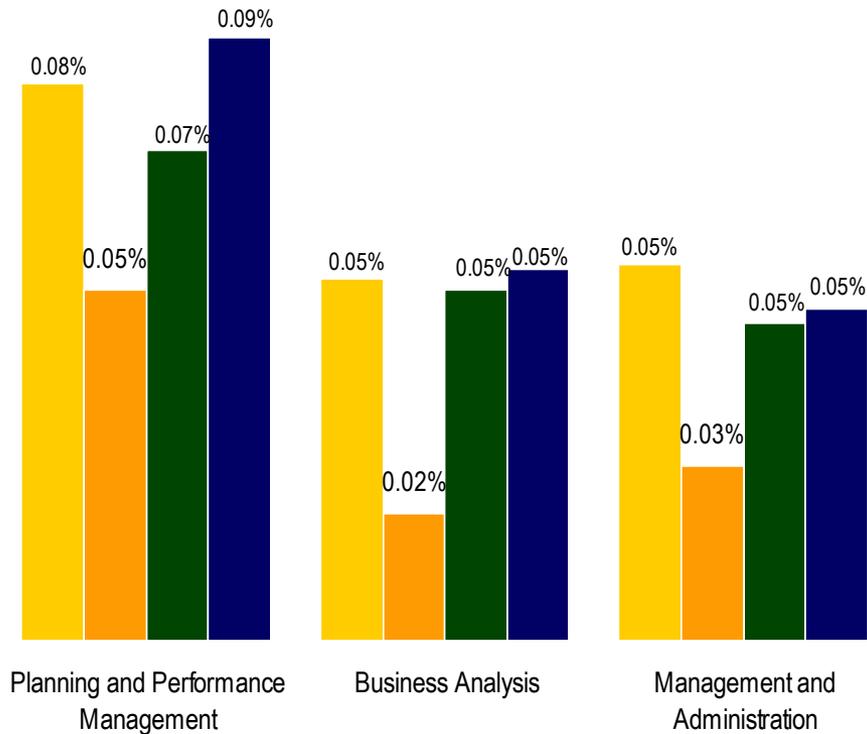


External Audit Fees per State of Ohio's Operating Budget (\$)

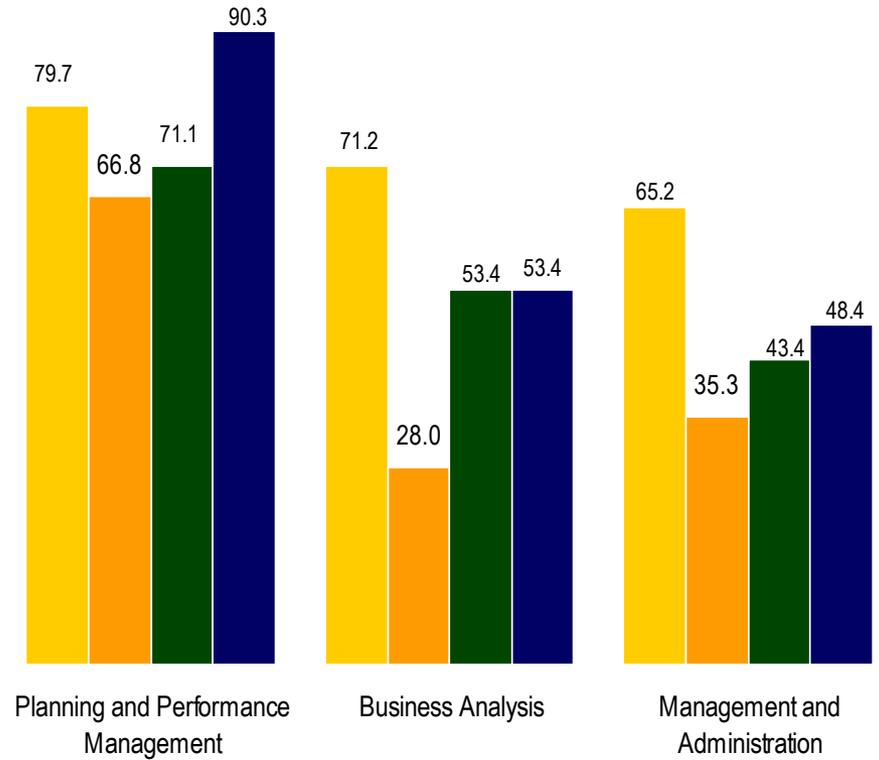


# Planning and Strategy and Function Management Costs and Staffing Levels

## Process Cost as a % of Operating Budget



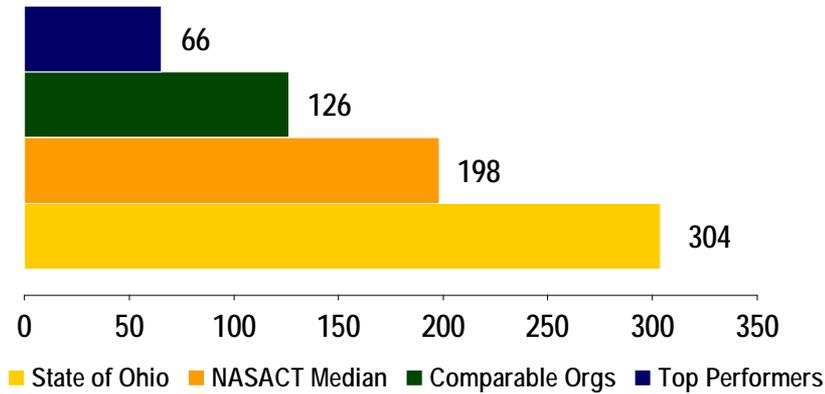
## Planning and Strategy FTEs



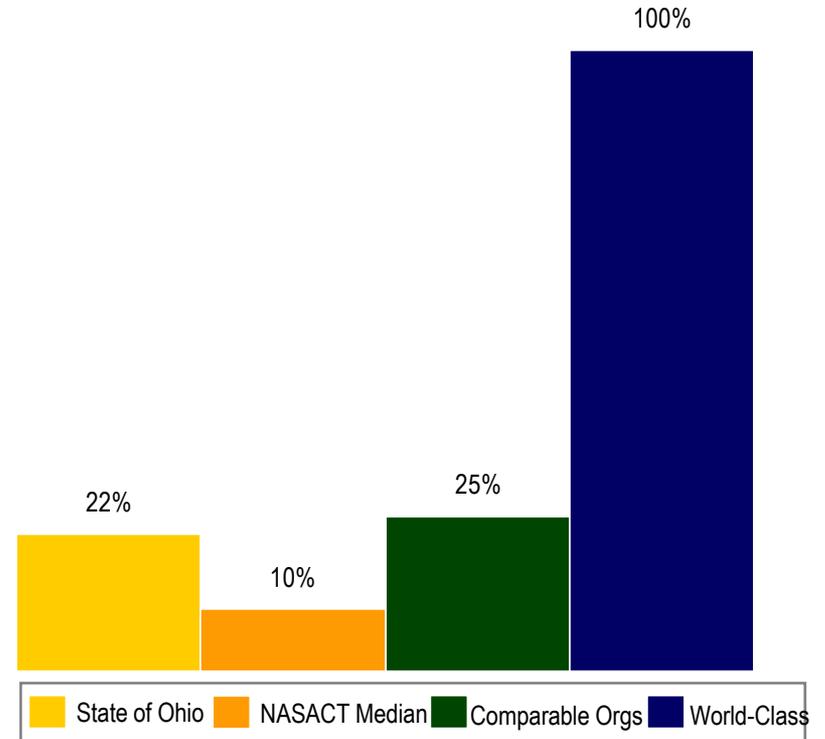
■ State of Ohio 
 ■ NASACT Median 
 ■ Comparable Orgs 
 ■ World-Class

# Budgeting Practices

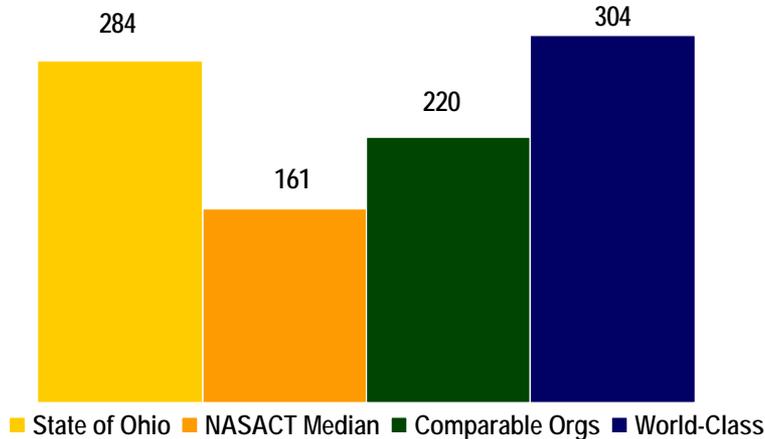
## Days to Complete the Budget



## Operations Managers Entering Budgets Online

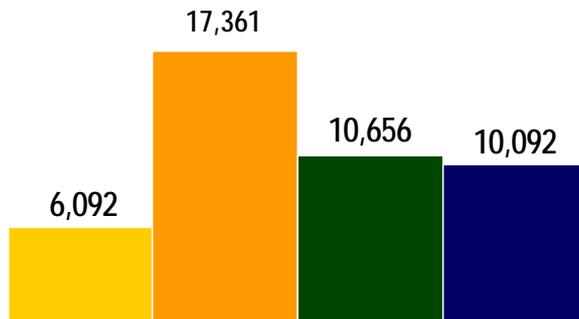


## Number of Line Items in the Budget



# Planning and Performance Management Metrics

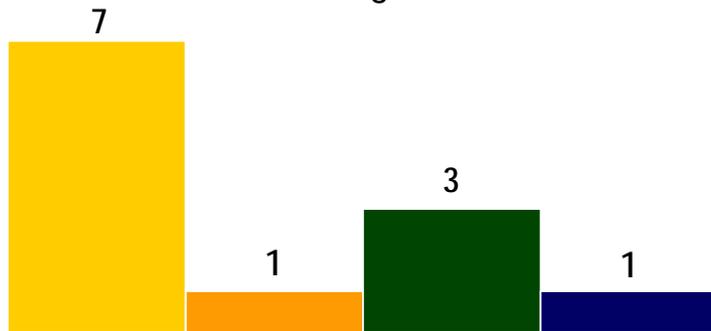
Annual Performance Reports Issued  
(Normalized to State of Ohio's Operating Budget)



■ State of Ohio ■ NASACT Median ■ Comparable Orgs ■ World-Class

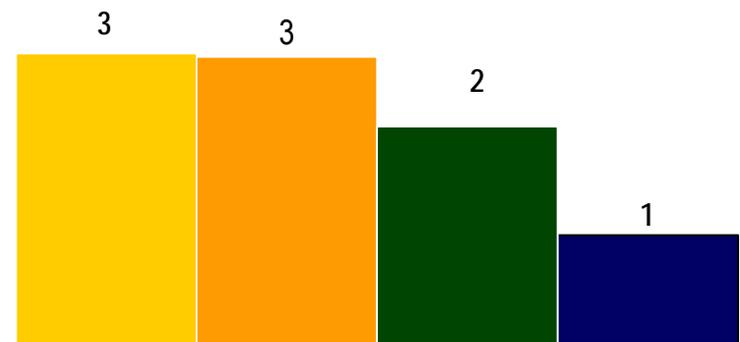
Planning Best Practices	State of Ohio	Top Performers
Management reports created using PC spreadsheets as primary application	75%	50%
Reports distributed electronically	57%	95%
Percent of time reports address future action instead of explanation of history	30%	50%
Extent balanced scorecard, which combines operational and financial measures, has been developed	No development	Mature Scorecard

Days to Report Key Operating Results to Management



■ State of Ohio ■ NASACT Median ■ Comparable Orgs ■ Top Performers

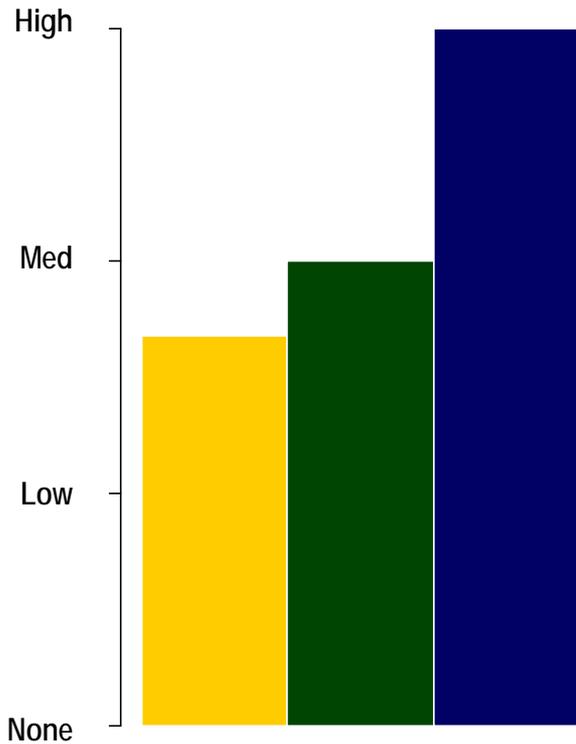
Business Days to Prepare Ad Hoc Business Performance Reports



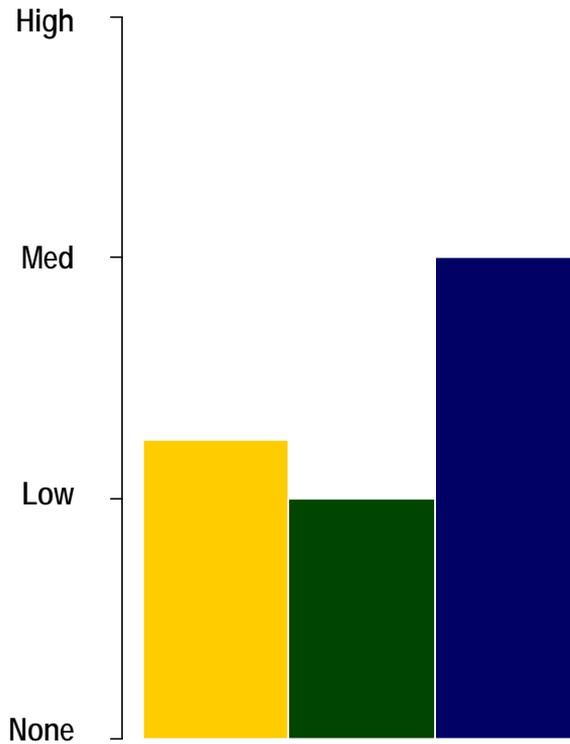
■ State of Ohio ■ NASACT Median ■ Comparable Orgs ■ Top Performers

# Performance Reporting Practices

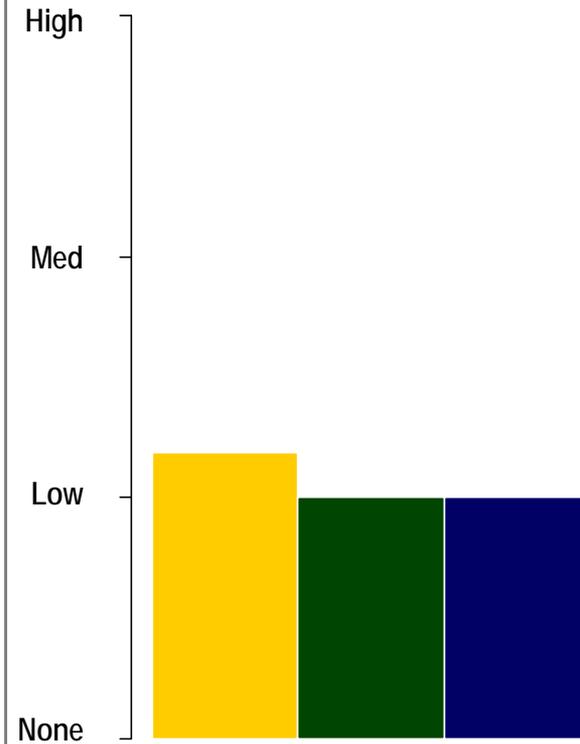
Use of Data Management and Analysis Tools  
(Data Warehousing/Data Marts)



Extent Internet Supports Online  
Distribution of Standard Reports

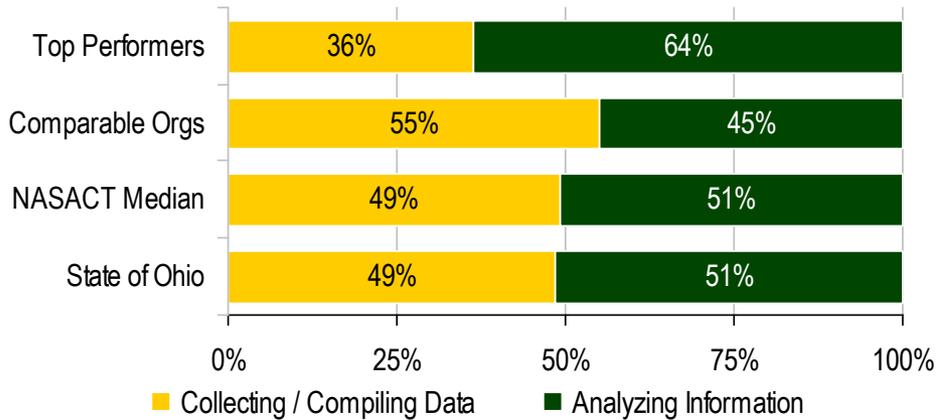


Extent Internet Supports Online, Self-  
service for Standard Reports

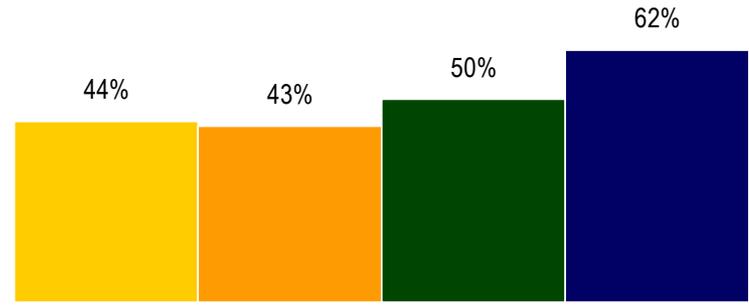


# Business Analysis Practices

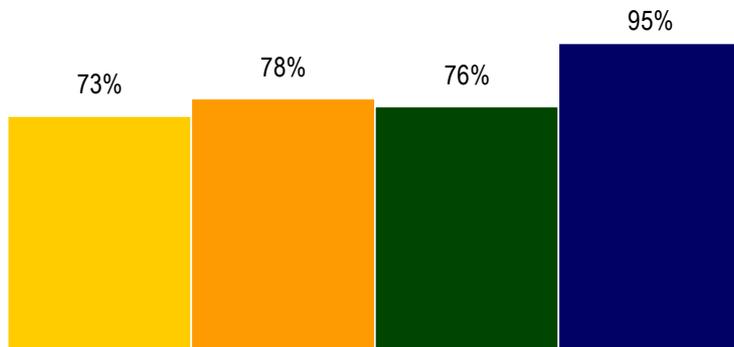
## Allocation of Analysts' Time for Standard Reports



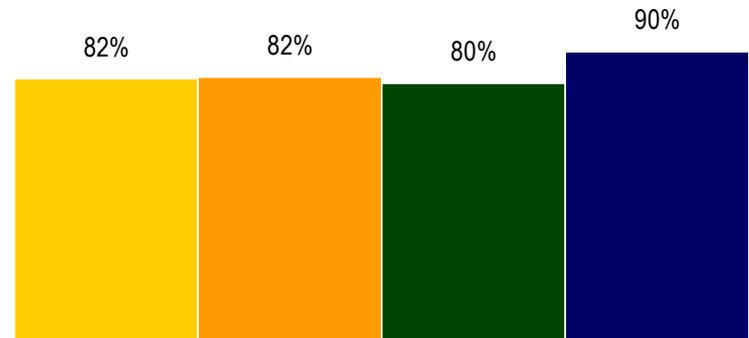
## % of Time Analytical Focus is on Proactive Planning vs. Historical Reporting



## Analysis Output on Target for Pricing Decisions



## Percent of Time Output of the Cost Analysis is Considered on Target by Internal Customers



# Table of Contents

**The Hackett Group**  
*World-Class Defined*

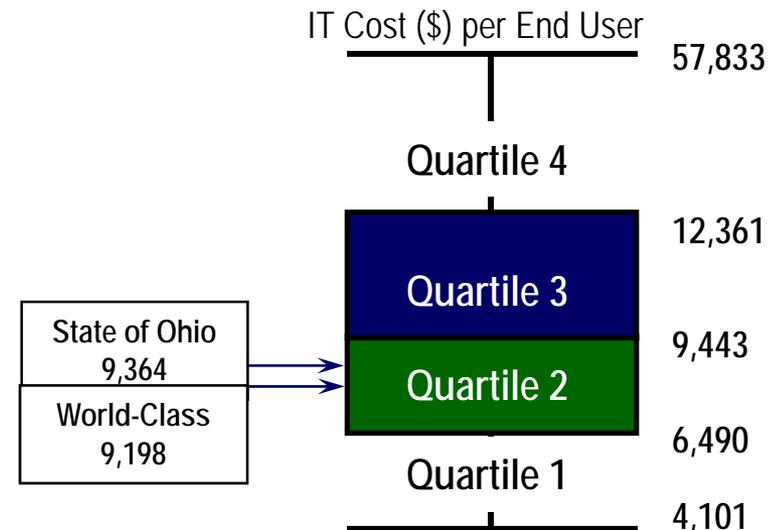
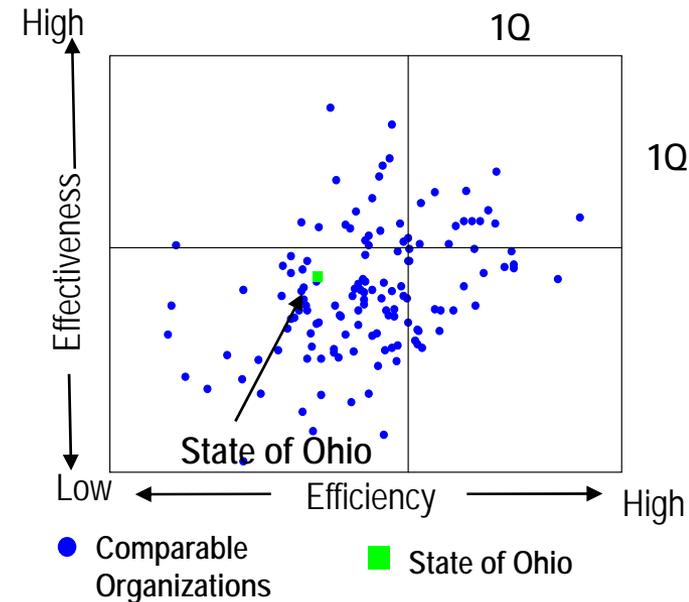


**REL**  
*Cash Flow Delivered*

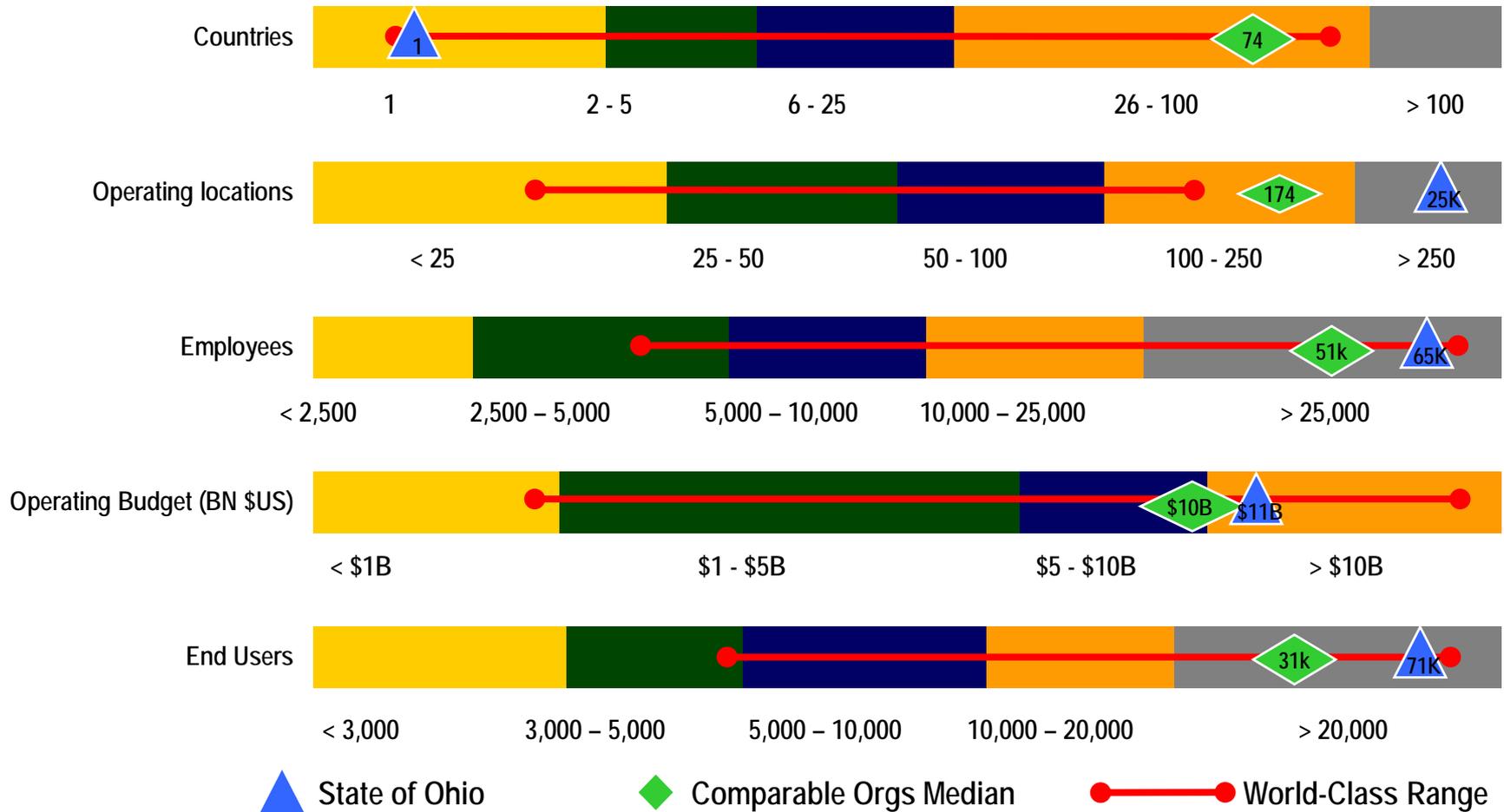
- **Section One**
  - Sponsor's Letter
- **Section Two**
  - Executive Summary
- **Section Three**
  - Appendix
    - Section One
      - Introduction - *pages 1 - 7*
    - Section Two
      - Financial Rapid Benchmark Report - *pages 7 - 36*
    - **Section Three**
      - Technology Rapid Benchmark Report - *pages 1 - 51*
    - Section Four
      - Procurement Rapid Benchmark Report - *pages 1 - 52*
    - Section Five
      - Human Resources Rapid Benchmark Report - *pages 1 - 52*
    - Section Six
      - Achieving World-Class Performance - *pages 1 - 3*
    - Section Seven
      - About The Hackett Group - *pages 1 - 5*

# Efficiency and Effectiveness Ranking as Calculated by The Hackett Group's IT Value Grid

- IT costs for the in scope processes were \$660.6 million
  - Total IT cost of \$660.6M equates to \$9,364 per end user (2nd quartile )
  - Higher staffing levels with a higher Manager staff mix
  - Lower fully-loaded labor rates in comparison
  - 42% focus on Technology Infrastructure and 16% focus on Planning & Strategy likely due to duplicated efforts across the agencies
- IT scores third quartile on the Hackett Value Grid for efficiency
  - Lower efficiency plotting on the value grid is due to overall costs, staffing & productivity, cycle times and complexity
- IT scores second quartile on the Hackett Value Grid for effectiveness:
  - Effectiveness plotting attributed to IT role, talent management, economic return, quality, information access and overall management



# IT Demographics Comparison – Ohio and the Large Diverse Organization Slice of the Hackett Database



# IT Participants in the Large Diverse Organization Slice of the Hackett Database

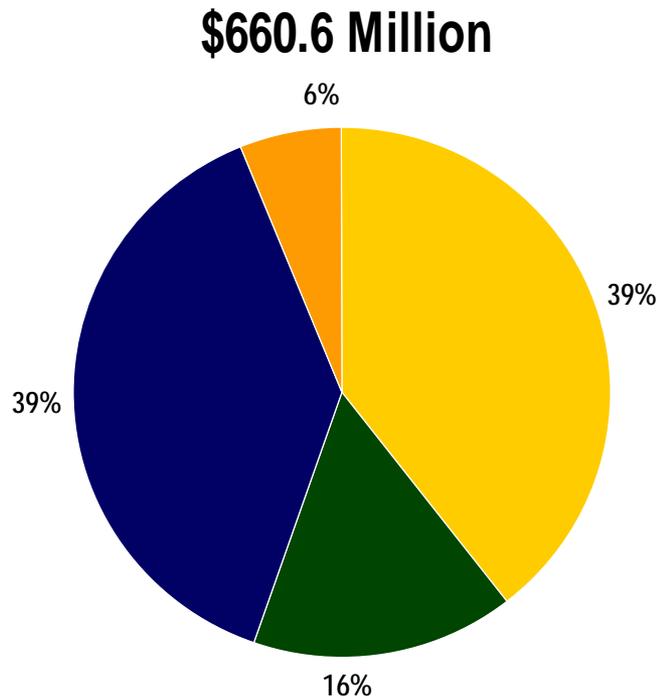
- Agilent Technologies, Inc.
- Alcoa, Inc.
- Bayer AG
- Caterpillar, Inc.
- Celestica Inc.
- Cendant Corporation
- Cingular Wireless LLC
- Citigroup Inc.
- E.I. du Pont de Nemours and Company
- Eastman Chemical Company
- General Electric Company
- Georgia-Pacific Corporation
- Halliburton
- Heineken N.V.
- Henkel KGaA
- Honeywell International Inc.
- International Paper Company
- Lucent Technologies Inc.
- Mattel Inc.
- Meadwestvaco
- Motorola, Inc.
- NCR Corporation
- Novartis Consumer Health Inc
- Pioneer Companies, Inc.
- Raytheon Company
- Renault SA
- The Stanley Works
- Tetra Pak International
- The Timken Company
- Unisys Corporation
- USAA
- Whirlpool Corporation
- Yum Brands, Inc.

# Data was Collected in Accordance with Hackett's IT Taxonomy of 11 Processes

Technology Infrastructure	Application Management	*Planning and Strategy	Management and Administration
<ul style="list-style-type: none"> <li>▪ <b>Infrastructure Management</b> <ul style="list-style-type: none"> <li>– Operations Management</li> <li>– Security Management</li> <li>– Disaster Recovery Planning</li> </ul> </li> <li>▪ <b>End User Support</b> <ul style="list-style-type: none"> <li>– Help Desk</li> <li>– End User Training</li> </ul> </li> <li>▪ <b>Infrastructure Development</b> <ul style="list-style-type: none"> <li>– Planning</li> <li>– Construct</li> <li>– Implement</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Application Maintenance</b> <ul style="list-style-type: none"> <li>– Application Support</li> <li>– Enhancement Delivery</li> <li>– Upgrade Execution</li> </ul> </li> <li>▪ <b>Application Development and Implementation</b> <ul style="list-style-type: none"> <li>– Planning</li> <li>– Constructing</li> <li>– Implementing</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>IT Business Planning</b> <ul style="list-style-type: none"> <li>– Alignment</li> <li>– Project Prioritization</li> <li>– Communication</li> </ul> </li> <li>▪ <b>Enterprise Architecture Planning</b> <ul style="list-style-type: none"> <li>– Governance</li> <li>– Standards Management</li> </ul> </li> <li>▪ <b>Emerging Technologies</b> <ul style="list-style-type: none"> <li>– Technology Evaluation</li> </ul> </li> <li>▪ <b>Quality Assurance *</b> <ul style="list-style-type: none"> <li>– Change Management</li> </ul> </li> <li>▪ <b>Risk Management *</b> <ul style="list-style-type: none"> <li>– Audit and Compliance</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Function Management</b> <ul style="list-style-type: none"> <li>– Function Oversight</li> <li>– Personnel Management</li> <li>– Policies and Procedures Oversight</li> </ul> </li> </ul>

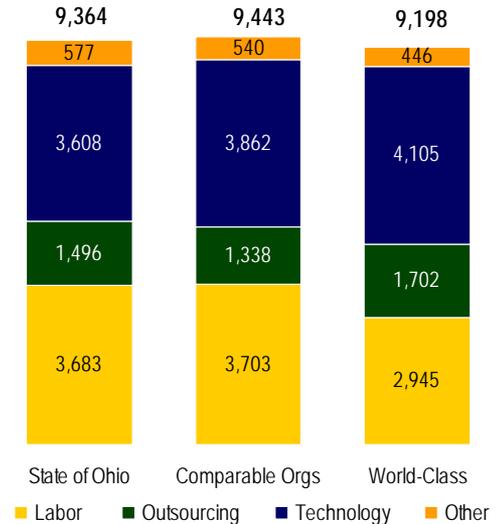
(\*) For comparison purposes, Control & Risk Management will be included in the Planning & Strategy Process Group

# State of Ohio's Baseline of Annual IT Cost

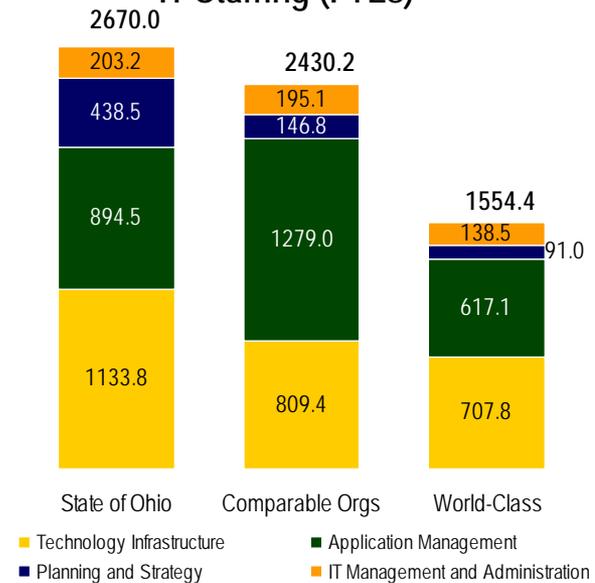


End Users	70,554
Labor	\$259.9 million
Outsourcing	\$105.5 million
Technology	\$254.5 million
Other	\$40.7 million

## IT Cost (\$) per End User

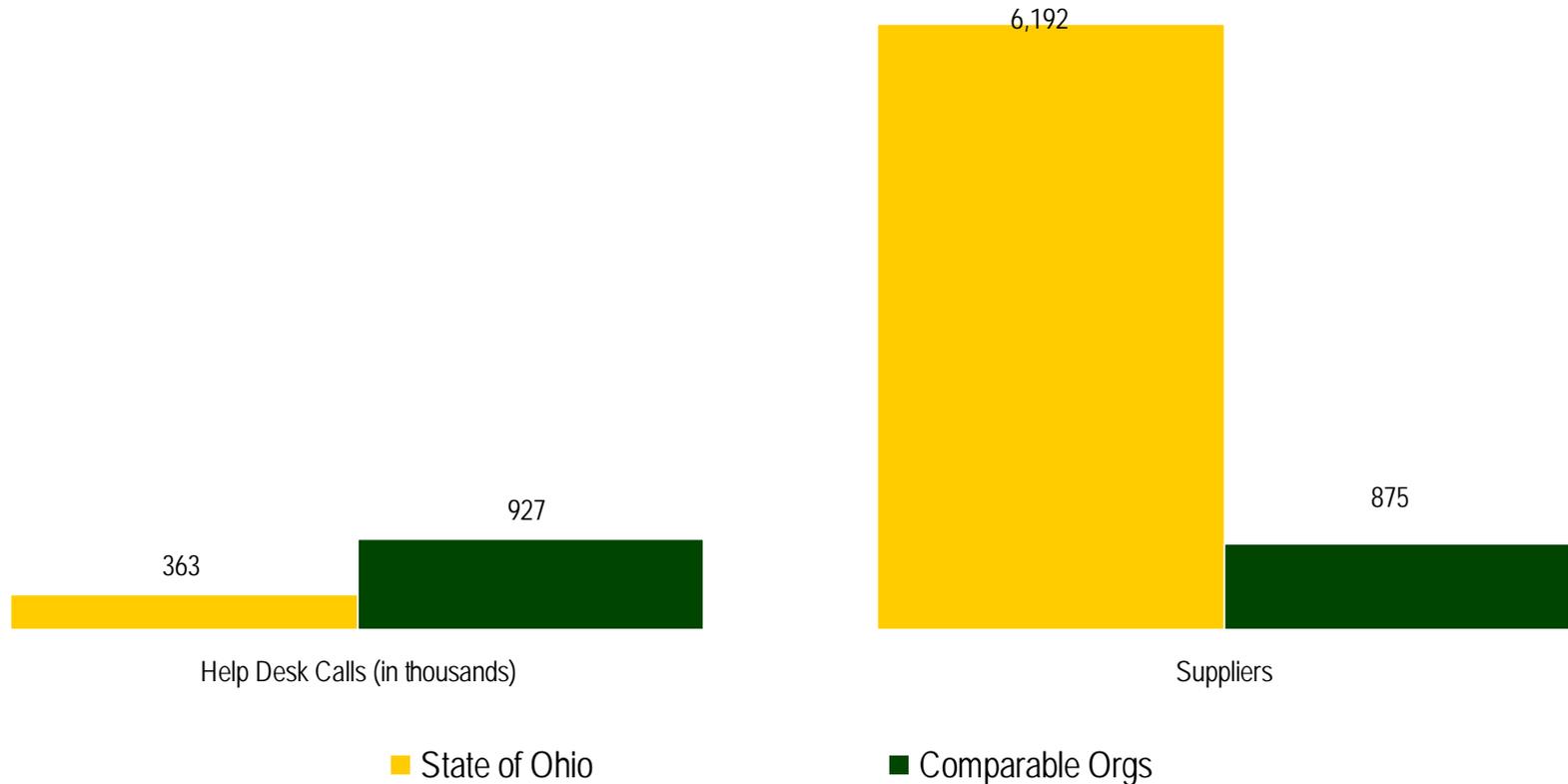


## IT Staffing (FTEs)



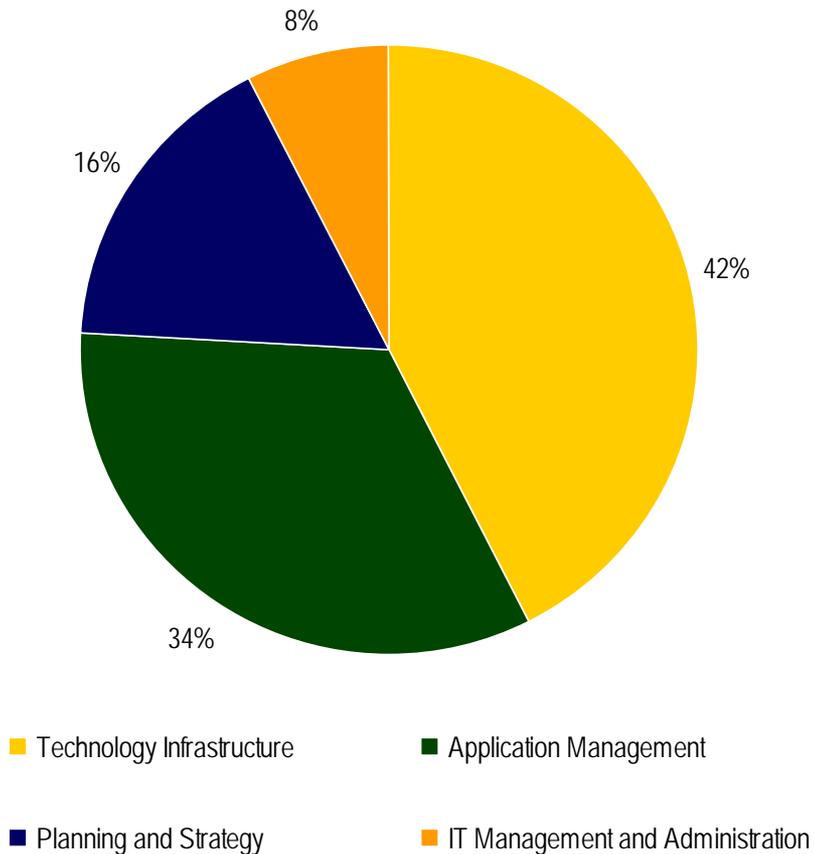
# State of Ohio's Volumes Related to the Large Diverse Organizations

## Help Desk Calls and Suppliers

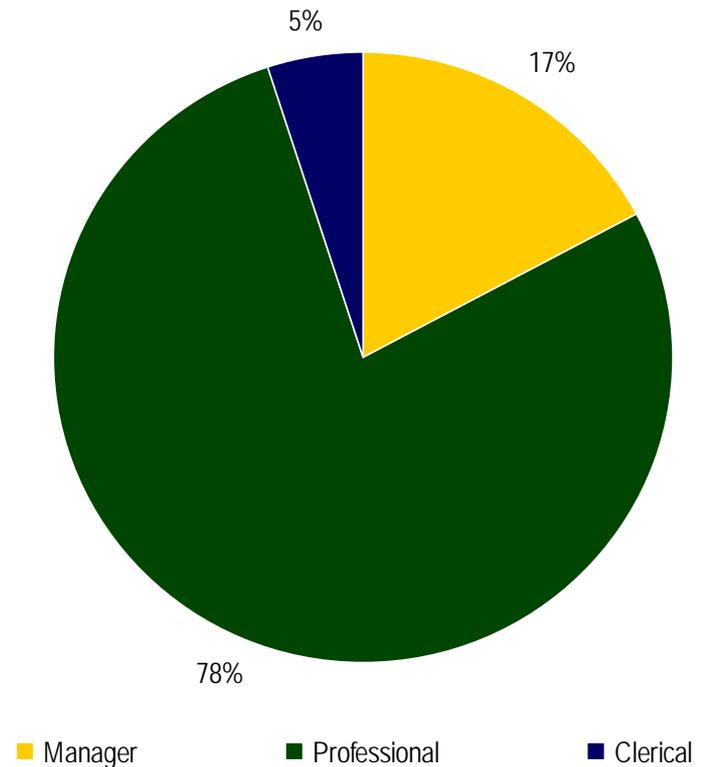


# State of Ohio's Baseline Resource Allocation and Staff Mix

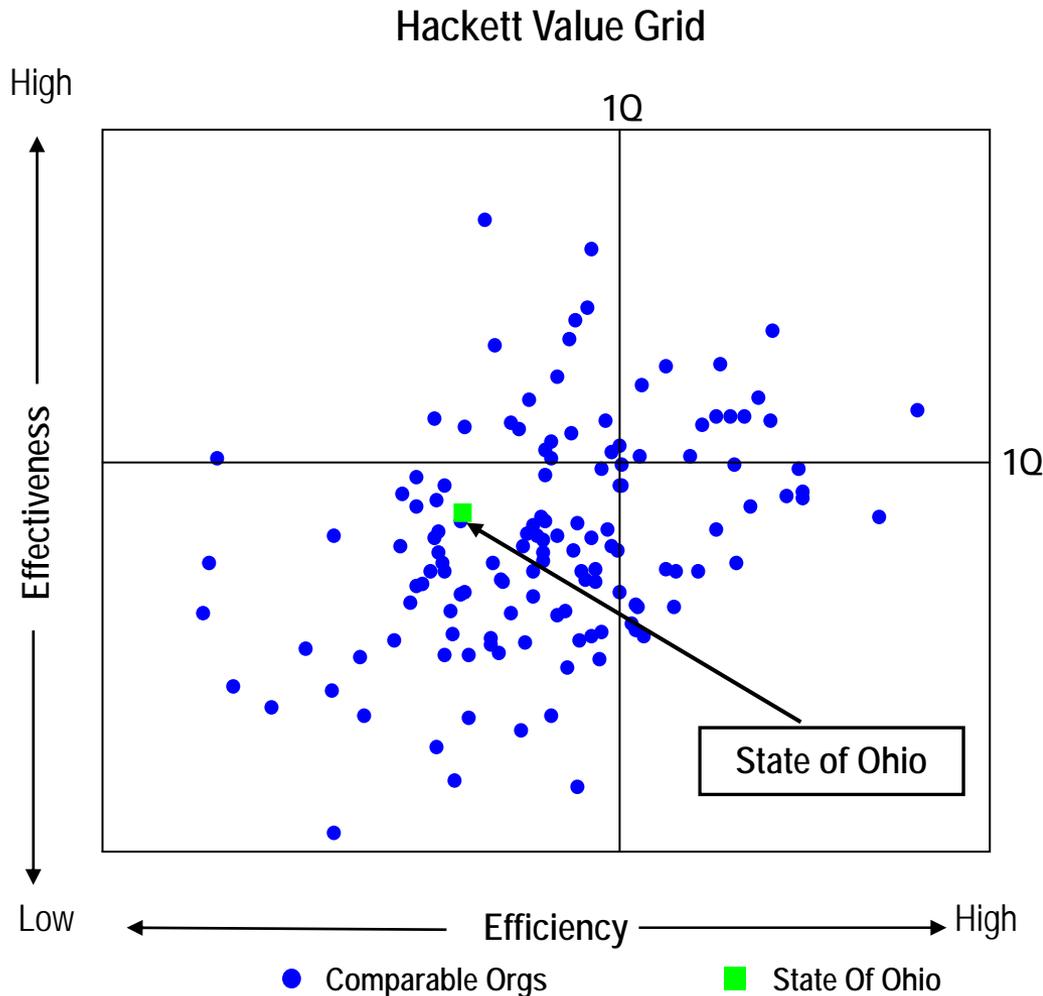
## Resource Allocation



## Estimated Staff Mix



# Efficiency and Effectiveness Ranking as Calculated by The Hackett Group's IT Value Grid



		Key IT Drivers	State of Ohio
Efficiency		Cost	●
		Staffing & Productivity	●
		Cycle Time	●
		Complexity	●
Effectiveness		Role of IT	●
		Talent Management	●
		Quality	●
		Economic Return	●
		Information Access	●
	Running IT	●	

● Most KPIs for the Key Driver are at or near World-Class

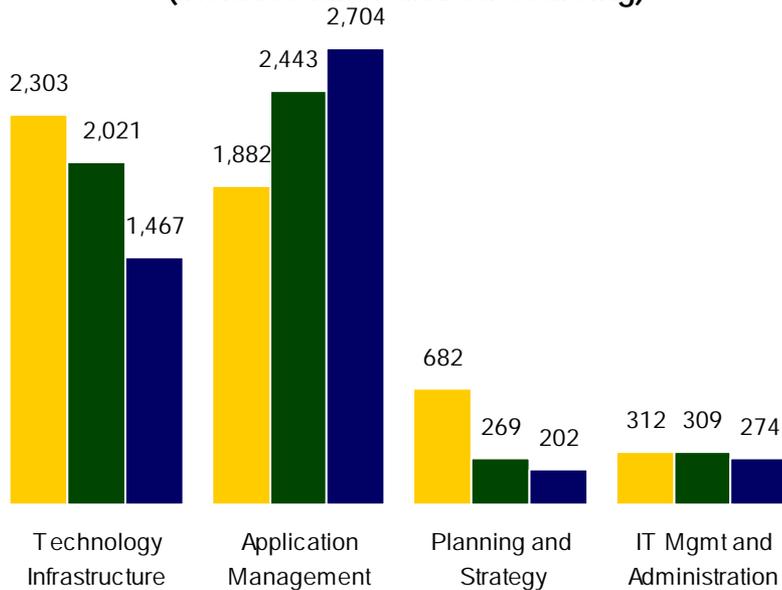
● Some KPIs for the Key Driver are at or near World-Class

● Most KPIs for the Key Driver are far from World-Class

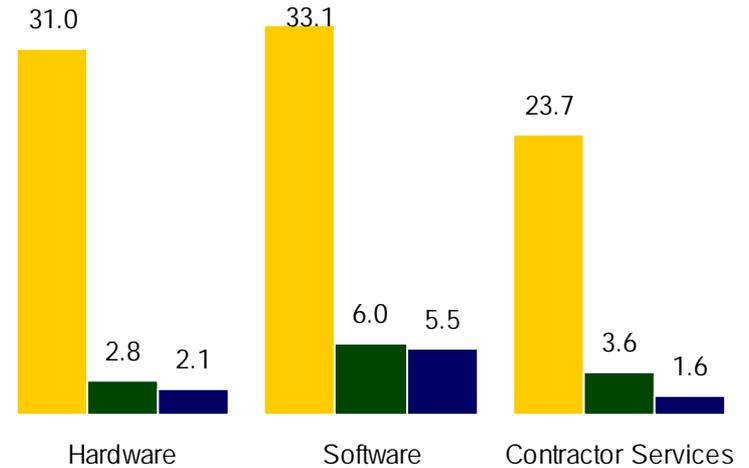
Note: The colors are only a representation of gaps to World-Class and are not a direct indicator of where to focus/launch any initiative. Specific action plans should not be developed until after the benchmark results are assessed within the context of the functional and business strategies.

# Higher Complexity is Driving Up Overall Process Costs

IT Process Cost Allocation (\$) per End User  
(includes labor and outsourcing)

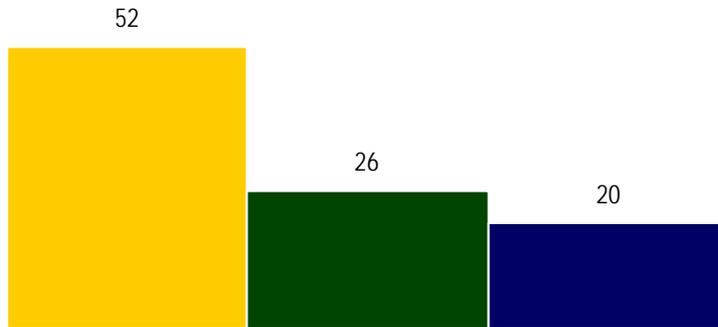


Number of Suppliers per Thousand End Users

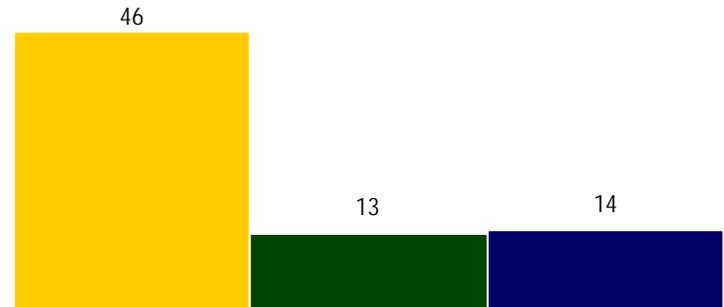


*1897 Customer Database Profiles*

Programming Languages



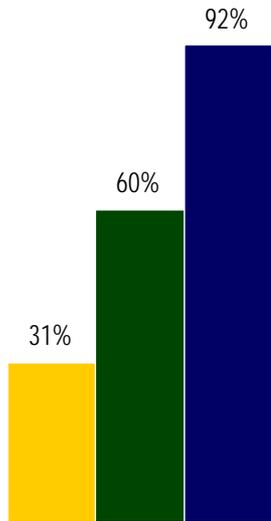
Databases Platforms



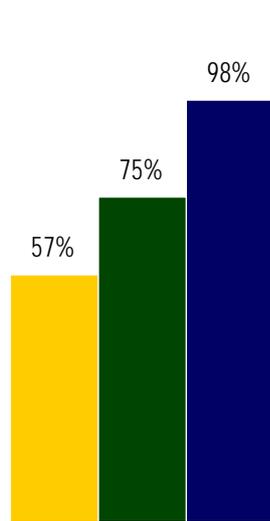
■ State of Ohio 
 ■ Comparable Orgs 
 ■ World-Class

# Shifting Resources from Technology Infrastructure to Application Management May Improve Effectiveness for the Organization Overall

Projects Managed Through a PMO

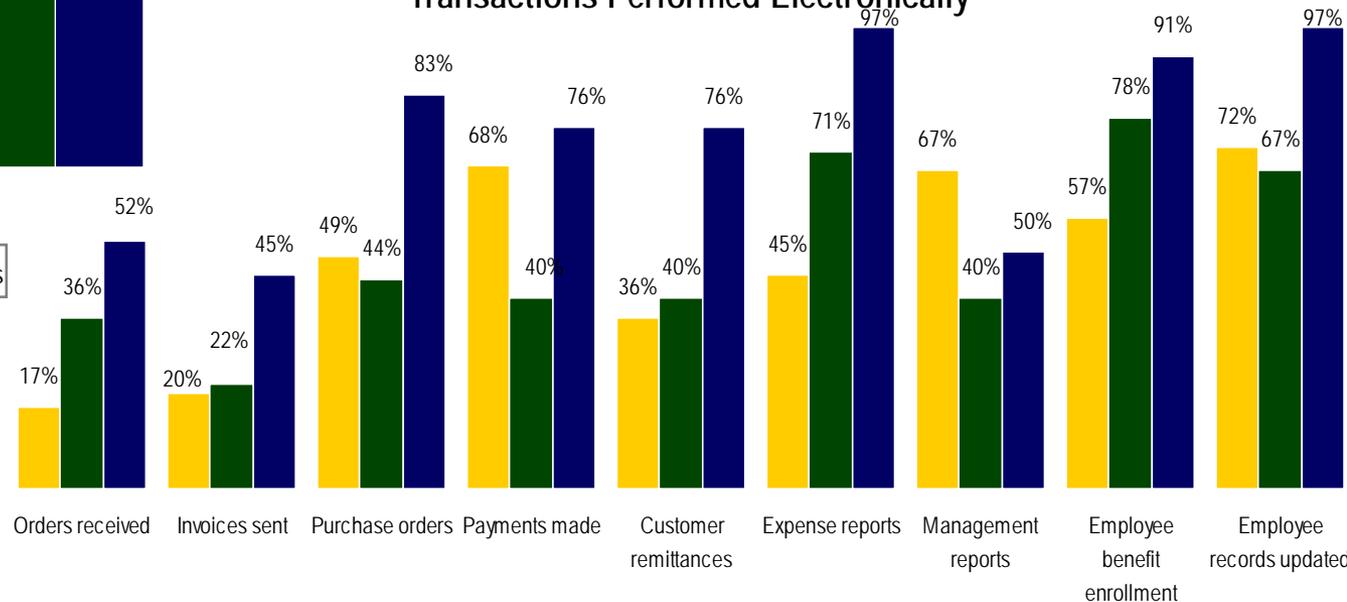


Projects Using Standard Methods



*World-Class organizations leverage technology to outperform their peers and view IT as an enabler instead of cost center. IT works with the other functions and the business units to eliminate unnecessary complexity in their application portfolio and the infrastructure, which decreases the cost of 'keeping the lights on', resulting in more discretionary dollars. Attacking complexity requires an investment, support from top leadership, and coordination across the enterprise.*

Transactions Performed Electronically



# State of Ohio's IT Cost Differences

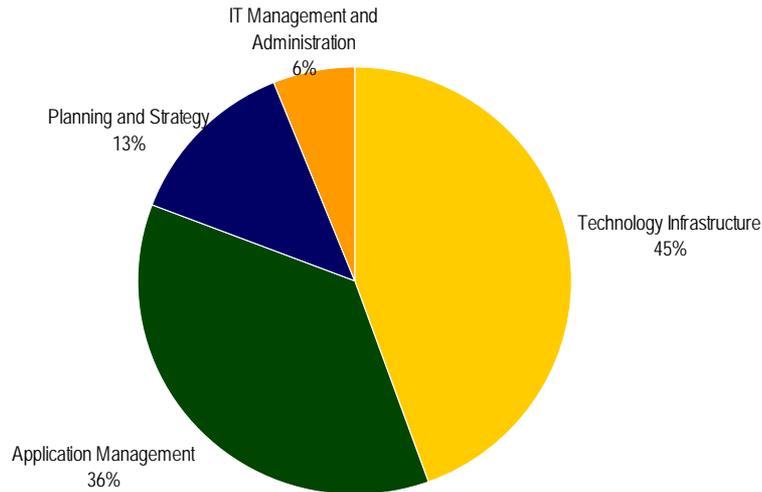
IT Processes	State of Ohio's Costs (in Millions)	State of OH's Gap to Comp Orgs (in Millions)	State of Ohio's Gap to World-Class (in Millions)
Technology Infrastructure	162.5	19.9	59.0
Application Management	132.8	(39.6)	(58.0)
Planning and Strategy	48.1	29.1	33.9
Management and Administration	22.0	0.2	2.7
<b>Total Process Costs</b>	<b>365.4</b>	<b>9.7</b>	<b>37.5</b>
Technology Cost	254.5	(18.0)	(35.1)
Other Cost	40.7	2.6	9.3
<b>Total IT Cost</b>	<b>660.6</b>	<b>(5.6)</b>	<b>11.7</b>

Comments	<ul style="list-style-type: none"> <li> <b>Cost Differences:</b> The cost differences shown are mathematical calculations intended to give an understanding of processes with potential for performance improvement . Areas of focus and actual performance improvement targets should be developed only after considering issues such as organizational structure, business requirements, regulatory requirements, investments required and other factors.         </li> </ul>
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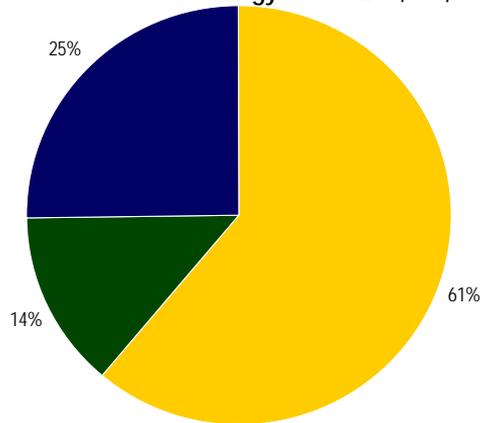
\* Values in \$.

# State of Ohio's Cost Distribution Across Labor, Outsourcing, Technology and Other Categories

Process Cost Allocation (includes labor and outsourcing)

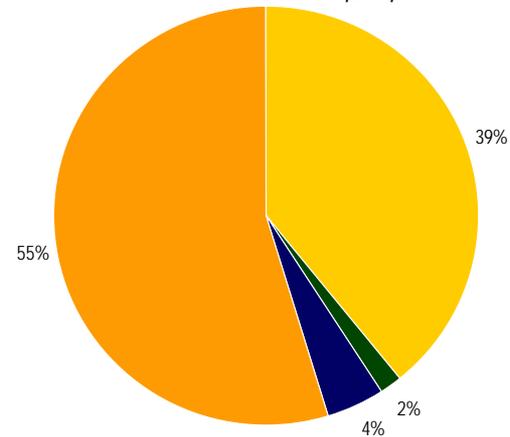


Technology Cost Distribution  
IT – Technology Cost – 254,543,046



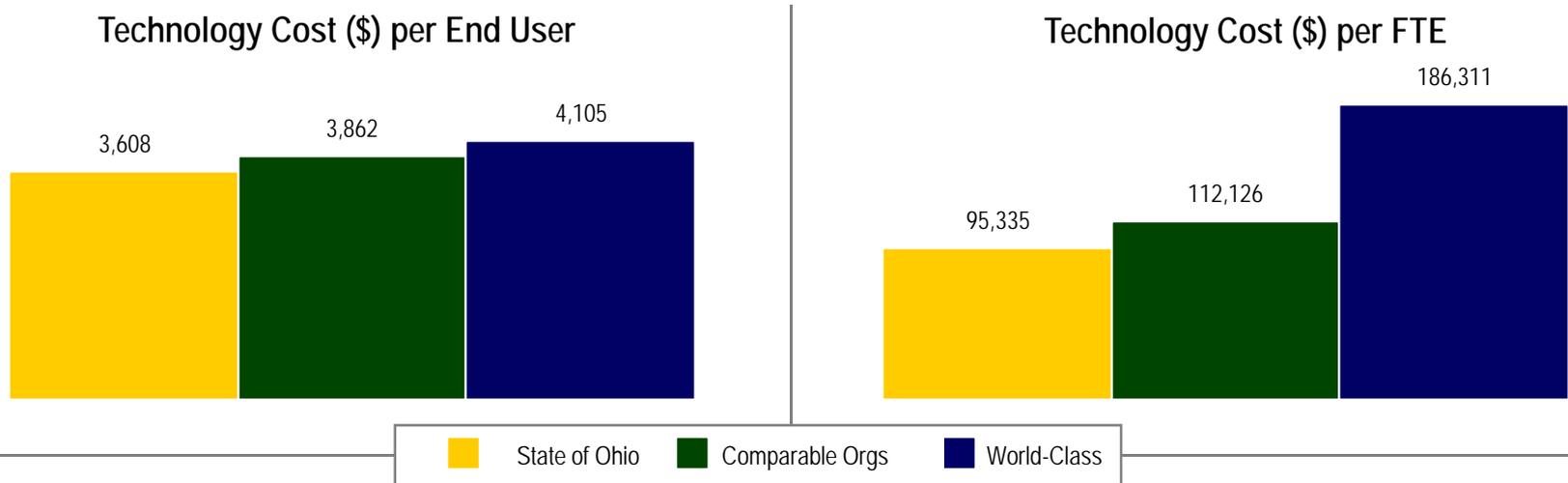
Hardware and Software Voice & Data Communication Depreciation

IT Other Cost Distribution  
IT – Other Cost – 40,697,940



Facilities and Overhead Travel and Expense Training Other

# Technology Cost per End User and Technology Cost per FTE



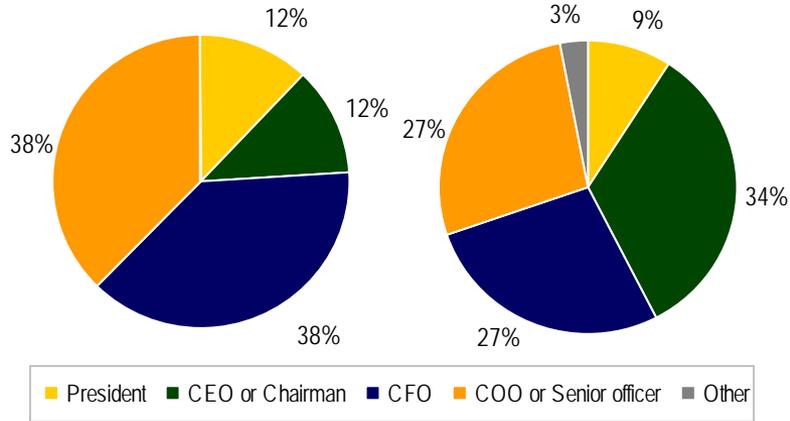
Comments	<ul style="list-style-type: none"> <li>▪ <b>Technology:</b> Top performing companies typically have higher technology cost per End User and technology cost per FTE, with lower actual FTE counts in total.</li> <li>▪ Technology costs include hardware, software, depreciation, networking, telecommunications and support costs</li> <li>▪ Technology Cost will vary based upon the age of the applications and the stage of the investment cycle.</li> <li>▪ Best Practice: Standardize and simplify technology across the enterprise</li> </ul>
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# Reporting, Executive Committee Participation and Budgetary Control

Reporting Channel of Senior IT Leader

World-Class

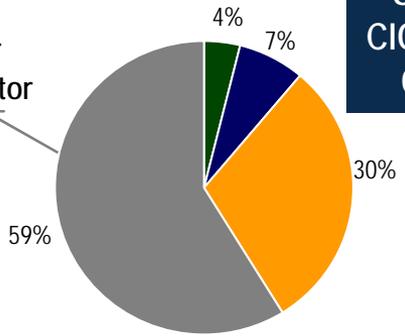
Comparable Orgs



State of Ohio

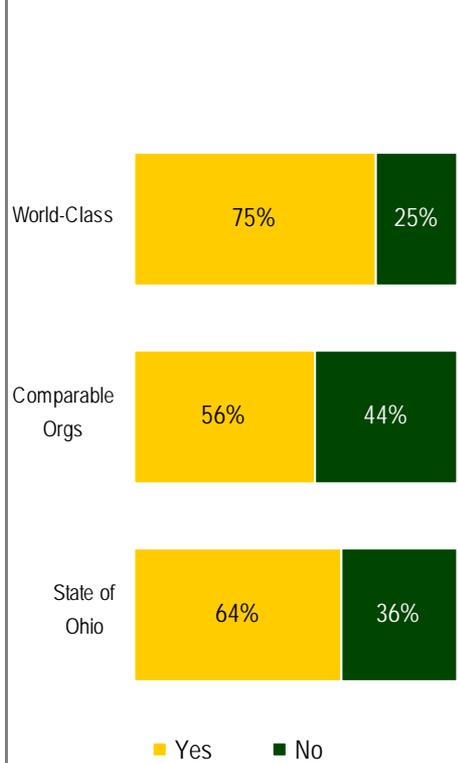
**State-wide CIO reports to Governor**

Director or Deputy Director



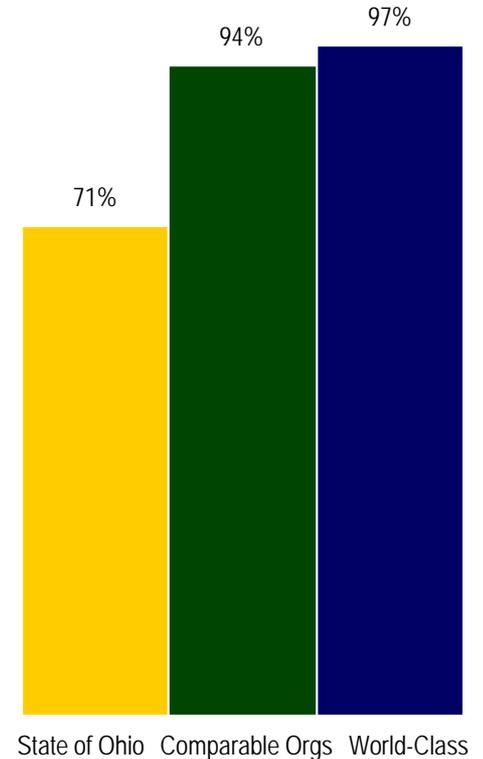
*Best Practice - Sr. IT Lead reports to CEO*

CIO Member of Senior Executive Committee (World-Class comparison)



*Best Practice - Sr. IT Leader is member of Exec committee*

% of Total IT Budget Controlled by IT Executive



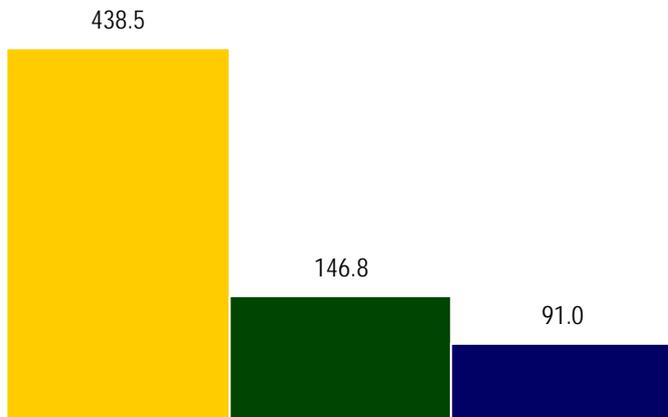
*Best Practice - IT controls 100% of the budget*

# Planning & Strategy FTEs and Costs

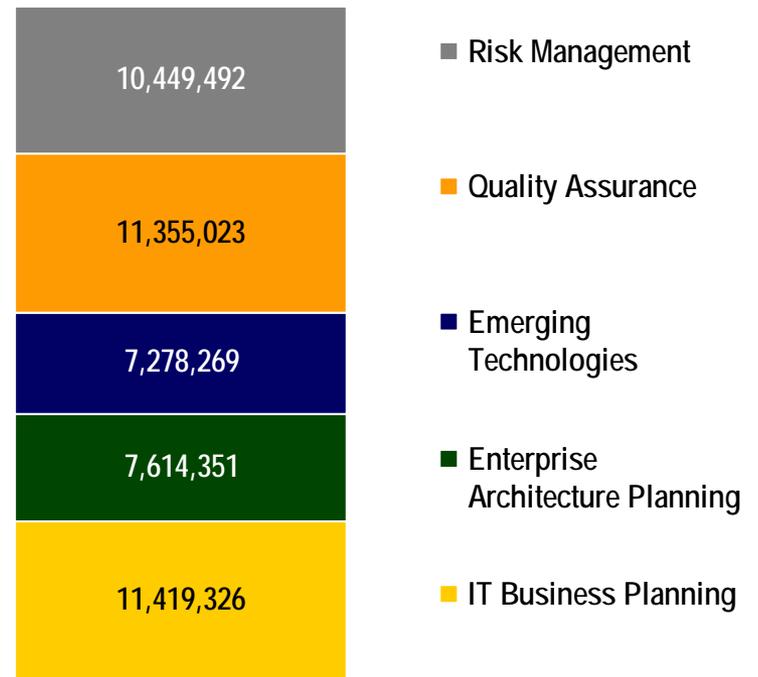
Planning & Strategy Process Cost (\$) per End User



Planning & Strategy FTEs

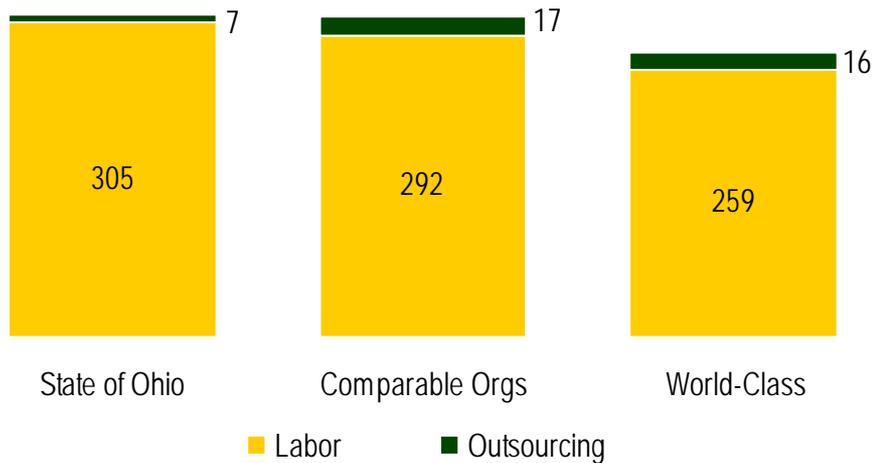


State of Ohio's Planning & Strategy Process Cost (\$) by Process Group

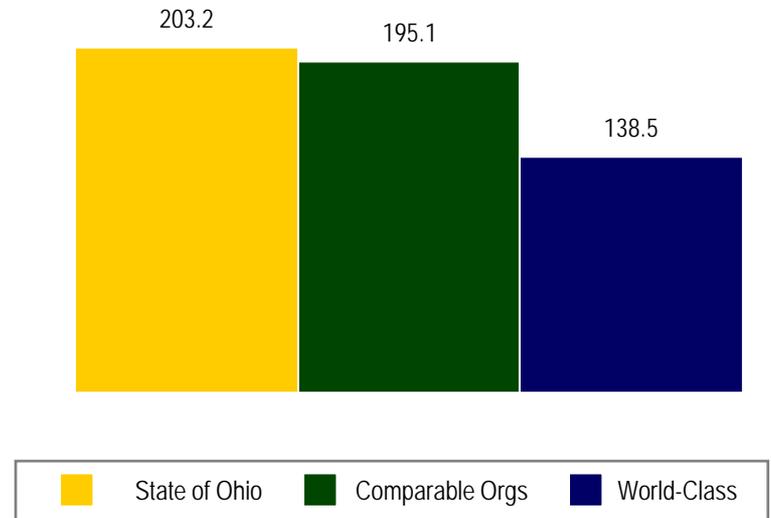


# IT Management & Administration FTEs and Cost

IT Management & Administration Process Cost (\$) per End User



IT Management & Administration FTEs

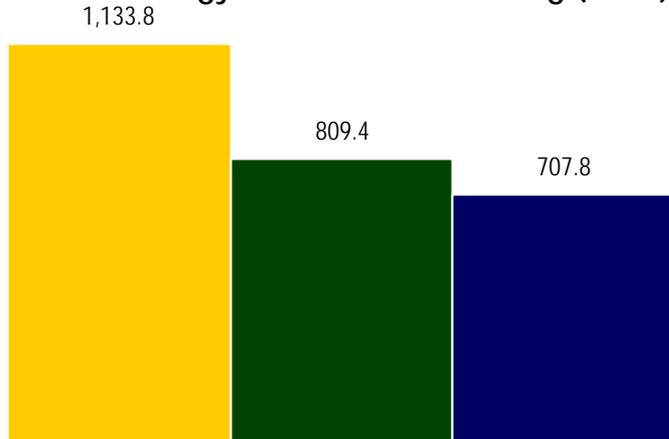


# Technology Infrastructure FTEs and Costs

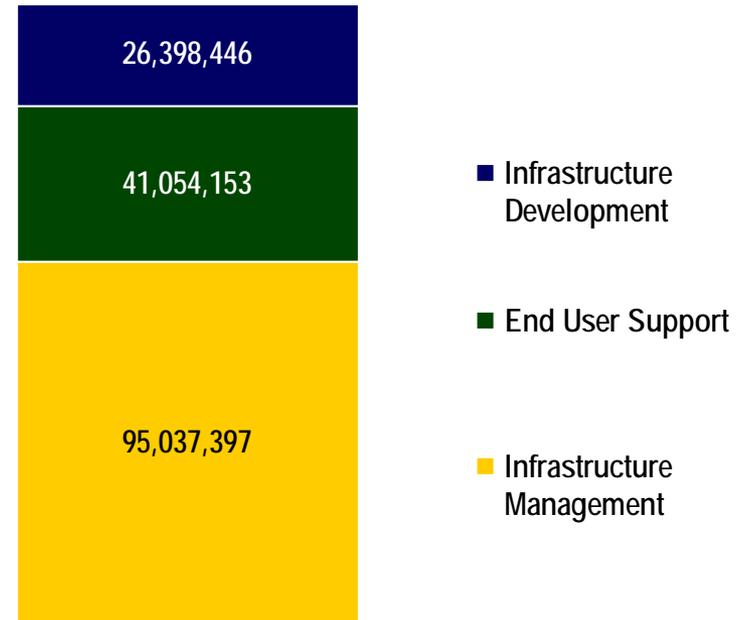
Technology Infrastructure Process Cost (\$) per End User



Technology Infrastructure Staffing (FTEs)



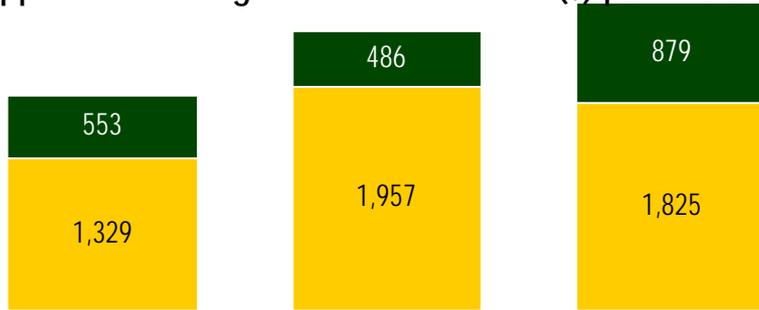
State of Ohio's Technology Infrastructure Process Cost (\$) by Process Group



- Infrastructure Development
- End User Support
- Infrastructure Management

# Application Management FTEs and Costs

Application Management Process Cost (\$) per End User



State of Ohio

Comparable Orgs

World-Class

■ Labor

■ Outsourcing



State of Ohio

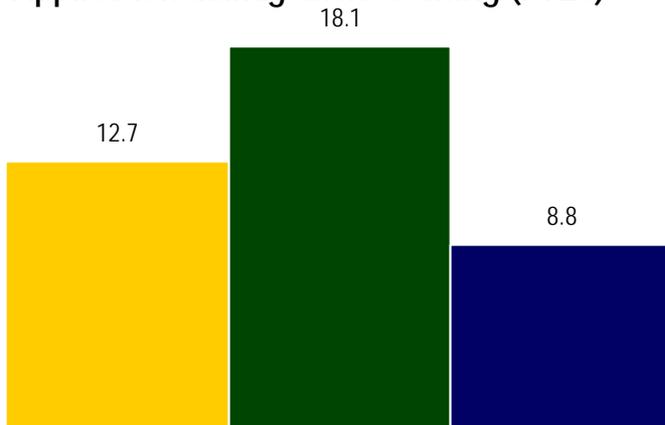


Comparable Orgs

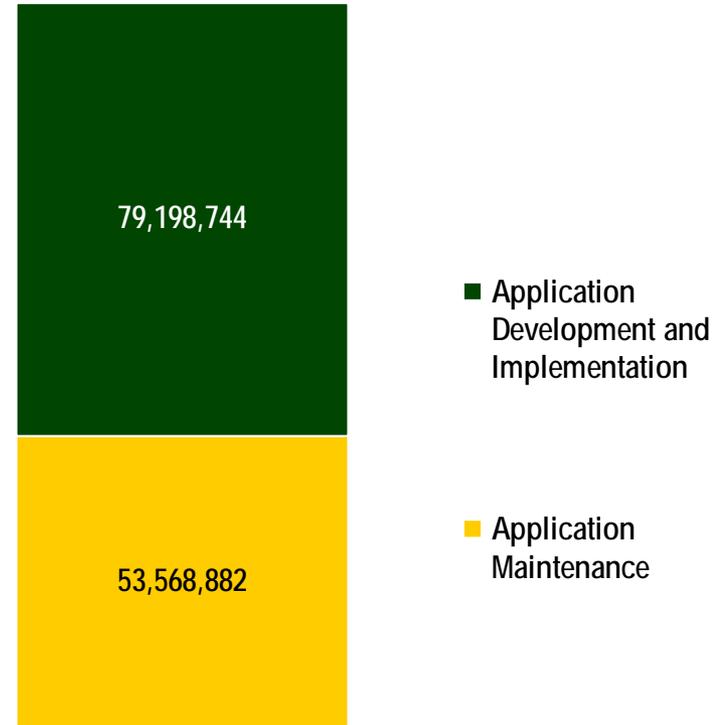


World-Class

Application Management Staffing (FTEs)



Application Management Process Cost (\$) by Process Group

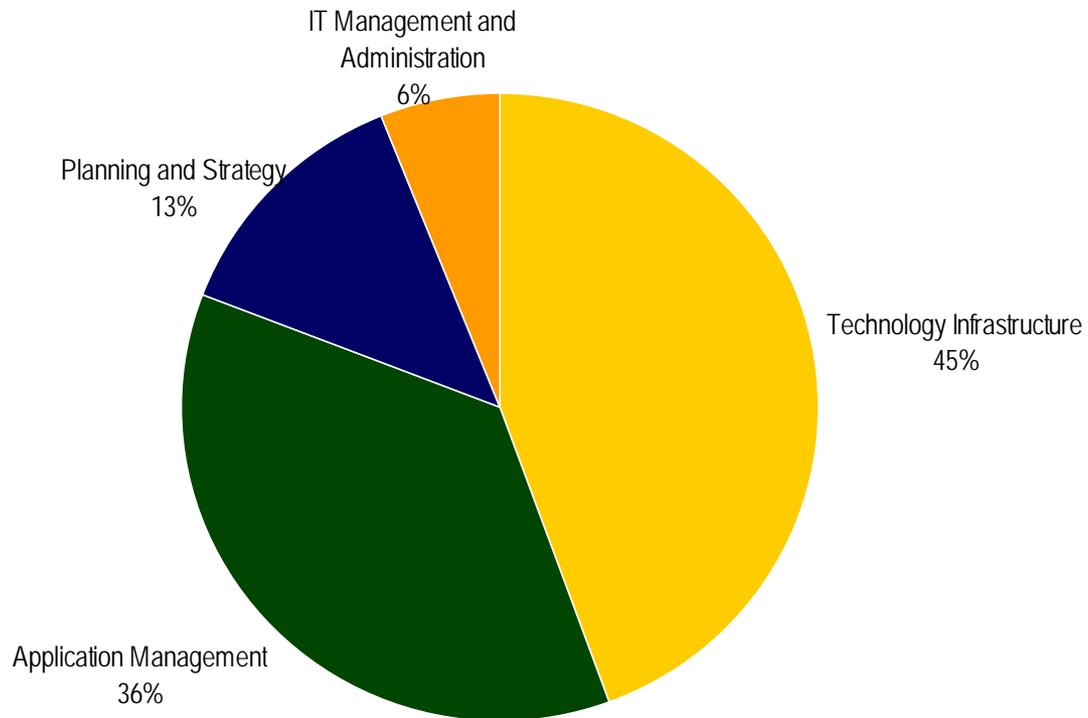


■ Application Development and Implementation

■ Application Maintenance

# State of Ohio's Process Cost Allocation

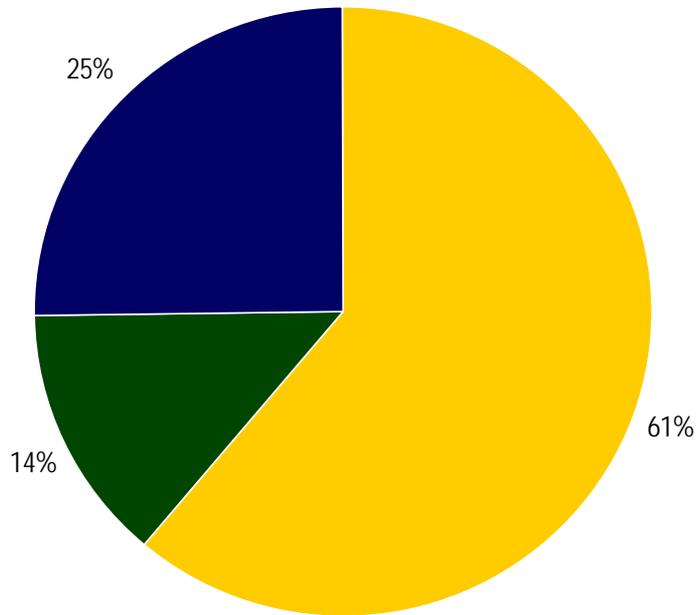
Process Cost Allocation (includes labor and outsourcing)



# State of Ohio's Technology and Other Costs

## Technology Cost Distribution

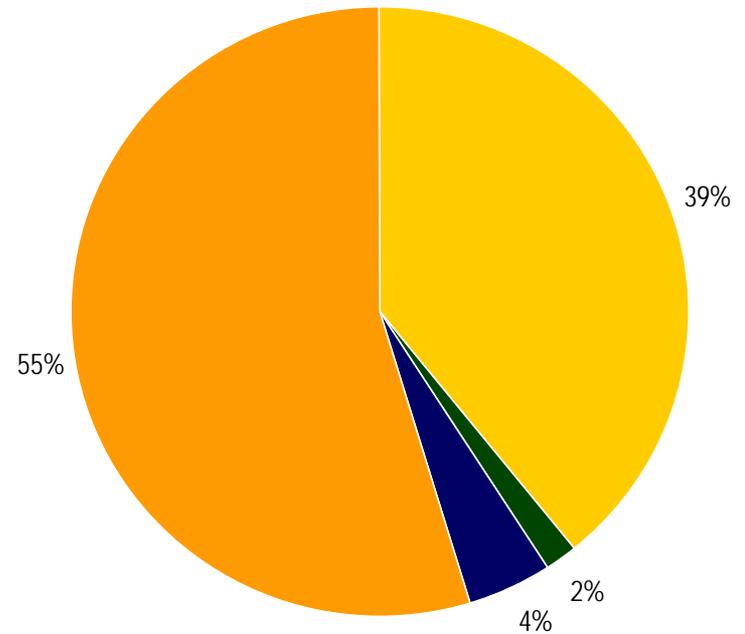
IT – Technology Cost – 254,543,046



Hardware and Software    Voice & Data Communication    Depreciation

## IT Other Cost Distribution

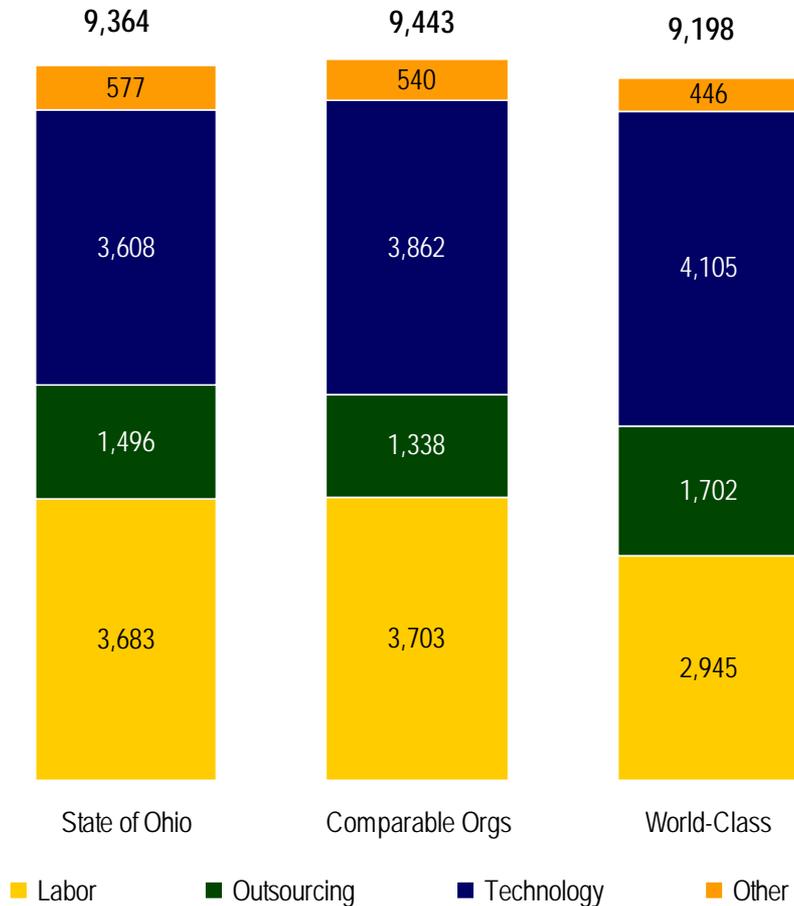
IT – Other Cost – 40,697,940



Facilities and Overhead    Travel and Expense    Training    Other

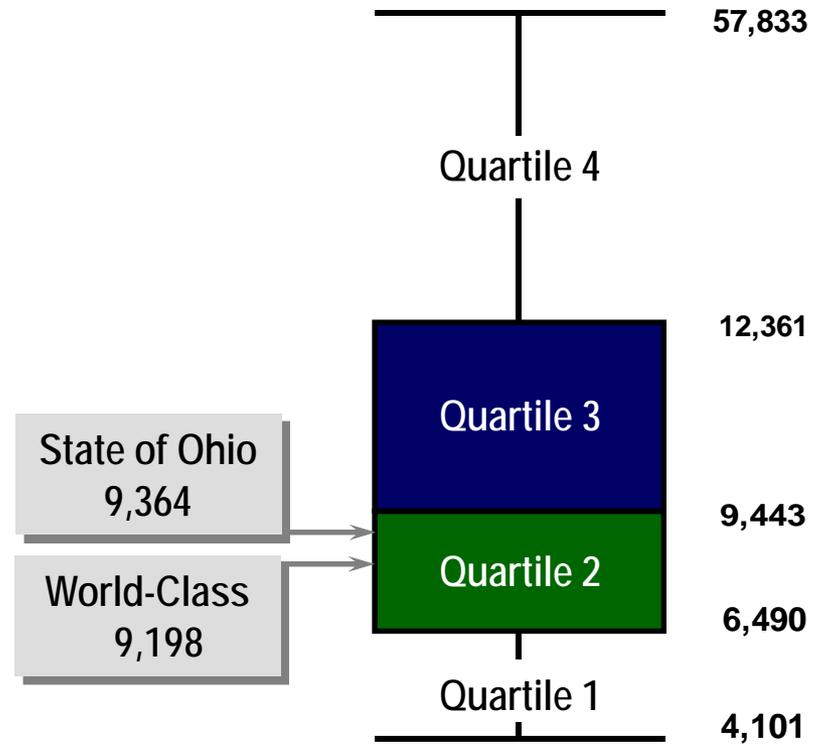
# IT Cost per End User by Quartile

IT Cost (\$) per End User



Comparable Org Quartile Breakdown

IT Cost (\$) per End User

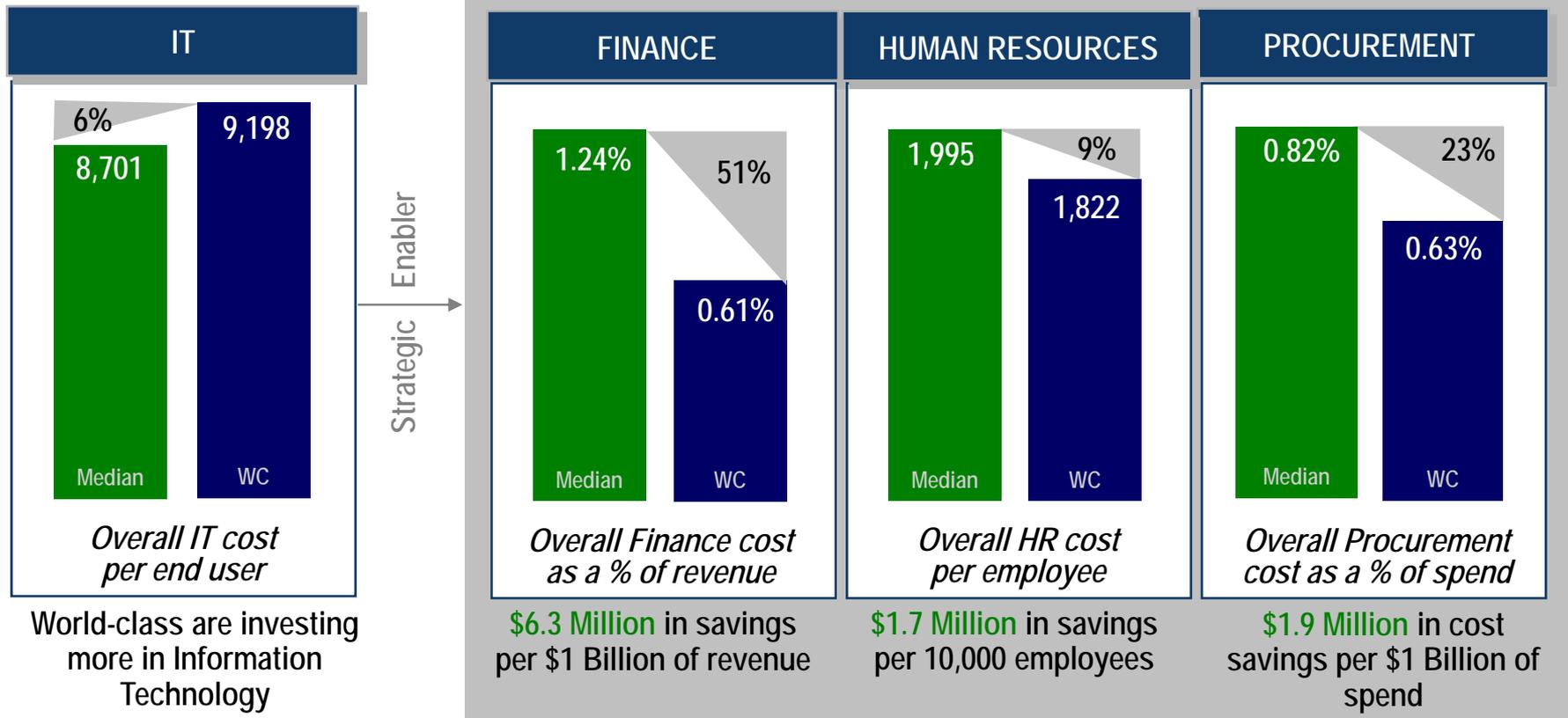


Comments

- Positioning by quartile on this chart is on a cost basis only. It does not take into account effectiveness of services provided. Your company's cost per end user result is provided in the left hand chart.

# World-Class Organizations Leverage Technology to Fundamentally Outperform Comparable Orgs\* Across the Board

Hackett 2007 Functional Performance Data - *Select SG&A Functions*

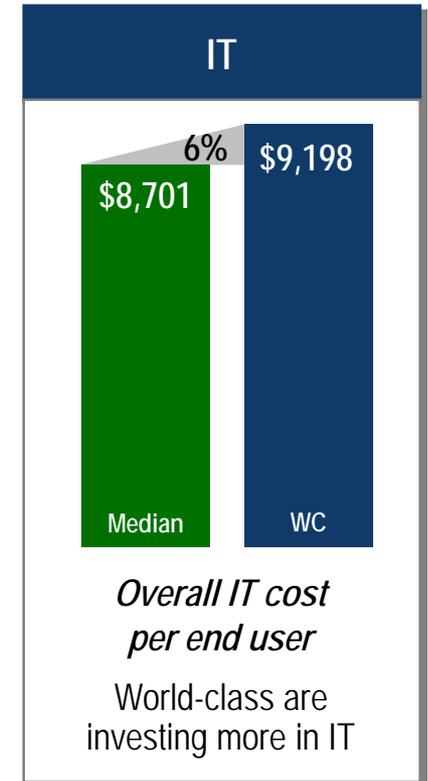


## Where is the opportunity for IT to add value?

\* "Comparable Orgs" refer to the median of the overall IT database. The comparable org median on this slide is different than the selected comparable org group for your organization.

# Excellence is no Accident... World-Class Organizations Operate and Perform Very Differently than Median Comparable Orgs\*

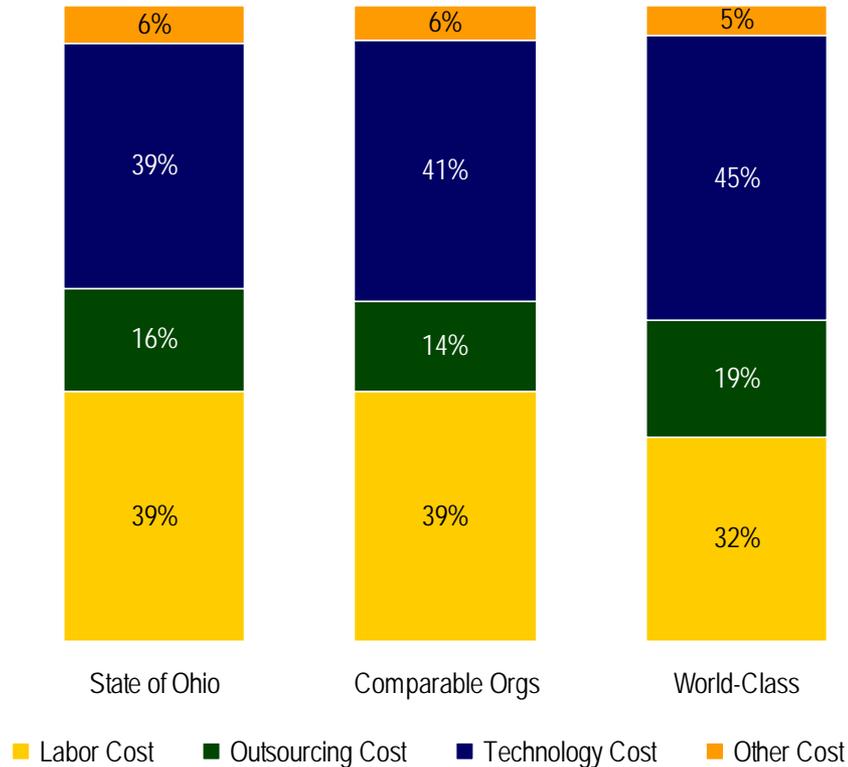
- World-Class companies view IT as an enabler instead of cost center. IT works with the other functions and the business units to eliminate unnecessary complexity in their application portfolio and the infrastructure, which decreases the cost of 'keeping the lights on', resulting in more discretionary dollars. Attacking complexity requires an investment, support from top leadership, and coordination across the enterprise
- World-Class companies spend more in comparison to non world-class companies. World-Class companies invest more in technology and pay more to get and keep the right IT talent



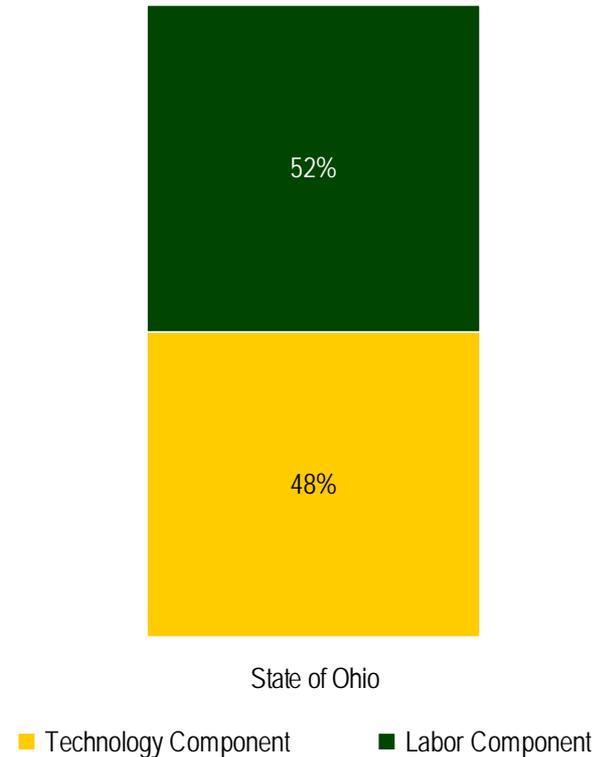
\* "Comparable Orgs" refers to the median of the overall IT database. The comparable org median on this slide is different than the selected comparable org group for your organization.

# State of Ohio's Cost Distribution by Percentage

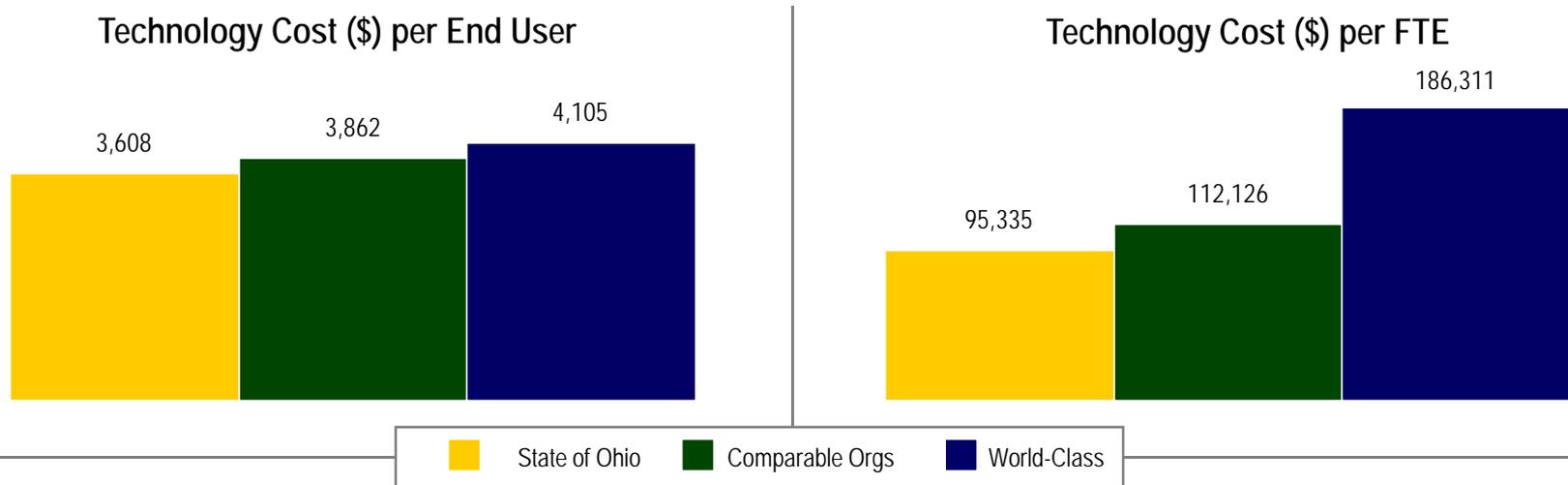
## IT Cost Distribution (\$)



## Outsourcing Cost Distribution Labor vs. Technology



# Technology Cost per End User and Technology Cost per FTE



<b>Comments</b>	<ul style="list-style-type: none"> <li>▪ <b>Technology:</b> Top performing companies typically have higher technology cost per End User and technology cost per FTE, with lower actual FTE counts in total.</li> <li>▪ Technology costs include hardware, software, depreciation, networking, telecommunications and support costs</li> <li>▪ Technology Cost will vary based upon the age of the applications and the stage of the investment cycle.</li> <li>▪ Best Practice: Standardize and simplify technology across the enterprise</li> </ul>
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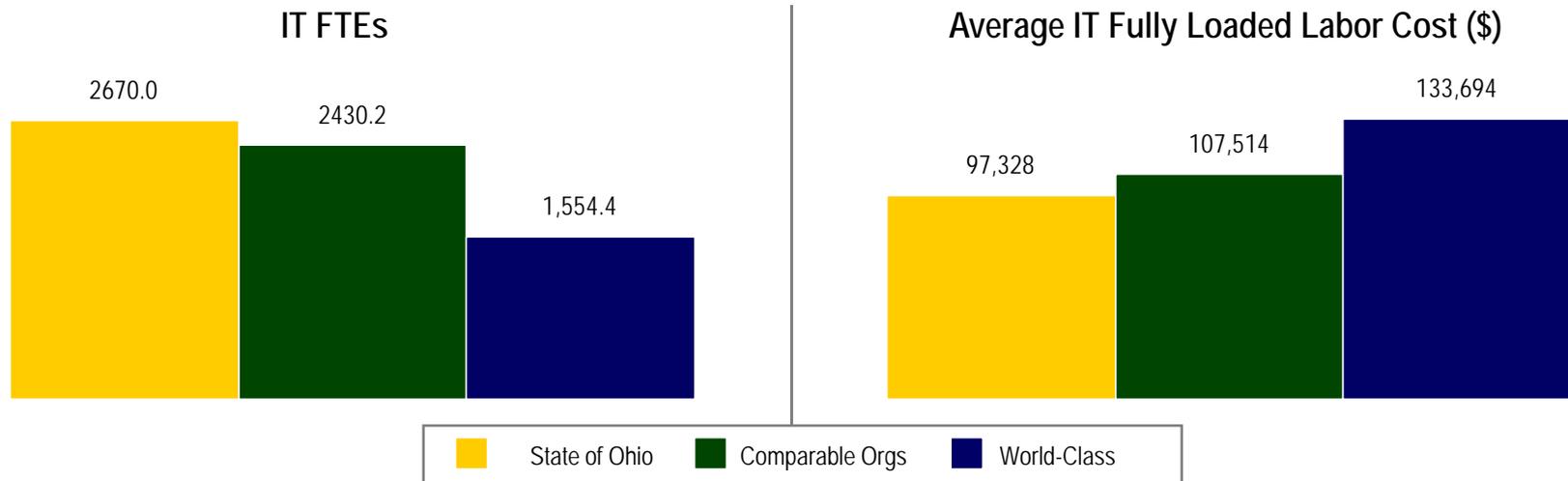
# State of Ohio's IT Cost Differences

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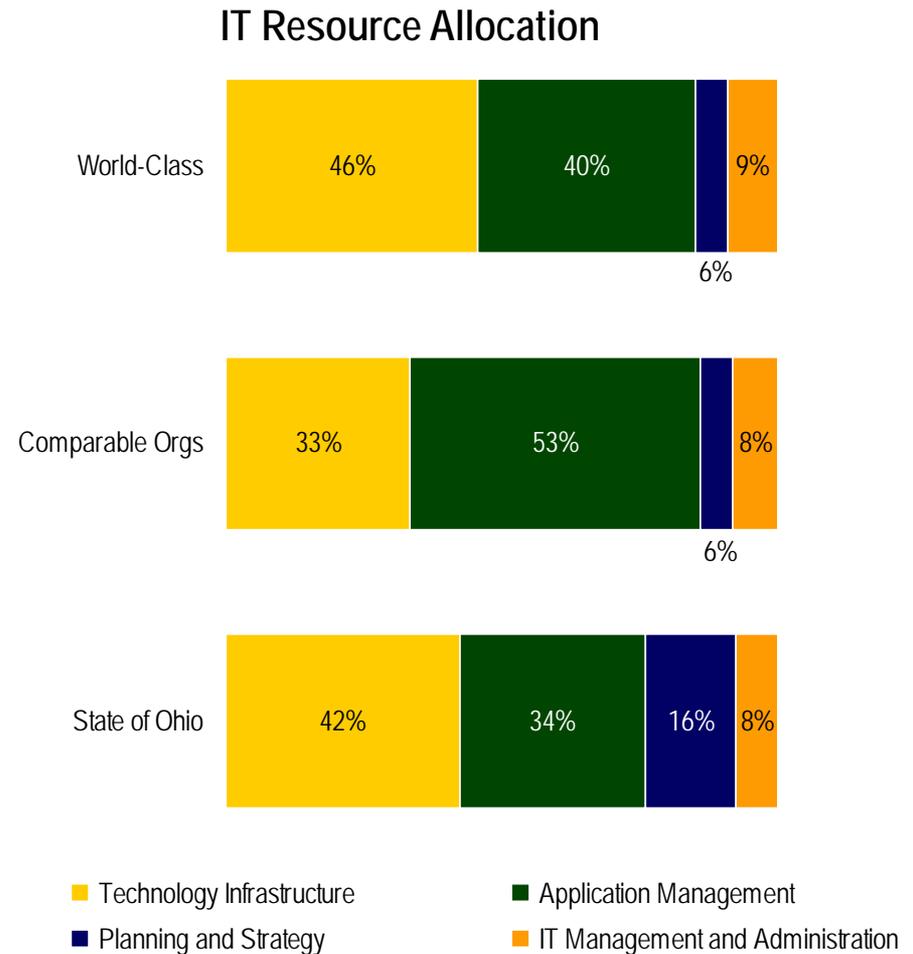
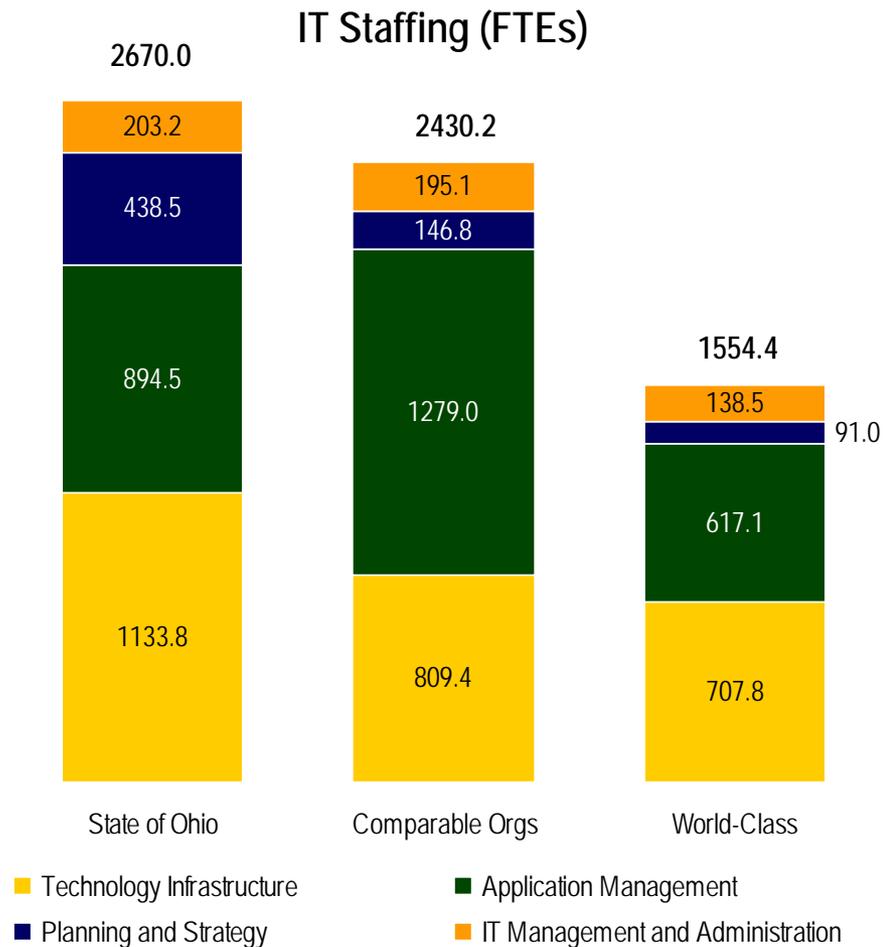
Comments	<ul style="list-style-type: none"> <li> <b>Cost Differences:</b> The cost differences shown are mathematical calculations intended to give an understanding of processes with potential for performance improvement . Areas of focus and actual performance improvement targets should be developed only after considering issues such as organizational structure, business requirements, regulatory requirements, investments required and other factors.         </li> </ul>
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\* Values in \$.

# IT Staffing and Labor Rates

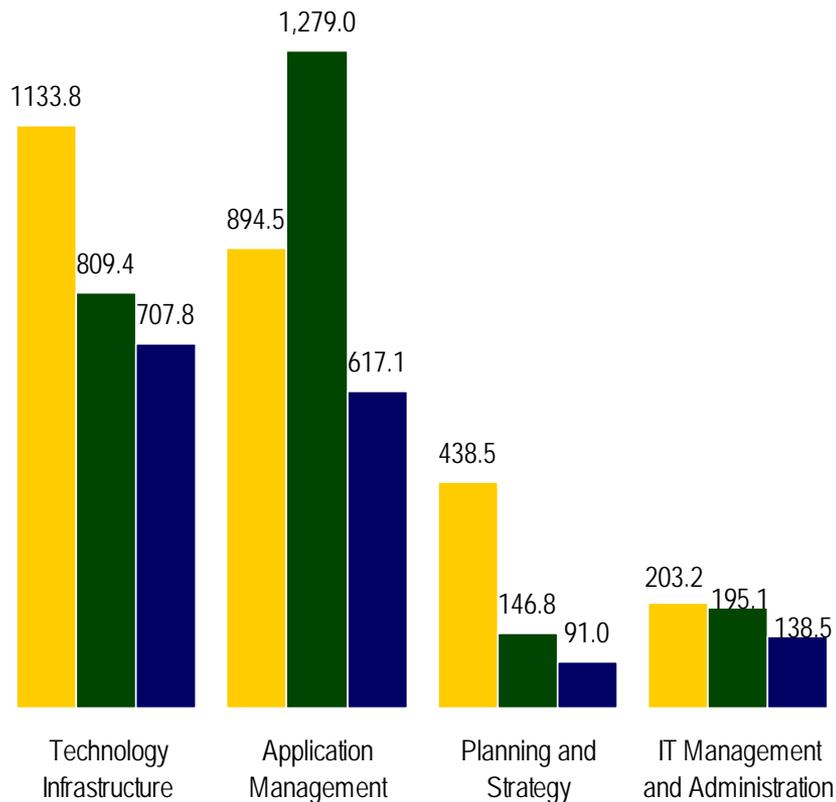


# IT Overall Staffing and Resource Allocation

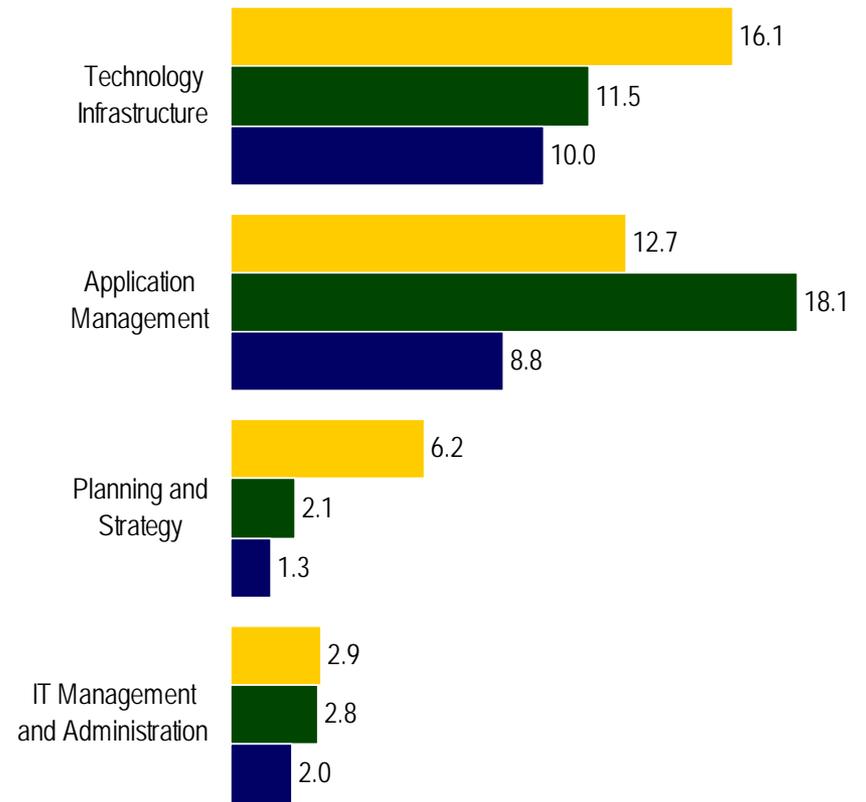


# IT Staffing and Resource Allocation by Process

## IT Resource Allocation



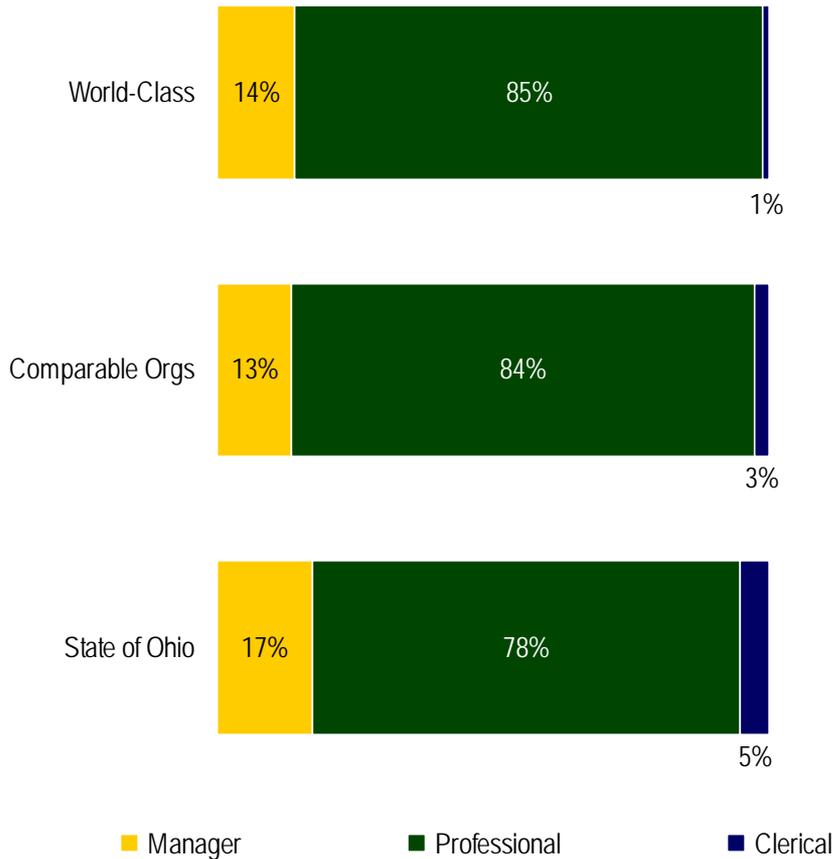
## IT Staffing (FTEs) per 1000 End Users



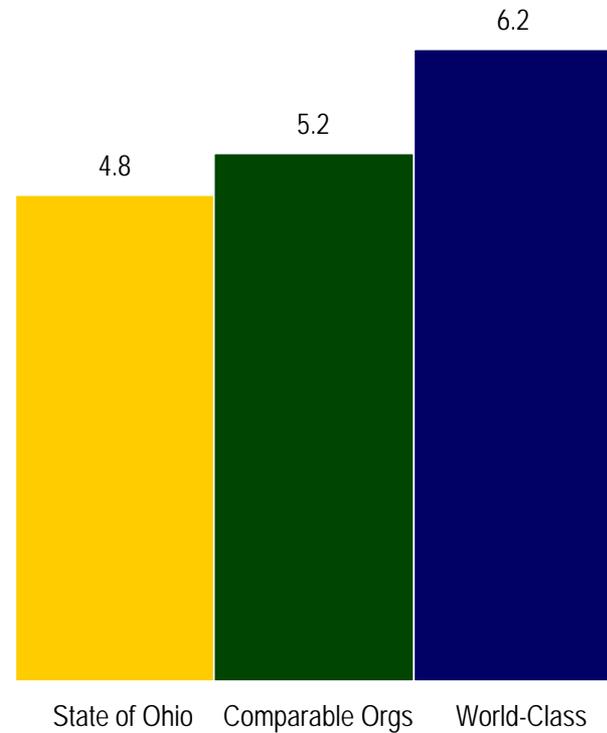
■ State of Ohio 
 ■ Comparable Orgs 
 ■ World-Class

# Staff Mix and Span of Control

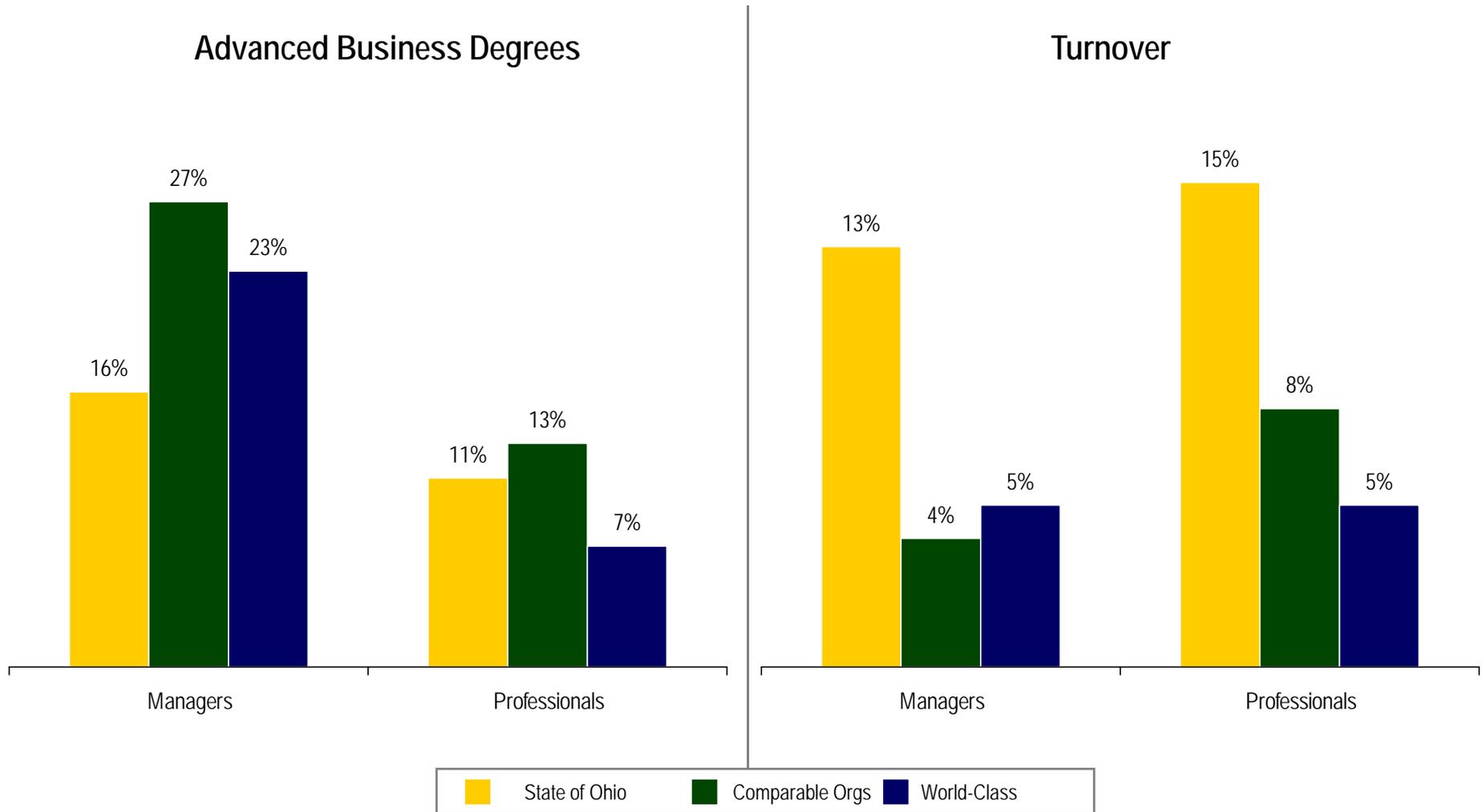
## Staff Mix



## Number of Staff to Managers (Span of Control)

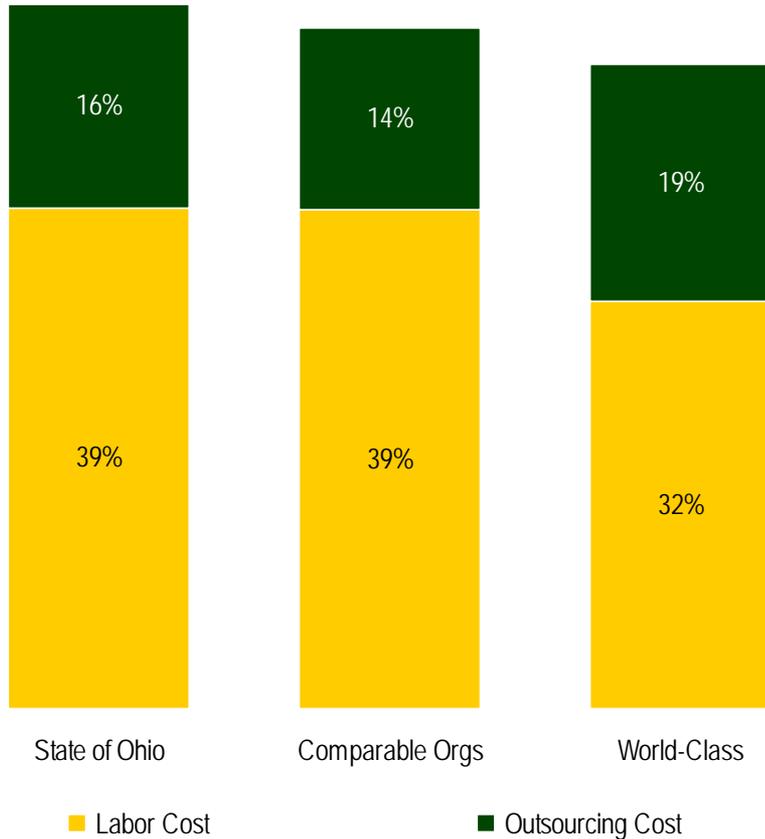


# Formal Business Experience and Turnover of the IT Staff

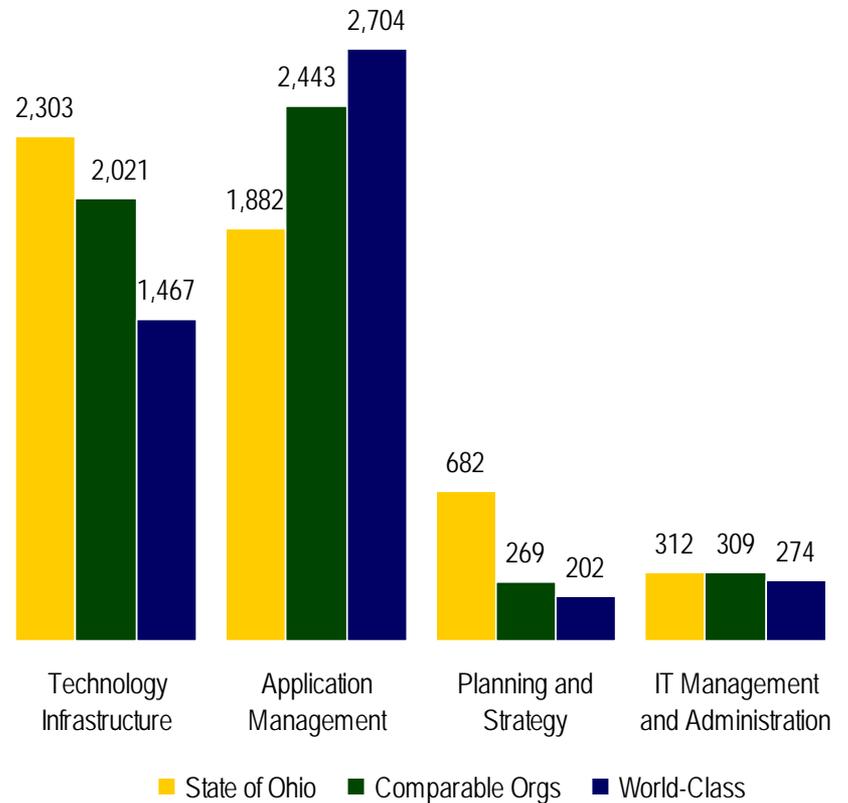


# IT Total Cost Allocation and Process Cost Allocation per End User

## IT Process Cost Allocation per End User



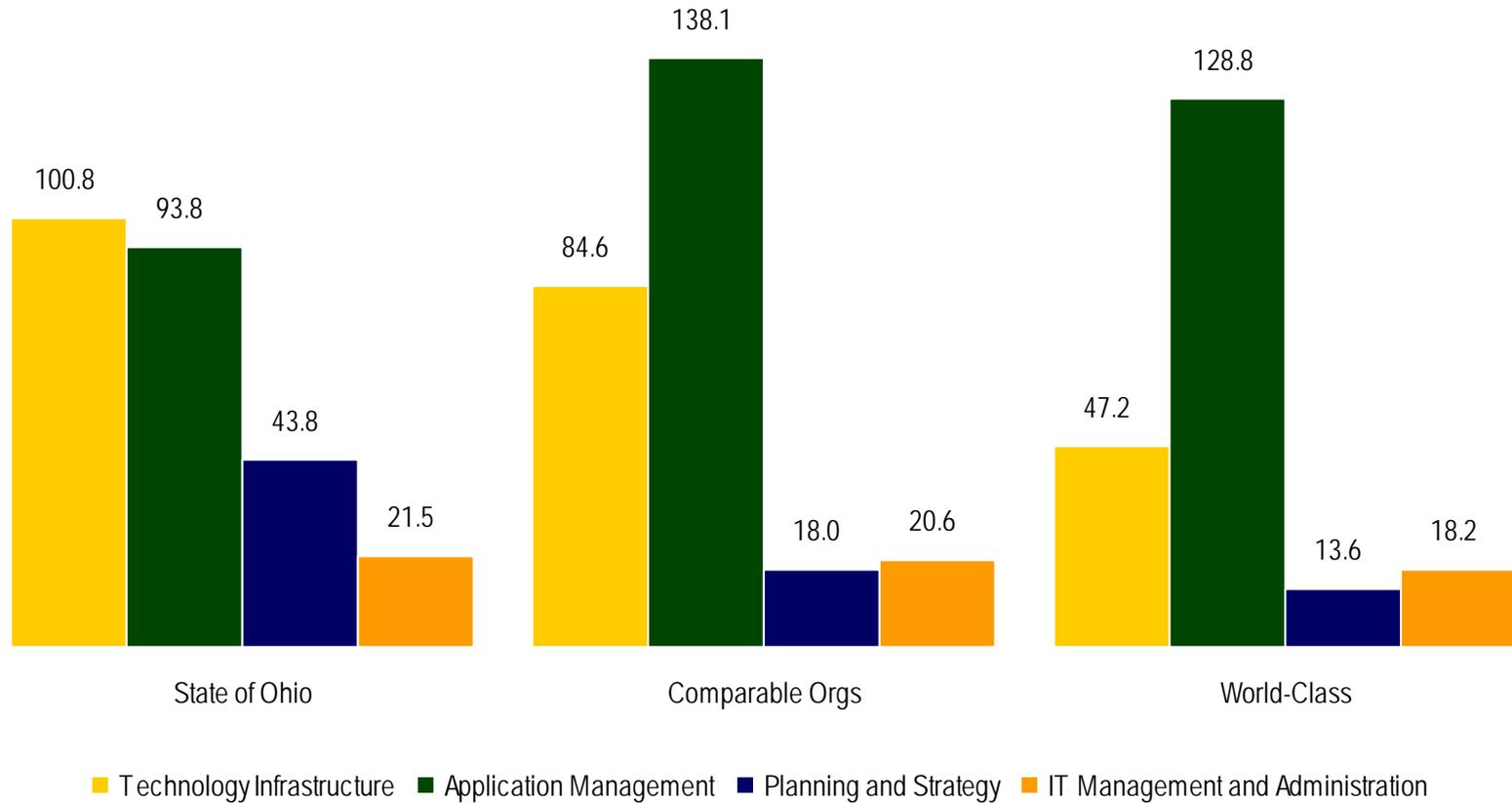
## IT Process Cost Allocation (\$) per End User (includes labor and outsourcing)



# State of Ohio's Labor Cost by Process Group

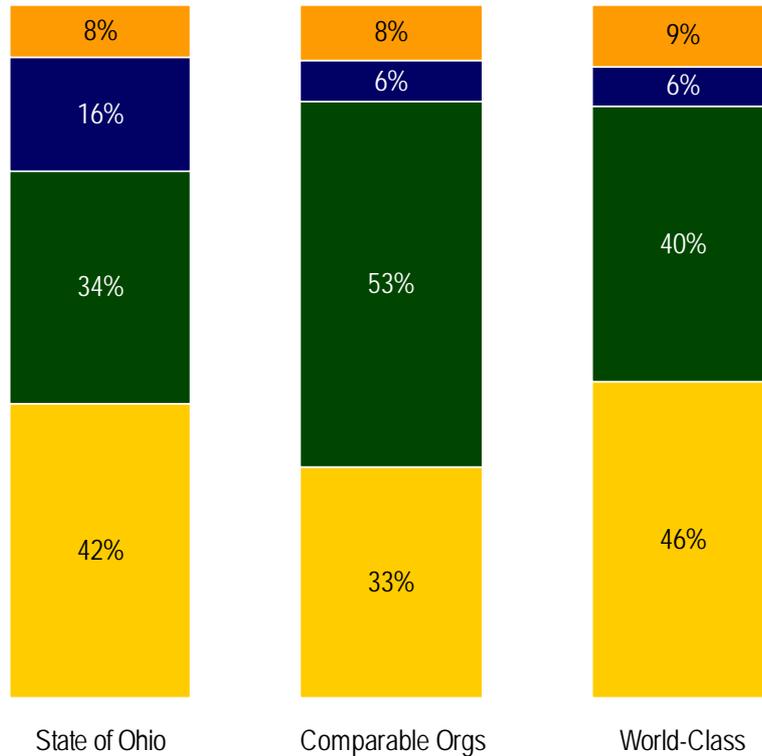
## Labor Cost per by Process Group (in \$ Millions)

**Labor Cost - \$259.86 Million**

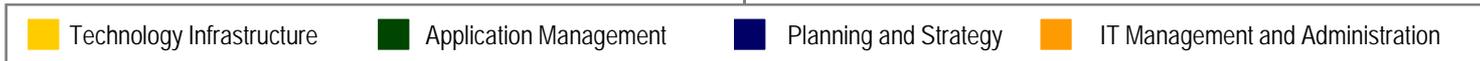
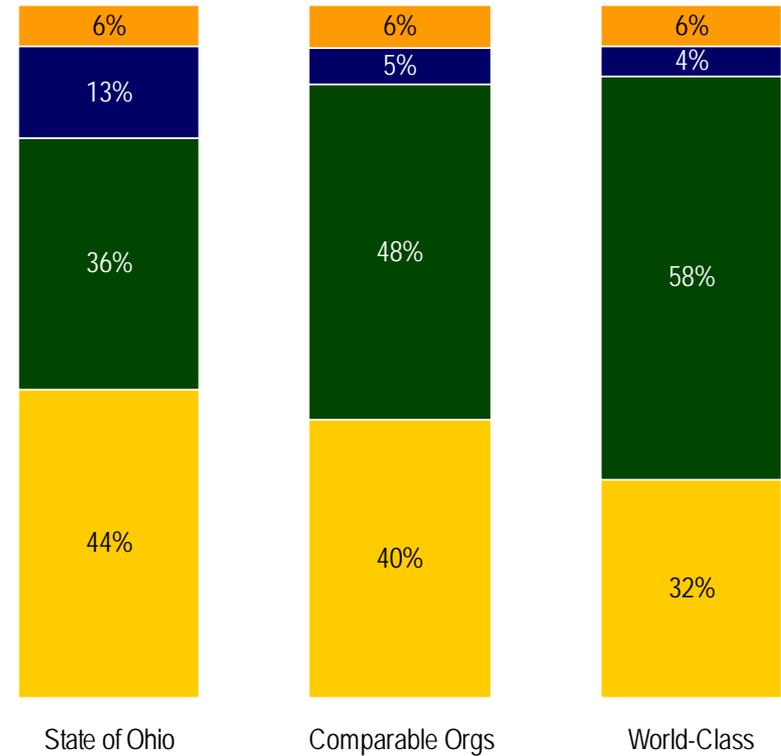


# IT Staffing Allocation in Relation to Process Cost Allocation

## Total IT Staffing Allocation

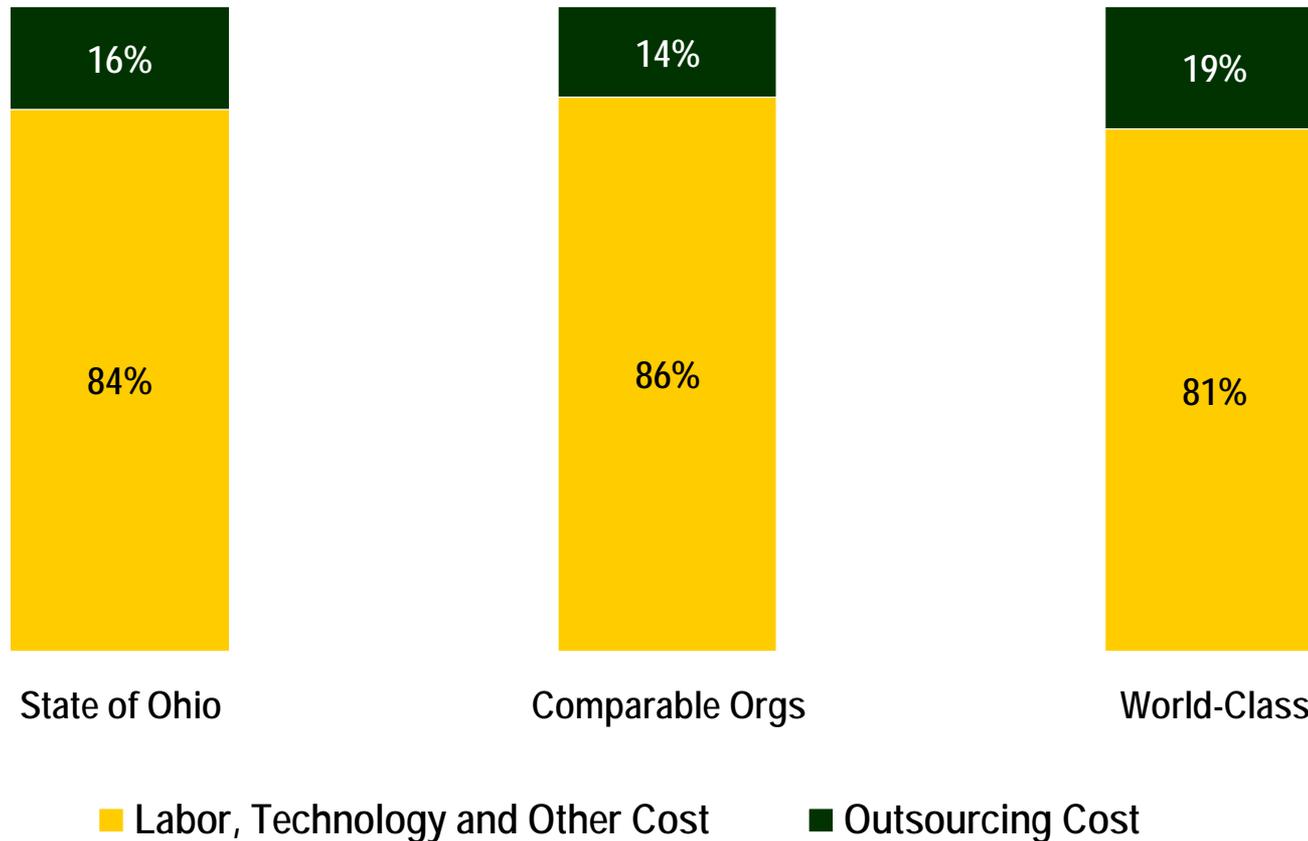


## Total IT Process Cost Allocation (includes labor and outsourcing)



# Percentage of Outsourcing to Total IT Cost

Percent of Outsourcing to Total IT Cost

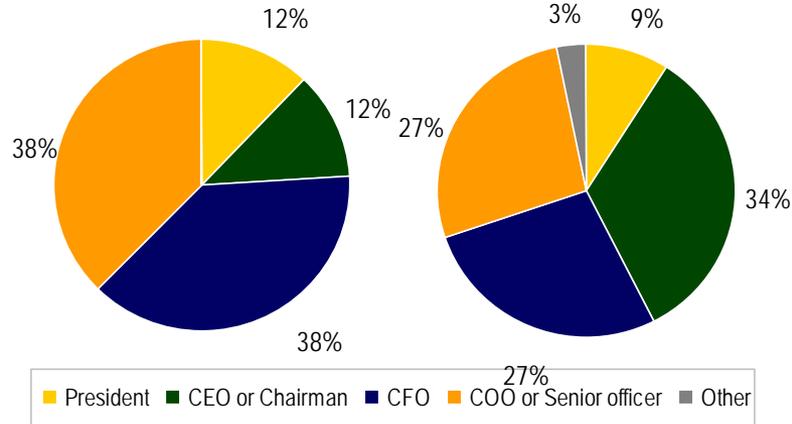


# Reporting, Executive Committee Participation and Budgetary Control

Reporting Channel of Senior IT Leader

World-Class

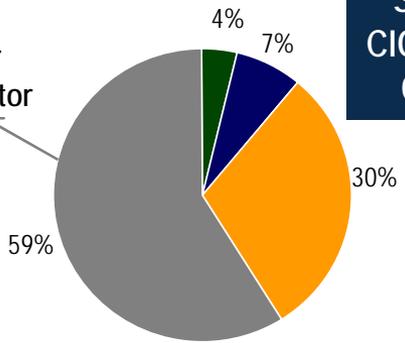
Comparable Orgs



State of Ohio

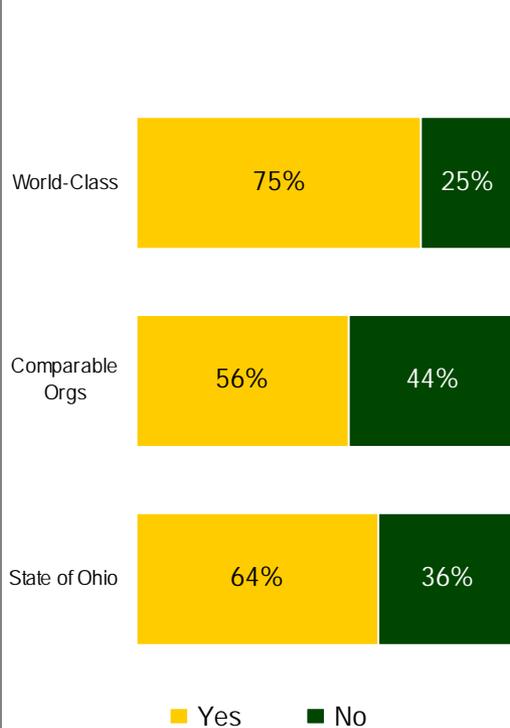
**State-wide CIO reports to Governor**

Director or Deputy Director



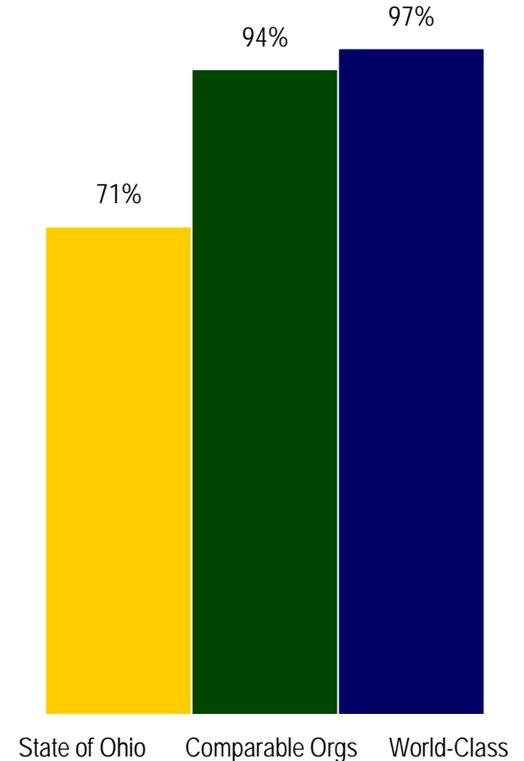
*Best Practice - Sr. IT Lead reports to CEO*

CIO Member of Senior Executive Committee (World-Class comparison)



*Best Practice - Sr. IT Leader is member of Exec committee*

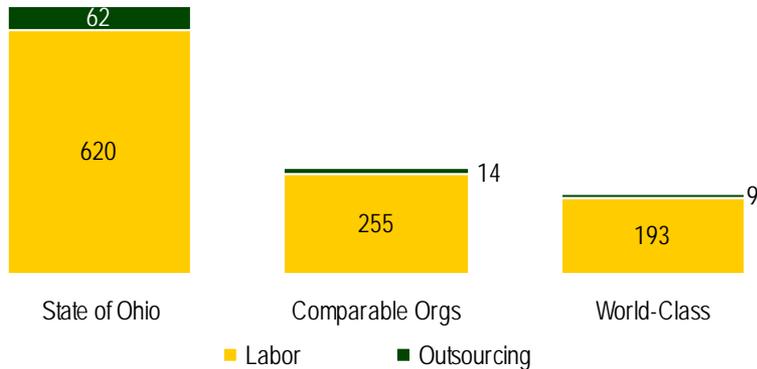
% of Total IT Budget Controlled by IT Executive



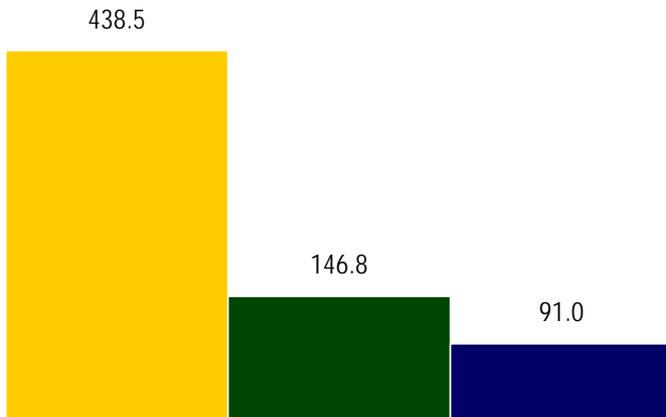
*Best Practice - IT controls 100% of the budget*

# Planning & Strategy FTEs and Costs

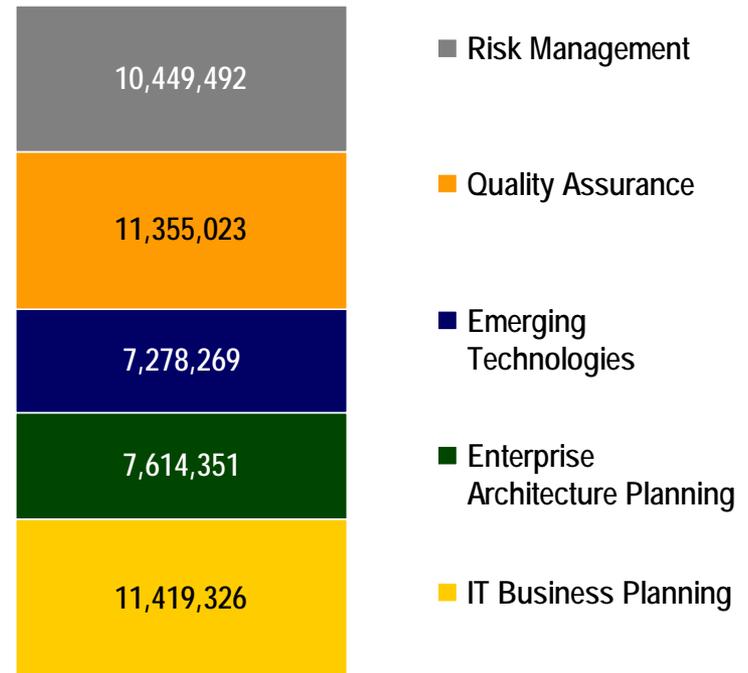
Planning & Strategy Process Cost (\$) per End User



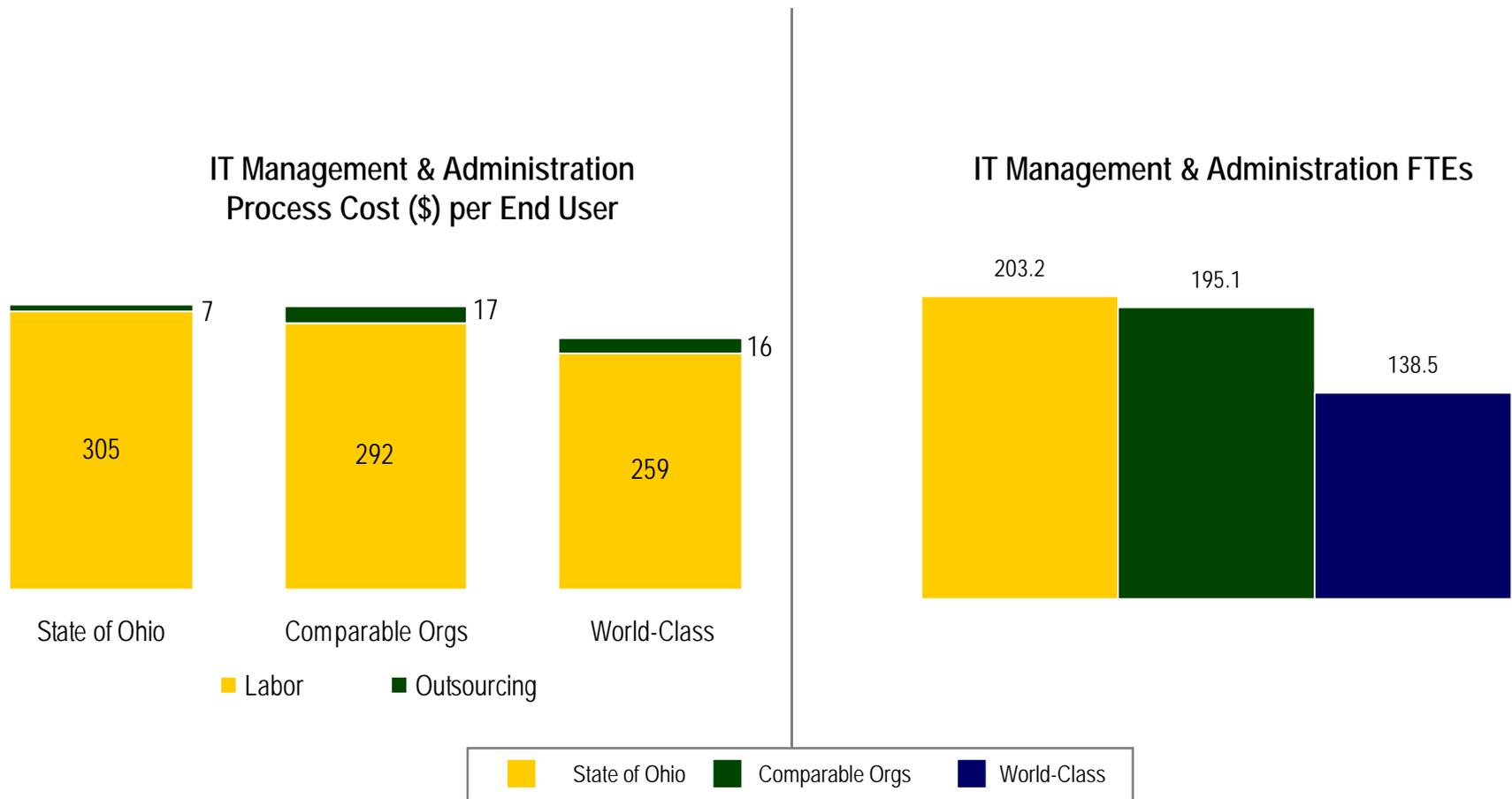
Planning & Strategy FTEs



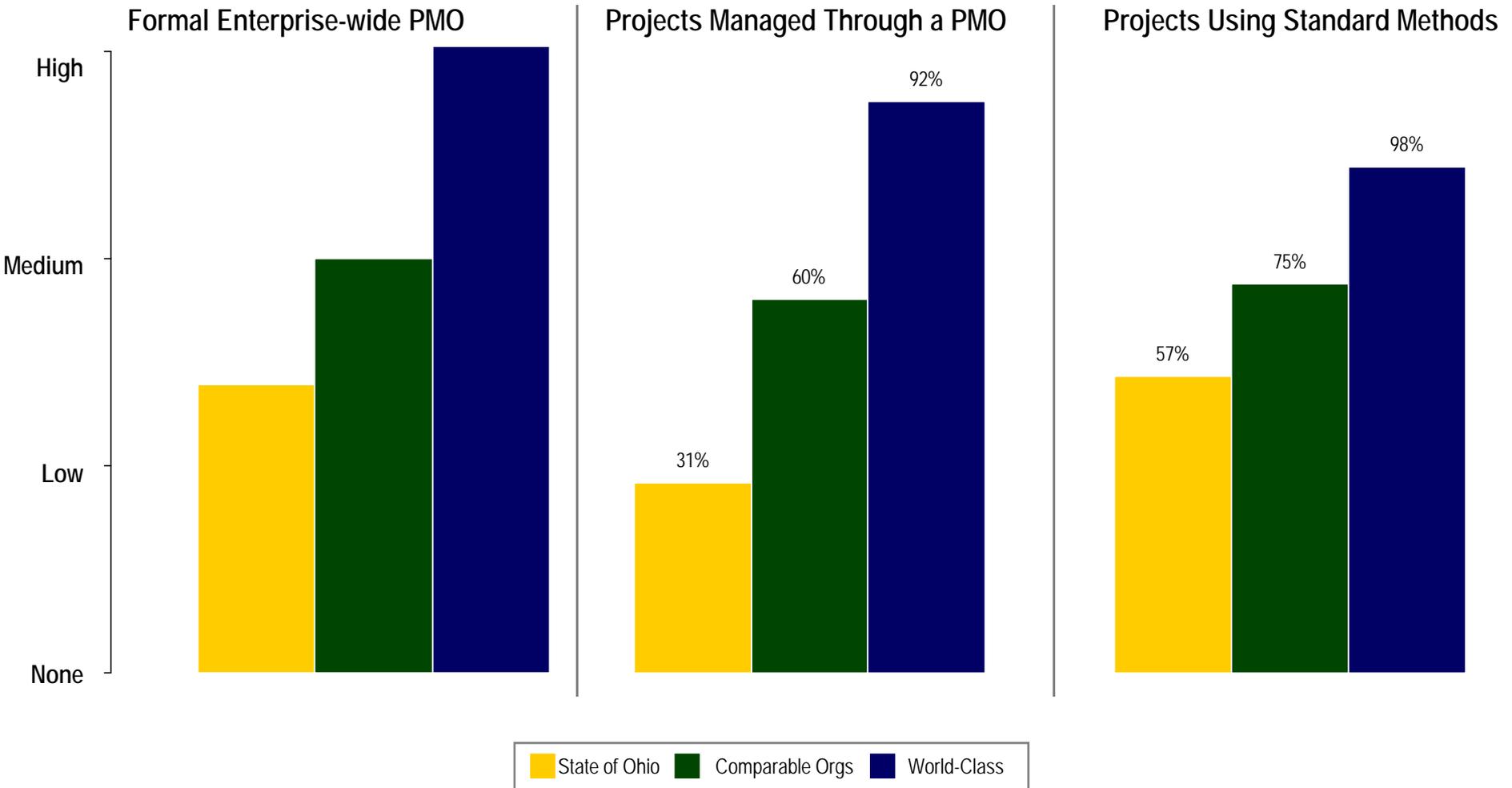
State of Ohio's Planning & Strategy Process Cost (\$) by Process Group



# IT Management & Administration FTEs and Cost



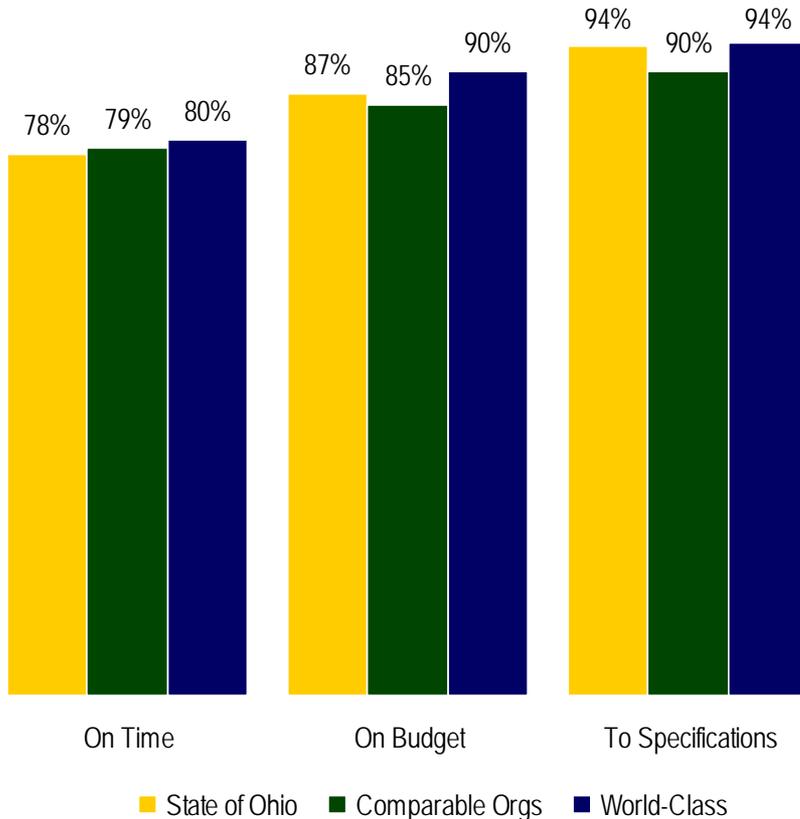
# Use of Formal PMO and Standard Methods for Projects



*Best Practice - All large scale projects are controlled by a PMO*

# Project Results

## Project Delivery Success



## State of Ohio Project Related Information

### Projects Started in the Benchmark Period

	State of Ohio
Infrastructure development projects	85
Application development projects	181

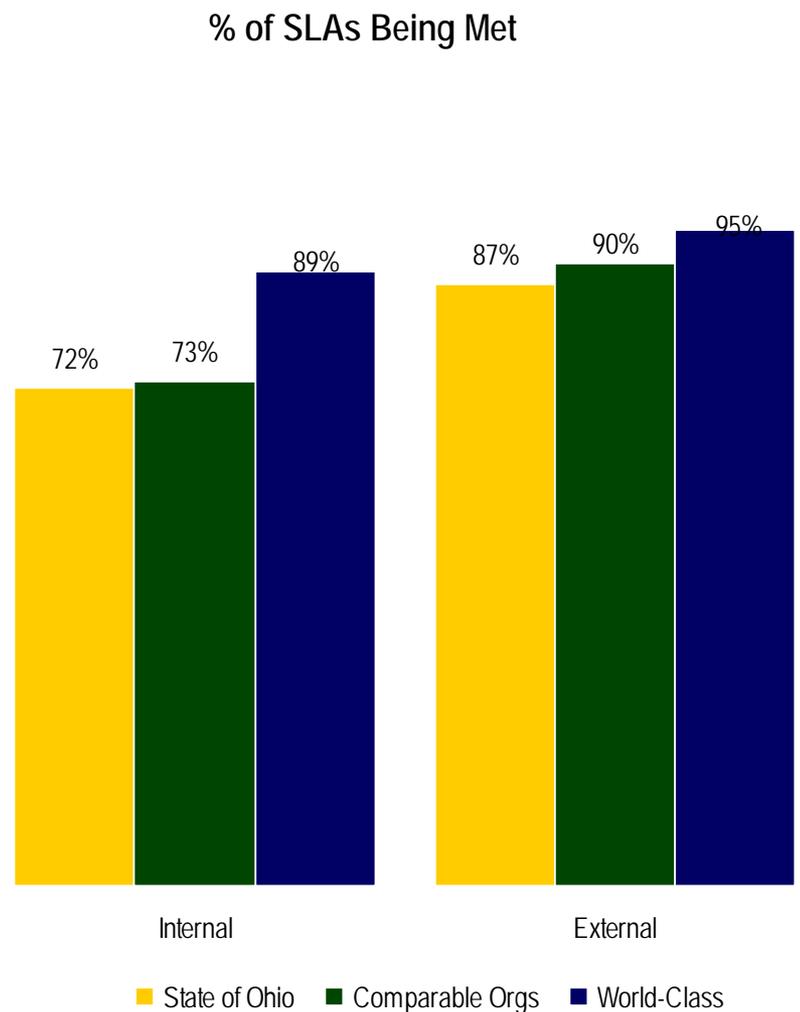
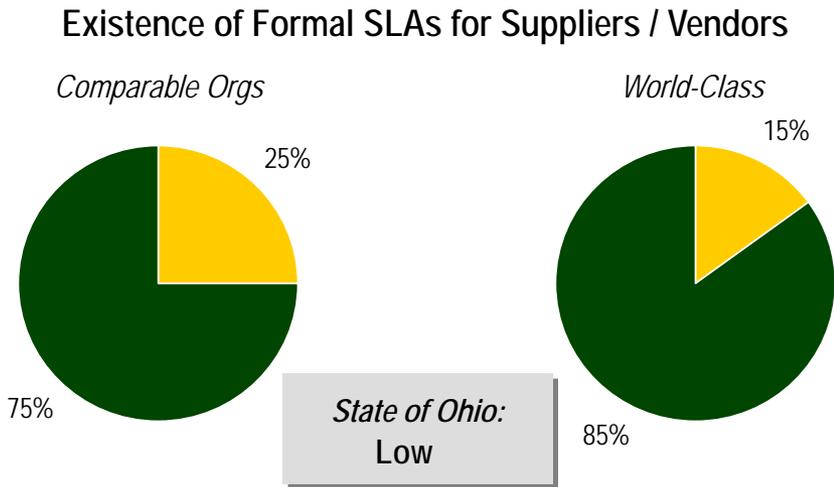
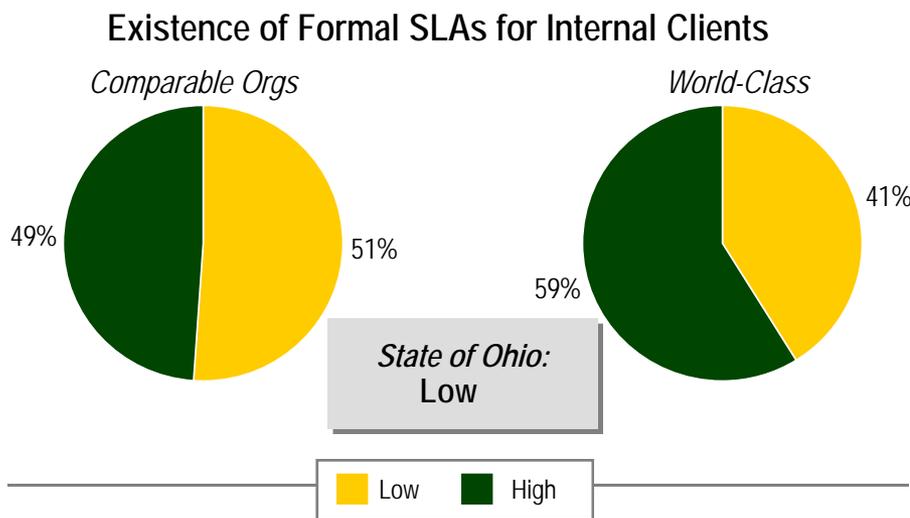
	State of Ohio
What percent of projects deliver anticipated benefits?	92%
What percent of development projects have formal business cases / CB analysis?	53%
What percent of IT projects were managed by the PMO?	31%

### Percentage Allocation Relative to ROI for the Completed Projects

	State of Ohio
Meeting ROI	32%
Missing ROI	3%

*Best Practice - Track all delivery metrics to ensure projects are meeting their objective and ROI*

# Use of Service Level Agreements for Internal and External Clients

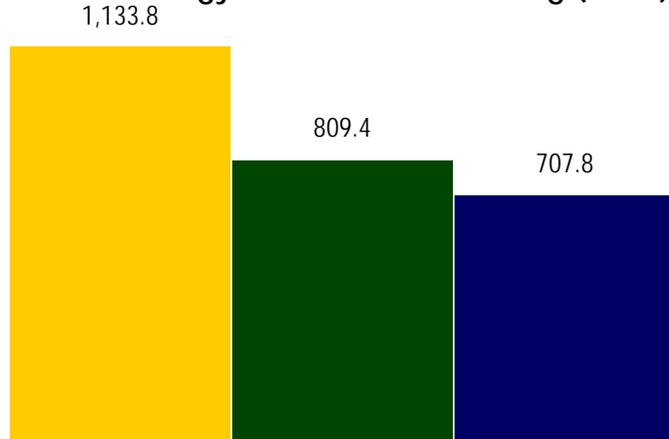


# Technology Infrastructure FTEs and Costs

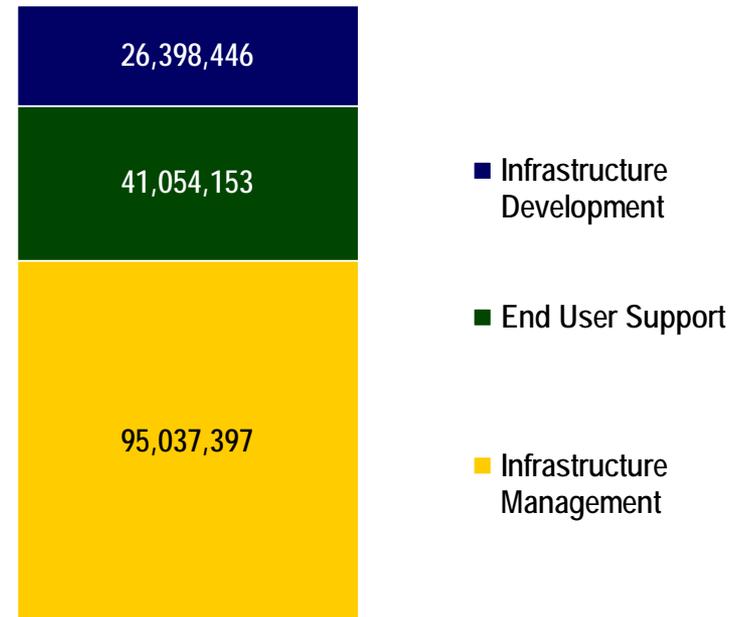
Technology Infrastructure Process Cost (\$) per End User



Technology Infrastructure Staffing (FTEs)



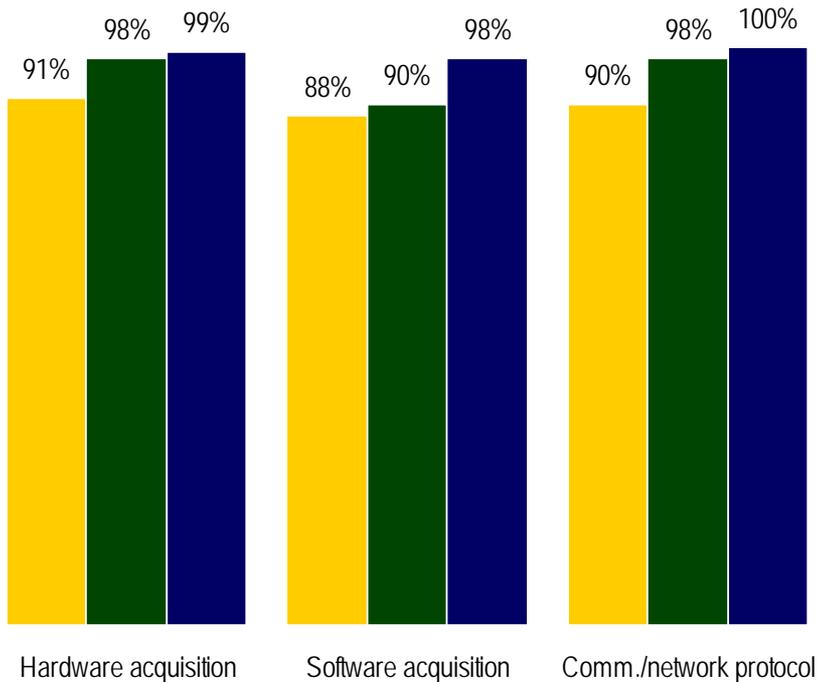
State of Ohio's Technology Infrastructure Process Cost (\$) by Process Group



- Infrastructure Development
- End User Support
- Infrastructure Management

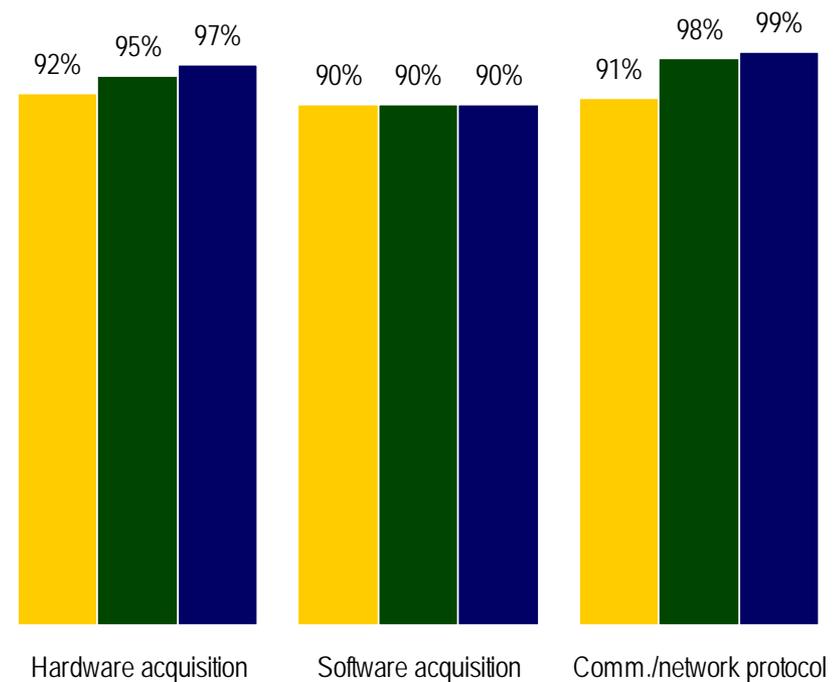
# Use of Standard Definitions and Adherence to Standards

## Percent of Organizations Utilizing Data Standard Definitions



## Percent of Organization Adhering to Standards

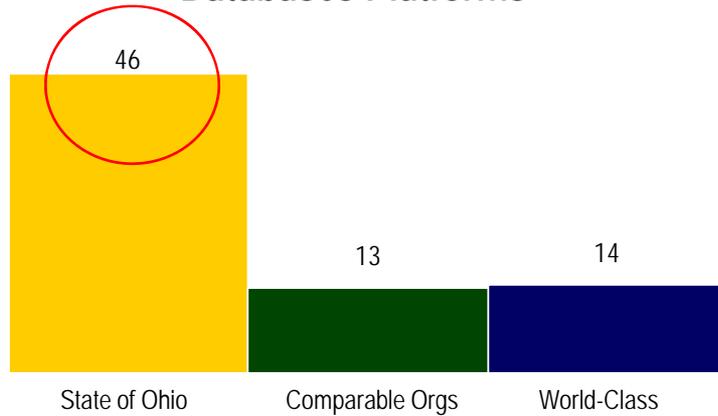
*Best Practice - Standards are defined and enforced 100%*



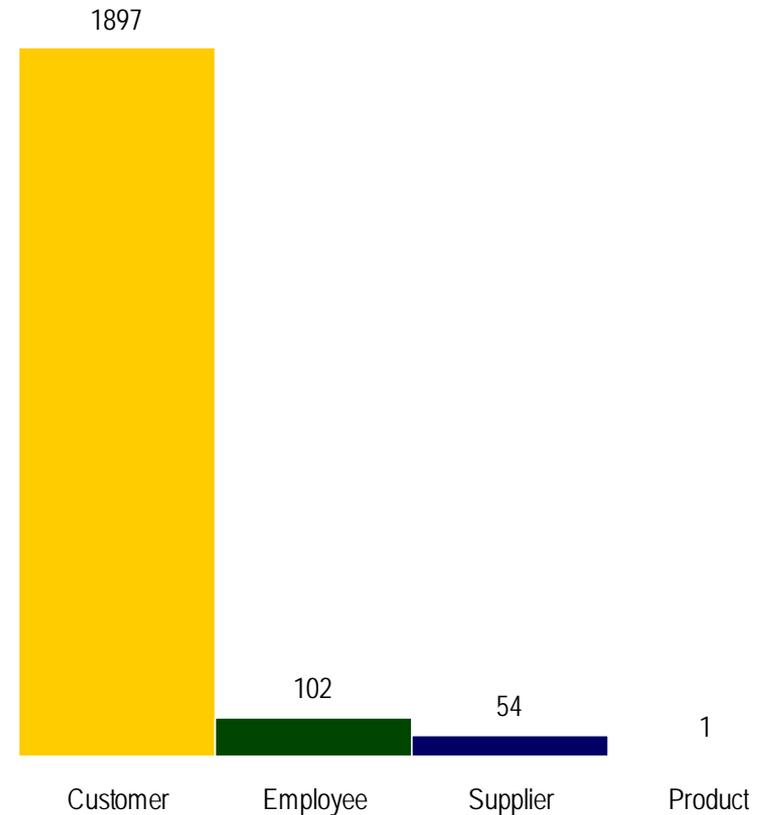
■ State of Ohio 
 ■ Comparable Orgs 
 ■ World-Class

# Database Platforms

Databases Platforms



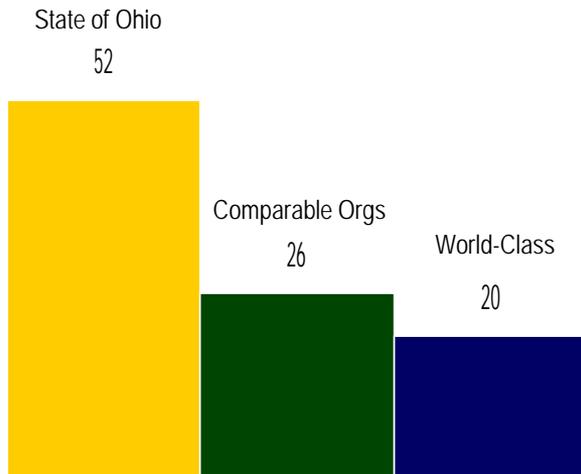
Database Profiles



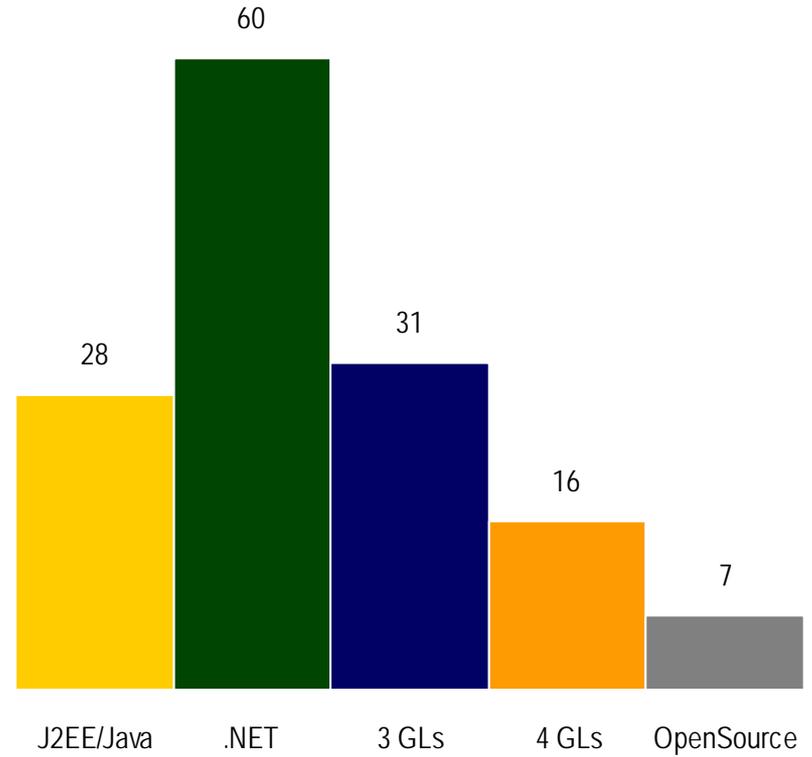
Primary Database Platform	Microsoft - SQL Server
% of Business Applications using Primary Database	74%
# of Databases supporting core Business Applications	82
# of Databases supporting Open source	5

# Programming Languages

## Programming Languages



## Development Platforms Being Supported

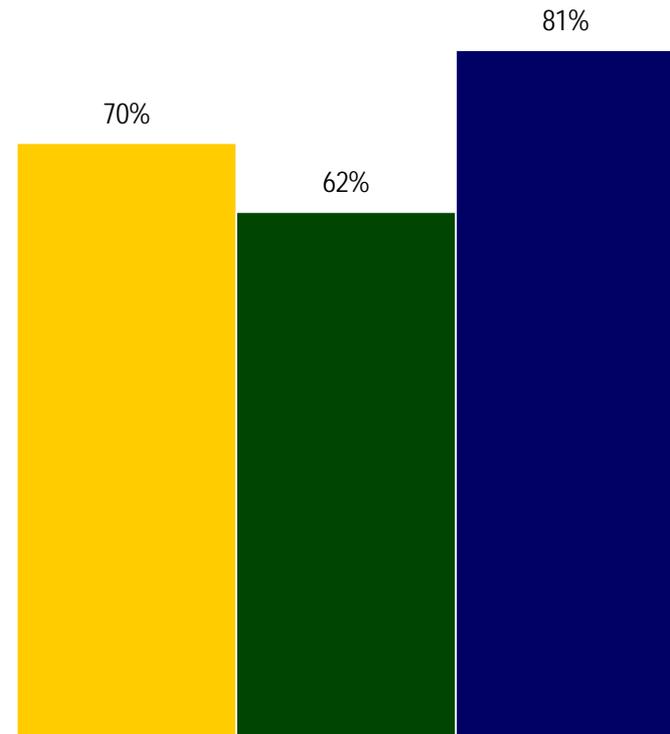


142 Development Platforms Being Supported

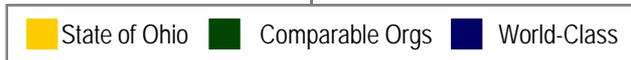
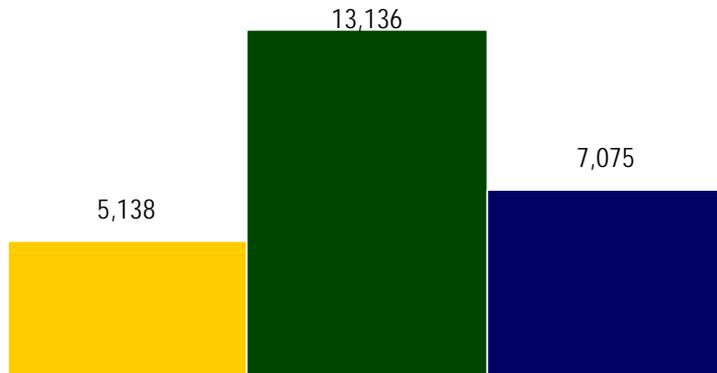
# Help Desk Requests Supported and First Call Resolution

Time Zones Supported	
North America	Yes
Europe	No
APAC	No
Other	No
Hours of Operation	8x5, 10x5

% of First Call Resolution



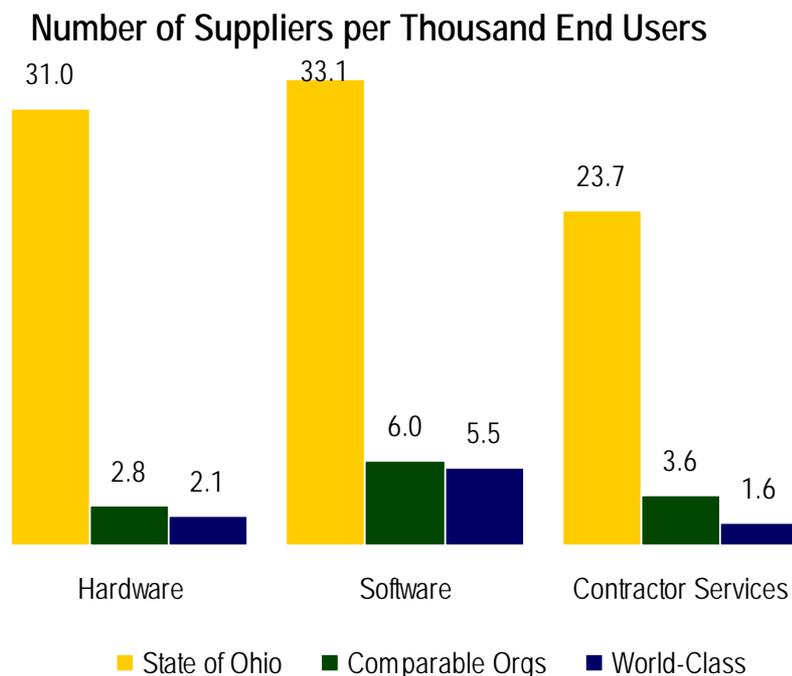
Help Desk Requests per Thousand End Users



# State of Ohio's Help Desk Profile, End User Training Spend and Number of Suppliers

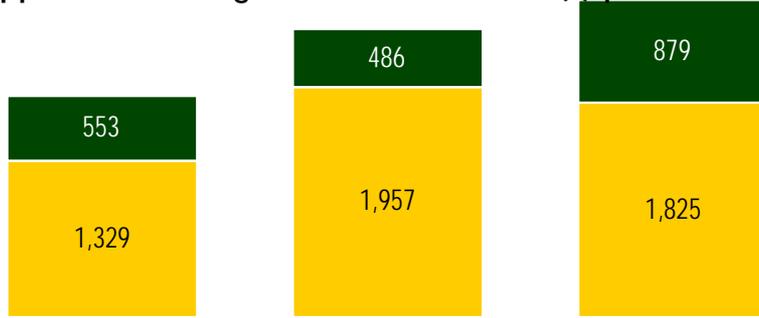
State of Ohio	
How is your help desk organized	Centralized
What is the help desk's primary objective	Issue ticket-queue follow up
Target % for first call resolution	75
Average length of call – resolved in first contact (minutes)	230
Target average length of a call that's resolved on first contact (minutes)	15
Average retention of help desk staff	Greater than two years
Degree the primary help desk is outsourced	None

End user training spend	
Expense	800,823
Capitalized	-



# Application Management FTEs and Costs

Application Management Process Cost (\$) per End User

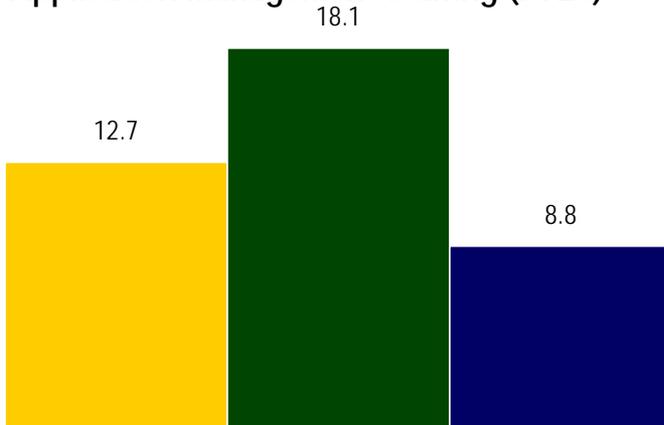


State of Ohio      Comparable Orgs      World-Class

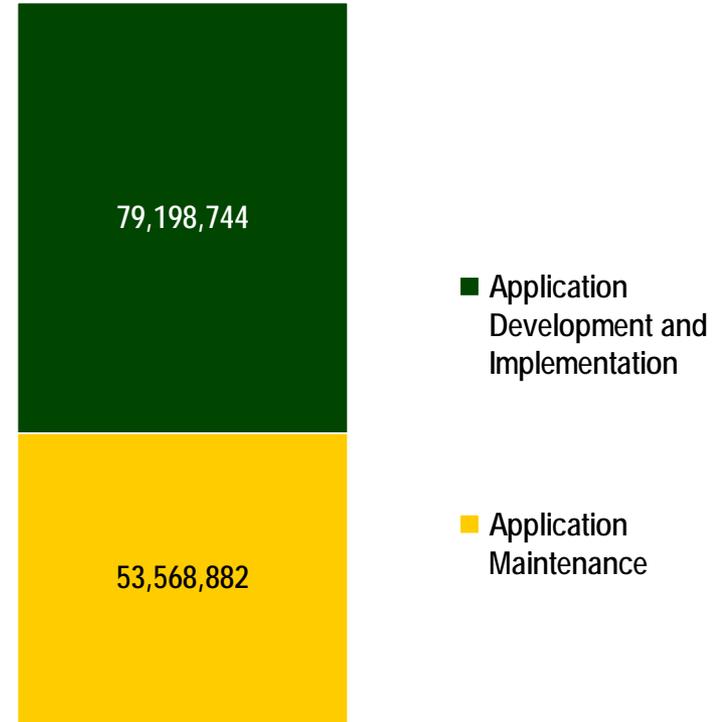
■ Labor      ■ Outsourcing

■ State of Ohio      ■ Comparable Orgs      ■ World-Class

Application Management Staffing (FTEs)



Application Management Process Cost (\$) by Process Group

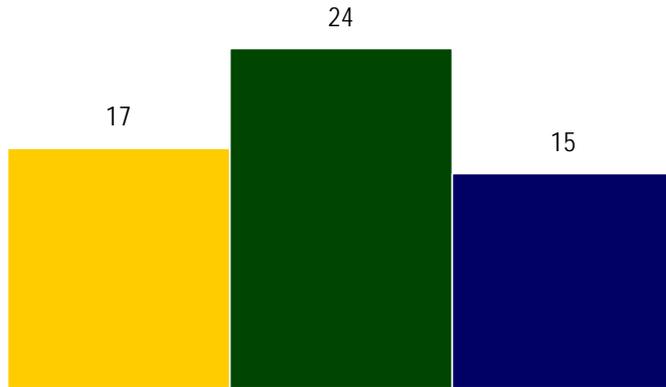


■ Application Development and Implementation

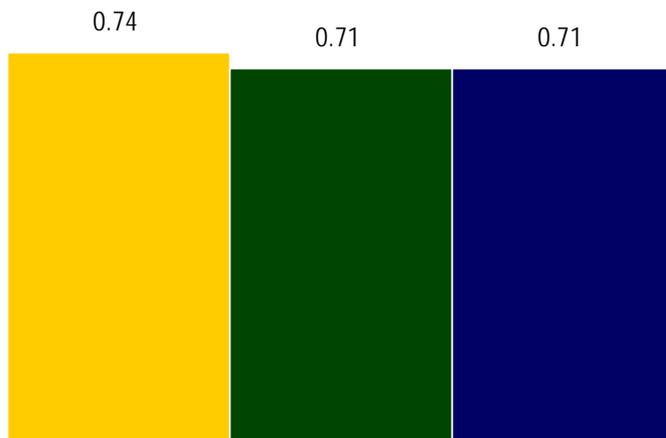
■ Application Maintenance

# Application Management Metrics

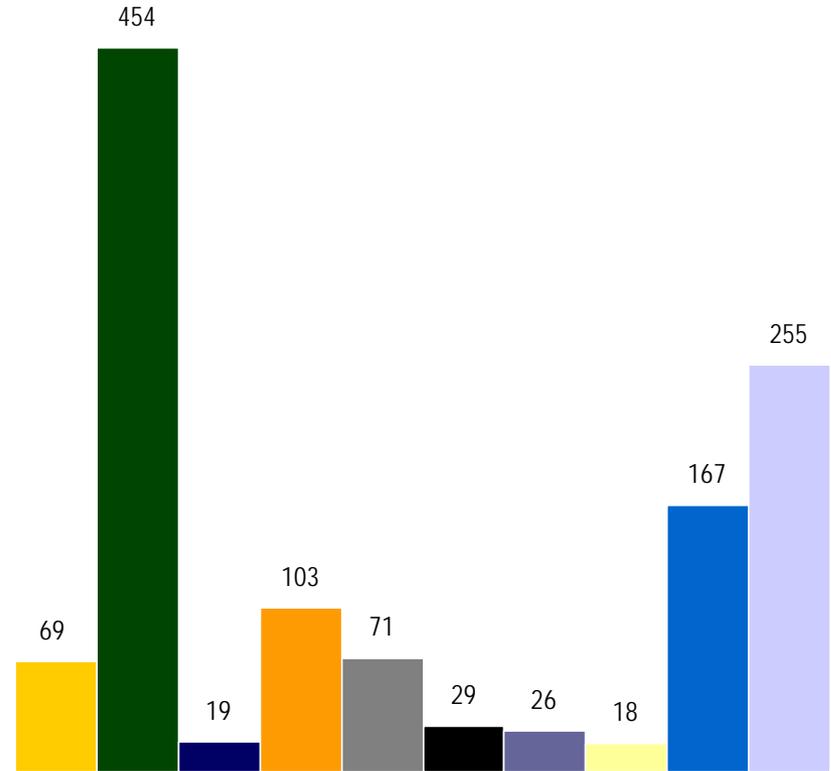
Number of Applications Supported per 1,000 End Users



Application Management FTEs per Application

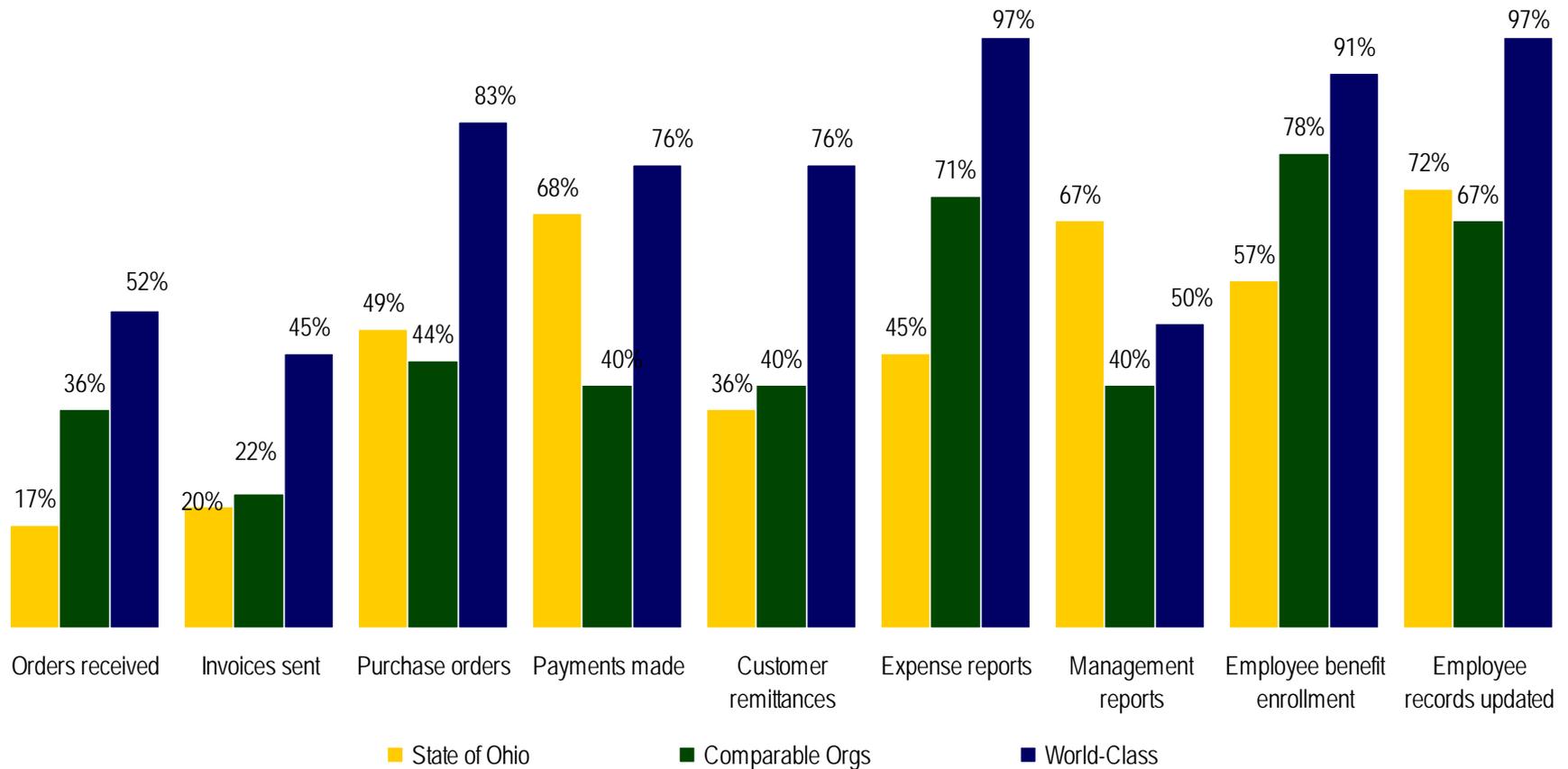


Application Breakdown



# Percentage of Transactions Performed Electronically – Automation

## Transactions Performed Electronically



# Table of Contents

**The Hackett Group**  
*World-Class Defined*

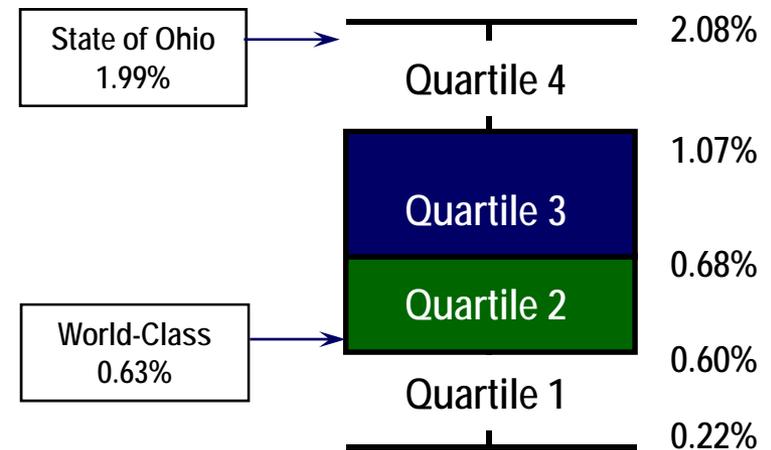
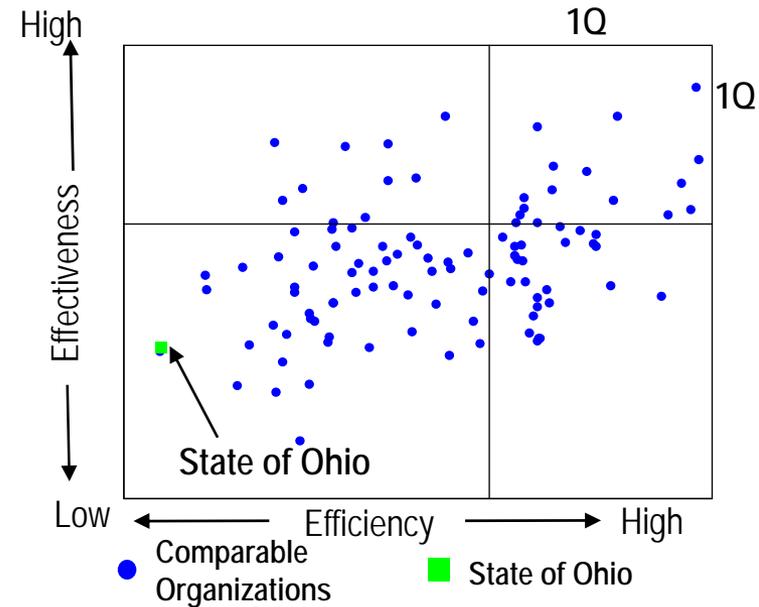


**REL**  
*Cash Flow Delivered*

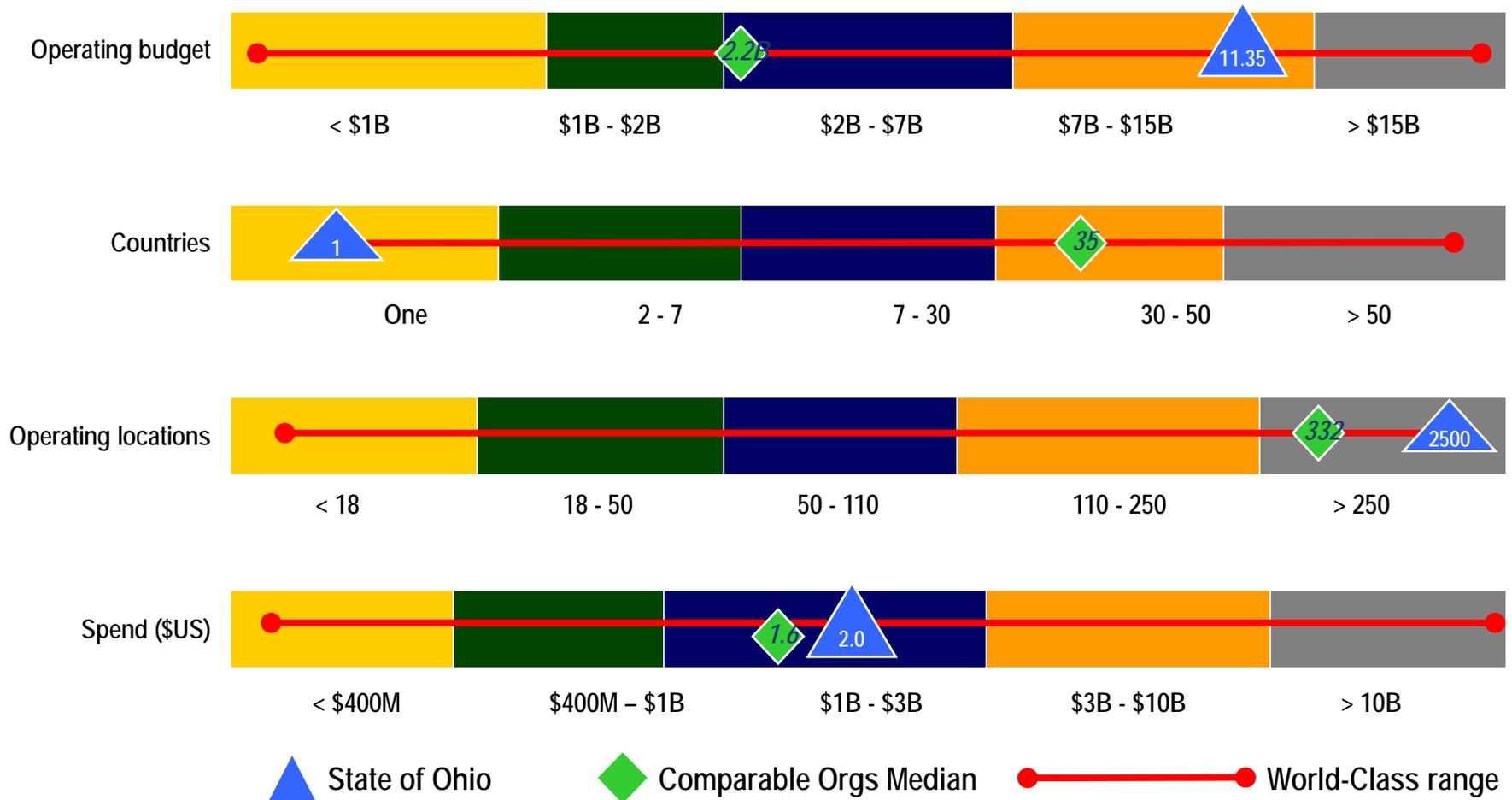
- **Section One**
  - Sponsor's Letter
- **Section Two**
  - Executive Summary
- **Section Three**
  - Appendix
    - Section One
      - Introduction
    - Section Two
      - Financial Rapid Benchmark Report
    - Section Three
      - Technology Rapid Benchmark Report
- **Section Four**
  - Procurement Rapid Benchmark Report
- Section Five
  - Human Resources Rapid Benchmark Report
- Section Six
  - Achieving World-Class Performance
- Section Seven
  - About The Hackett Group

# Efficiency and Effectiveness Ranking as Calculated by The Hackett Group's Procurement Value Grid

- Procurement costs for the in scope processes were \$43.06 million**
  - Total Procurement cost of \$43.06m equates to 1.99% of total spend (4th quartile)
  - Higher staffing levels with a higher Clerical staff mix
  - Lower fully-loaded labor rates in comparison
  - 64% focus on Transactional processing
- Procurement scores fourth quartile on the Hackett Value Grid for efficiency**
  - Low efficiency plotting on the value grid due to high overall costs, staffing & productivity, longer cycle times and low technology leverage
- Procurement scores fourth quartile on the Hackett Value Grid for effectiveness:**
  - Low effectiveness plotting attributed to Procurement role, talent management, economic return, and supplier relationship



# Procurement Demographics Comparison – Ohio and the Service High Complexity Organization Slice of the Hackett Database



# Procurement Participants in the High Complexity Service Organization Slice of the Hackett Database

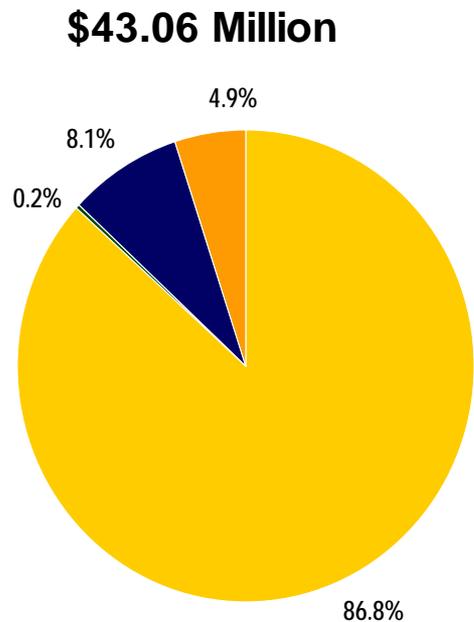
- 7-Eleven
- AAFES - Army and Air Force Exchange Service
- Agilent Technologies
- American Express Company
- ARINC Company
- AutoDesk, Inc.
- Cadence Design Systems, Inc.
- Carlson Companies, Inc.
- Cisco Systems, Inc.
- Citigroup Inc.
- Convergys Corporation
- DHL Worldwide Express, Inc.
- First Data Corporation
- Hewlett-Packard Company
- Honeywell International Inc.
- Intercontinental Hotels Group PLC
- Intergraph Corporation
- Janus Capital Group, Inc.
- Microsoft
- Motorola, Inc.
- Novell
- SABRE Group Holdings Inc.
- SITA
- Sprint Nextel Corporation
- Unisys Corporation

# Data was Collected in Accordance with Hackett's Procurement Taxonomy

Operations & Compliance		Sourcing & Supply Base Management	Planning & Strategy
<ul style="list-style-type: none"> <li>▪ <b>Supply Data Management</b> <ul style="list-style-type: none"> <li>– Supplier master management</li> <li>– Item master/content management</li> <li>– Catalog management</li> <li>– Contract master management</li> </ul> </li> <li>▪ <b>Requisition and PO Processing</b> <ul style="list-style-type: none"> <li>– Requisition processing</li> <li>– Purchase order processing</li> <li>– Requisition and purchase order support</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Supplier Scheduling</b> <ul style="list-style-type: none"> <li>– Supply requirements review</li> <li>– Supplier scheduling</li> <li>– Order release</li> <li>– Inbound tactical supply management</li> <li>– Delivery coordination</li> </ul> </li> <li>▪ <b>Receipt Processing</b> <ul style="list-style-type: none"> <li>– Materials and goods</li> <li>– Services</li> </ul> </li> <li>▪ <b>Compliance Management</b> <ul style="list-style-type: none"> <li>– Internal Compliance Management</li> <li>– External Compliance</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Customer Management</b> <ul style="list-style-type: none"> <li>– External Customer Management*</li> <li>– Internal Customer Management*</li> <li>– Product Development and Design Support</li> </ul> </li> <li>▪ <b>Sourcing Execution</b> <ul style="list-style-type: none"> <li>– Requirements definition and supplier bidding</li> <li>– Negotiation and supplier contract creation</li> </ul> </li> <li>▪ <b>Supplier Management and Development</b> <ul style="list-style-type: none"> <li>– Supplier Management</li> <li>– Supplier Partnering</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Sourcing and Supply Base Strategy</b> <ul style="list-style-type: none"> <li>– Sourcing and Supply Base Strategy</li> </ul> </li> </ul>
			Management & Administration
			<ul style="list-style-type: none"> <li>▪ <b>Function Strategy and Performance Mgmt</b></li> <li>▪ <b>Function Mgmt</b> <ul style="list-style-type: none"> <li>– Function oversight</li> <li>– Personnel mgt</li> <li>– Policy and procedures oversight</li> </ul> </li> </ul>

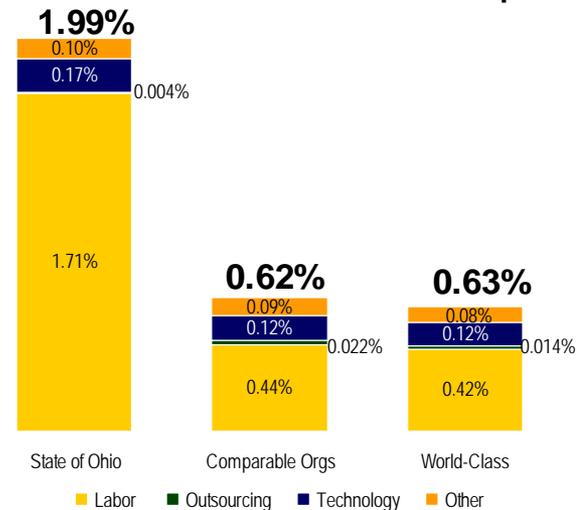
\* New Hackett process and excluded from comparative analysis

# State of Ohio's Baseline of Annual Procurement Cost

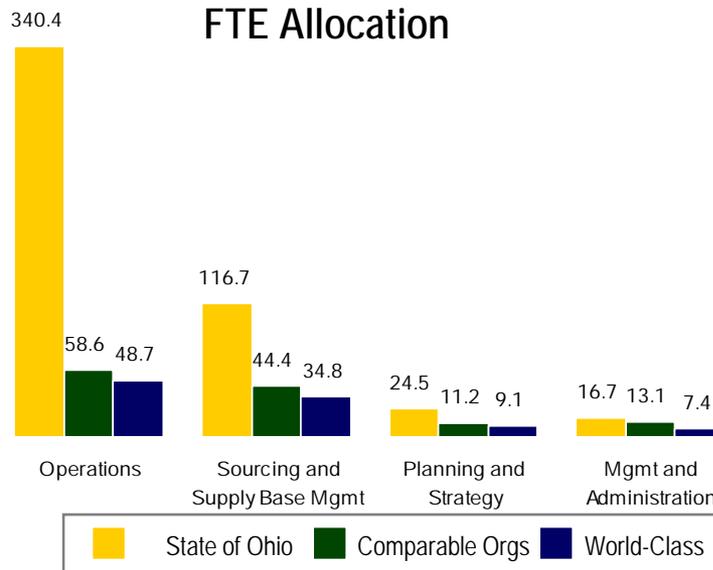


Spend	\$2.03 Billion
Labor	\$37.4 million
Outsourcing	\$0.09 million
Technology	\$3.48million
Other	\$2.1 million

## Procurement Cost as a % of Spend\*



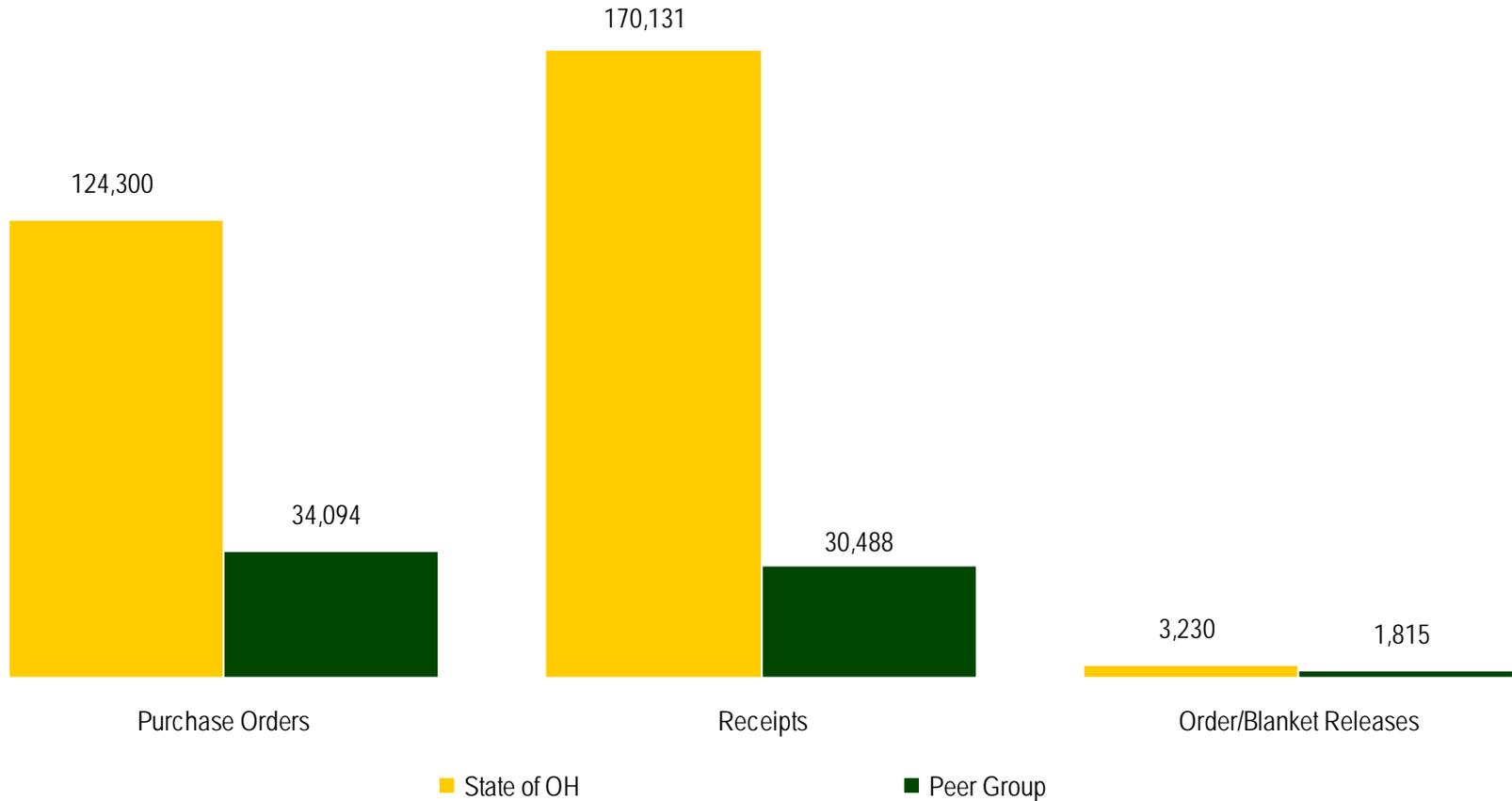
## FTE Allocation



\*Includes Customer Management

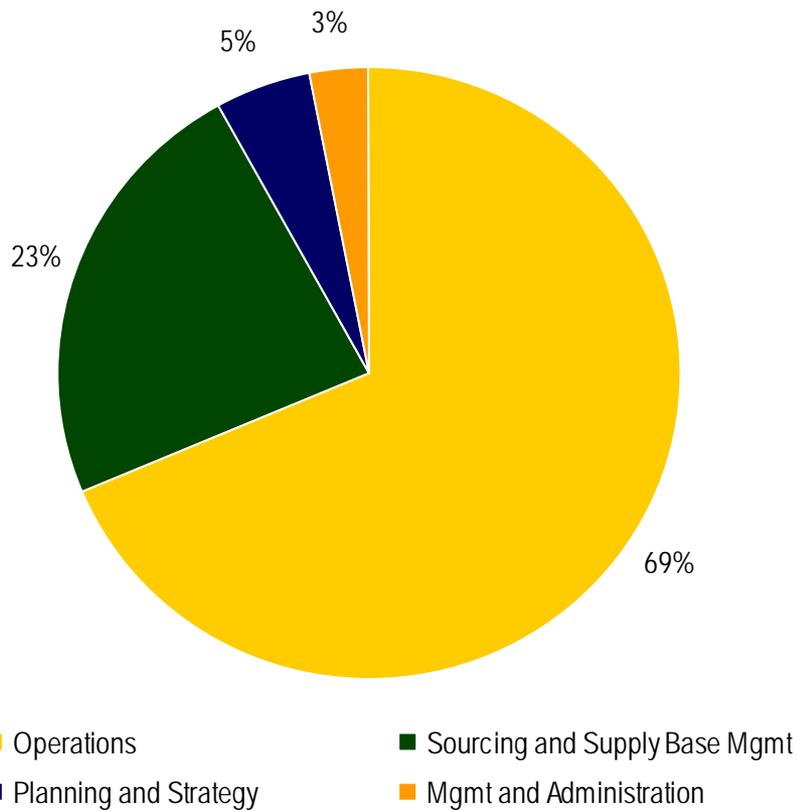
# State of Ohio's Volumes Related to the High Complexity Organizations

## Procurement Transaction Volumes

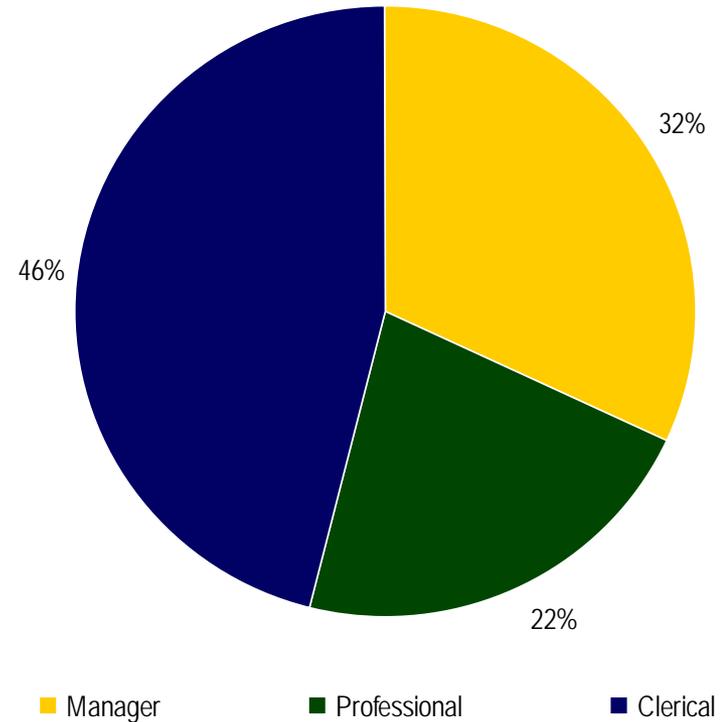


# State of Ohio's Baseline Resource Allocation and Staff Mix

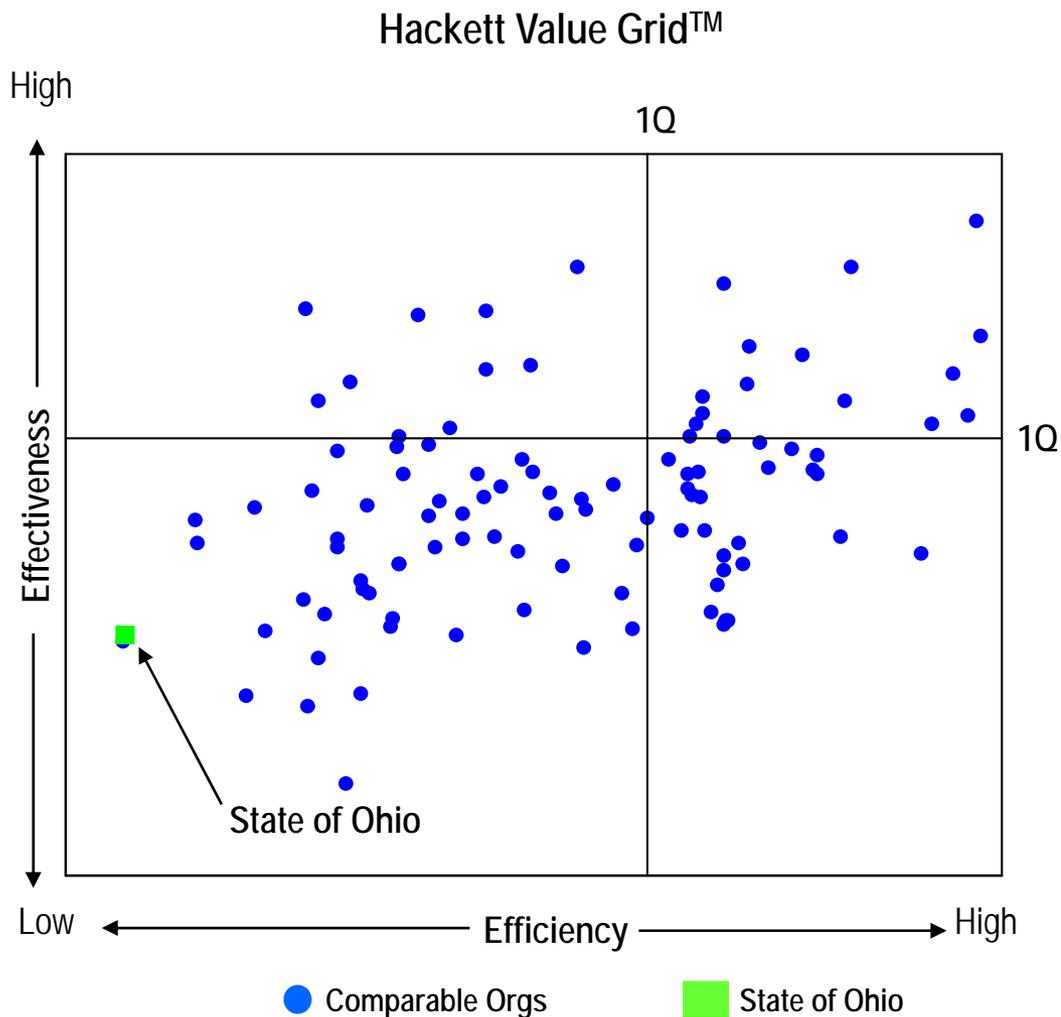
## Resource Allocation



## Staff Mix



# State of Ohio's Value Grid Shows Opportunity to Improve Performance both in Efficiency & Effectiveness

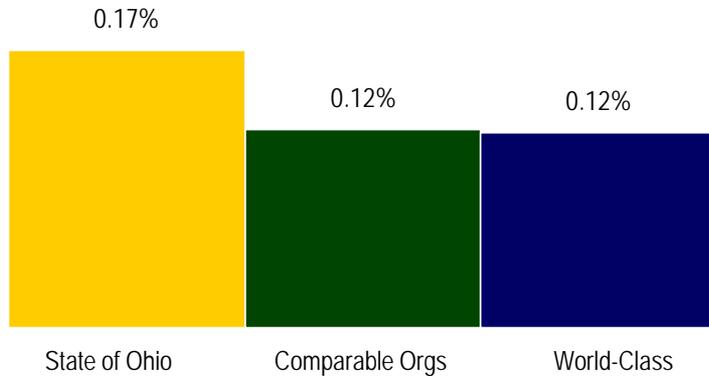


	Key Procurement Drivers	State of Ohio
Efficiency	Overall Cost	●
	Staffing & Productivity	●
	Transactional Process Cost	●
	Cycle Time	●
	Technology Leverage	●
Effectiveness	Role of Procurement	●
	Talent Management	●
	Internal Quality	●
	Economic Return	●
	Supplier	●
	Information Analysis	●

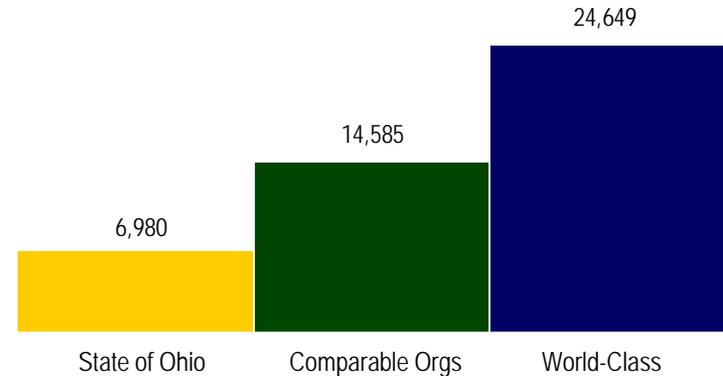
- Most KPIs for the Key Driver are at or near World-Class
- Some KPIs for the Key Driver are at or near World-Class
- Most KPIs for the Key Driver are far from World-Class

# Higher Investment in Technology Cost has not Resulted in Increased Automation

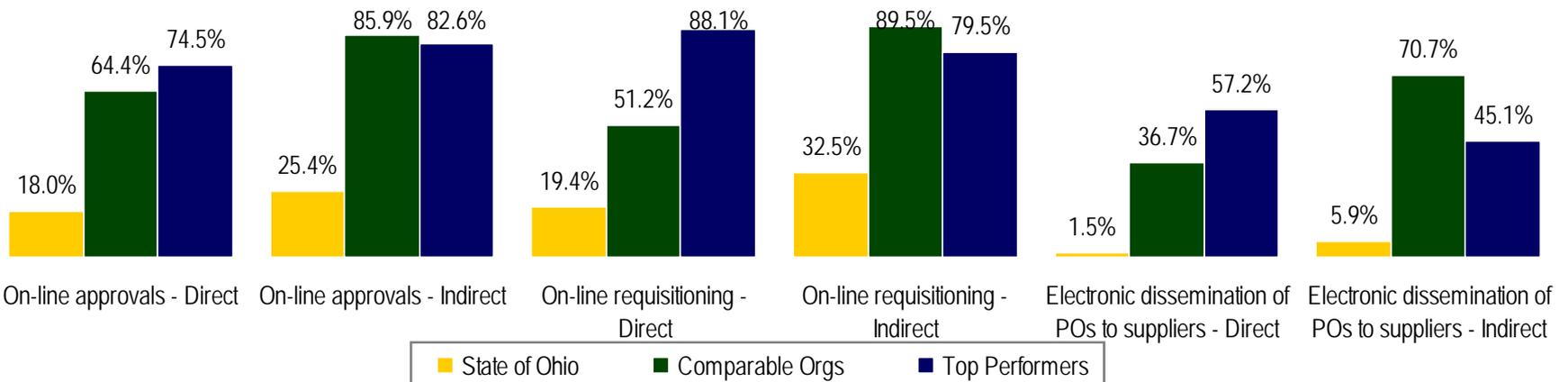
### Technology Cost as a % of Spend



### Technology Cost (\$) per FTE

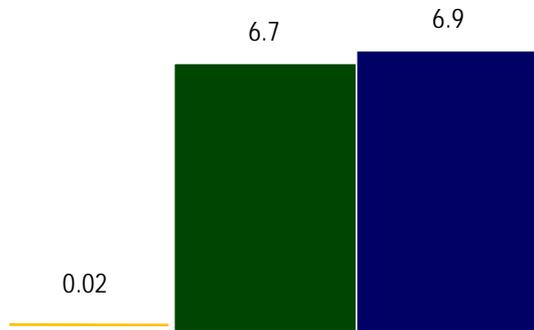


### Percent of Automated Transactions

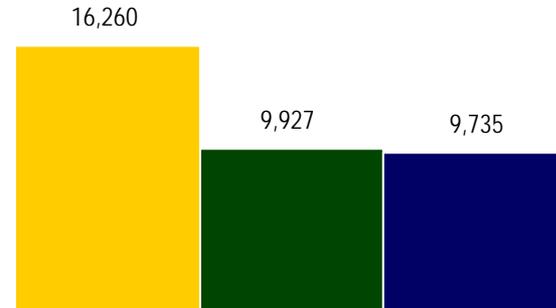


# Return on Investment is Low Despite Higher Staffing within Sourcing Execution

**Return on Investment**  
(Procurement Total Operating Cost)



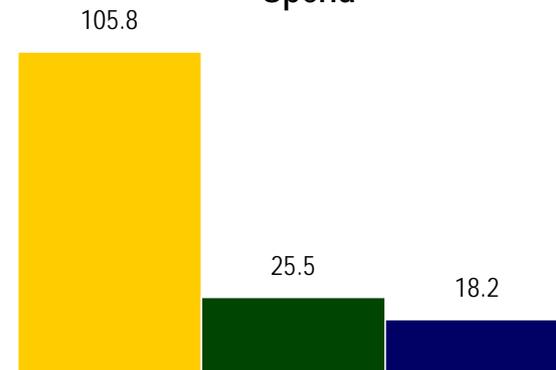
**Suppliers per State of Ohio's Spend**



■ State of Ohio 
 ■ Comparable Orgs 
 ■ World-Class

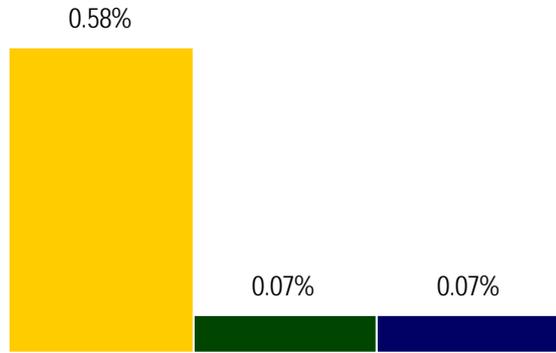
Allocation	State of Ohio	Comparable Organizations	World-Class
Operations	68%	46%	49%
Sourcing and Supply Base Management	23%	35%	35%
Planning & Strategy	5%	9%	9%
Mgt & Admin	3%	10%	7%

**Sourcing Execution FTE's per State of Ohio's Spend**

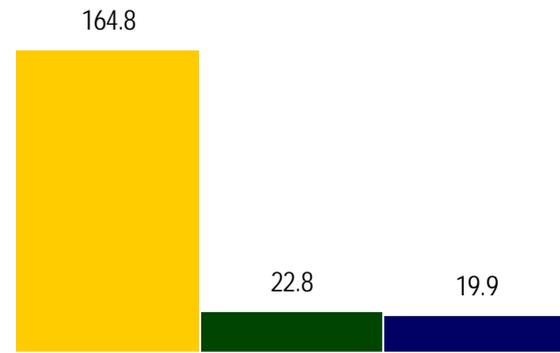


# PO Processing Cost and Staffing

PO Processing Cost as a % of Spend



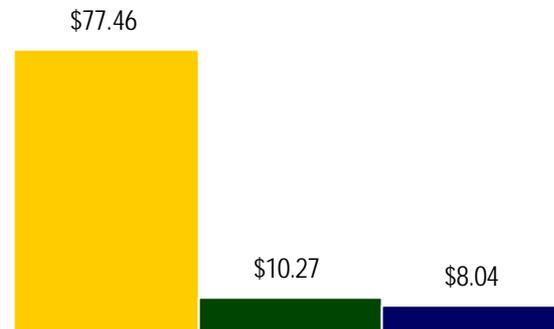
PO Processing FTE's per State of Ohio's Spend



Average Fully Loaded Labor Cost Per PO Processing FTE (\$)



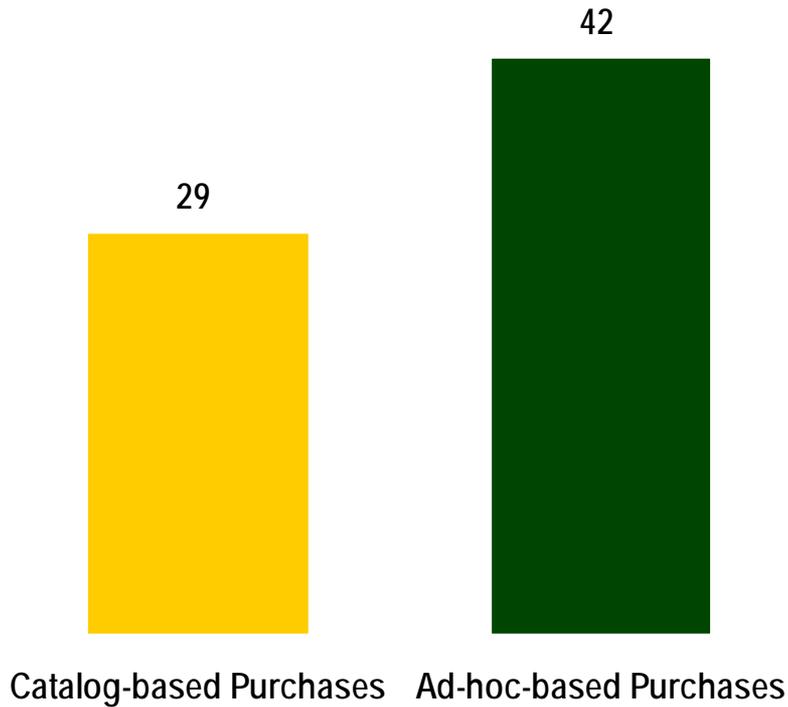
Cost per Purchase Order (\$)



# Requisition and Purchase Order Processing Practices

## Average Ohio Cycle Time (Hours)

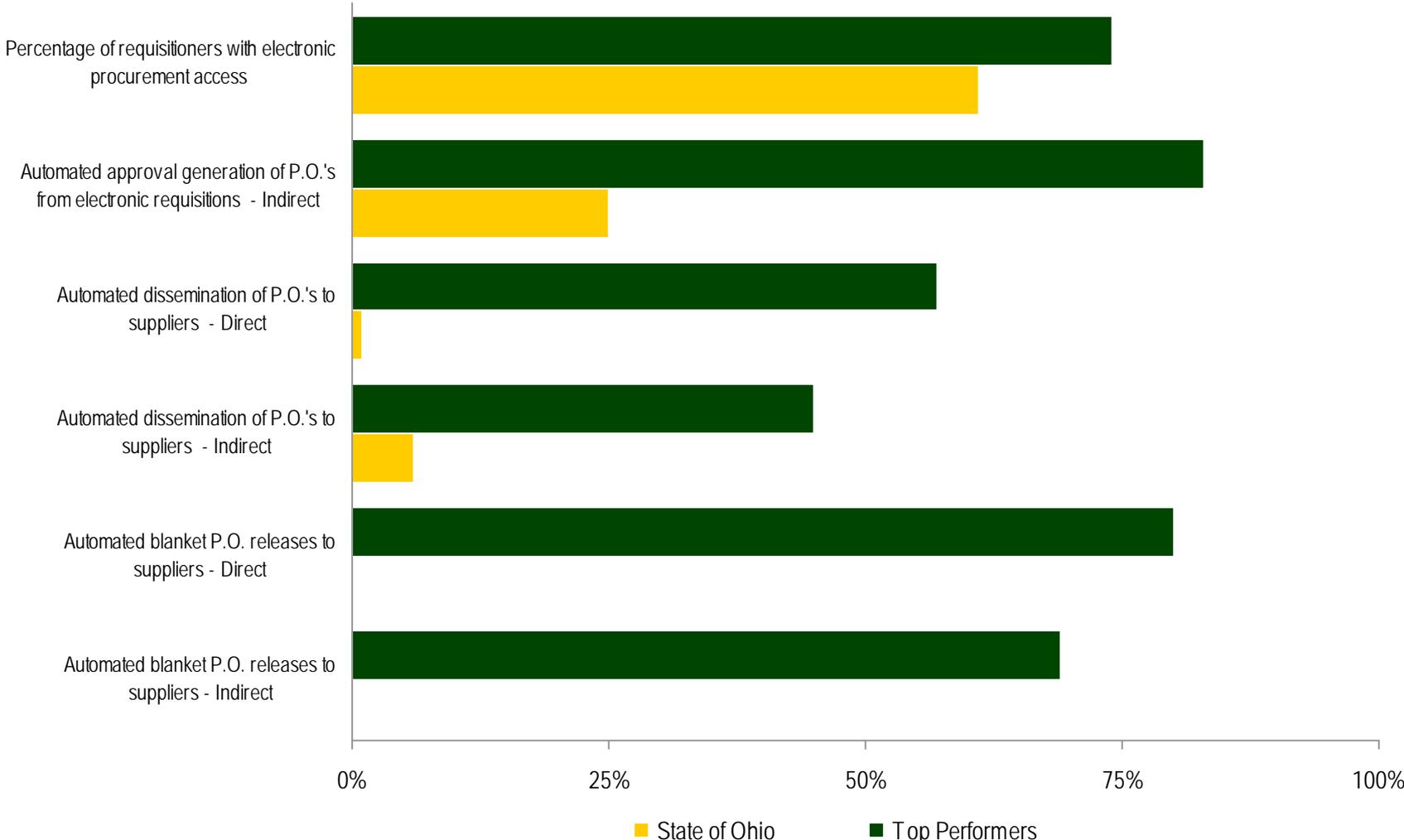
Comparisons not available



## Average Line Items per Purchase Order

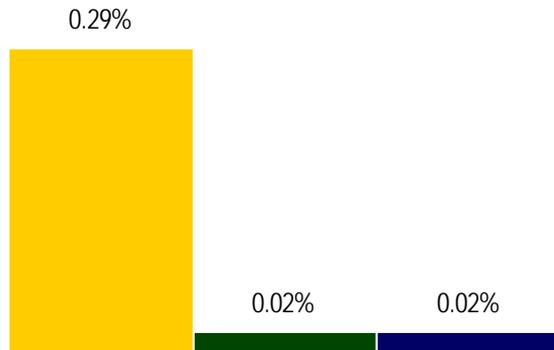


# Requisition and Purchase Order Processing Practices (Cont'd)

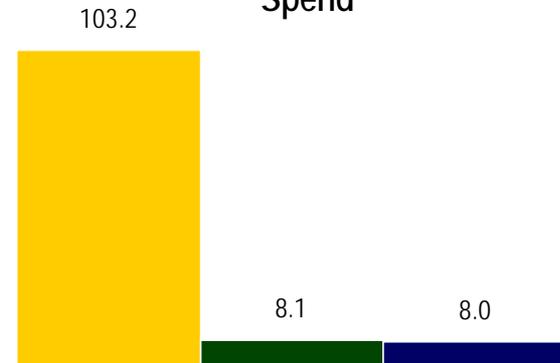


# Receipt Processing Cost and Staffing

Receipt Processing Cost as a % of Spend



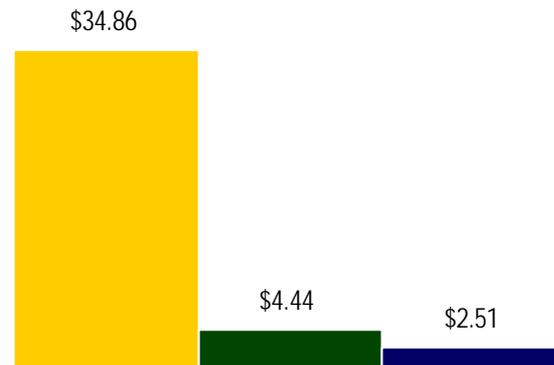
Receipt Processing FTE's per State of Ohio's Spend



Average Fully Loaded Labor Cost Per Receipt Processing FTE (\$)

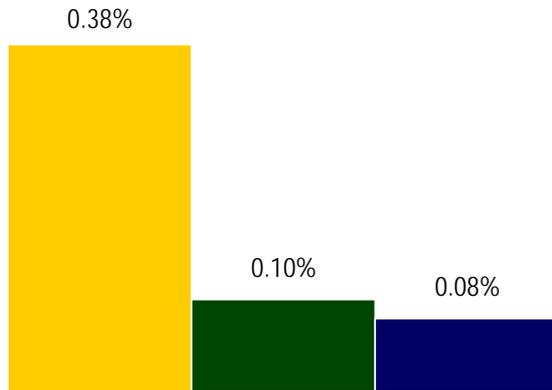


Cost per Receipt (\$)

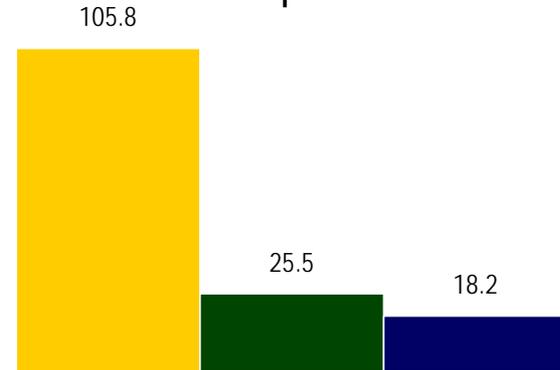


# Sourcing Execution Cost and Staffing

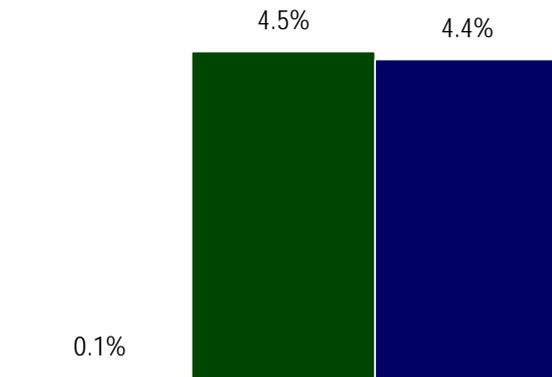
Sourcing Execution Cost as a % of Spend



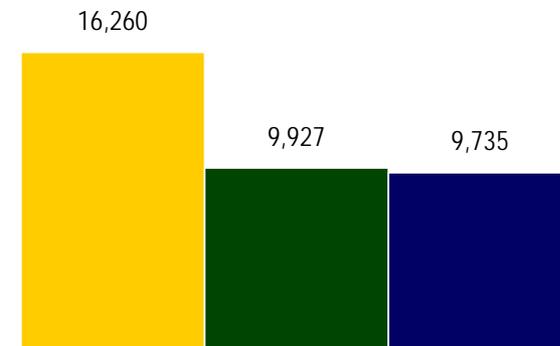
Sourcing Execution FTE's per State of Ohio's Spend



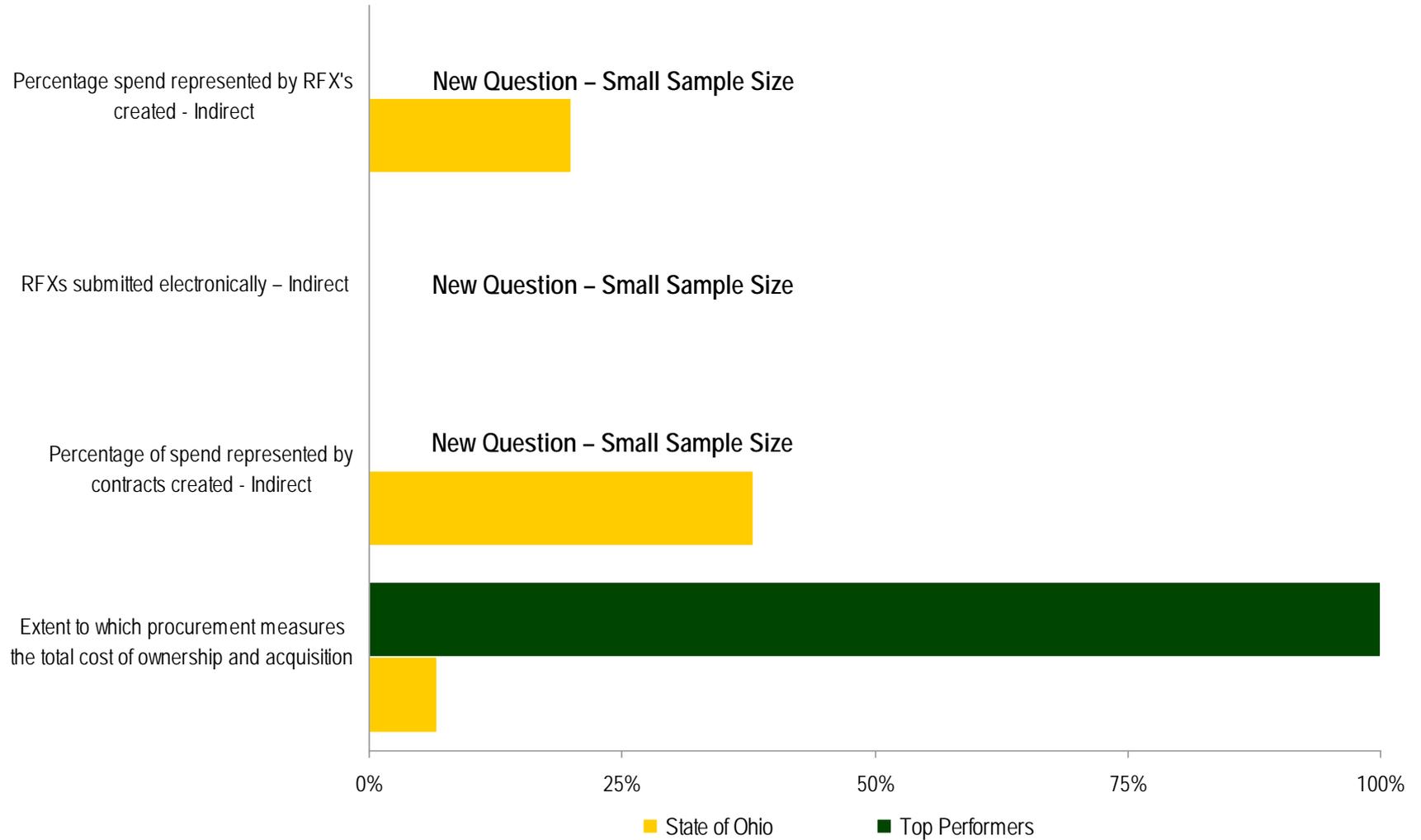
Cost Savings as a Percent of Spend



Number of Suppliers

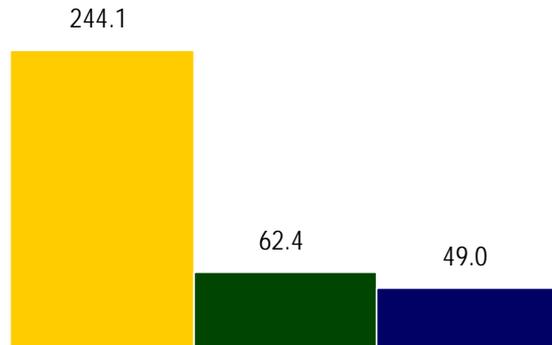


# Sourcing Execution Practices

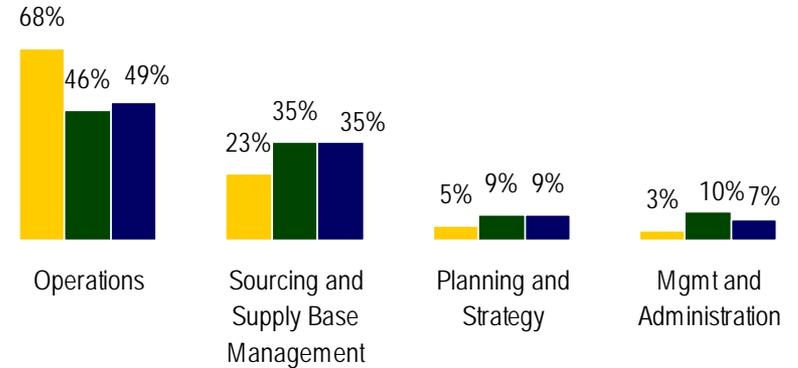


# Procurement Cost And Allocation Summary

## Procurement FTEs per Billion of Spend

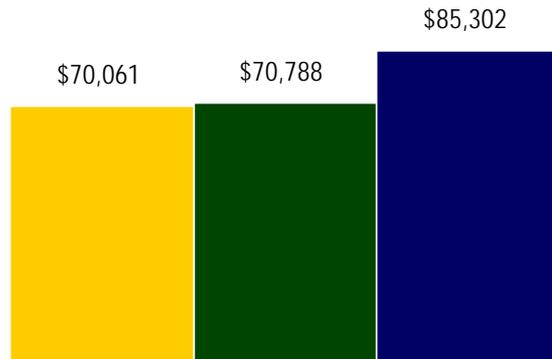


## Procurement Resource Allocation

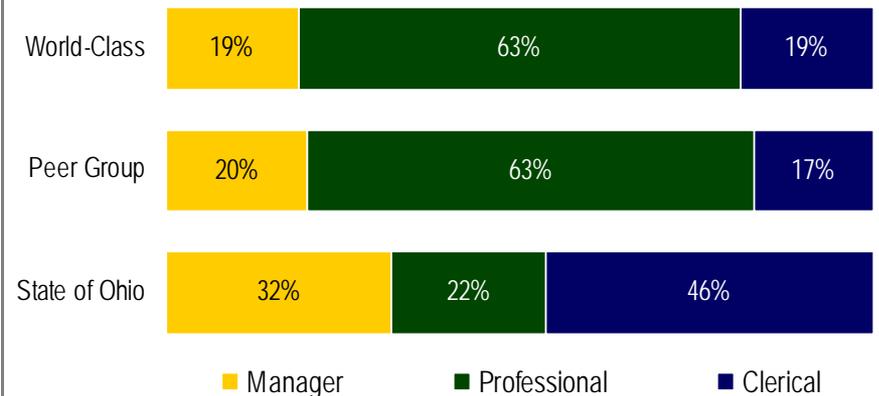


■ State of Ohio 
 ■ Comparable Orgs 
 ■ World-Class

## Average Procurement Salary and Benefits (\$)

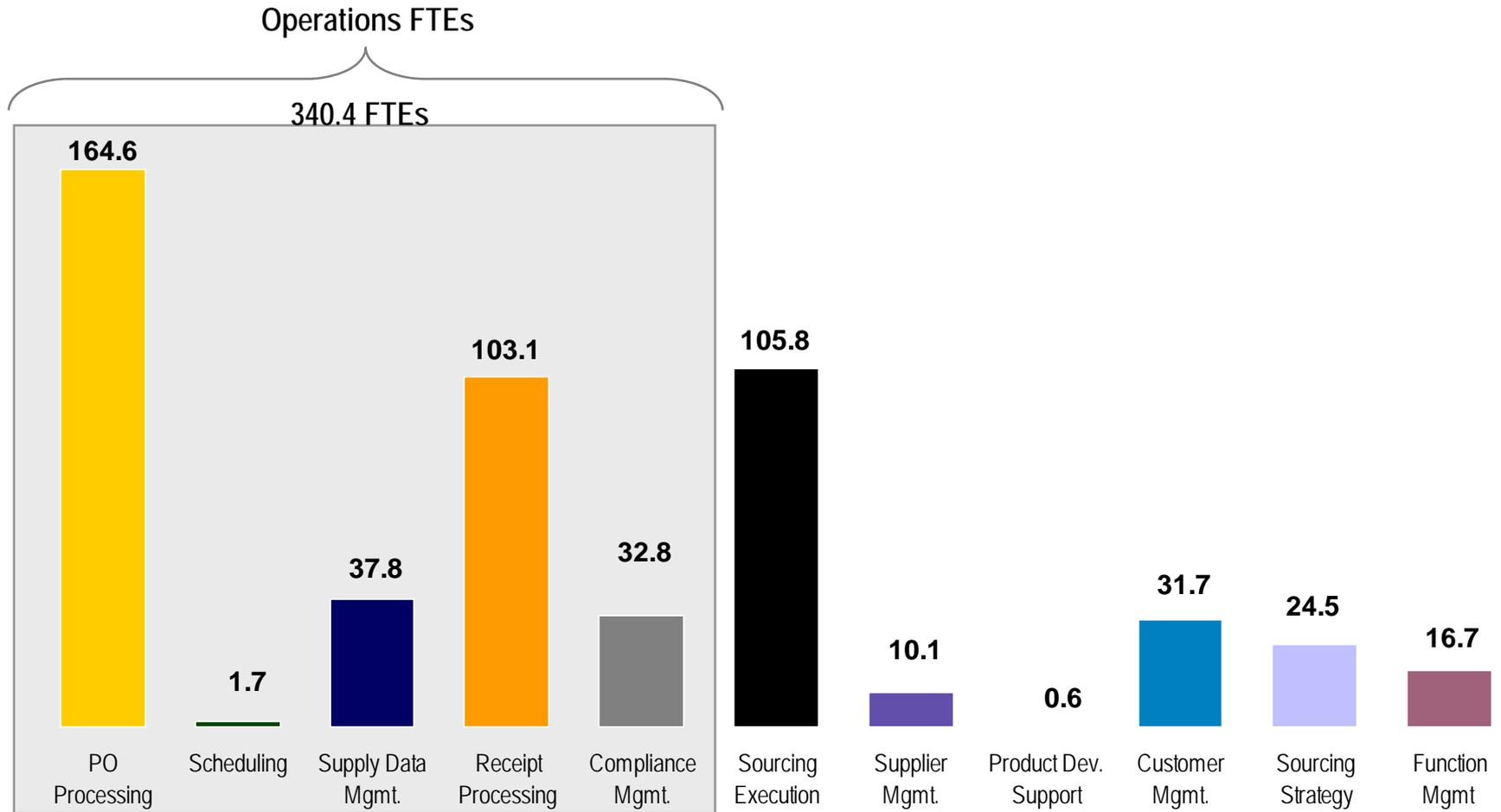


## Staff Mix



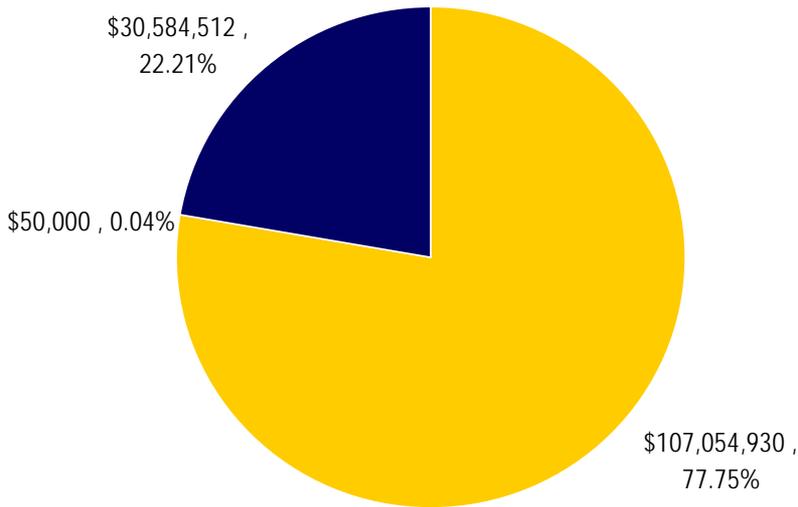
■ Manager 
 ■ Professional 
 ■ Clerical

# Procurement FTEs by Process



# Direct and Indirect Spend Details

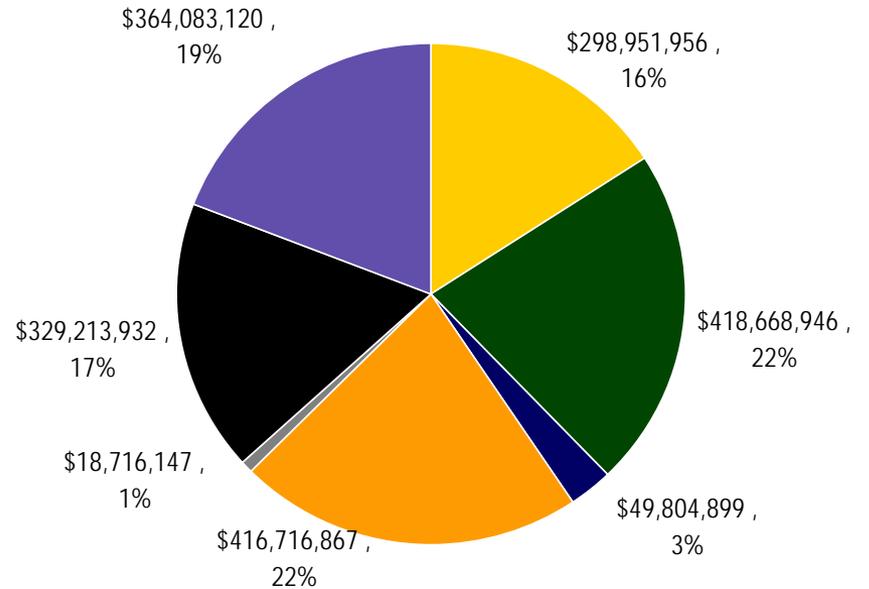
Total Direct Spend - \$0.14 Billion



- Purchased Finished Goods (Resale)
- Raw Materials, Packaging, Other
- Direct Services

Reporting Locations:	
ASD	
Central Services	
OBM	
OSS	
Parks	
Soil and Water	

Total Indirect Spend - \$1.9 Billion

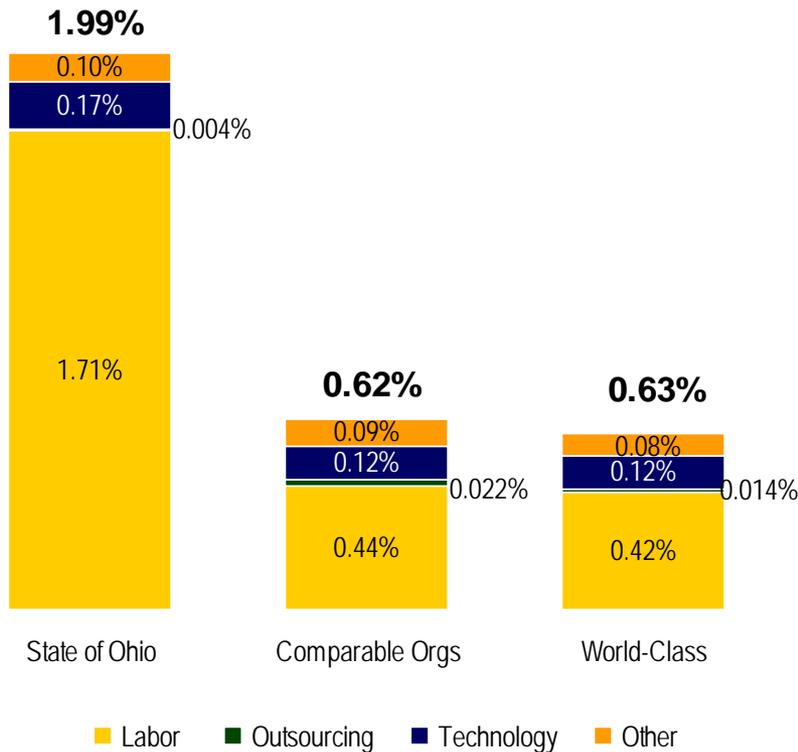


- Capital Equipment/Facilities Operations
- IT & Telecommunications
- Sales & Marketing Support
- General Equipment & Supplies
- Travel & Entertainment
- Human Resource Services
- Business & Administrative Services

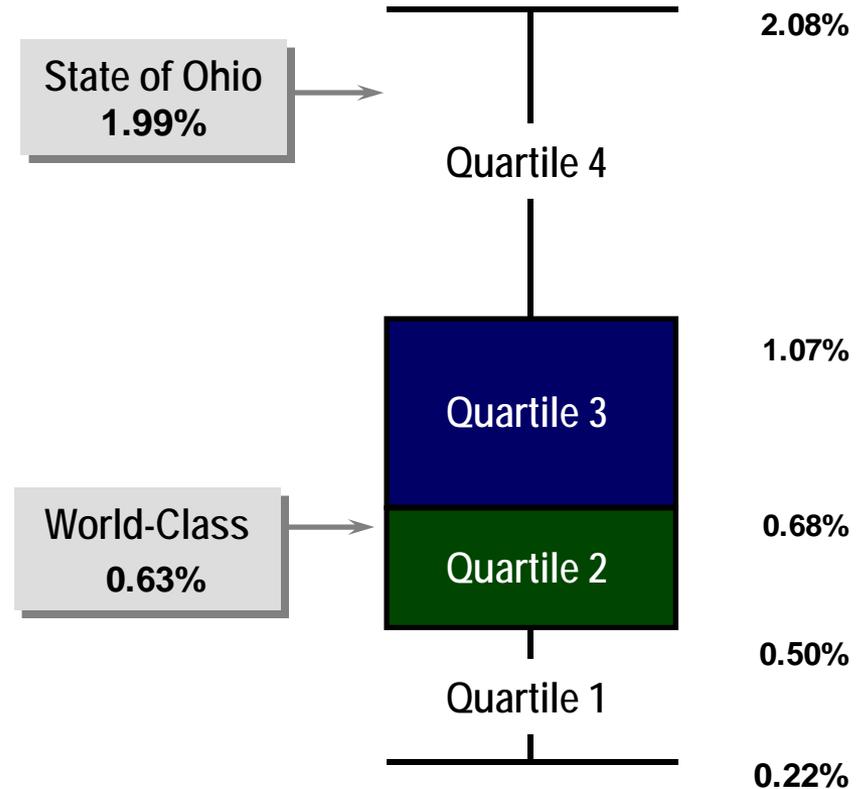
Note: Spend does not include interaffiliate spend

# Procurement Cost as a Percentage of Spend by Quartile

Procurement Cost as a % of Spend\*



Procurement Cost as a % of Spend \*



\* Above comparisons exclude the investment in Customer Management as it is a new Hackett Procurement benchmark process and comparisons are not available at this time.

# State of Ohio's Procurement Cost Differences To Comparable Org and World-Class

## Procurement Cost Differences (in \$)

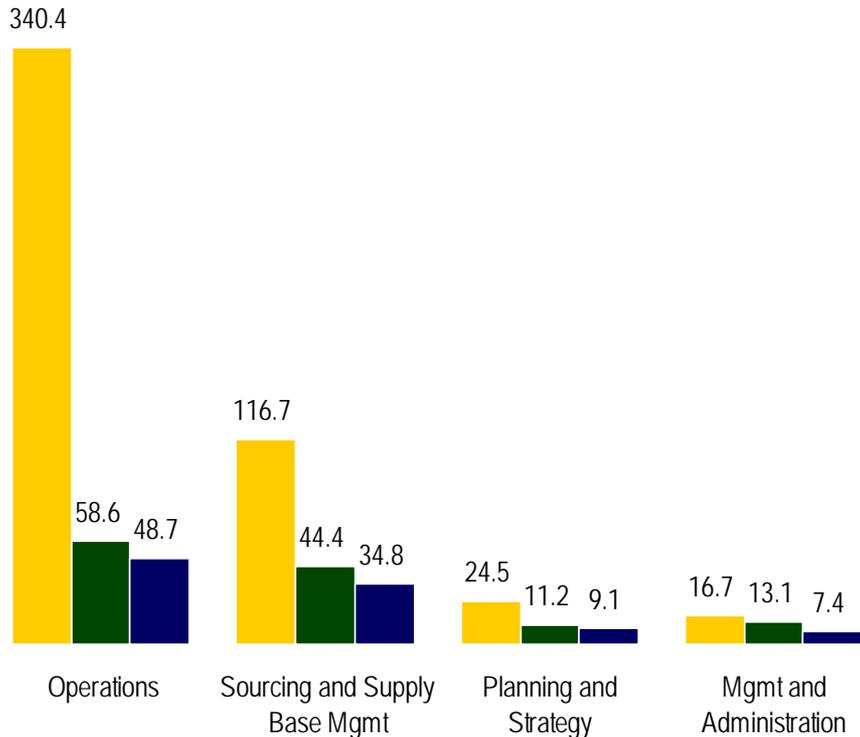
Procurement Processes	State of Ohio's Costs (in Millions)	State of OH's Gap to Comparable Orgs (in Millions)	State of Ohio's Gap to World-Class (in Millions)
Supply Data Management	2.7	2.3	2.4
Requisition and PO Processing	11.8	10.4	10.3
Supplier Scheduling	0.1	(0.4)	(0.2)
Receipt Processing	5.9	5.6	5.6
Compliance Management	2.6	1.7	1.9
Sourcing Execution	7.8	5.7	6.2
Supplier Management and Development	0.8	(0.2)	(0.6)
Customer Management	2.5		
Product Development and Design Support	0.1	(0.3)	(0.3)
Sourcing Strategy and Analysis	1.5	0.4	0.3
Management and Administration	1.6	0.3	0.6
<b>Total Process Costs</b>	<b>37.5</b>	<b>25.5</b>	<b>26.2</b>
Technology Cost	3.5	1.0	1.0
Other Cost	2.1	0.2	0.5
<b>Total Procurement Cost</b>	<b>43.1</b>	<b>26.7</b>	<b>27.7</b>

### Comments

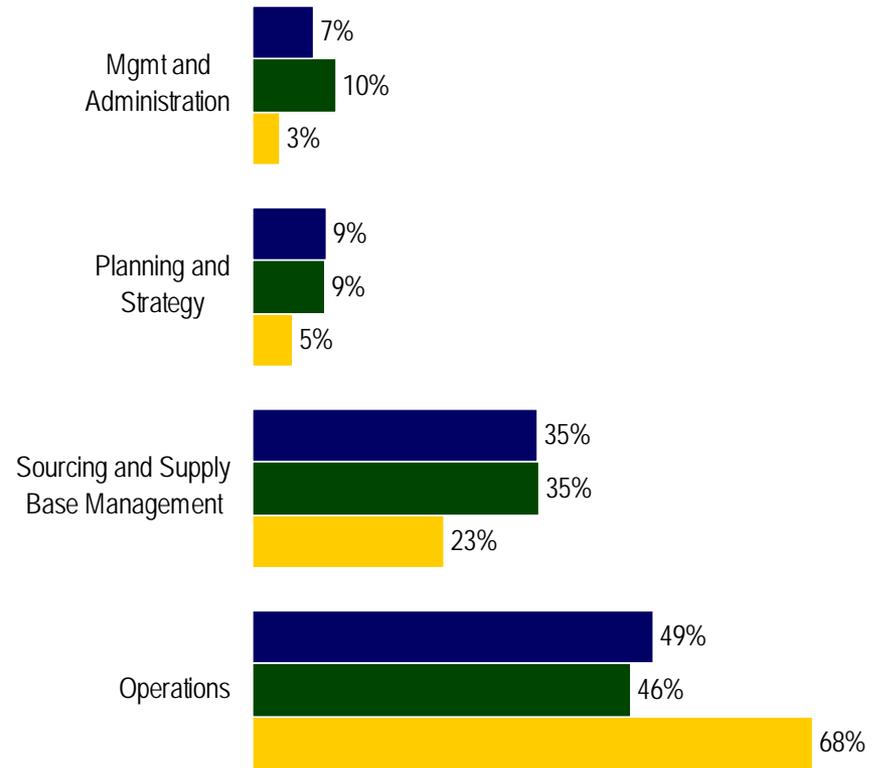
- Cost Differences:** The cost differences shown are mathematical calculations intended to give an understanding of processes with potential for performance improvement . Areas of focus and actual performance improvement targets should be developed only after considering issues such as organizational structure, business requirements, regulatory requirements, investments required and other factors.

# Procurement Resource Allocation

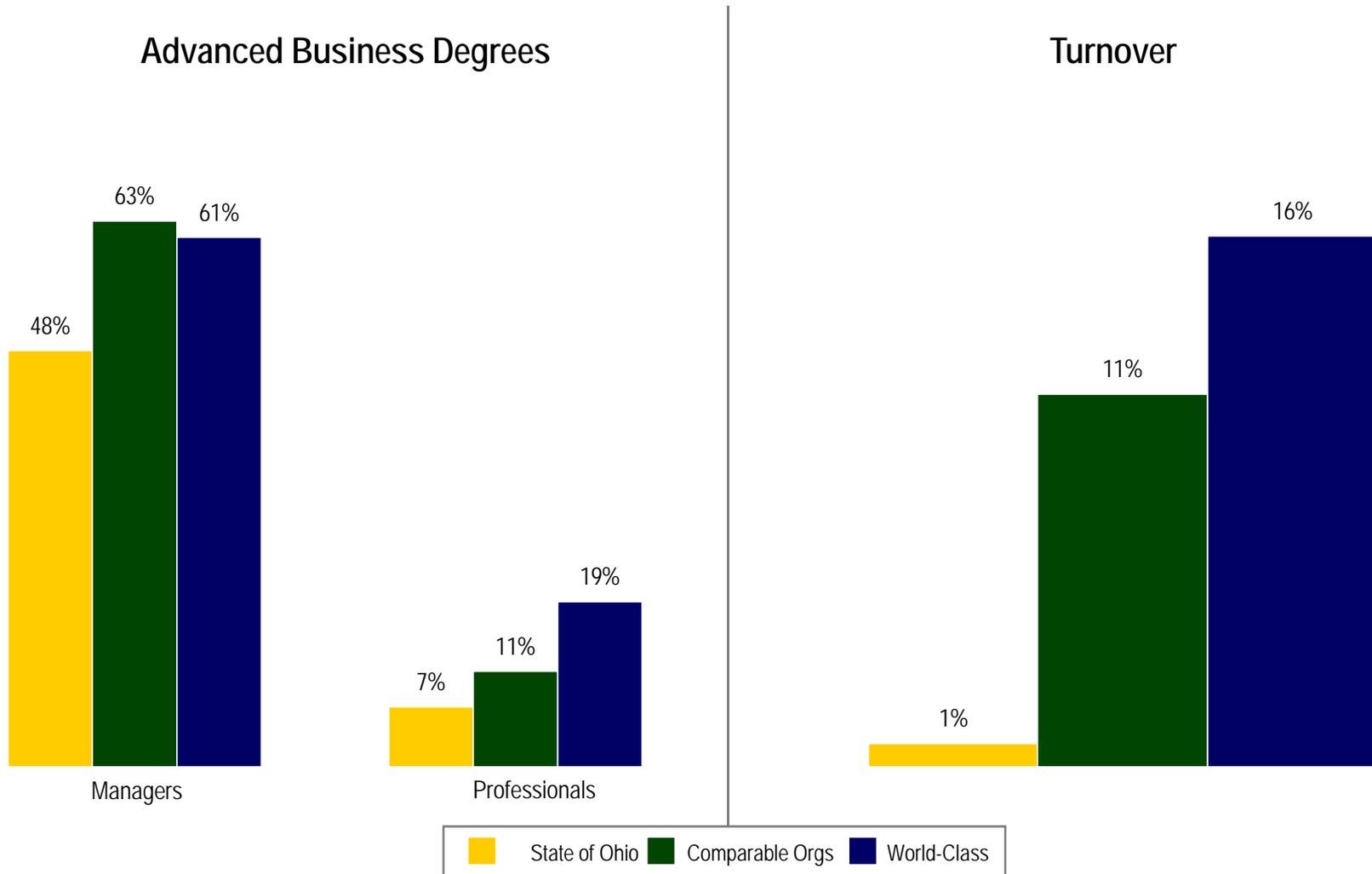
## Procurement Resource Allocation



## FTE Allocation by Process Groups

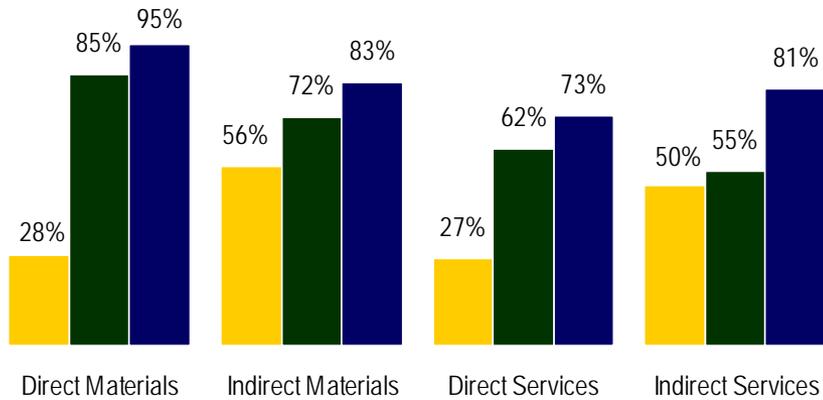


# Formal Business Experience and Turnover of the Procurement Staff

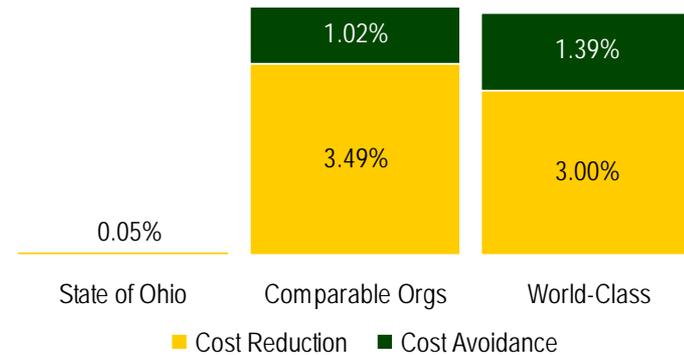


# Overall Spend Management Metrics

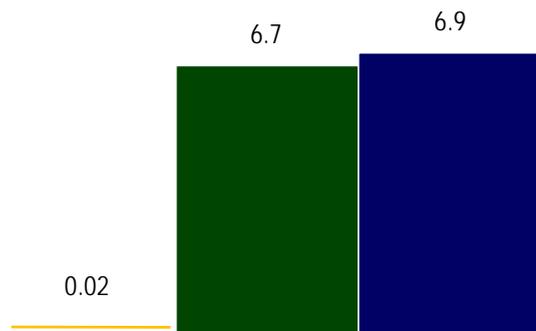
Percent of Procurement's Influence Over Spend



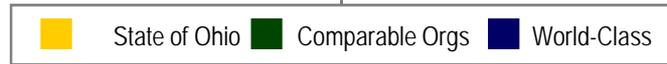
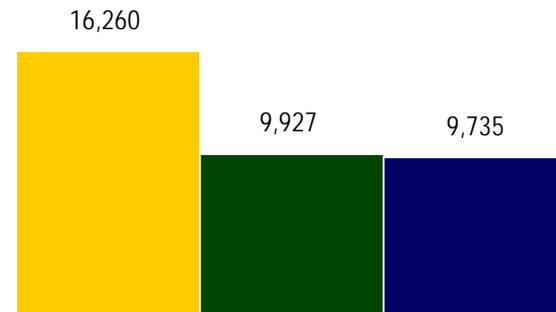
Cost Reduction and Cost Avoidance Savings as a Percentage of Total Spend



Return on Investment  
(Procurement Total Operating Cost)

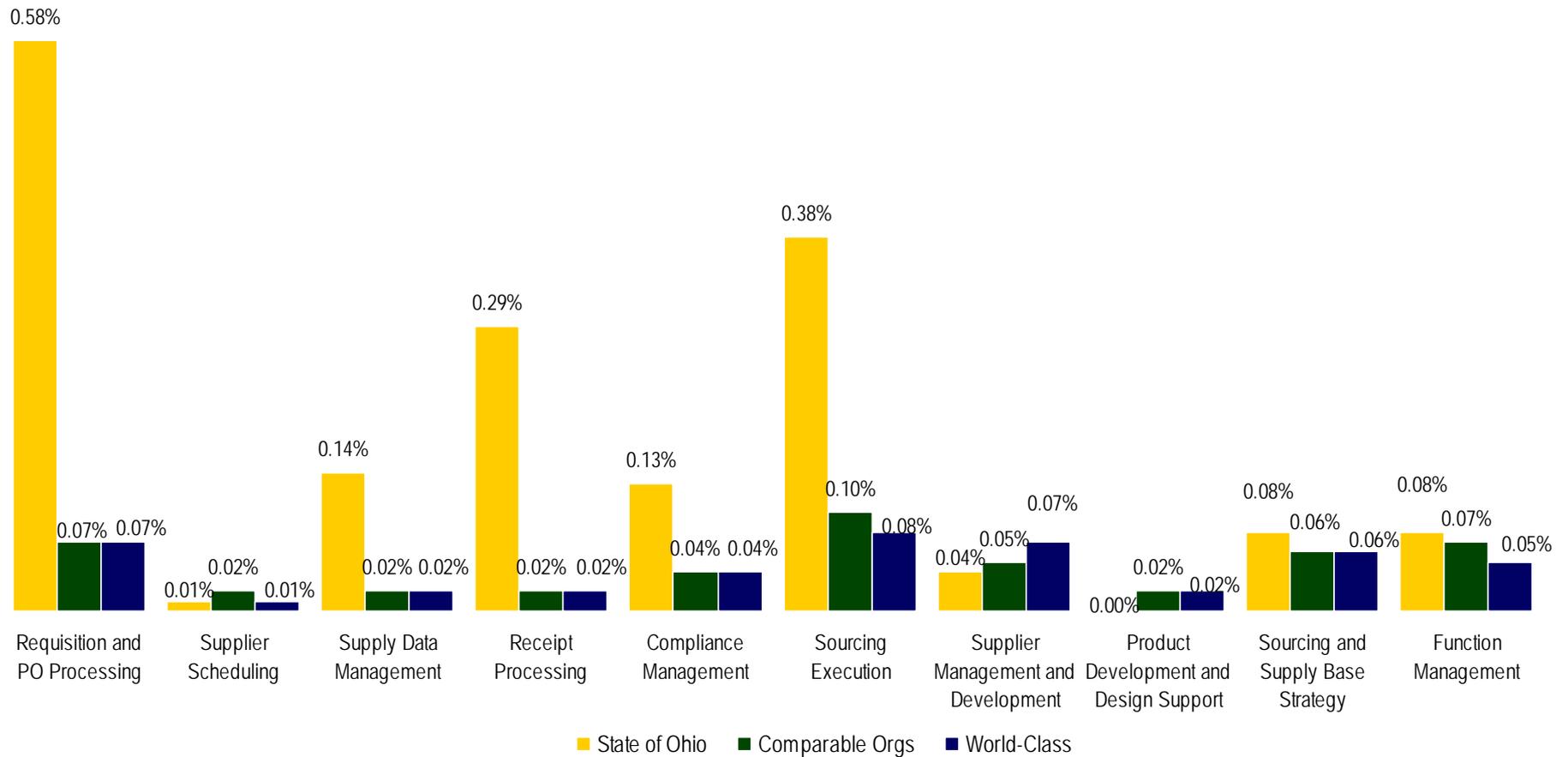


Suppliers per State of Ohio's Spend



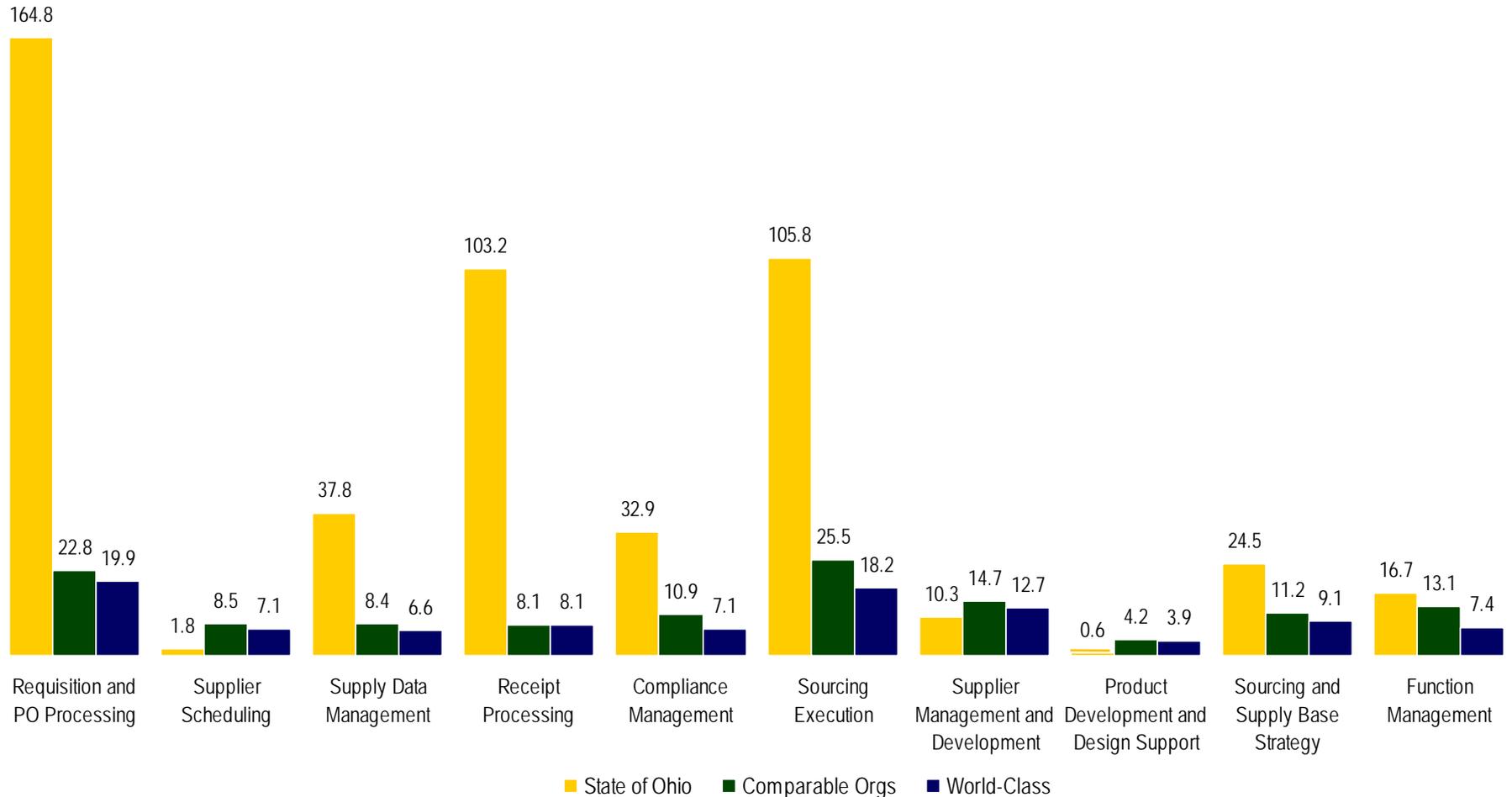
# Cost as a Percentage of Spend by Process

## Procurement Process Cost as a % of Spend



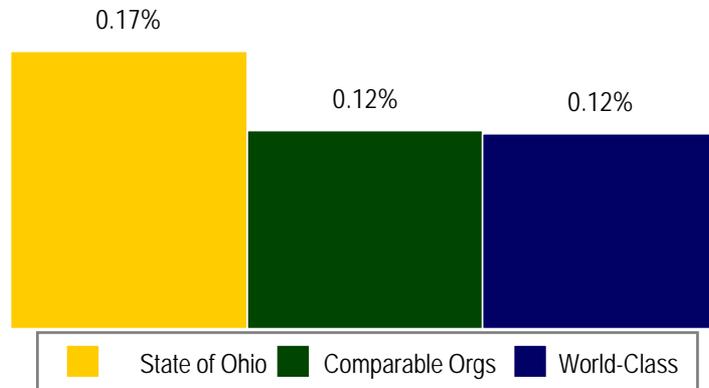
# Staffing Comparisons

## Procurement FTEs per State of Ohio's Spend

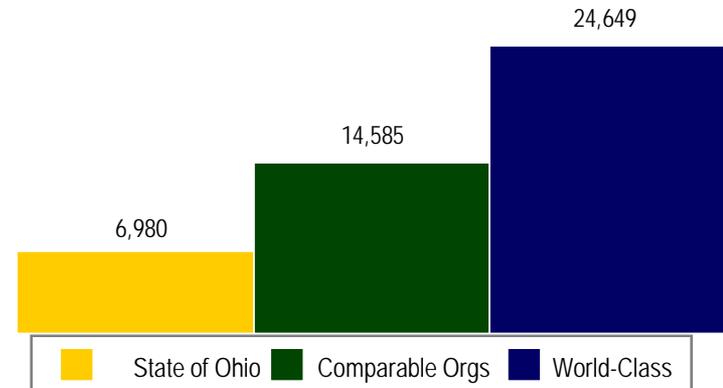


# Procurement Technology Cost as a Percentage of Spend and Technology Cost per FTE

Technology Cost as a % of Spend



Technology Cost (\$) per FTE

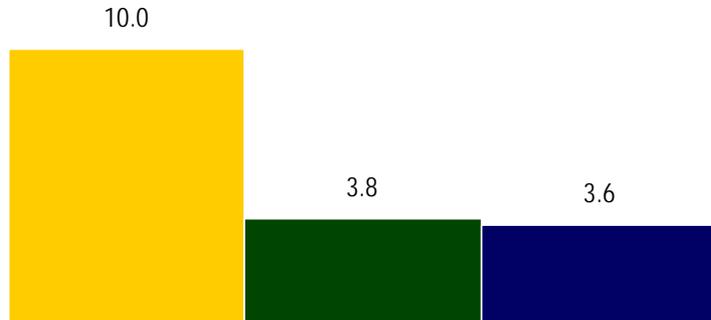


Comments

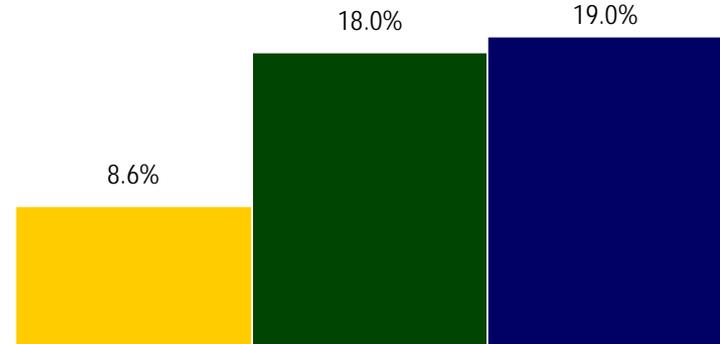
- **Technology:** Top performing companies typically have higher technology cost as a % of spend and higher technology cost per FTE, with lower actual FTE counts particularly in the transactional processes.
- Technology costs include hardware, software, depreciation, networking, telecommunications and support costs related to the in scope Procurement processes.
- Technology Cost will vary based upon the age of the applications and the stage of the investment cycle.

# Transaction Automation

Procurement Process Cost to Technology Cost Ratio

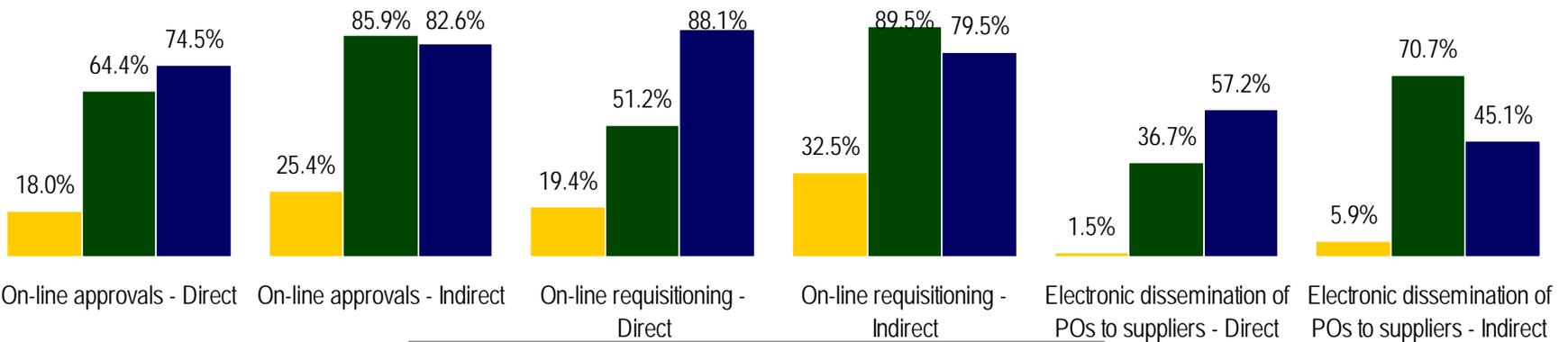


Technology Cost as a Percent of Total Cost



State of Ohio    Comparable Orgs    World-Class

Percent of Automated Transactions



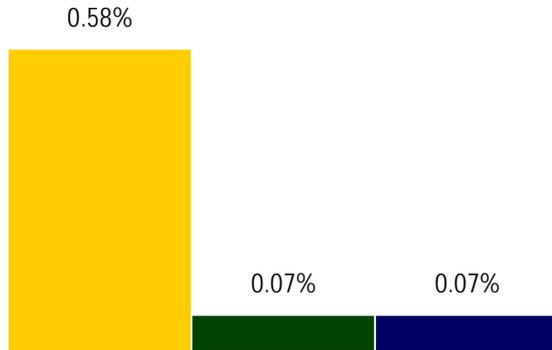
State of Ohio    Comparable Orgs    Top Performers

# State of Ohio's FTEs at Comparable Org Group and World-Class

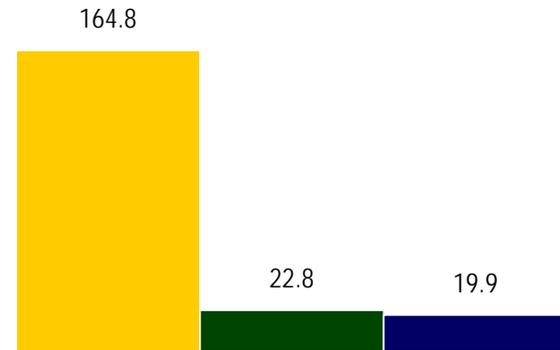
<b>Procurement Processes</b>	<b>State of Ohio's FTEs</b>	<b>State of Ohio's FTEs at Peer Group</b>	<b>State of Ohio's FTEs at World-Class</b>
Supply Data Management	37.8	8.4	6.5
Requisition and PO Processing	164.6	22.7	19.8
Supplier Scheduling	1.7	1.7	1.7
Receipt Processing	103.1	8.0	8.0
Compliance Management	32.8	10.8	7.0
Sourcing Execution	105.8	25.4	18.2
Supplier Management and Development	10.1	10.1	10.1
Customer Management	31.7	31.7	31.7
Product Development and Design Support	0.6	0.6	0.6
Sourcing Strategy and Analysis	24.5	11.2	9.0
Management and Administration	16.7	13.1	7.4
<b>Total Procurement FTEs</b>	<b>529.2</b>	<b>143.7</b>	<b>120.1</b>

# PO Processing Cost and Staffing

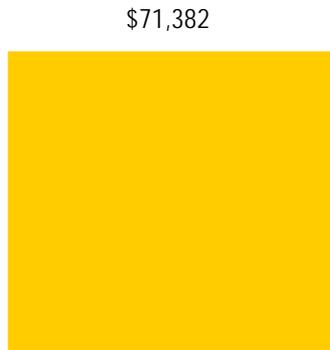
PO Processing Cost as a % of Spend



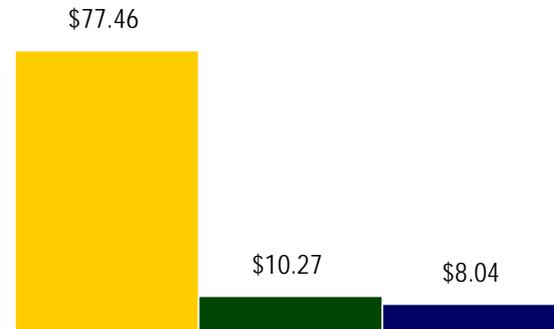
PO Processing FTE's per State of Ohio's Spend



Average Fully Loaded Labor Cost Per PO Processing FTE (\$)



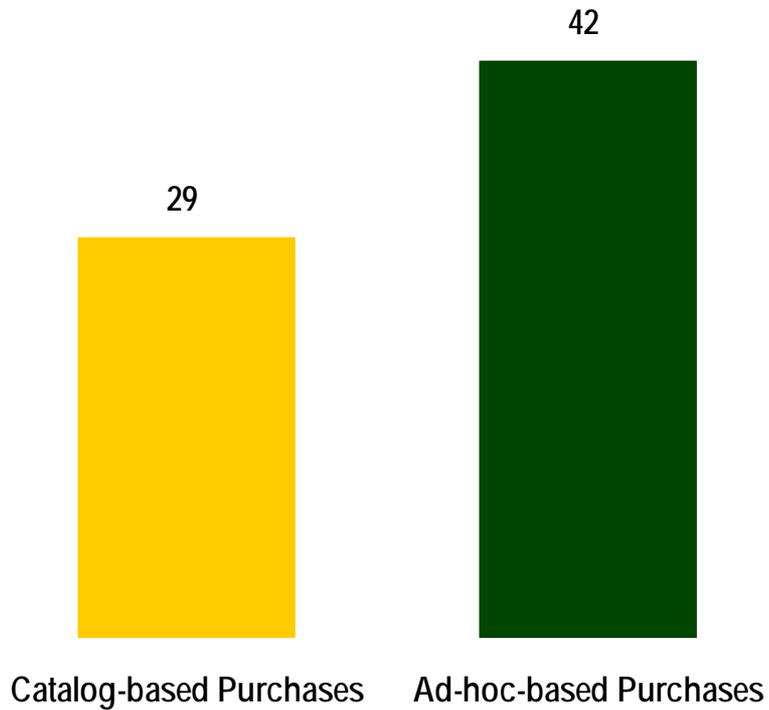
Cost per Purchase Order (\$)



# Requisition and Purchase Order Processing Practices

## Cycle Time (Hours)

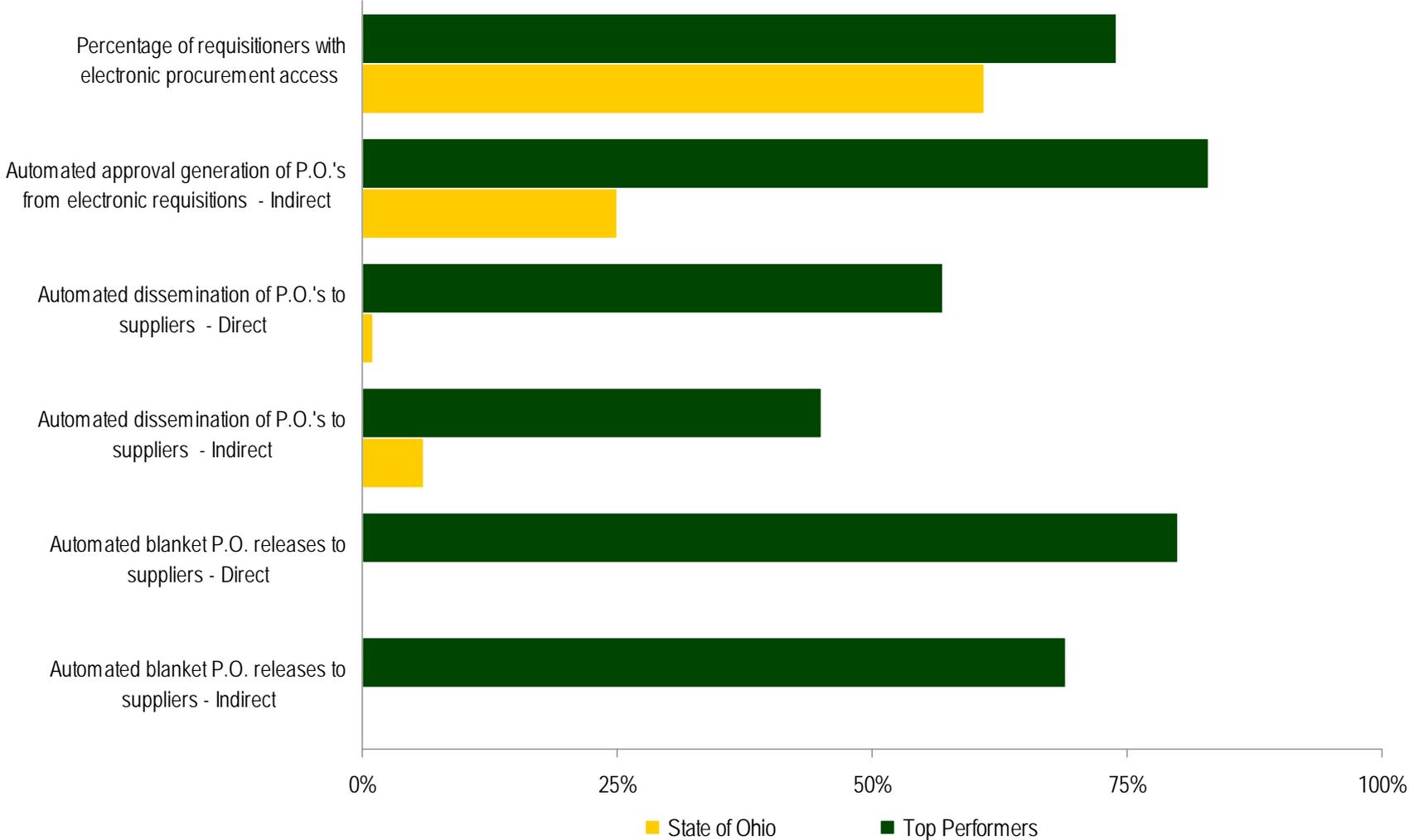
Comparisons not available



## Average Line Items per Purchase Order

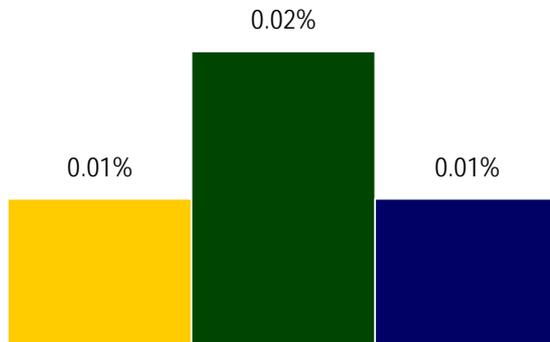


# Requisition and Purchase Order Processing Practices (Cont'd)

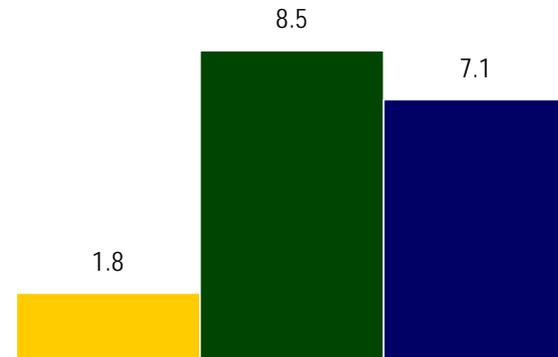


# Scheduling Cost And Staffing

Scheduling Cost as a % of Spend



Scheduling FTE's per State of Ohio's Spend

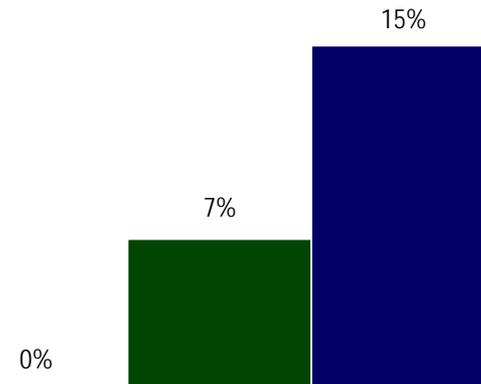


■ State of Ohio 
 ■ Comparable Orgs 
 ■ World-Class

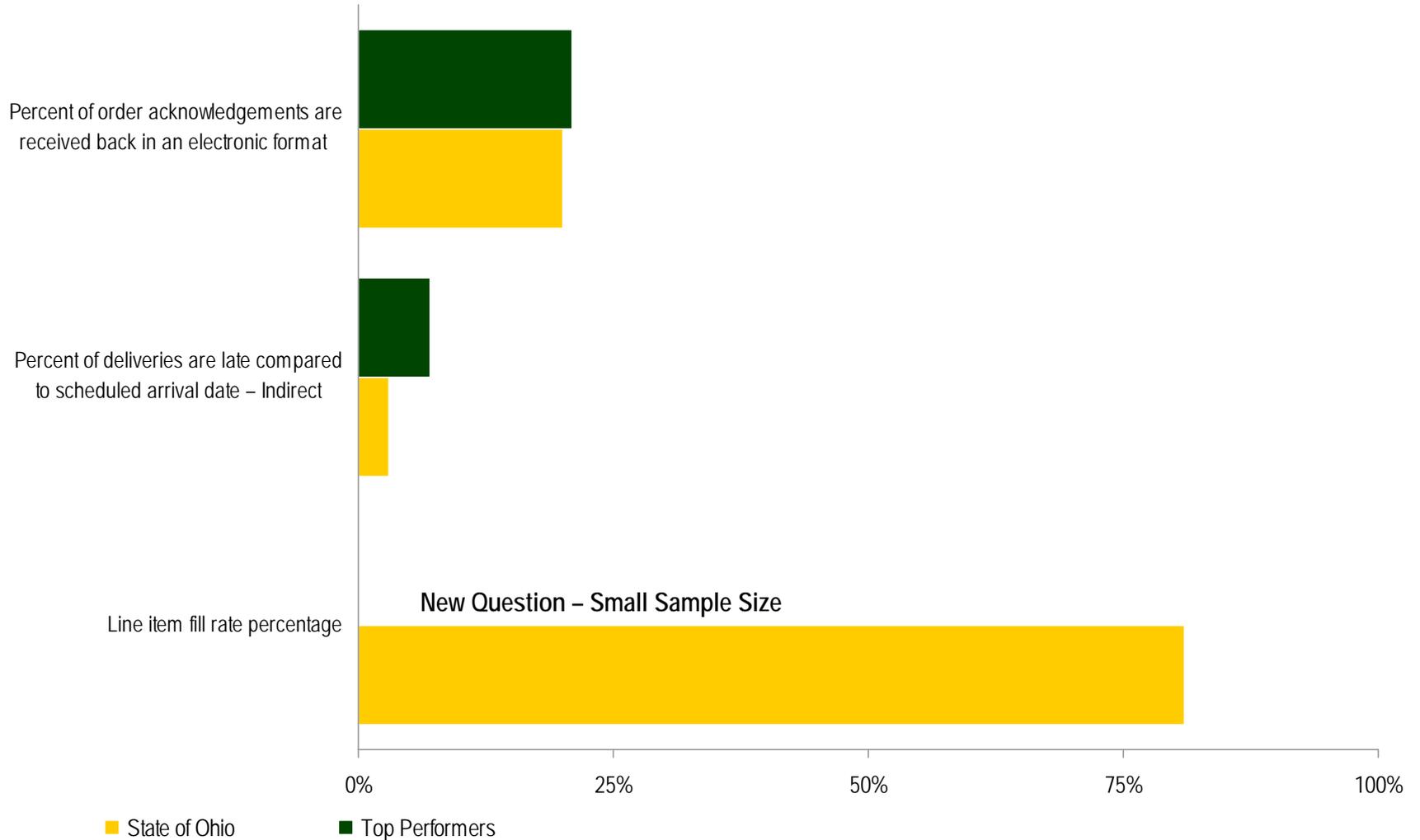
Average Fully Loaded Labor Cost Per Scheduling FTE (\$)



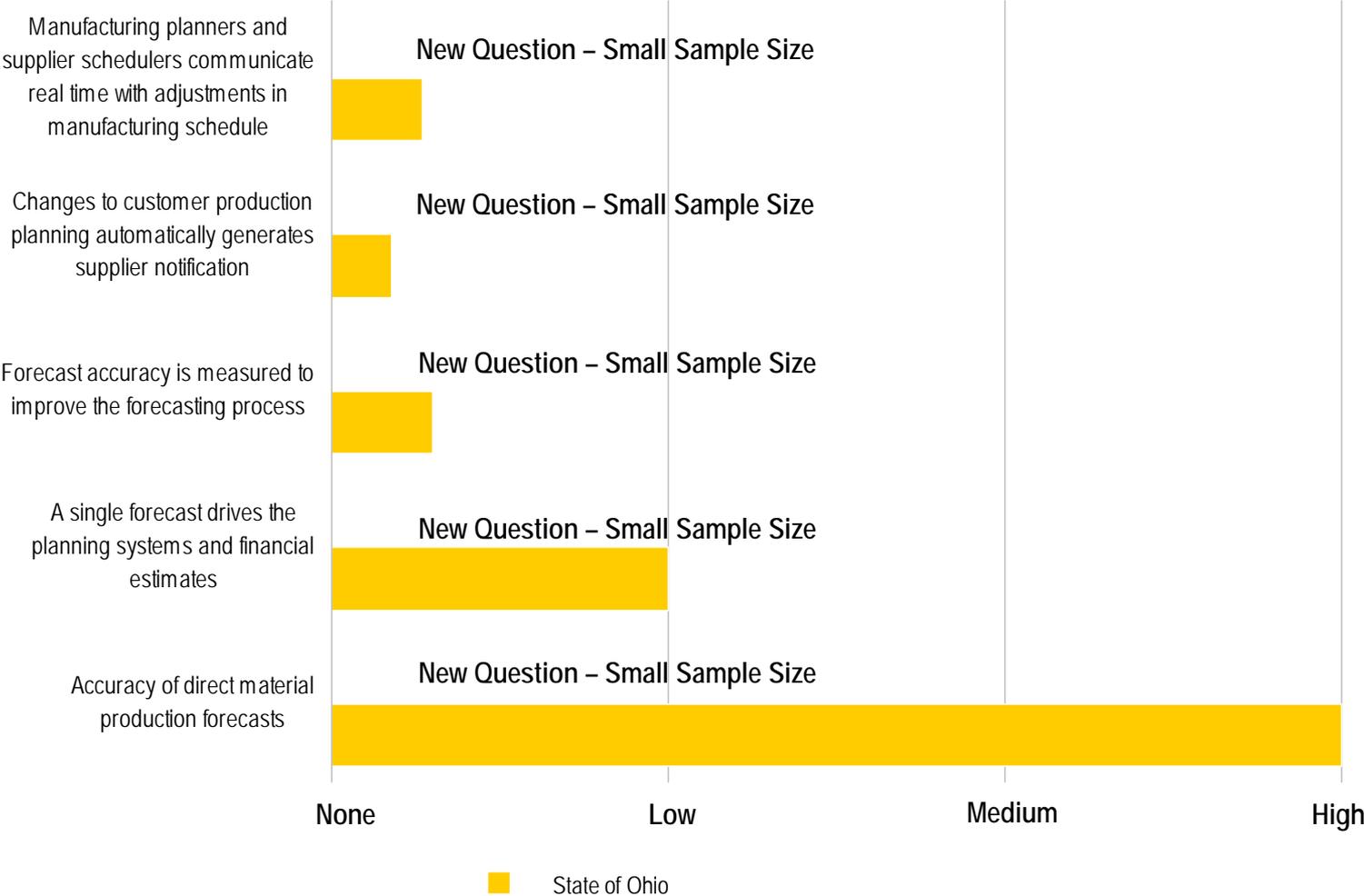
Inventory Value Controlled Under Supplier Managed Inventory Programs



# Supplier Scheduling Practices

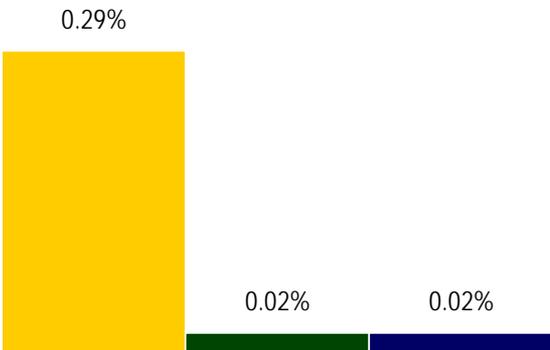


# Supplier Scheduling Practices (Cont'd)

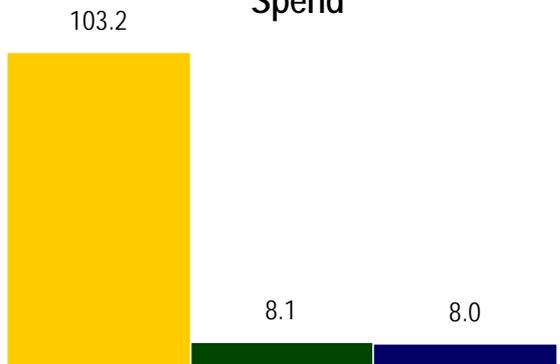


# Receipt Processing Cost and Staffing

Receipt Processing Cost as a % of Spend

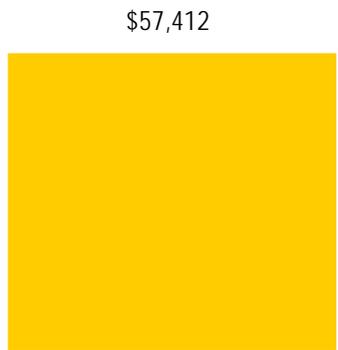


Receipt Processing FTE's per State of Ohio's Spend



■ State of Ohio 
 ■ Comparable Orgs 
 ■ World-Class

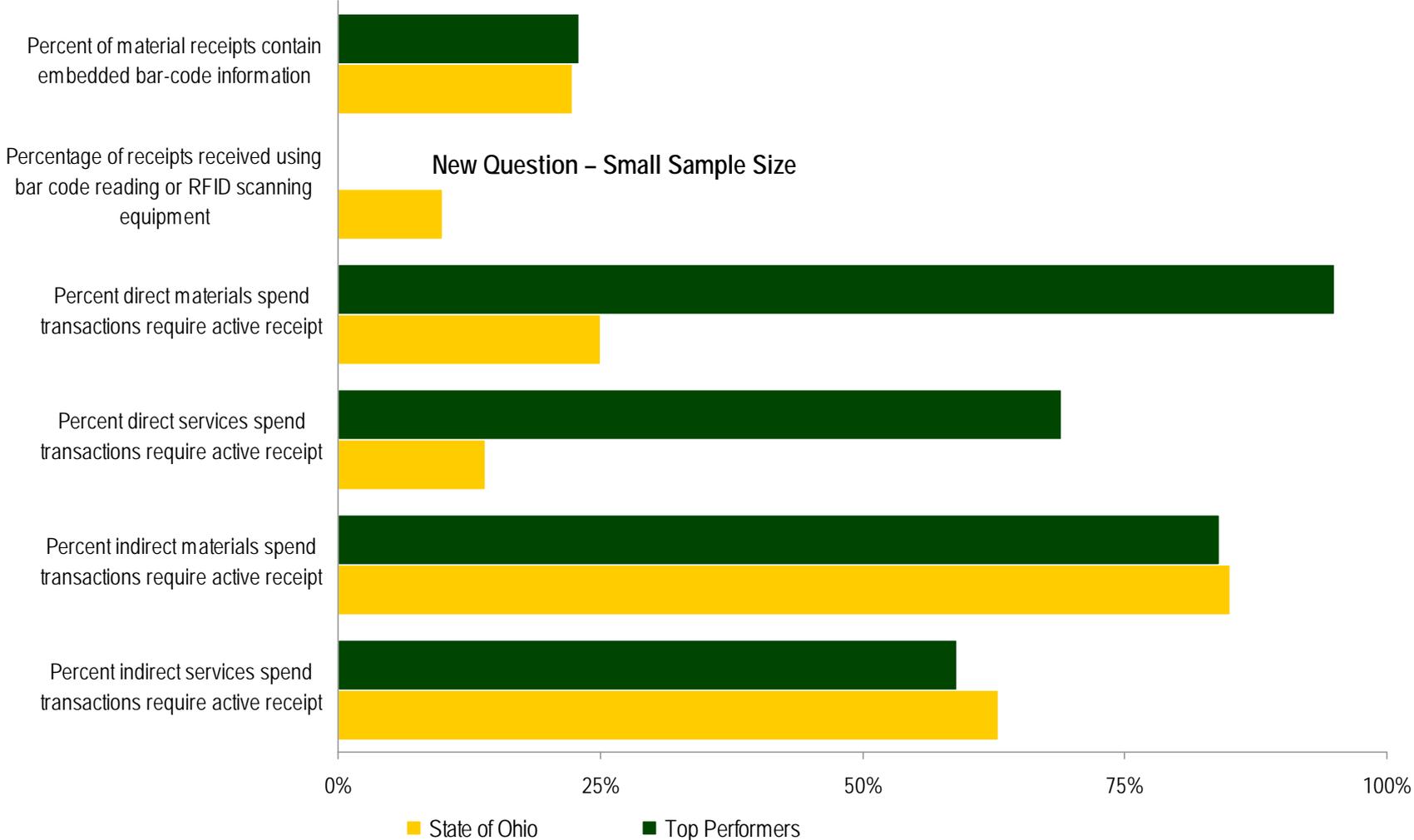
Average Fully Loaded Labor Cost Per Receipt Processing FTE (\$)



Cost per Receipt (\$)

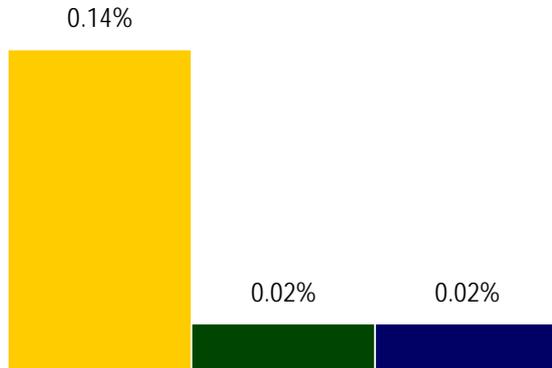


# Receipt Processing Practices

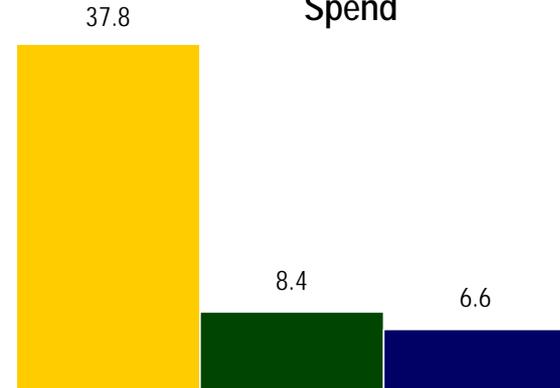


# Supply Data Management Cost and Staffing

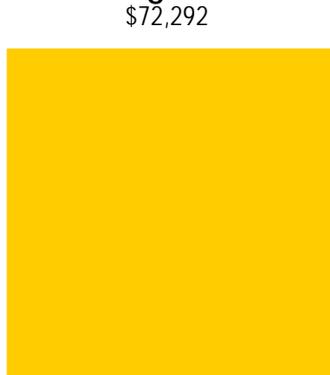
Supply Data Management Cost as a % of Spend



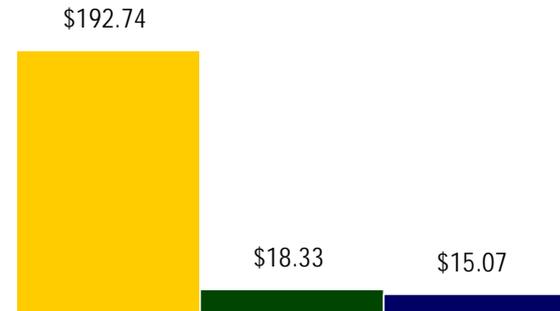
Supply Data Management FTE's per State of Ohio's Spend



Average Fully Loaded Labor Cost Per Supply Data Management FTE (\$)



Supply Data Management Process Cost per Item Master File/Supplier Master File Update (\$)

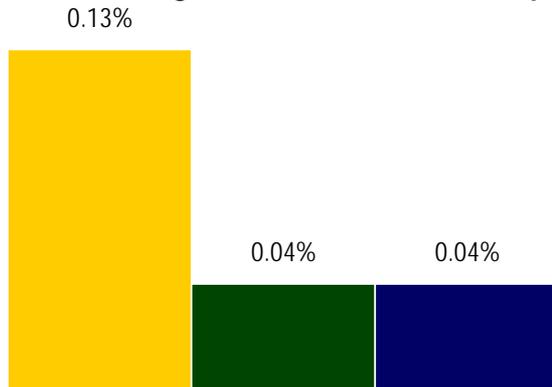


# Supply Data Management Practices

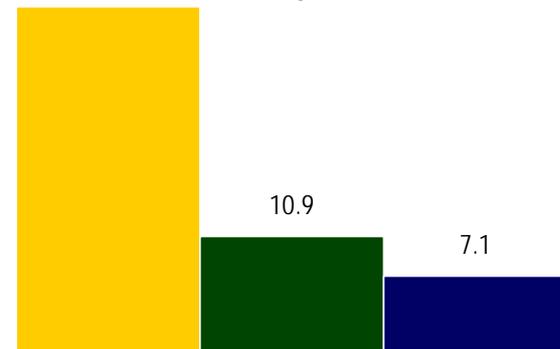


# Compliance Management Cost and Staffing

Compliance Management Cost as a % of Spend



Compliance Management FTE's per State of Ohio's Spend

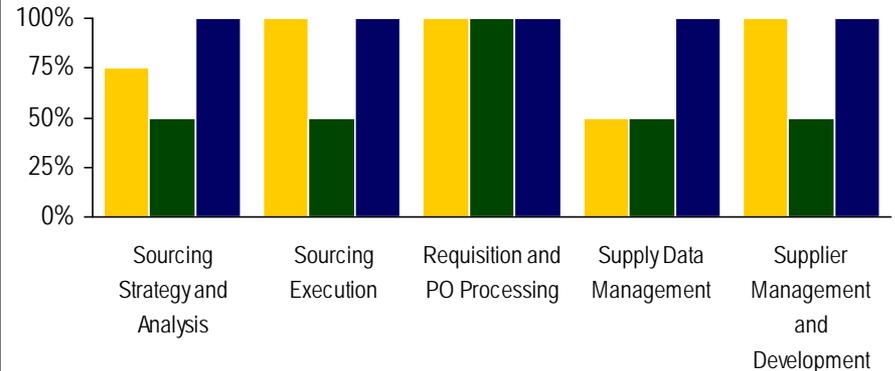


■ State of Ohio 
 ■ Comparable Orgs 
 ■ World-Class

Average Fully Loaded Labor Cost Per Compliance Management FTE (\$)

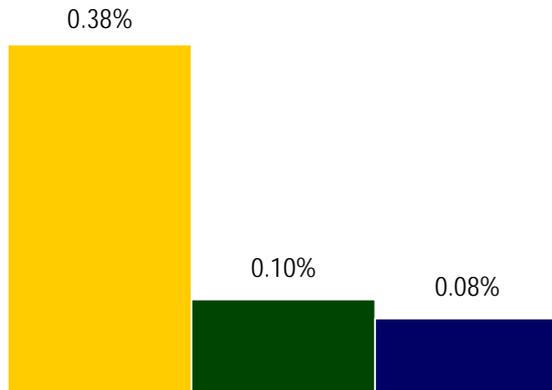


Extent to Which One Standard Set of Procedures Followed by All Business Units/Divisions/Locations

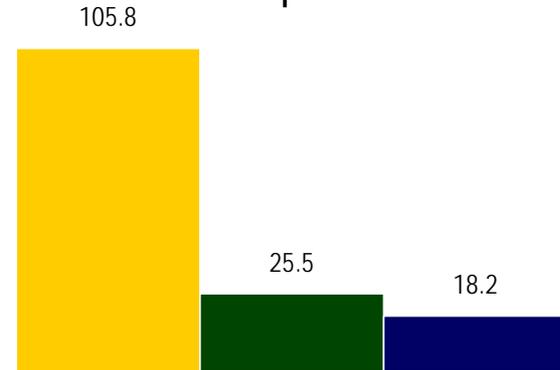


# Sourcing Execution Cost and Staffing

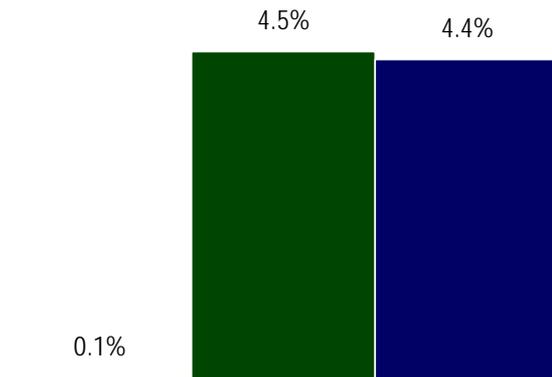
Sourcing Execution Cost as a % of Spend



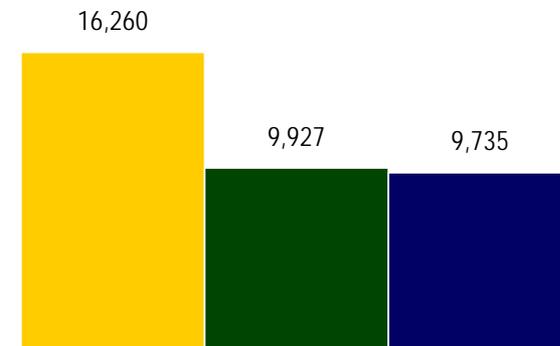
Sourcing Execution FTE's per State of Ohio's Spend



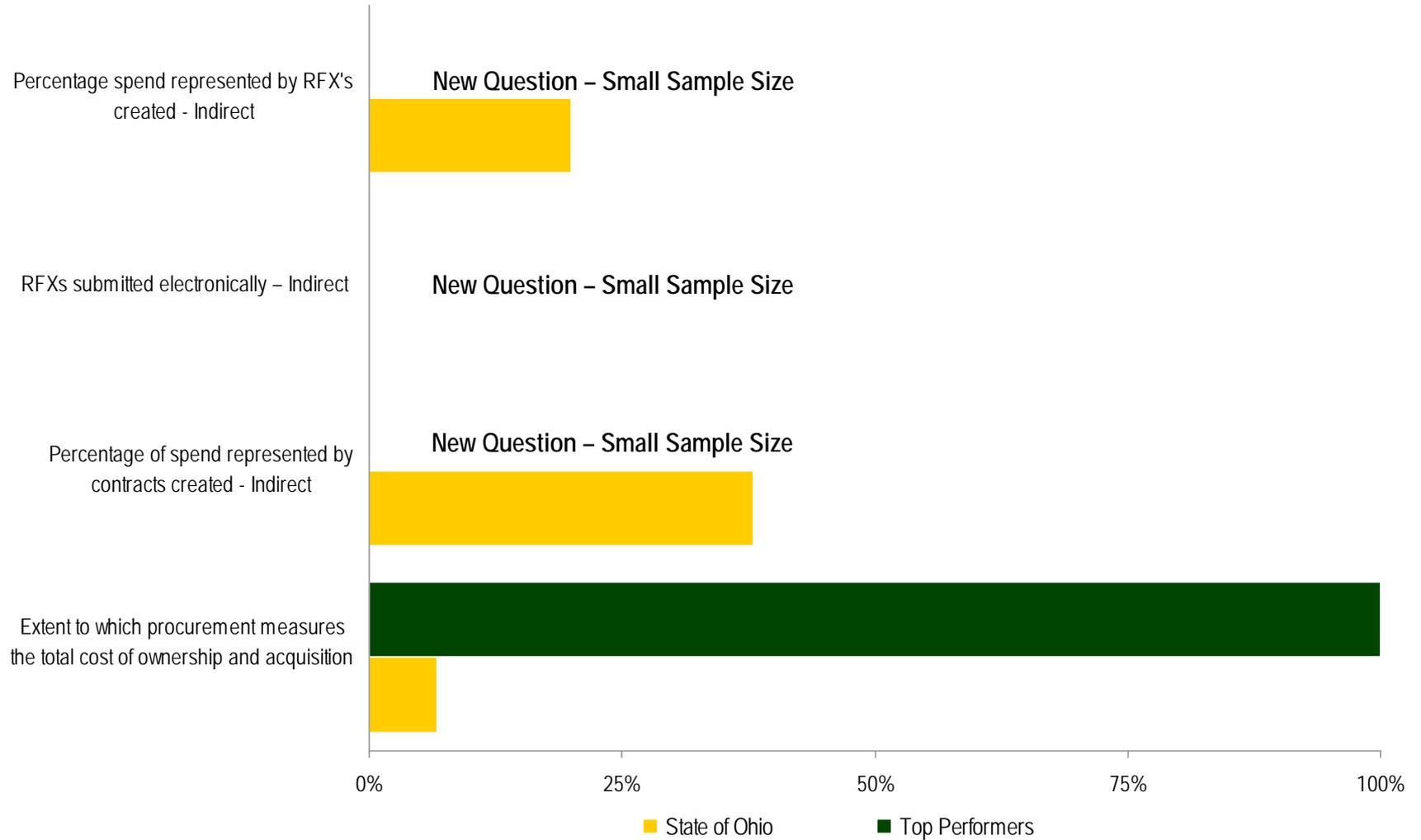
Cost Savings as a Percent of Spend



Number of Suppliers

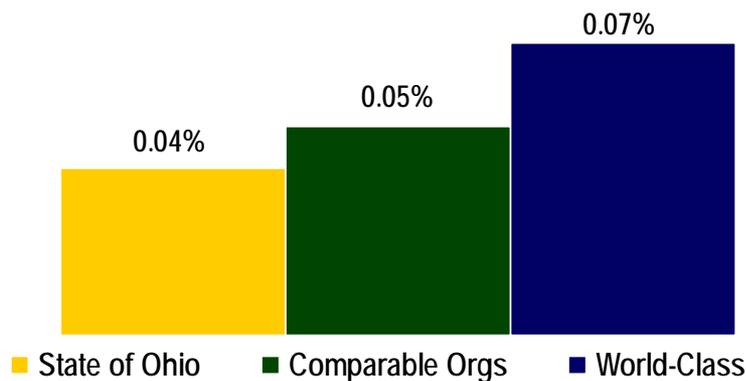


# Sourcing Execution Practices

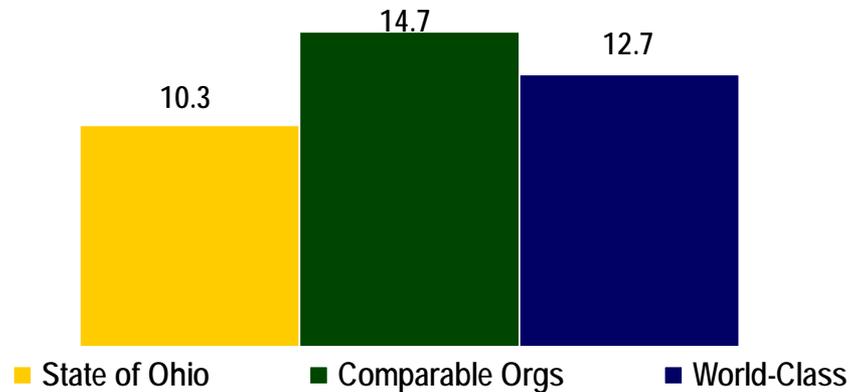


# Supplier Mgmt. & Development Cost and Staffing

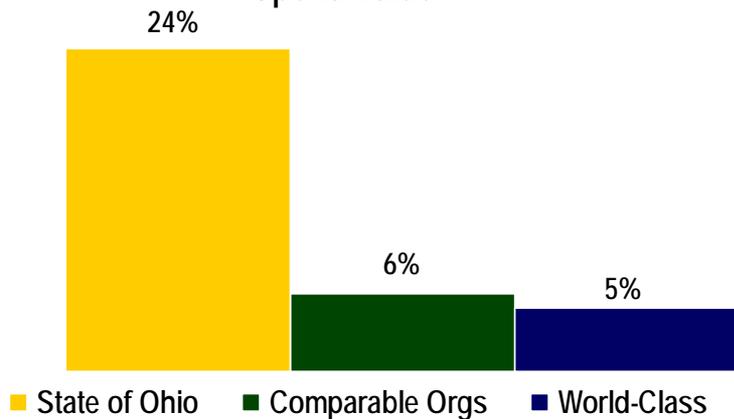
Supplier Mgmt & Development Cost as a % of Spend



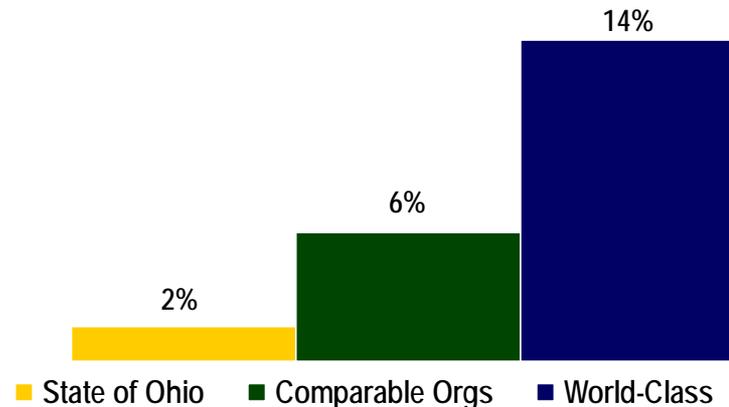
Supplier Mgmt & Development FTE's per State of Ohio's Spend



Percentage of Suppliers Providing 80% of Spend Value

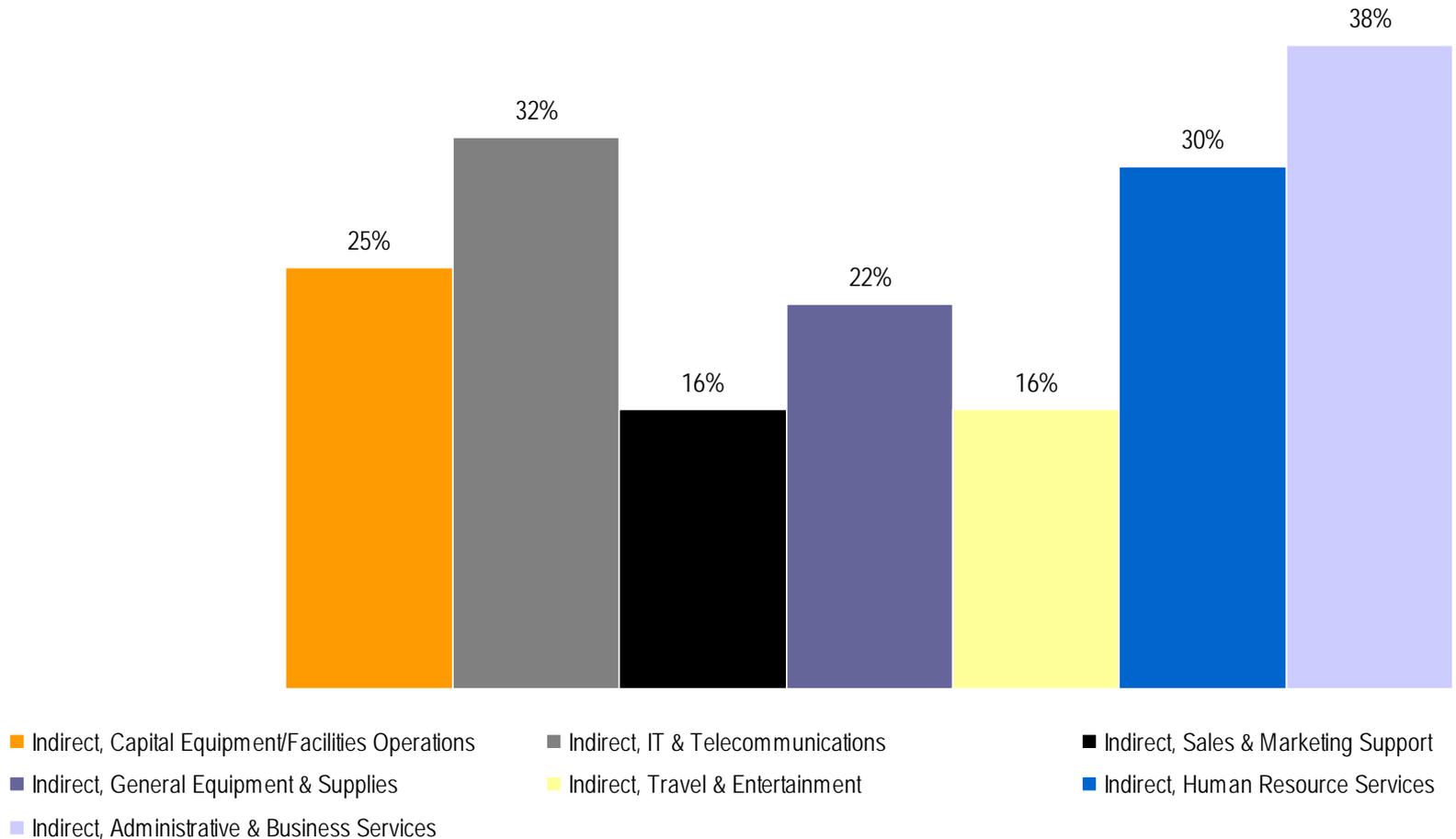


Percent of Suppliers with Failing Performance Scores



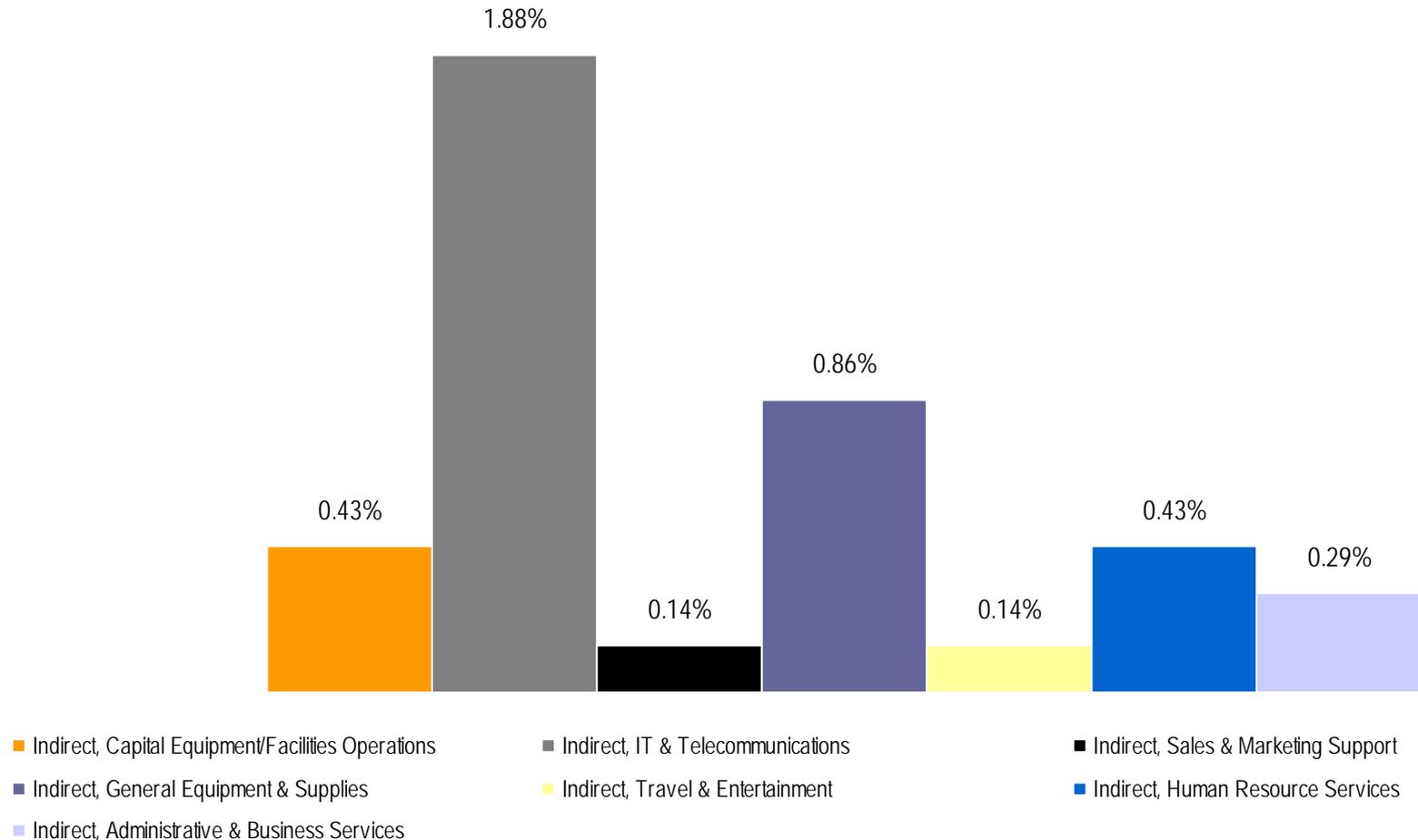
# Performance Measurement

## Percentage of Spend where Performance Measures are Maintained



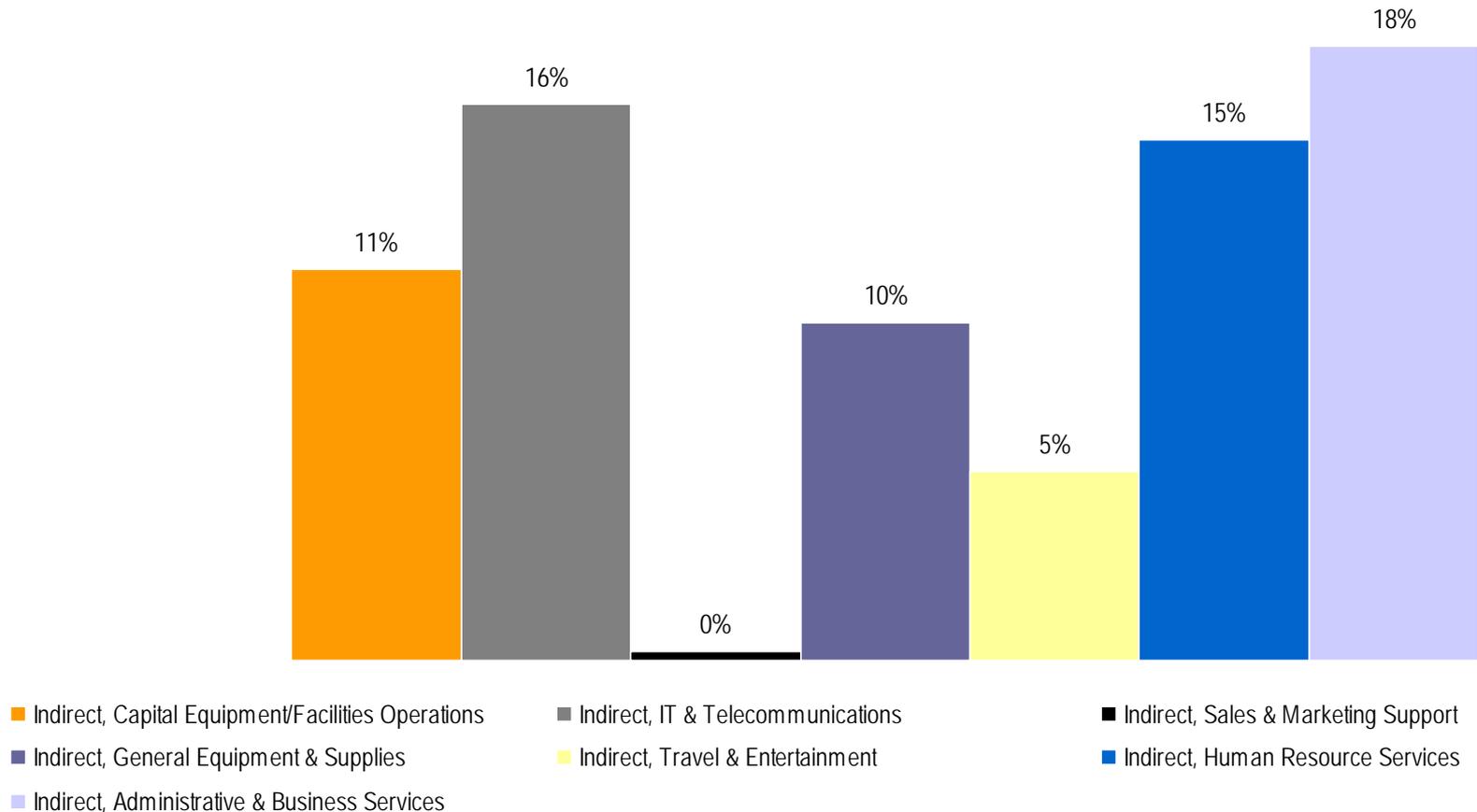
# Percentage of Suppliers not Meeting Performance Levels

## Percentage of Suppliers not Meeting Established Performance Levels

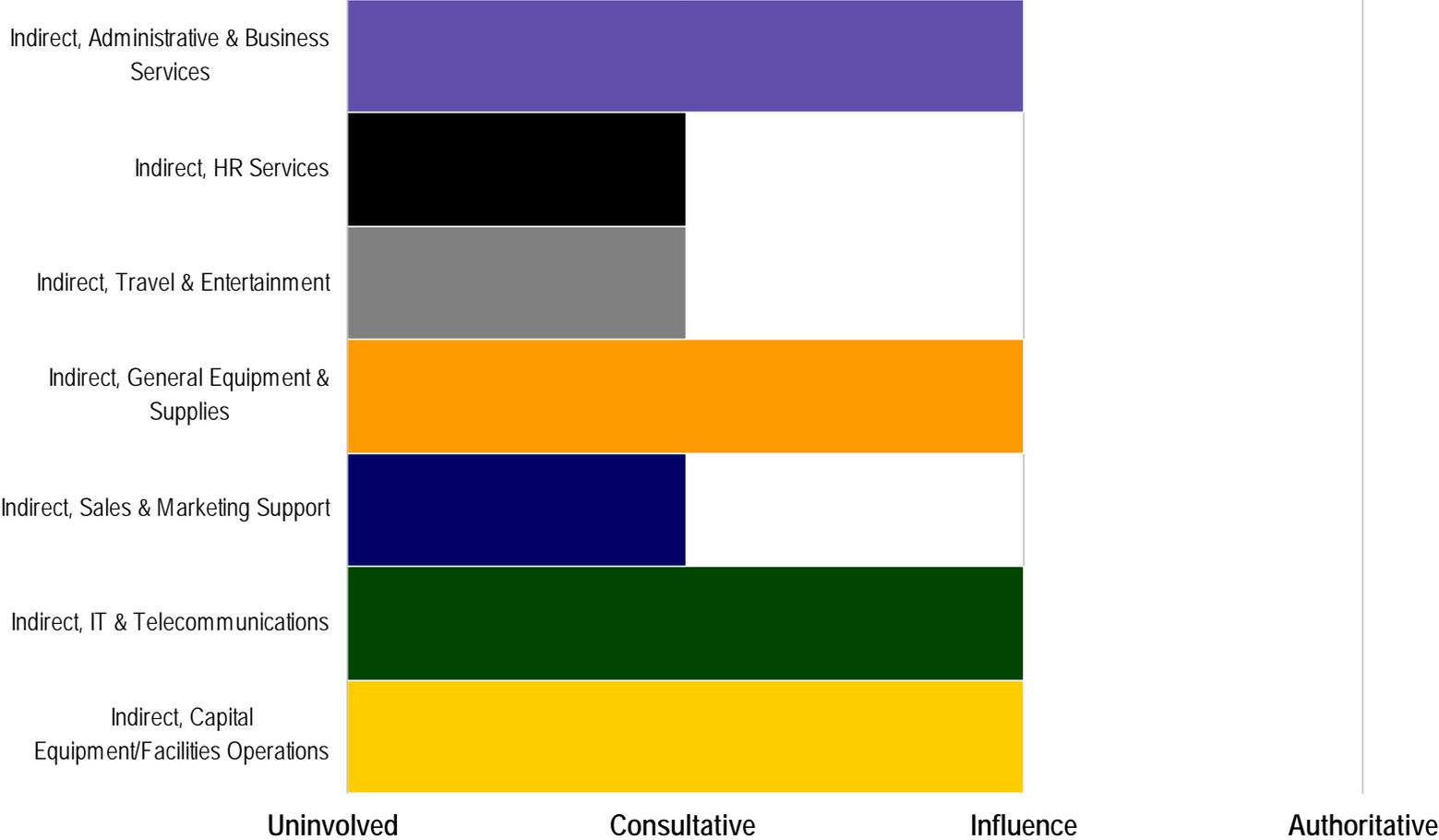


# Total Cost of Ownership

## Percentage of Category Spend for which TCO is Measured

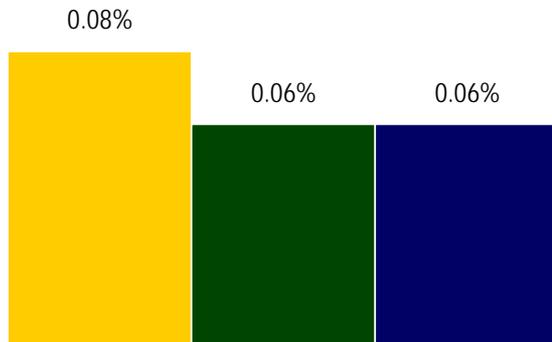


# Procurement Involvement in Supplier Management

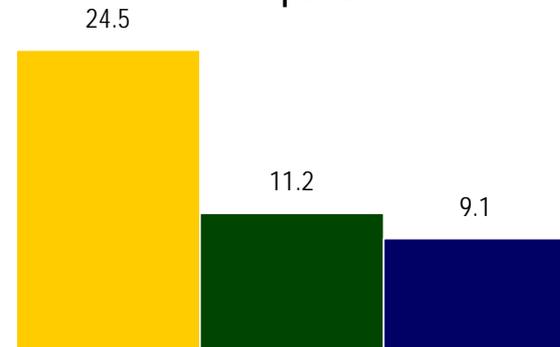


# Sourcing Strategy Cost and Staffing

Sourcing Strategy Cost as a % of Spend

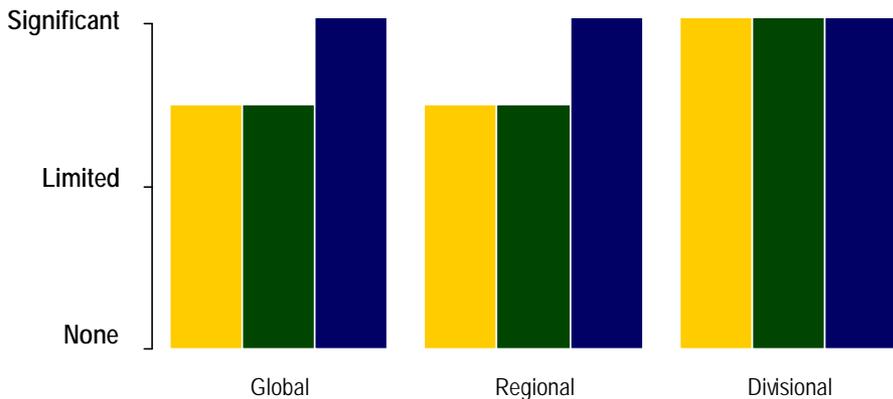


Sourcing Strategy FTE's per State of Ohio's Spend

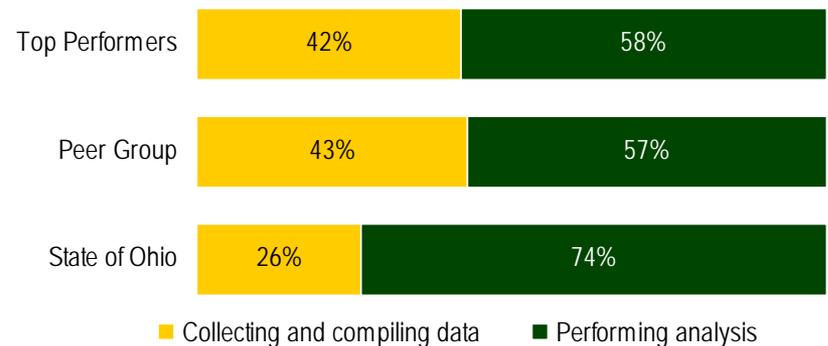


■ State of Ohio 
 ■ Comparable Orgs 
 ■ World-Class

Level of Spend Data Visibility

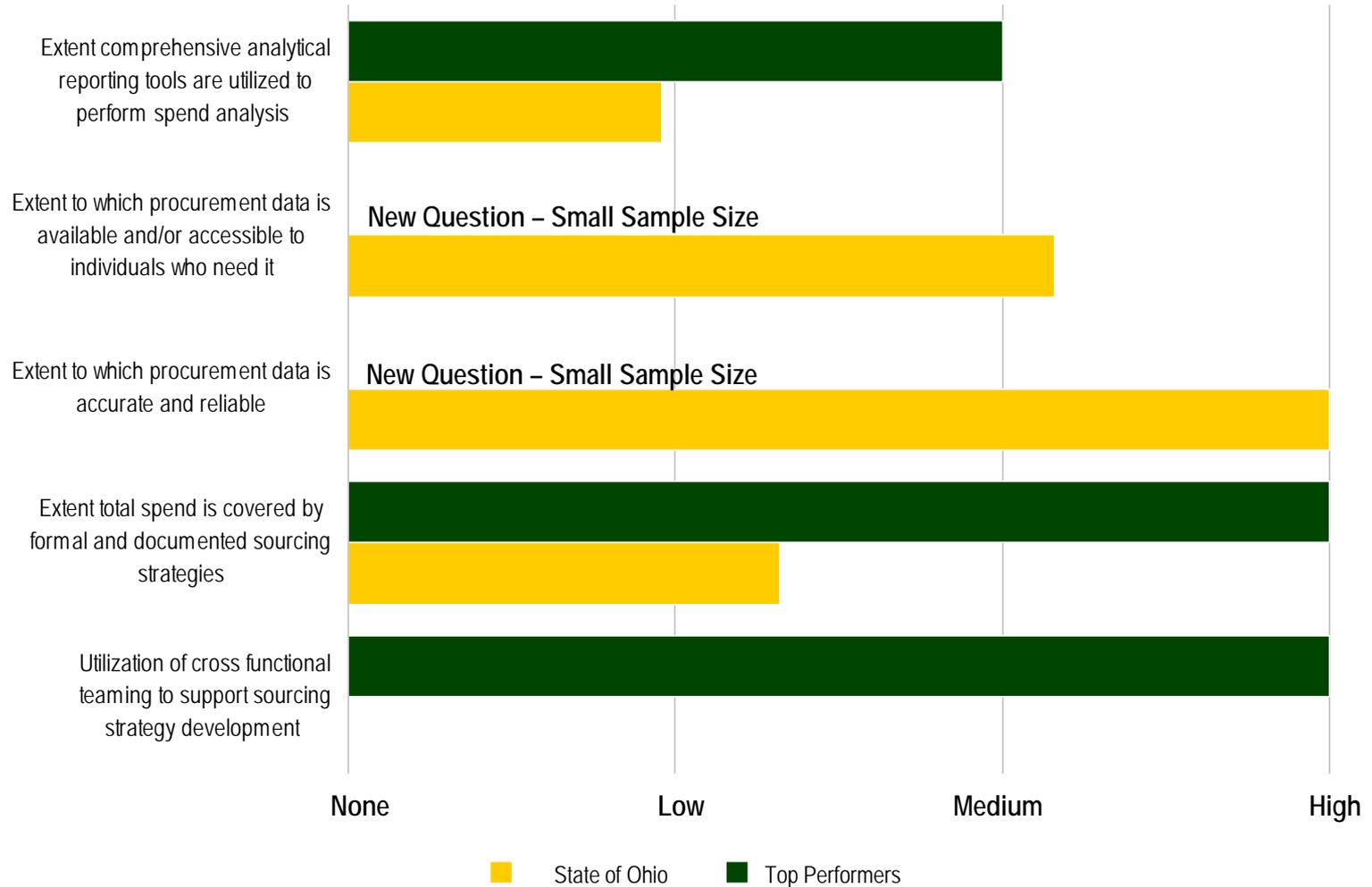


Percent of Analyst Time Spent Compiling Data vs. Performing Analysis



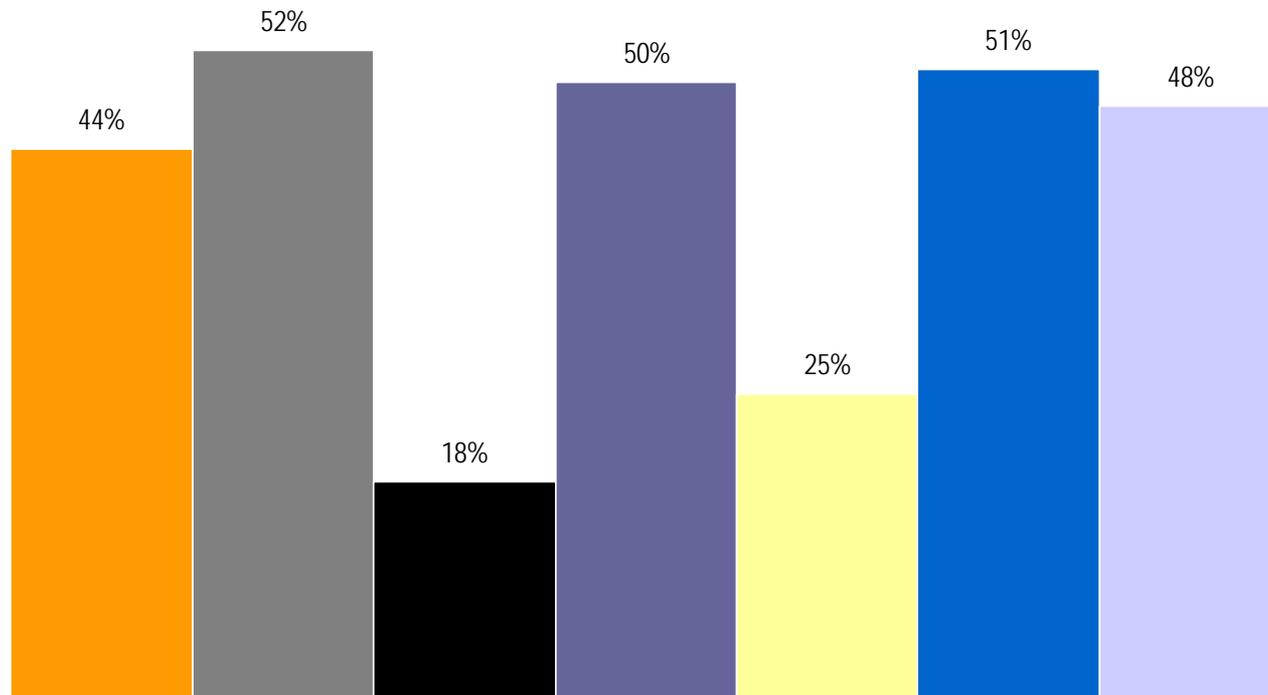
■ Collecting and compiling data 
 ■ Performing analysis

# Sourcing Strategy and Analysis Best Practices



# Percentage of Spend with Formal / Documented Sourcing Strategies

## Percentage of Spend With Formal Sourcing Strategies



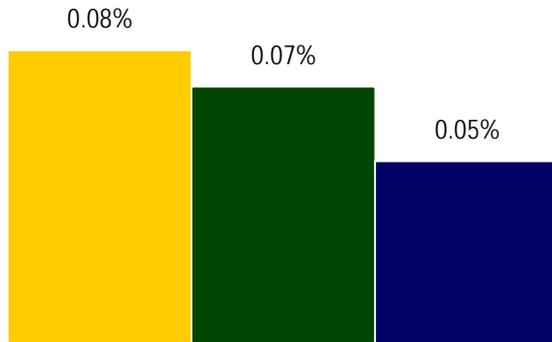
■ Indirect, Capital Equipment/Facilities Operations  
■ Indirect, General Equipment & Supplies  
■ Indirect, Administrative & Business Services

■ Indirect, IT & Telecommunications  
■ Indirect, Travel & Entertainment

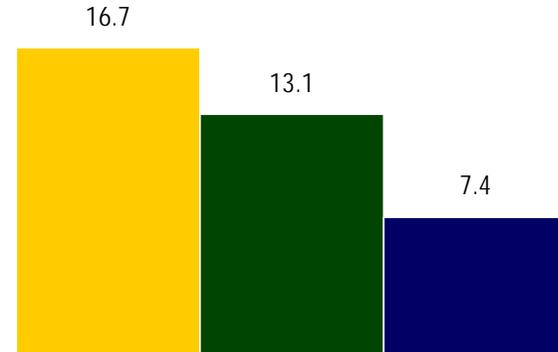
■ Indirect, Sales & Marketing Support  
■ Indirect, Human Resource Services

# Function Management Cost and Staffing

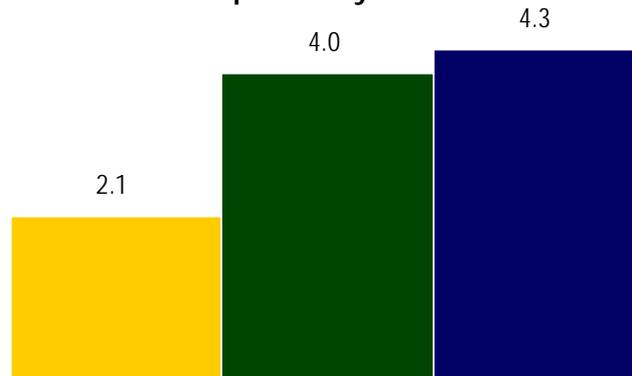
Function Management Cost as a % of Spend



Function Management FTE's per State of Ohio's Spend



Overall Span of Control  
Number of Supervisory Roles to all Others



# Table of Contents

**The Hackett Group**  
*World-Class Defined*

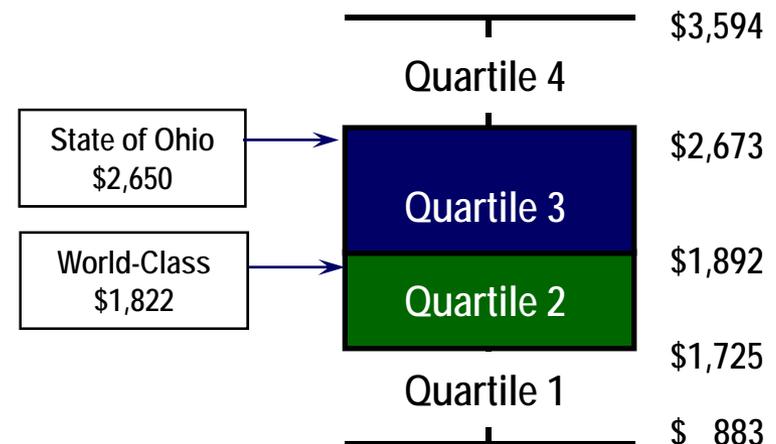
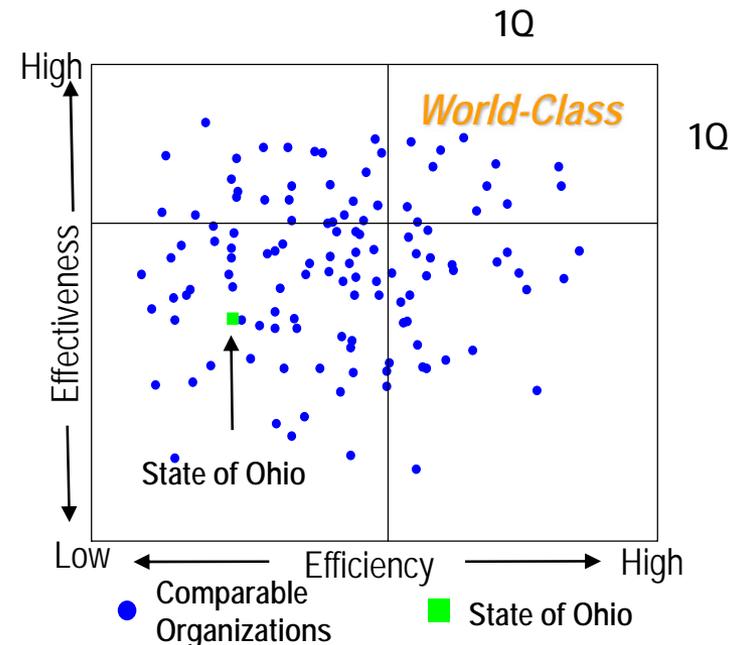


**REL**  
*Cash Flow Delivered*

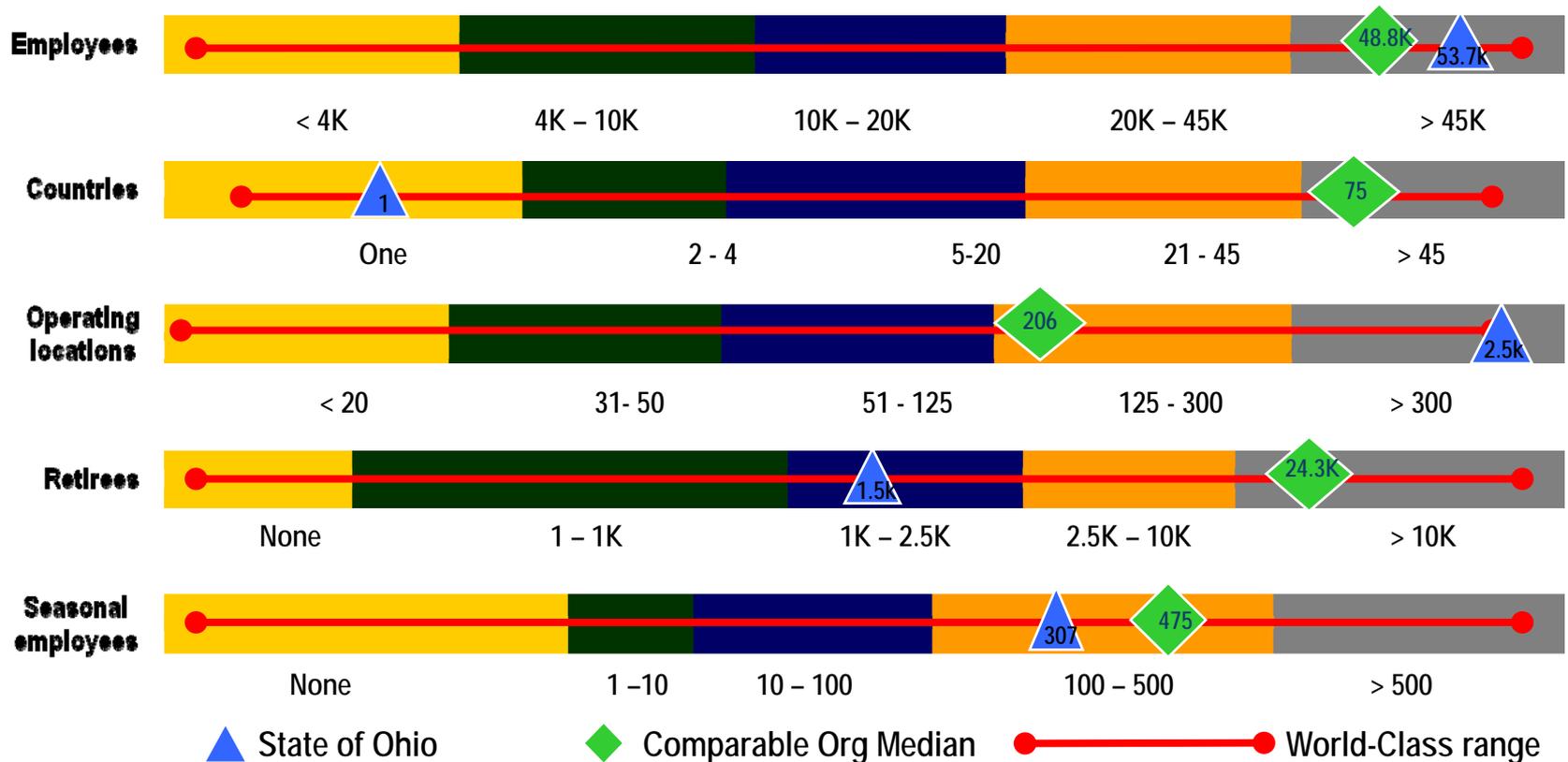
- **Section One**
  - Sponsor's Letter
- **Section Two**
  - Executive Summary
- **Section Three**
  - Appendix
    - Section One
      - Introduction
    - Section Two
      - Financial Rapid Benchmark Report
    - Section Three
      - Technology Rapid Benchmark Report
    - Section Four
      - Procurement Rapid Benchmark Report
    - **Section Five**
      - Human Resources Rapid Benchmark Report
    - Section Six
      - Achieving World-Class Performance
    - Section Seven
      - About The Hackett Group

# Efficiency and Effectiveness Ranking as Calculated by The Hackett Group's Human Resources Value Grid

- Human Resources costs for the in scope processes were \$142.4 million**
  - Total Human Resources cost of \$142.4m equates to \$2,650 per employee (3<sup>rd</sup> quartile)
  - Higher staffing levels and outsourcing costs
  - Lower fully-loaded labor rates in comparison
  - 93% focus on Employee Life Cycle and Transactional processing
  - 48% of staff classified as Professional
- Human Resources scores third quartile on the Hackett Value Grid for efficiency**
  - Low efficiency plotting on the value grid due to high total and transaction processing costs, higher FTEs and cycle times and minimal technology leverage
- Human Resources scores third quartile on the Hackett Value Grid for effectiveness:**
  - Low effectiveness plotting attributed to Human Resources role, quality, value of analysis and organizational talent management



# Human Resource Demographics Comparison – Ohio and the Large Diverse Organization Slice of the Hackett Database



# Human Resource Participants in the Large Diverse Organization Slice of the Hackett Database

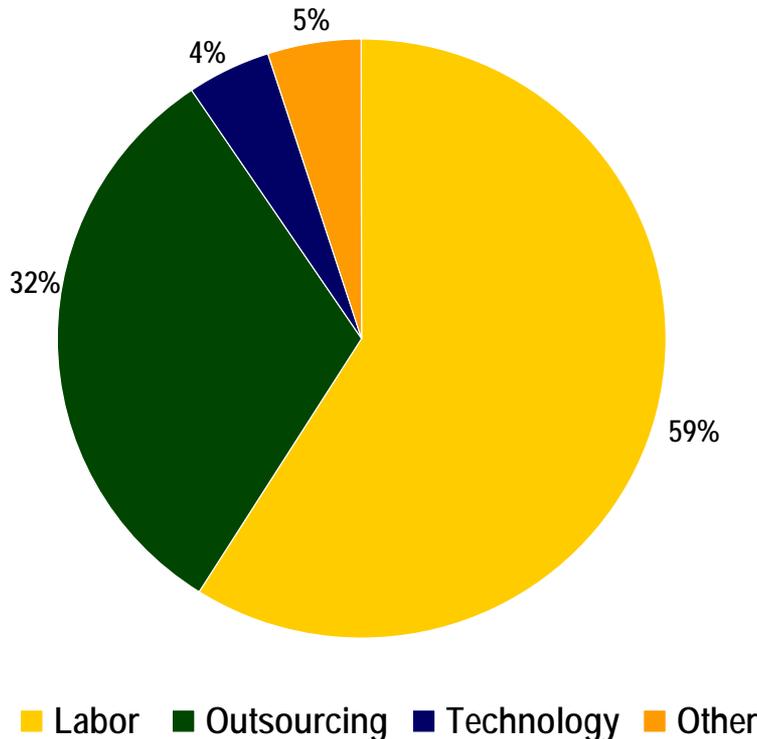
- Alcoa, Inc.
- American Express Company
- Bayer AG
- Bombardier Transportation GmbH
- British Telecommunications plc
- Caterpillar, Inc.
- Chevron Texaco Corporation
- Citigroup Inc.
- ConAgra Foods, Inc.
- ConocoPhillips
- Dana Corporation
- E.I. du Pont de Nemours and Company
- Eaton Corporation
- General Electric Company
- Georgia-Pacific Corporation
- Halifax Plc
- Heineken N.V.
- Henkel KGaA
- Honeywell International Inc.
- Kimberly-Clark Corporation
- Lucent Technologies Inc.
- Marriott International, Inc.
- Motorola, Inc.
- Philip Morris USA Inc.
- Renault S.A.
- Statoil ASA
- Unilever Best Foods – Latin America
- United States Steel

# Data was Collected in Accordance With Hackett's Human Resources Taxonomy

Transactional	Employee Life Cycle	Planning and Strategy	Management and Administration
<ul style="list-style-type: none"> <li>▪ <b>Total Rewards Administration</b> <ul style="list-style-type: none"> <li>– Health &amp; Welfare Administration</li> <li>– Pension &amp; Savings Administration</li> <li>– Compensation Administration</li> </ul> </li> <li>▪ <b>Payroll Administration</b></li> <li>▪ <b>Time &amp; Attendance</b></li> <li>▪ <b>Data Management, Reporting &amp; Compliance</b> <ul style="list-style-type: none"> <li>– Employee Data Management and HR Reporting</li> <li>– Compliance Management</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Staffing Services</b> <ul style="list-style-type: none"> <li>– Recruiting and Staffing</li> <li>– Exit Process</li> </ul> </li> <li>▪ <b>Workforce Development Services</b></li> <li>▪ <b>Organizational Effectiveness Services</b> <ul style="list-style-type: none"> <li>– Labor Relations</li> <li>– Organization Design and Development</li> <li>– Employee Relations</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Total Rewards Planning</b></li> <li>▪ <b>Strategic Workforce Planning</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Function Management</b></li> </ul>

# State of Ohio's Baseline Human Resources Cost

Total Human Resources Cost  
\$142.4 Million



## Other cost -- \$ 7.3 Million

- Facilities & Overhead
- Travel
- Training
- Other (Supplies, subscriptions, etc.)

## Technology cost -- \$ 6.1 Million

- Computer processing
- Maintenance

## Outsourcing cost -- \$ 45 Million

- Outside services

## Labor cost -- \$ 84 Million

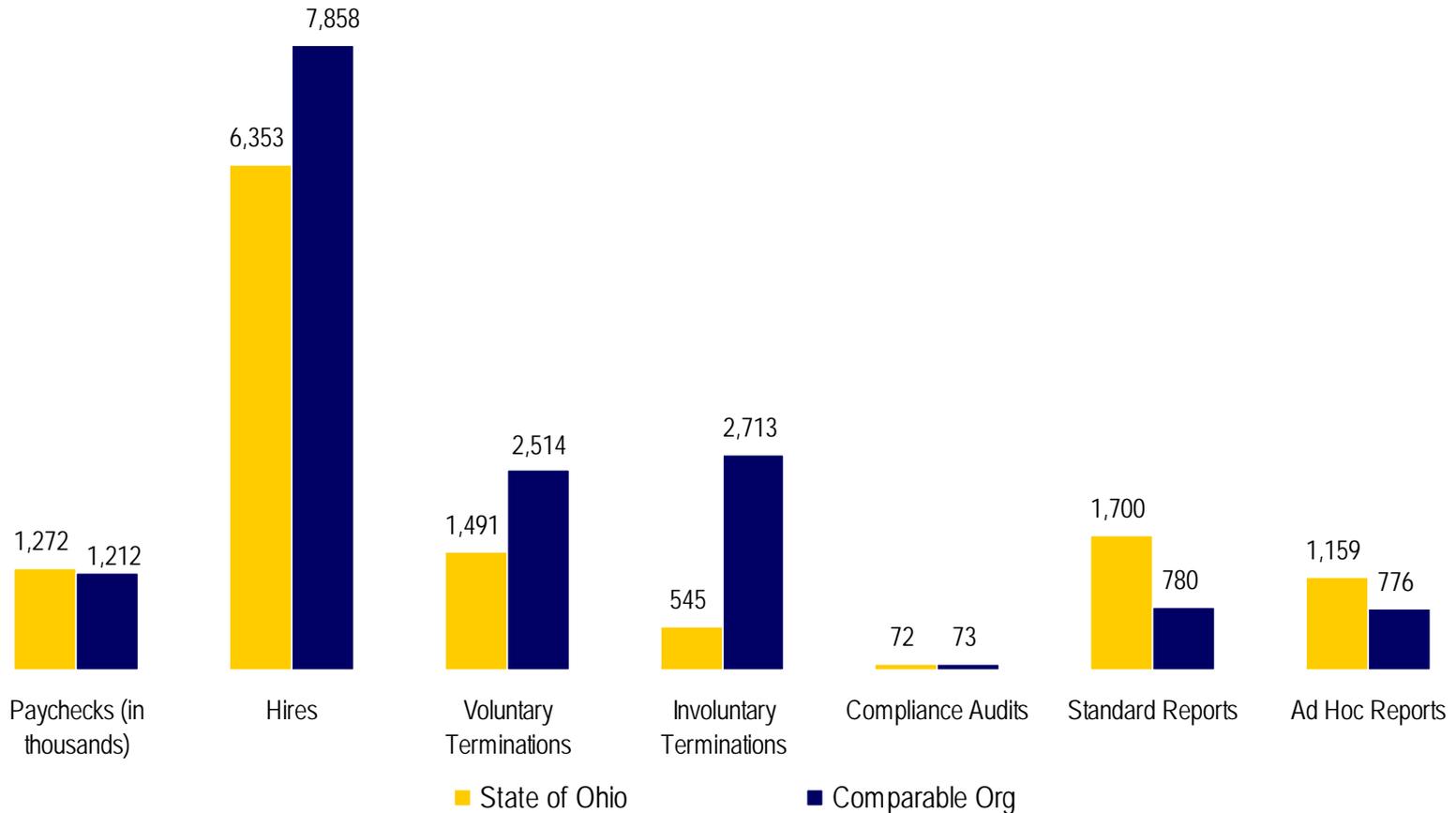
- Wages (full-time and part-time)
- Overtime and bonuses
- Taxes and fringe benefits

Process cost  
\$ 129 Million

Total employees = 53,751

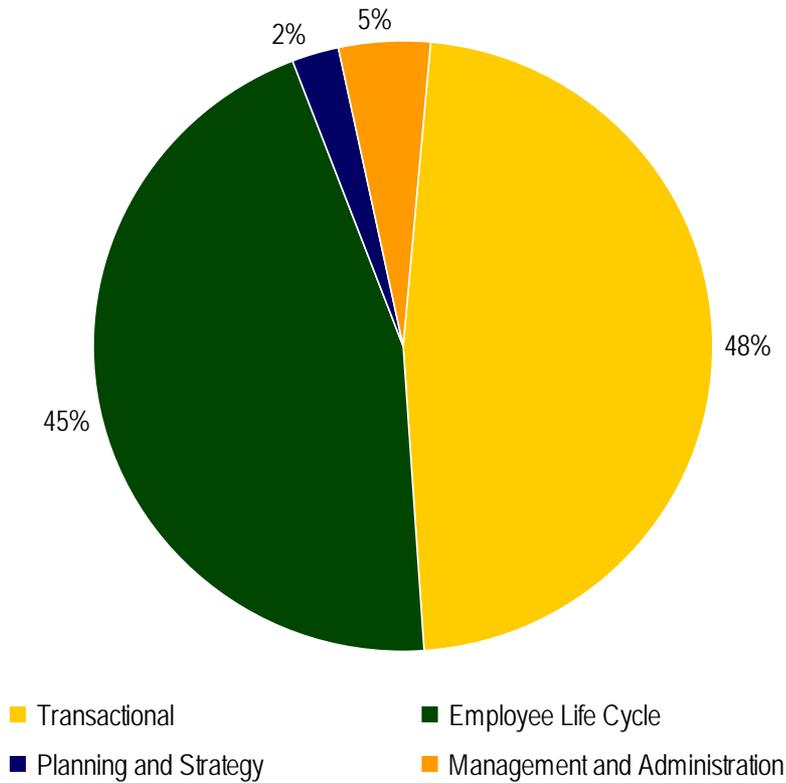
# State of Ohio's Volumes Related to the Large Diverse Organizations

## Human Resources Transaction Volumes

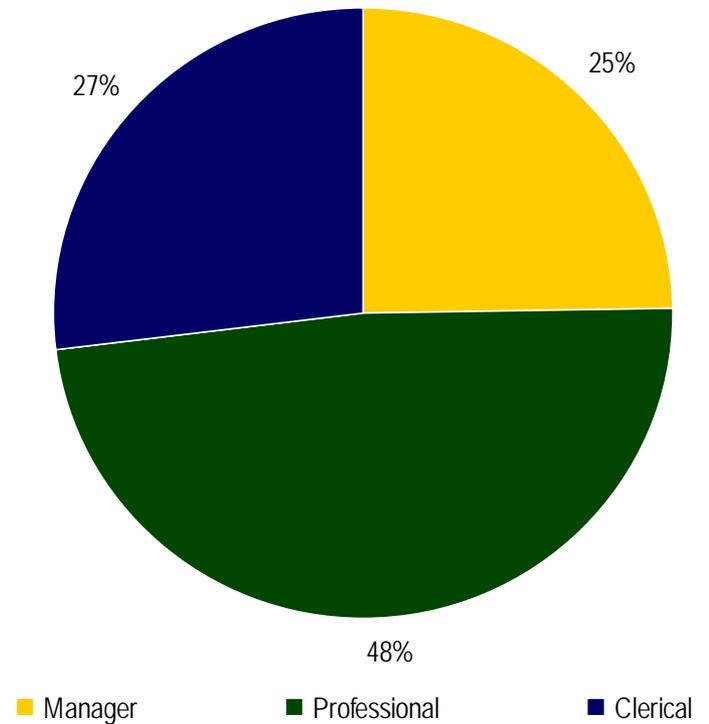


# Resource Allocation and Staff Mix

## Resource Allocation



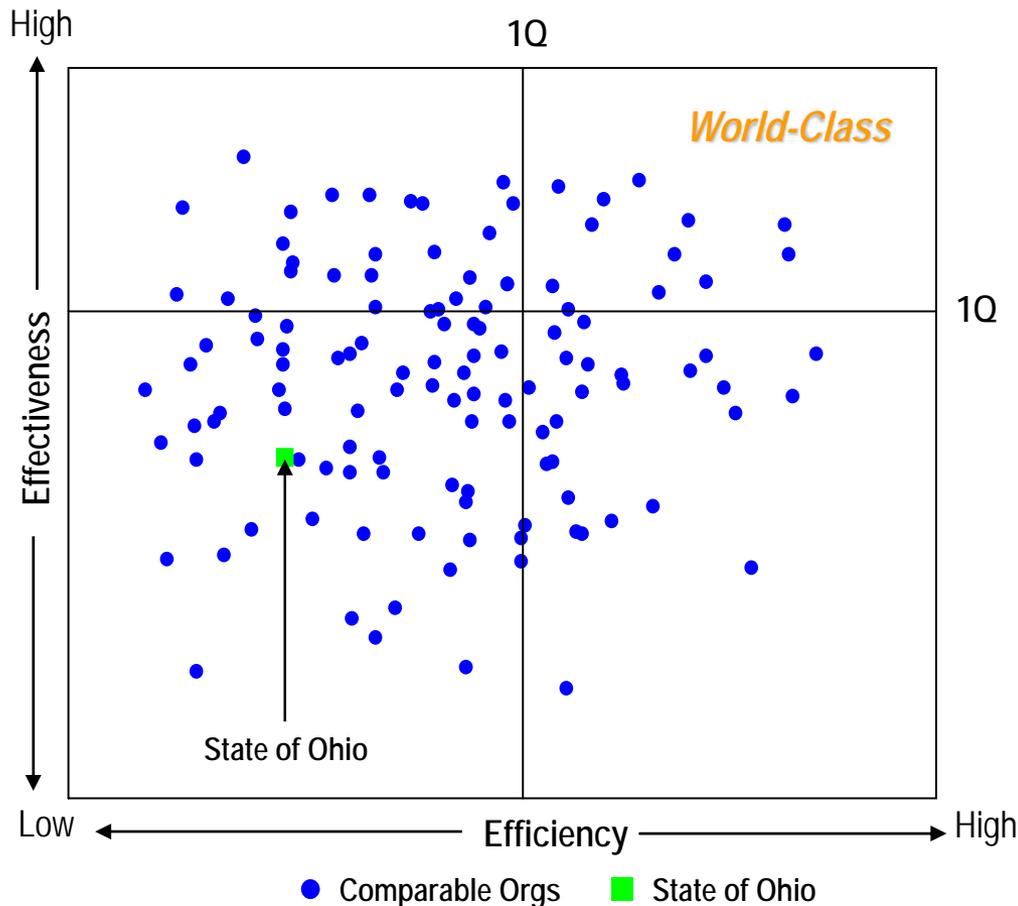
## Staff Mix



# Efficiency and Effectiveness Ranking as Calculated by The Hackett Group's Human Resources Value Grid

**Comments**

- **Value Grid:** Effectiveness is rated on the vertical scale. Effectiveness is based on Human Resources practices related to partnering, information delivery, analysis, quality, talent management and economic return. Efficiency is rated on the horizontal scale. Efficiency is not purely cost; it reflects costs, automation, cycle times and technology leverage.



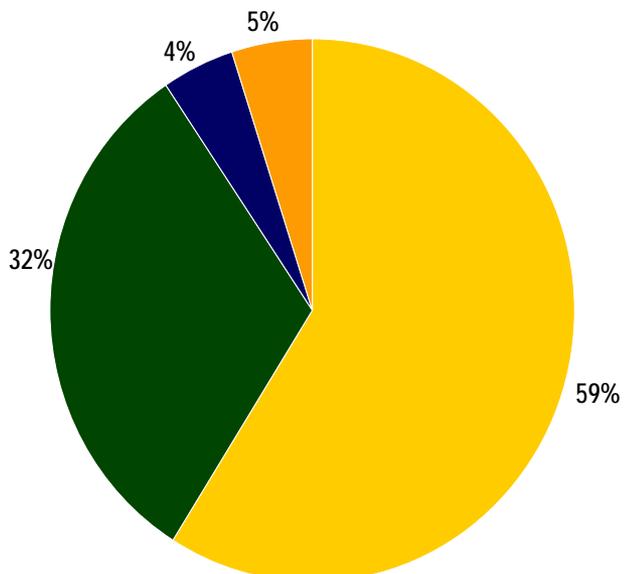
	Key Human Resources Drivers	State of Ohio
Efficiency	Total cost	●
	Transaction Processing Cost	●
	FTEs & Productivity	●
	Cycle Time	●
	Technology Leverage	●
Effectiveness	Role of HR	●
	Talent Management	●
	Value of Analysis	●
	Quality	●
	Economic Return	●
	Organizational Talent management	●

● Most KPIs for the Key Driver are at or near World-Class  
● Some KPIs for the Key Driver are at or near World-Class  
● Most KPIs for the Key Driver are far from World-Class

# State of Ohio's Human Resources Costs are Driven by Staffing and Outsourcing

Total Human Resources Cost

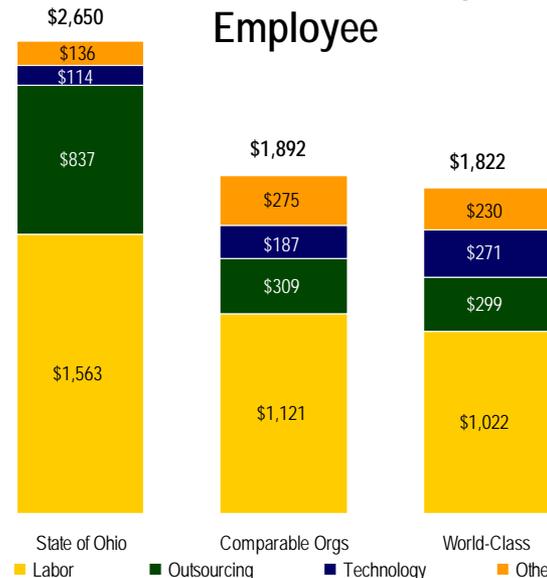
\$142.4 Million



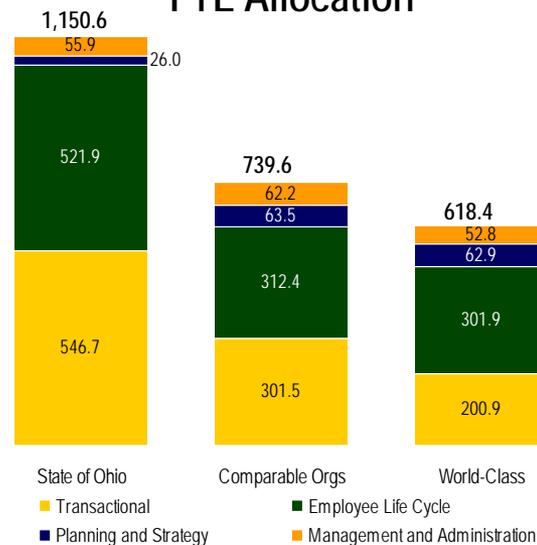
■ Labor ■ Outsourcing ■ Technology ■ Other

Employees	53,751
Labor	84.0 million
Outsourcing	45.0 million
Technology	6.1 million
Other	7.3 million

## Human Resources Cost (\$) per Employee

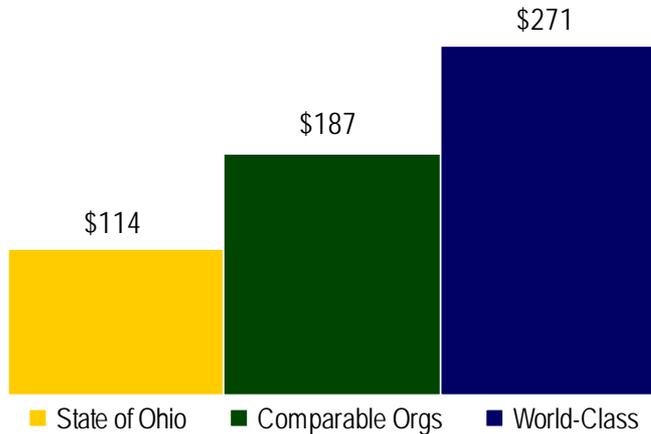


## FTE Allocation

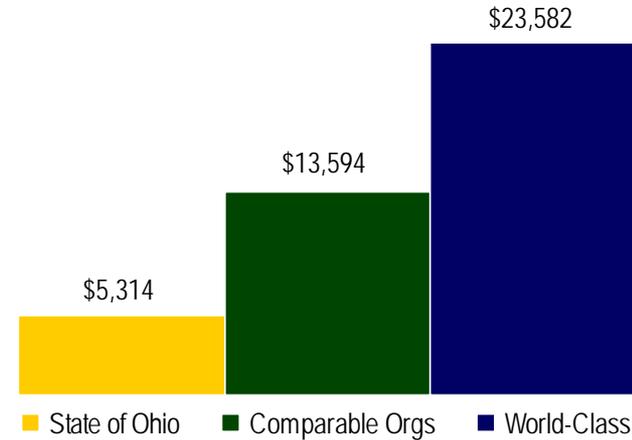


# Overall Costs are Higher Despite Lower Investment in Technology and Employee Compensation

Technology Cost (\$) per Employee

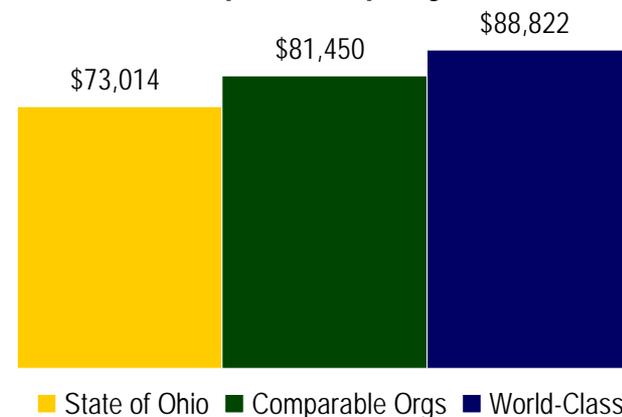


Technology Cost (\$) per Human Resources FTE



Allocation	State of Ohio	Comparable Organizations	World-Class
Transactional	48%	41%	32%
Employee Life Cycle	45%	42%	49%
Planning & Strategy	2%	9%	10%
Mgt & Admin	5%	8%	9%

Average Fully Loaded Labor Cost (\$ per FTE per year)



# Human Resources Cost Differences to Comparable Orgs and to World-Class

## Human Resources Cost Differences (in \$)

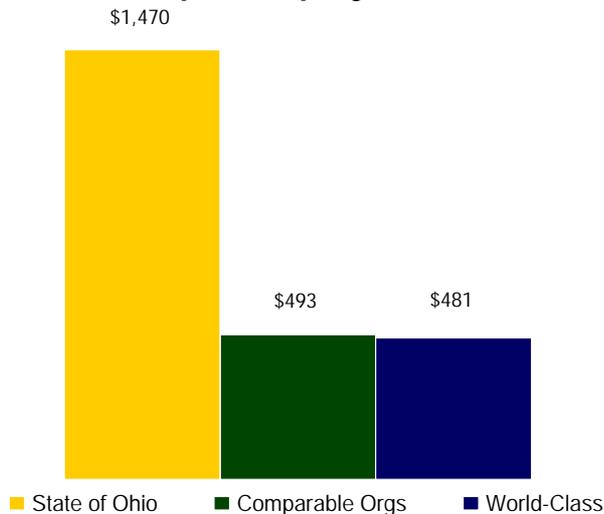
HR Processes	State of Ohio's Costs (in Millions)	State of Ohio's Gap to Peer (in Millions)	State of Ohio's Gap to World-Class (in Millions)
Total Rewards Administration	47.5	36.2	31.8
Time and Attendance	8.3	6.0	7.7
Payroll Administration	9.0	3.8	5.1
Data Management, Reporting and Compliance	14.2	6.5	8.6
Staffing Services	12.4	1.9	3.9
Workforce Development	13.0	2.2	1.8
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Other Cost	7.3	(7.5)	(5.0)
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### Comments

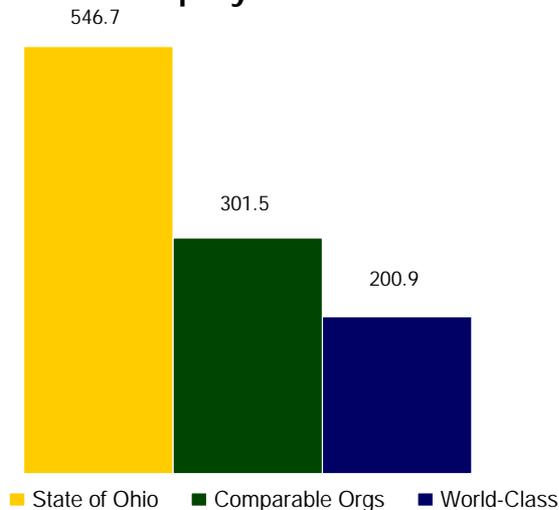
- Cost Differences:** The cost differences shown are mathematical calculations intended to give an understanding of processes with potential for performance improvement . Areas of focus and actual performance improvement targets should be developed only after considering issues such as organizational structure, business requirements, regulatory requirements, investments required and other factors.

# Transaction Processing Costs and Staffing Levels

Process Cost per Employee (\$)



Transaction Processing FTEs per State of Ohio's Employees



- **Total Rewards Administration**
  - Health & Welfare Administration
  - Pension & Savings Administration
  - Compensation Administration
- **Payroll Administration**
- **Time & Attendance**
- **Data Management, Reporting & Compliance**
  - Employee Data Management and Human Resources Reporting
  - Compliance Management

# Cost per Transaction Process

## Total Rewards Administration Cost (\$) per Employee



## Time & Attendance Cost (\$) per Employee



## Payroll Administration Cost (\$) per Employee

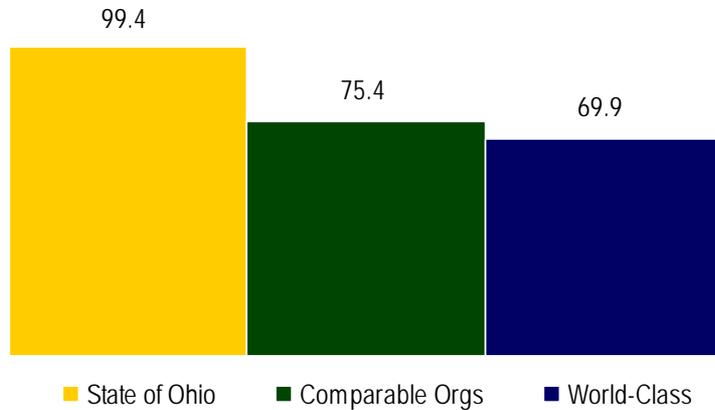


## Data Mgmt, Reporting & Compliance Cost (\$) per Employee

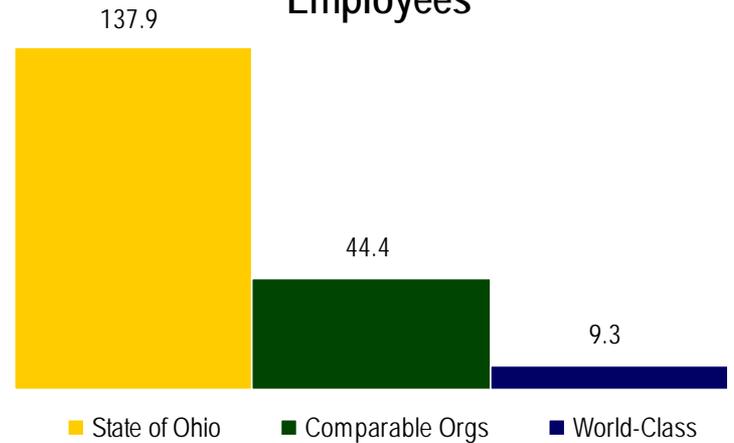


# Staffing per Transaction Process

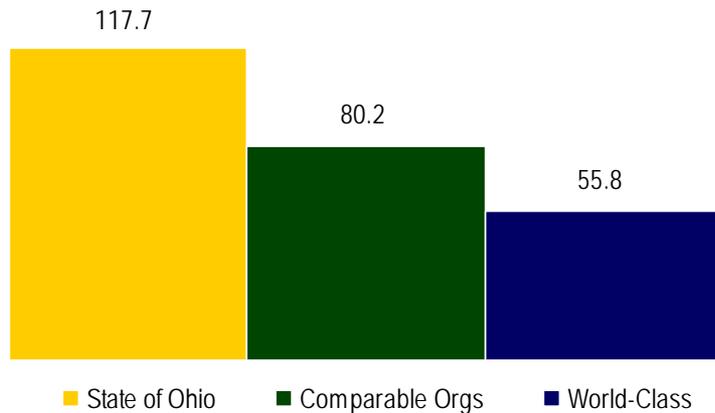
Total Rewards Administration FTEs per State of Ohio's Employees



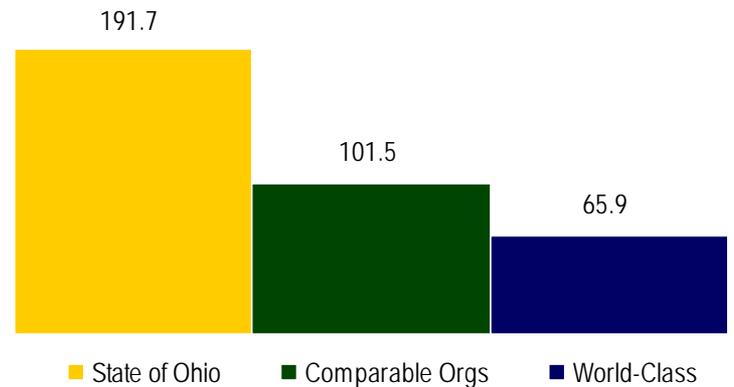
Time & Attendance FTEs per State of Ohio's Employees



Payroll Administration FTEs per State of Ohio's Employees

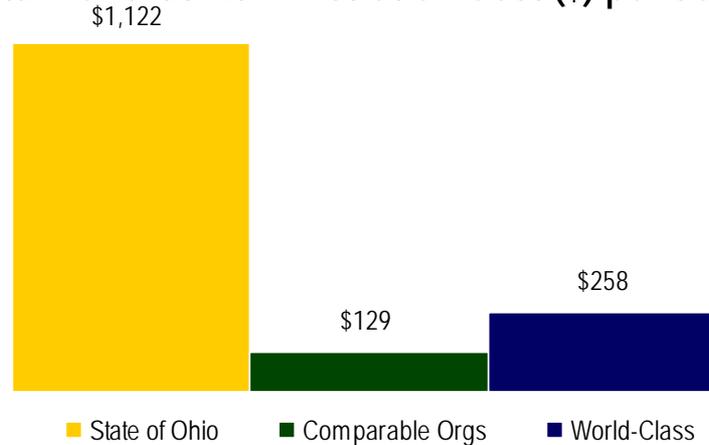


Data Mgmt, Reporting & Compliance FTEs per State of Ohio's Employees



# Total Rewards Administration Process Summary

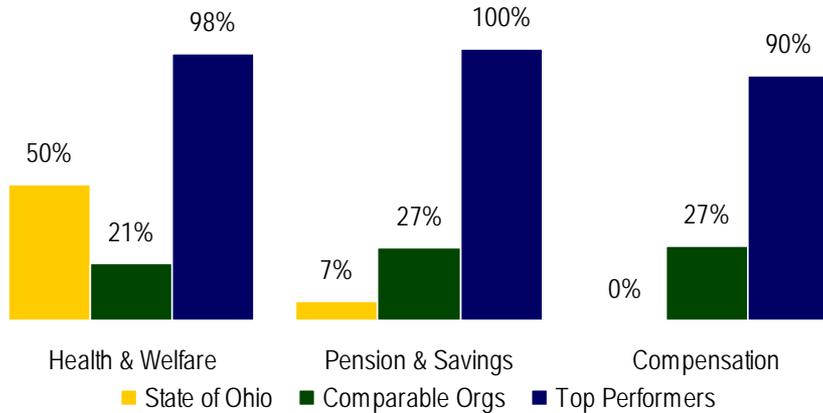
Total Rewards Administration Cost (\$) per Served



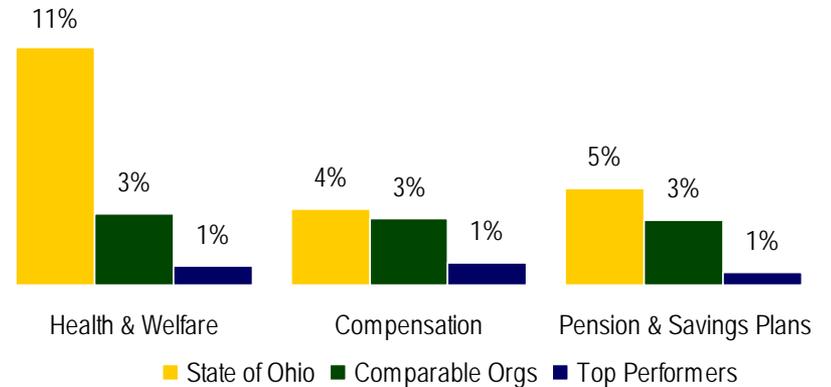
Plans per Thousand Employees/Retirees	State of Ohio	Comparable Organizations	World-Class
Health & Welfare	0.3	1.9	2.0
Pension & Savings	0.1	1.1	0.5
Compensation	0.3	3.9	0.8

# Transaction Process Automation and Error Rates

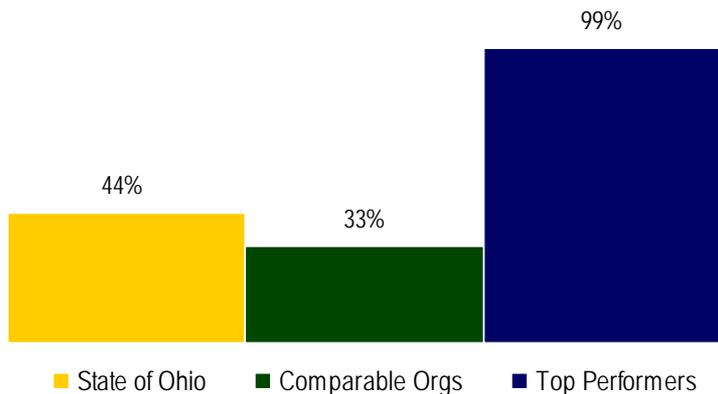
## Total Rewards Administration Automation



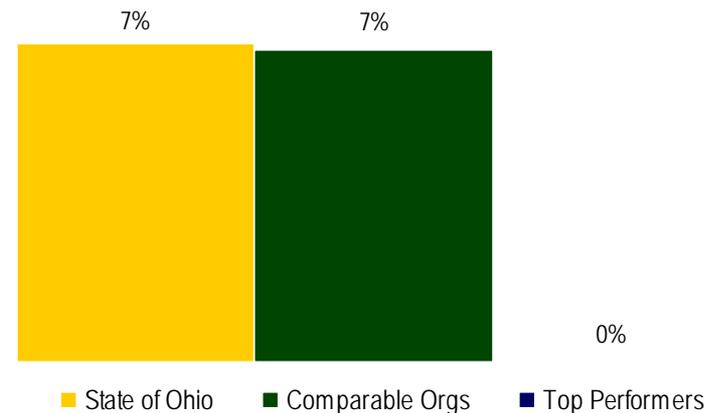
## Error Rates for Transactions



## Time & Attendance Automation

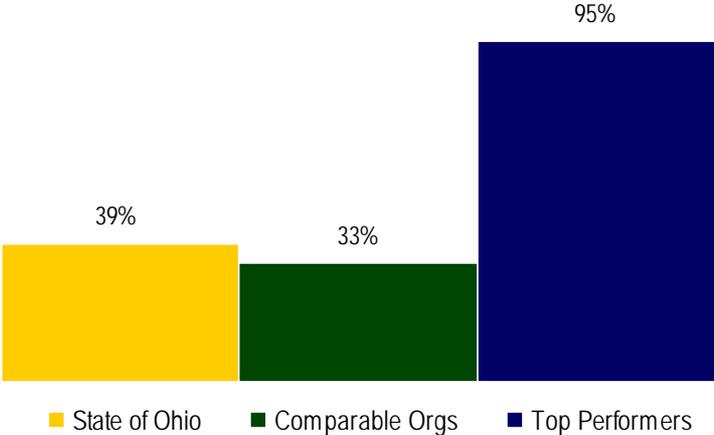


## Time & Attendance Error Rate

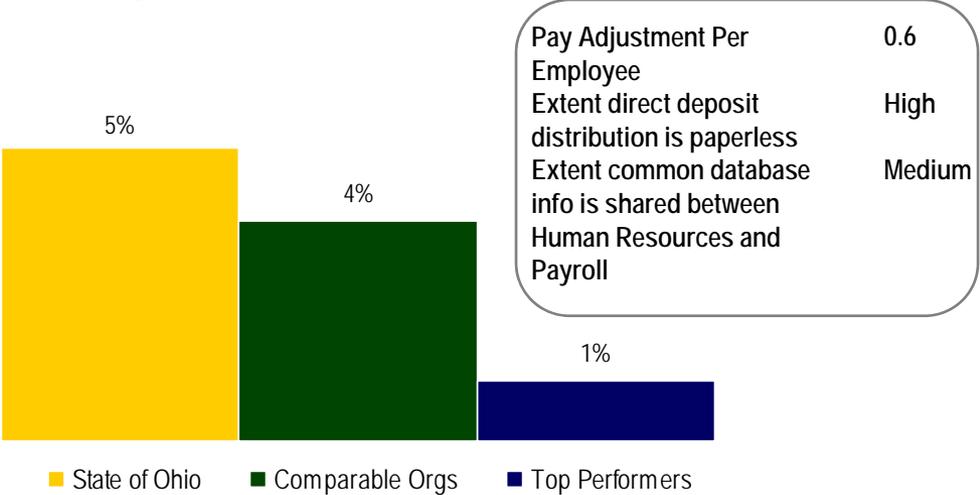


# Transaction Process Automation and Error Rates Cont'd

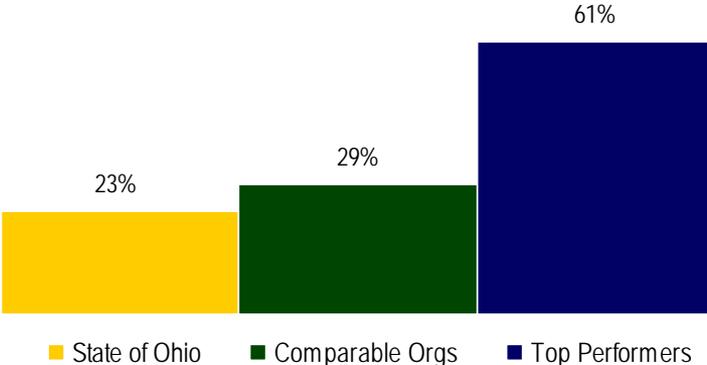
## Payroll Administration Automation



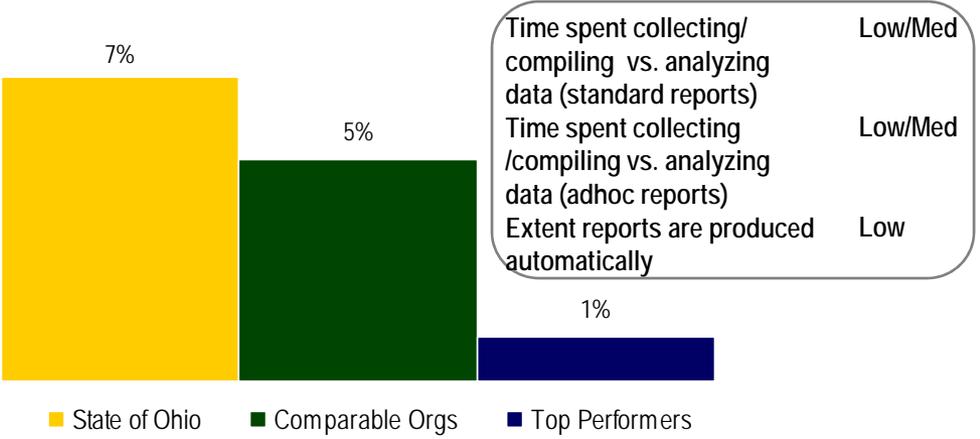
## Payroll Administration Error Rate



## Data Management Automation

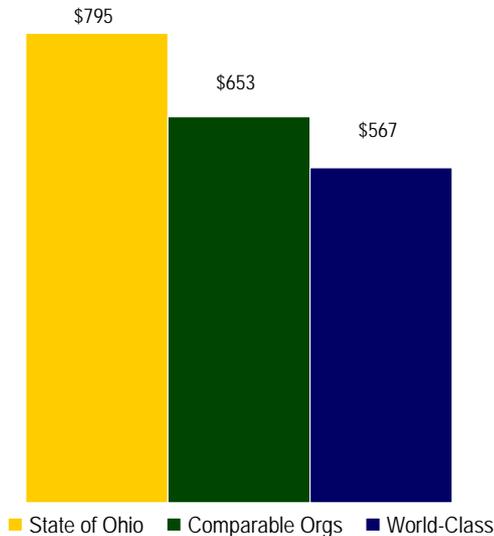


## Data Management Error Rate

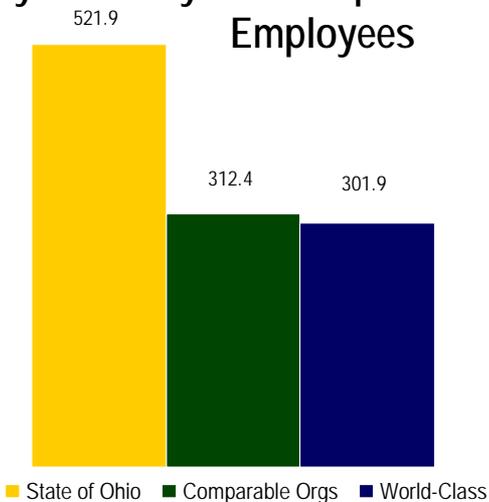


# Employee Life Cycle Costs and Staffing Levels

Process Cost per Employee (\$)



Employee Life Cycle FTEs per State of Ohio's Employees



- Staffing Services
  - Recruiting and Staffing
  - Exit Process
- Workforce Development Services\*
- Organizational Effectiveness Services
  - Labor Relations
  - Organization Design and Development
  - Employee Relations

\*Transferable training only

# Cost per Employee Life Cycle Process

## Staffing Services Cost (\$) per Employee



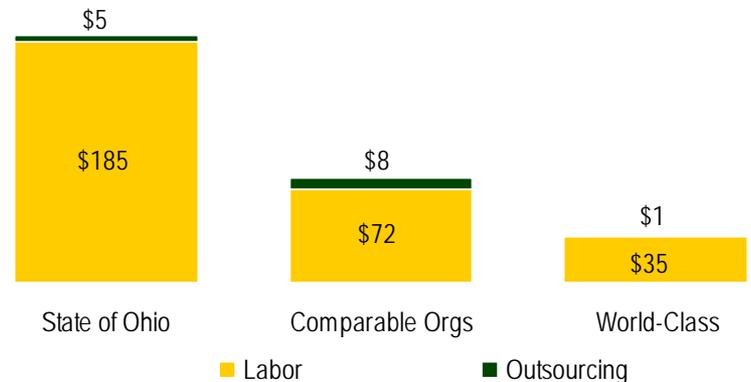
## Workforce Development Cost (\$) per Employee



## Organizational Effectiveness Cost (\$) per Employee

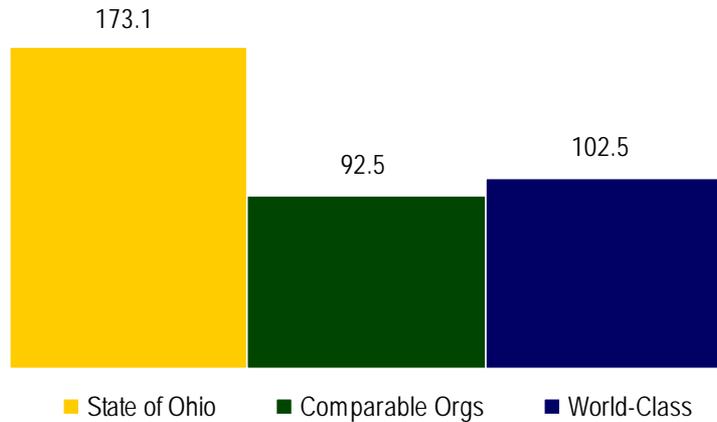


## Labor Relations Cost (\$) per Employee

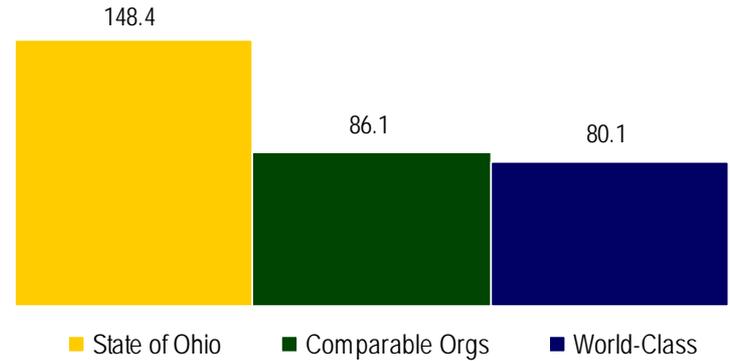


# Staffing per Employee Life Cycle Process

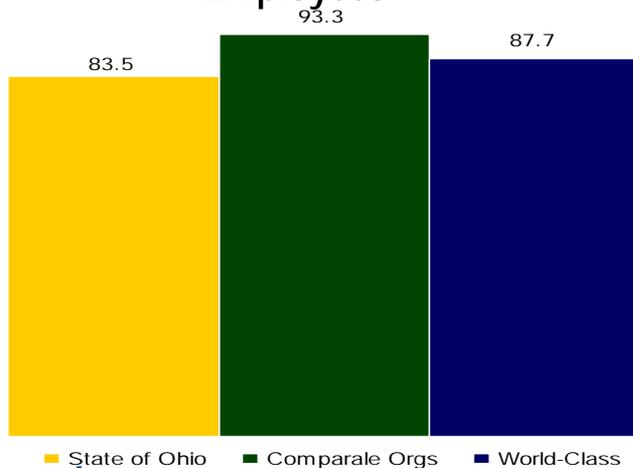
## Staffing Services FTEs per State of Ohio's Employees



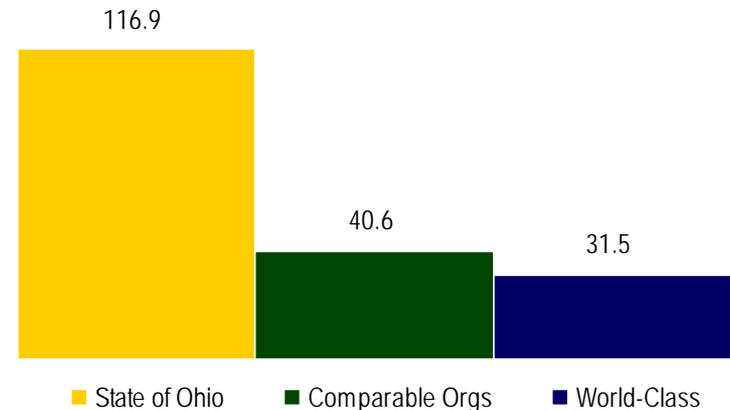
## Workforce Development FTEs per State of Ohio's Employees



## Organizational Effectiveness FTEs per State of Ohio's Employees

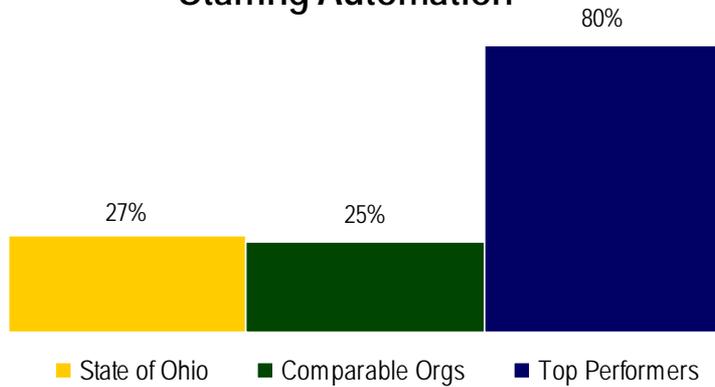


## Labor Relations FTEs per State of Ohio's Employees

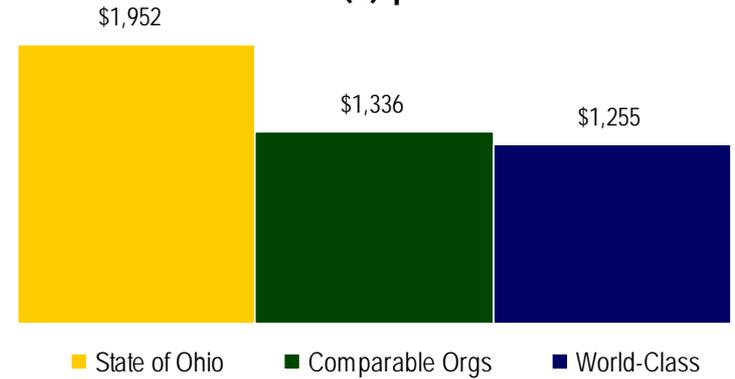


# Automation

## Staffing Automation



## Process Cost (\$) per Hire/Placement

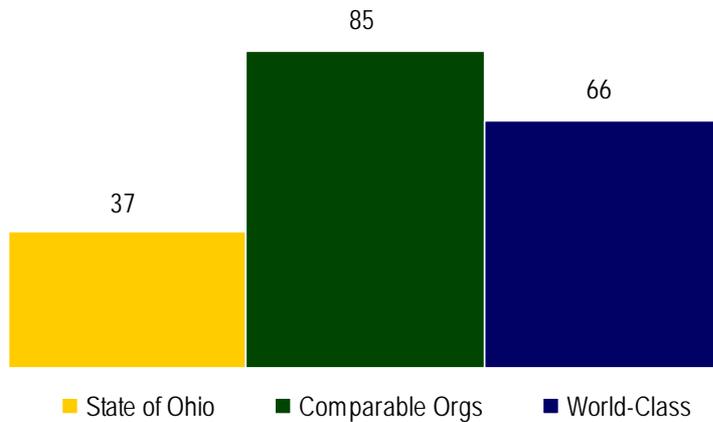


Staffing Automation	State of Ohio	Top Performers
Extent new hire activities are automated	Low	Medium
Percent of time competency profiles utilized	Med/High	High

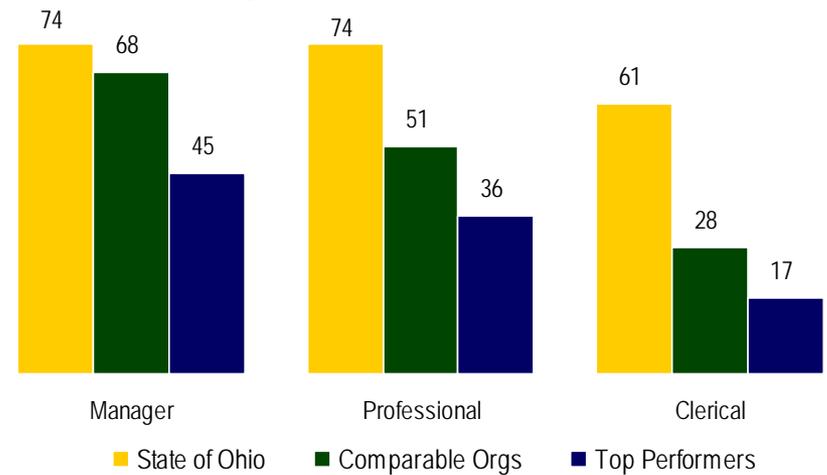
Workforce Development	State of Ohio	Top Performers
Extent new skill mentoring and coaching takes place	Low/Medium	Medium
Extent external training is offered for new skills	Medium	High
Extent job rotation is used to increase knowledge	None/Low	Medium

# Staffing Services Process Statistics

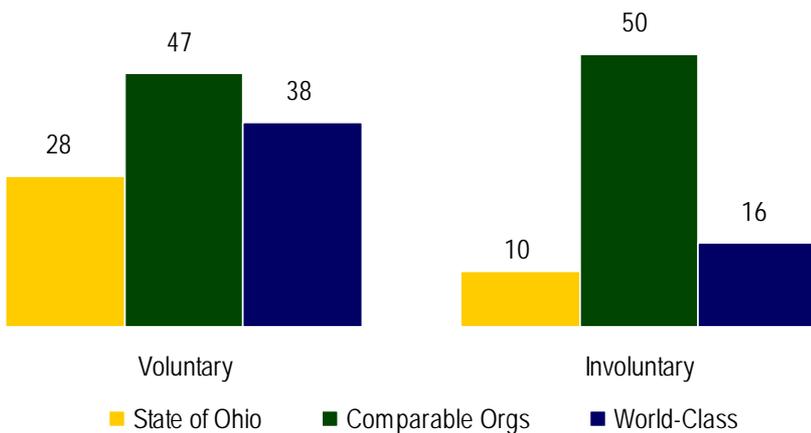
## Total Placements/Hires per Staffing FTE



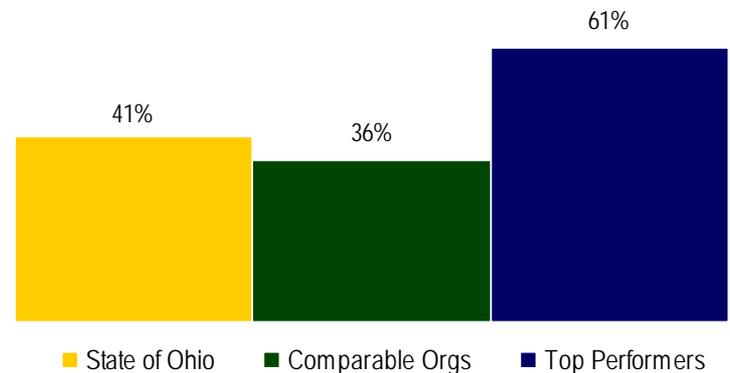
## Days to Fill Open Positions



## Terminations per Thousand Employees

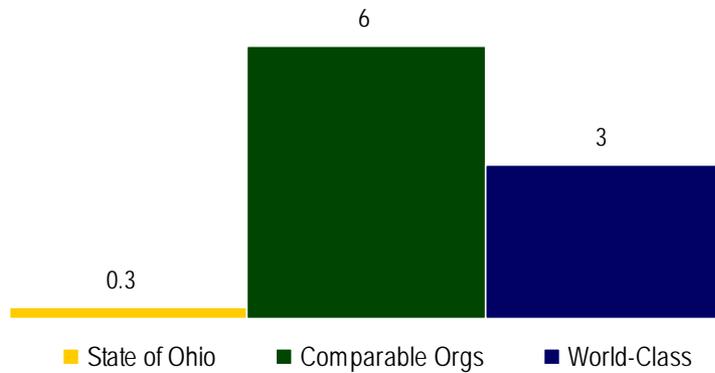


## Internal Placements versus External Hires

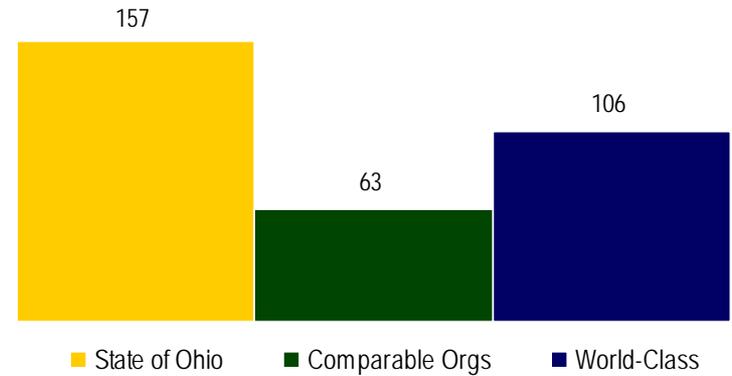


# Labor Relations Process

## Unions per Thousand Unionized Employees

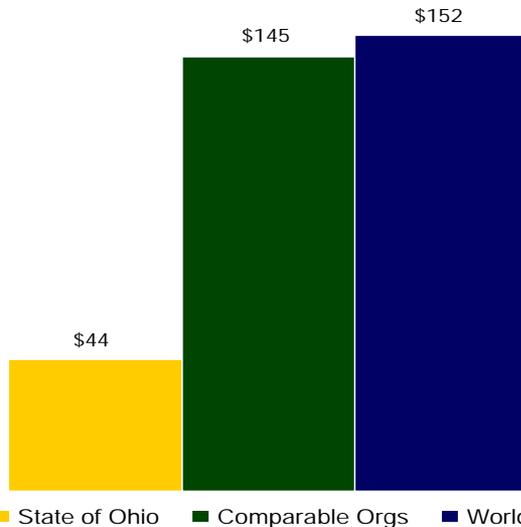


## Grievances per Thousand Unionized Employees



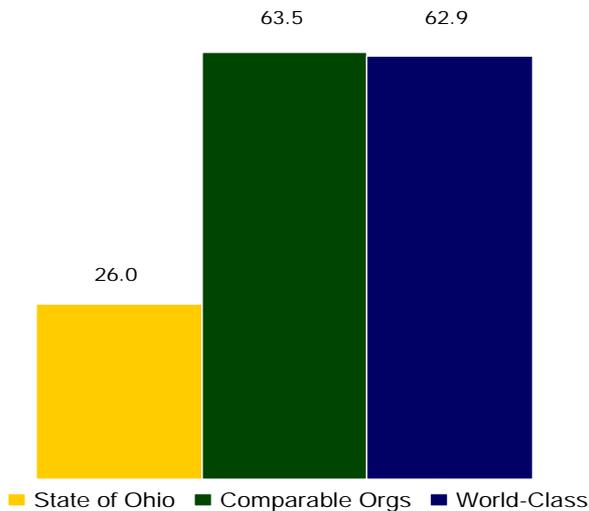
# Strategic Costs and Staffing Levels

Process Cost per Employee (\$)



- Strategic Workforce Planning
- Total Rewards Planning

Strategic FTEs per State of Ohio's FTEs



# Costs per Strategic Process

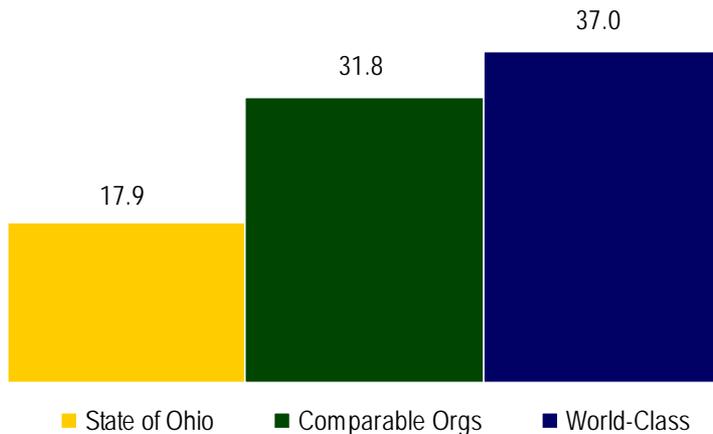
## Strategic Workforce Planning Cost (\$) per Employee



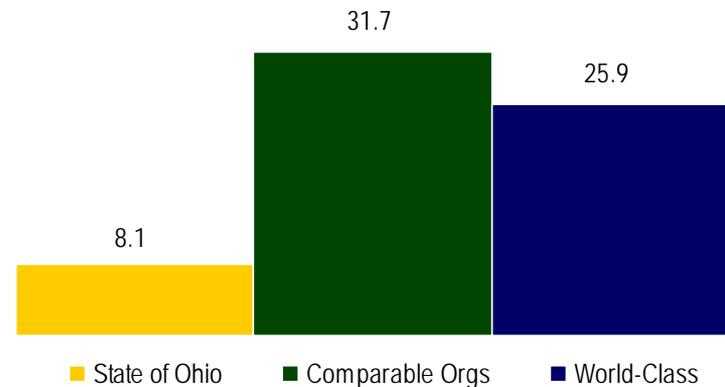
## Total Rewards Planning Cost (\$) per Employee



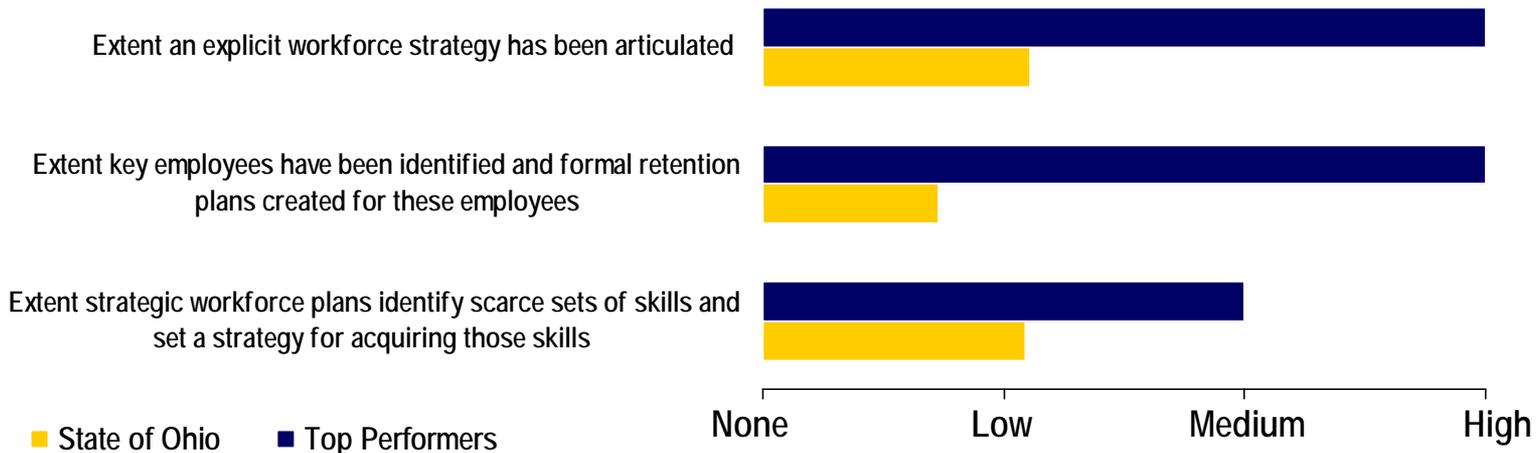
## Strategic Workforce Planning FTEs per State of Ohio's Employees



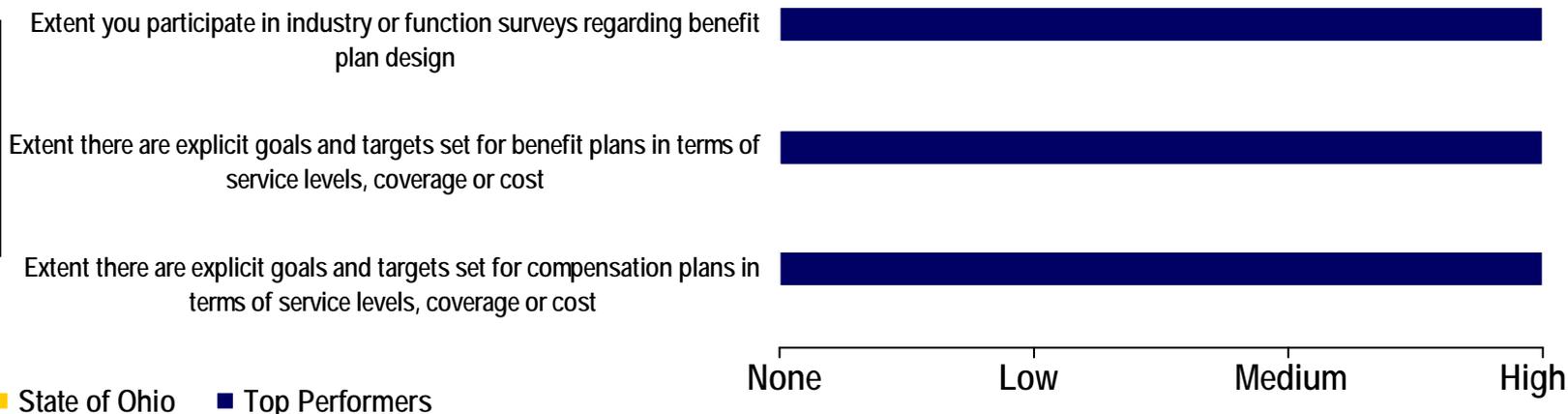
## Total Rewards Planning FTEs per State of Ohio's Employees



## Key Best Practice Utilization Comparisons

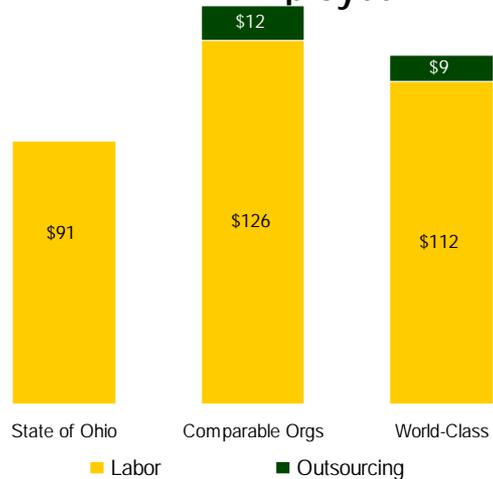


## Key Best Practice Utilization Comparisons



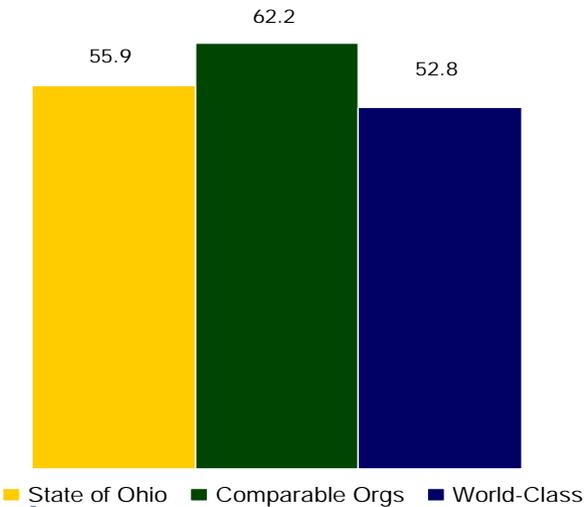
# Human Resources Function Management Process

Human Resources Function Management Cost (\$) per Employee

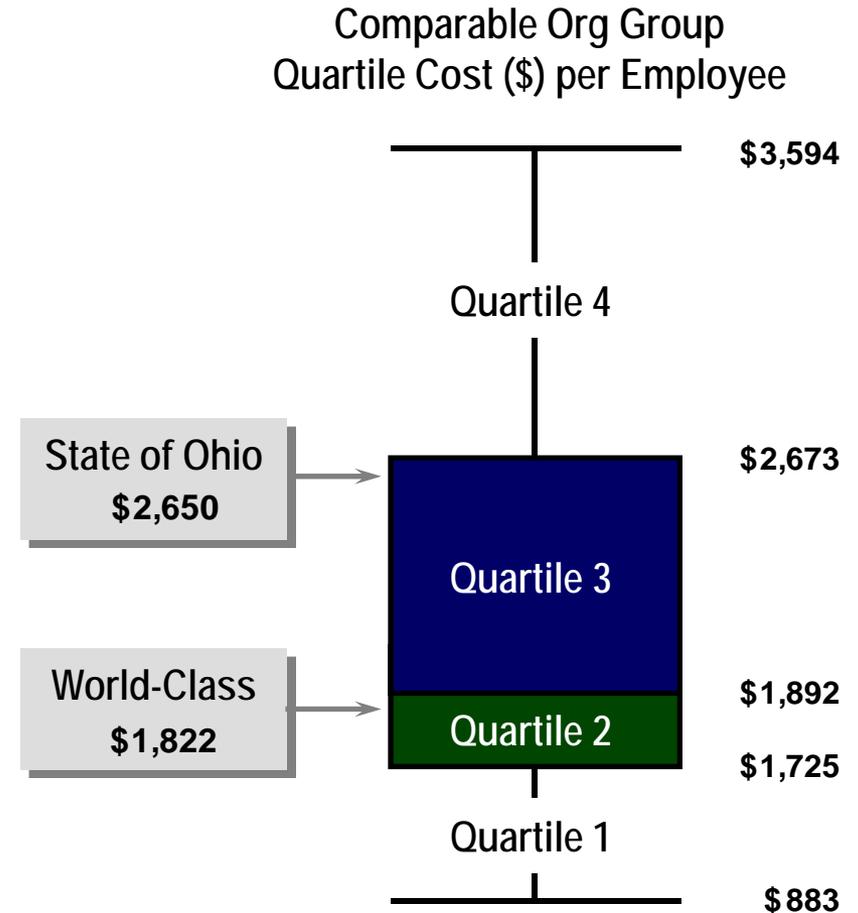
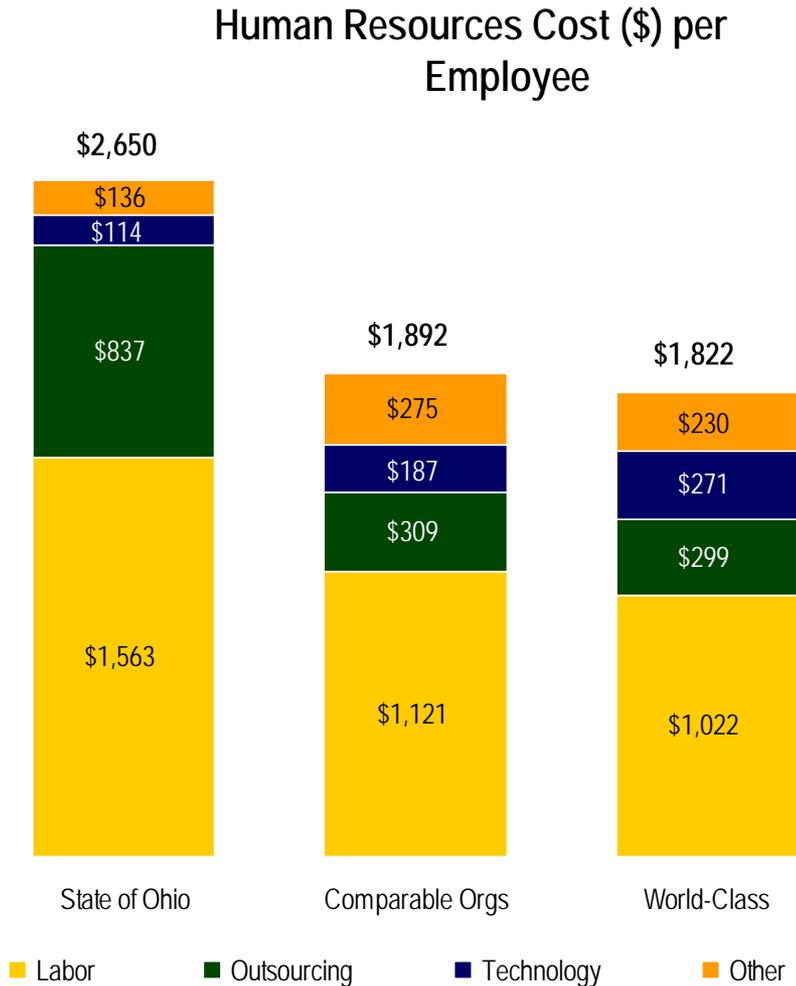


- Function Management

Human Resources Function Management FTEs per State of Ohio's Employees

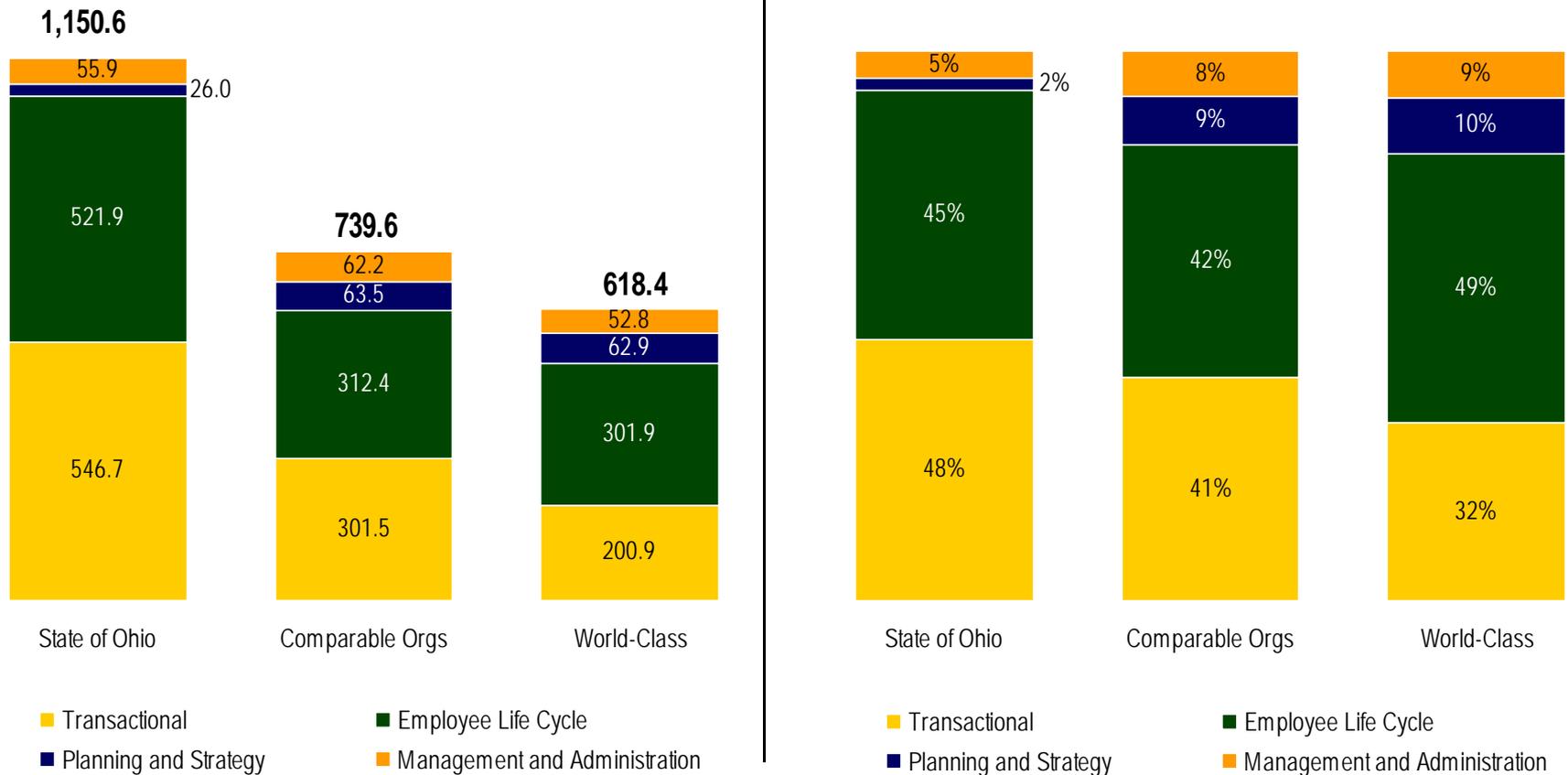


# Human Resources Cost per Employee

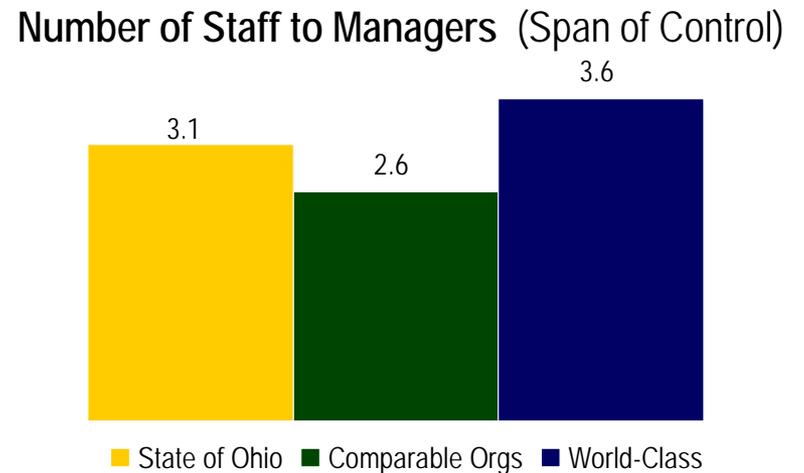
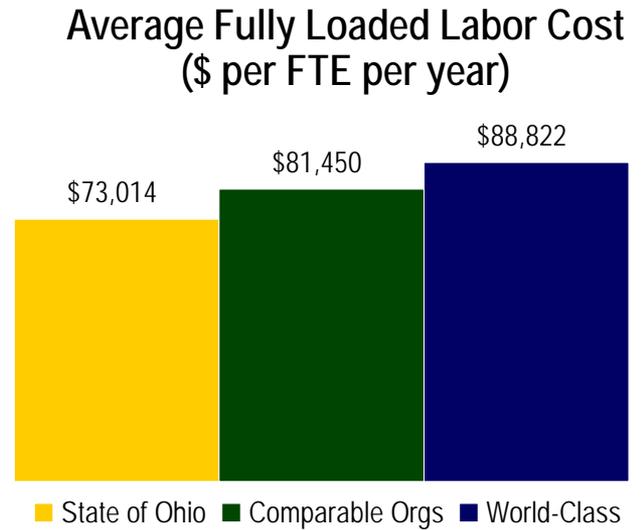
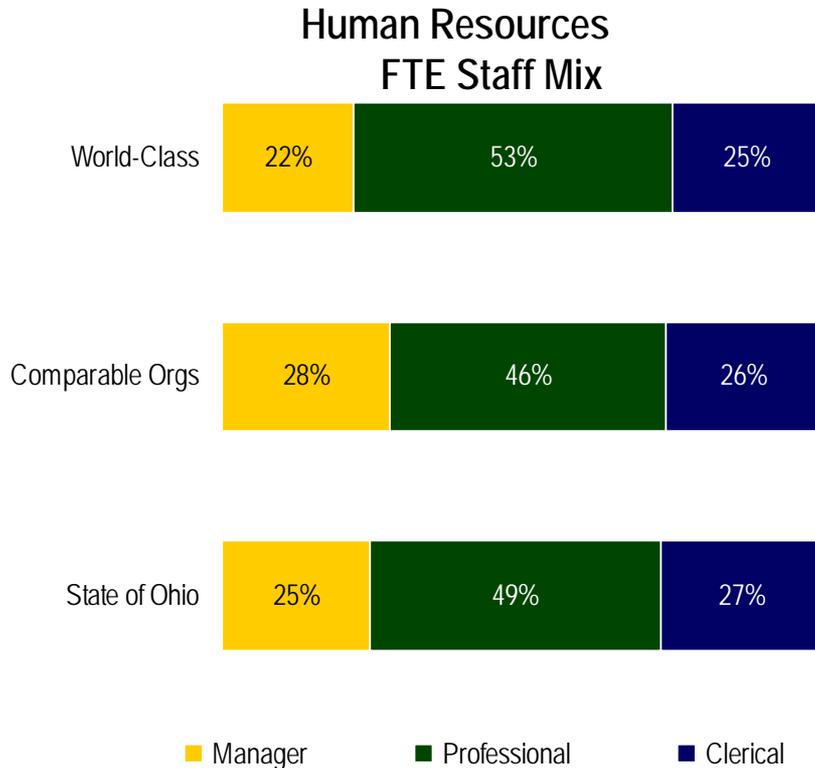


# Human Resources Staffing and Resource Allocation

## Resource Allocation

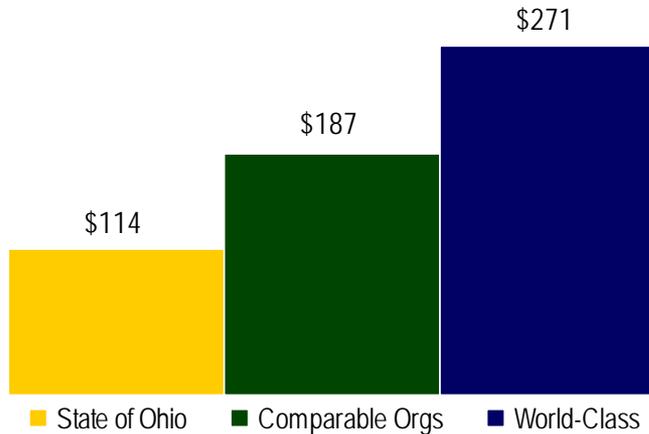


# Staff Mix, Labor Rates and Spans of Control

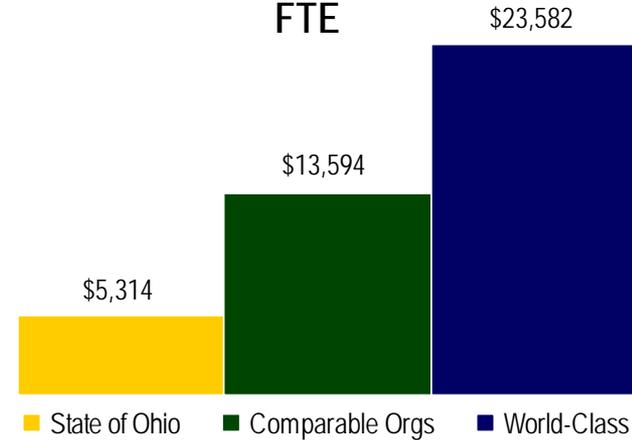


# Technology Cost per Employee and Cost per Human Resources FTE

Technology Cost (\$) per Employee



Technology Cost (\$) per Human Resources FTE



Comments

- **Technology:** Top performing companies typically have higher technology cost per employee and higher technology cost per FTE, with lower actual FTE counts particularly in the transactional processes.
- Technology costs include hardware, software, depreciation, networking, telecommunications and support costs related to the in scope Human Resources processes.
- Technology Cost will vary based upon the age of the applications and the stage of the investment cycle.

# Human Resources Cost Differences to Comparable Org and to World-Class

## Human Resources Cost Differences (in \$)

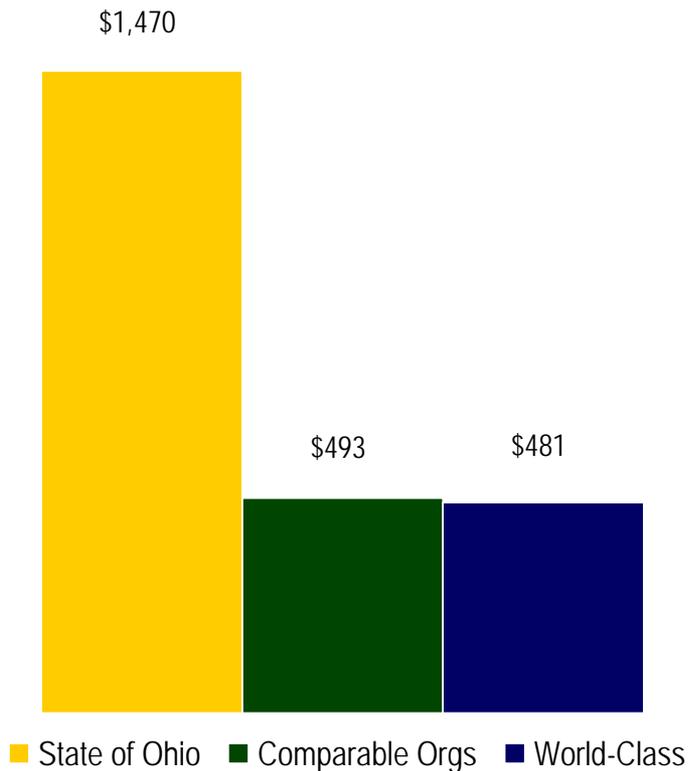
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Total HR Cost	142.4	40.7	44.5

### Comments

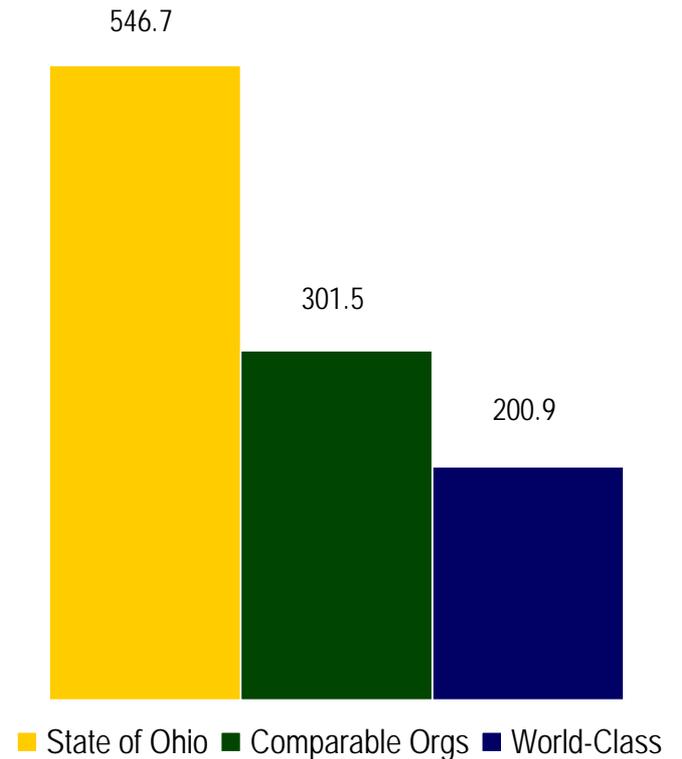
- Cost Differences:** The cost differences shown are mathematical calculations intended to give an understanding of processes with potential for performance improvement . Areas of focus and actual performance improvement targets should be developed only after considering issues such as organizational structure, business requirements, regulatory requirements, investments required and other factors.

# Transaction Processing Costs and Staffing Levels

## Process Cost per Employee (\$)



## Transaction Processing FTEs per State of Ohio's Employees

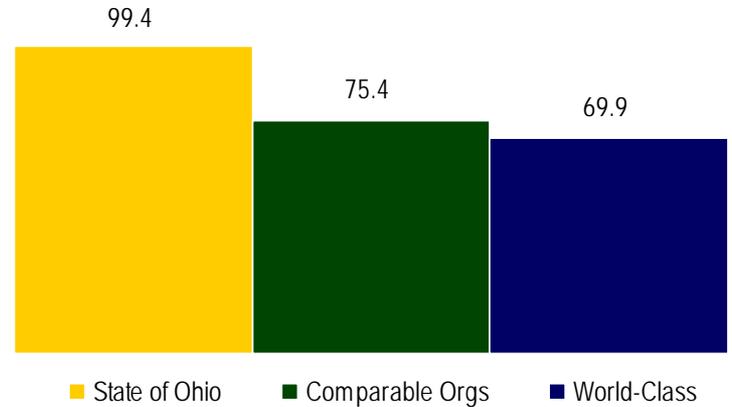


# Total Rewards Administration Process

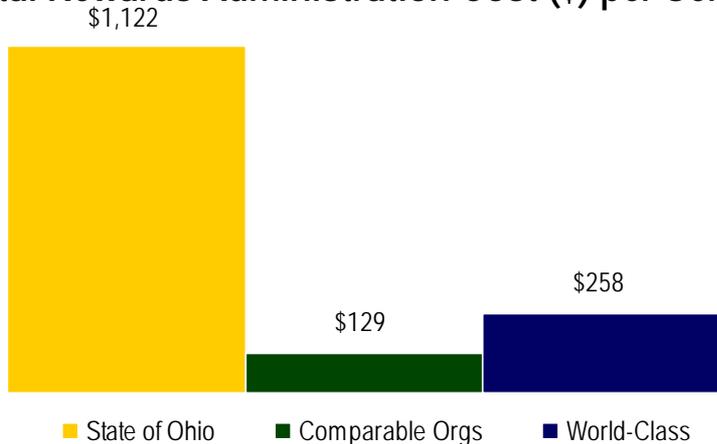
## Total Rewards Administration Cost (\$) per Employee



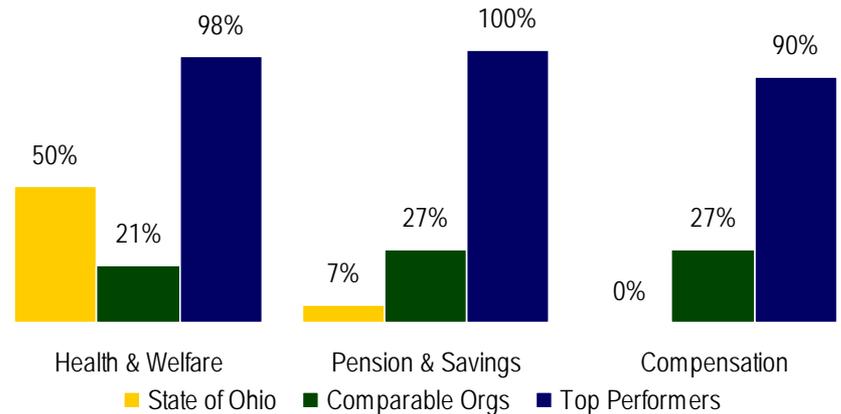
## Total Rewards Administration FTEs per State of Ohio's Employees



## Total Rewards Administration Cost (\$) per Served

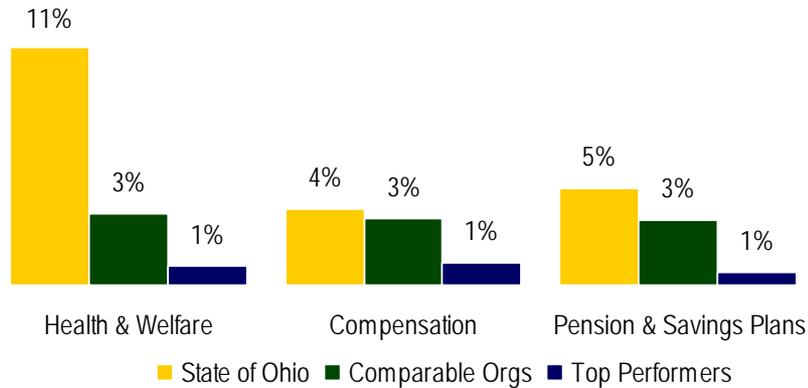


## Total Rewards Administration Automation

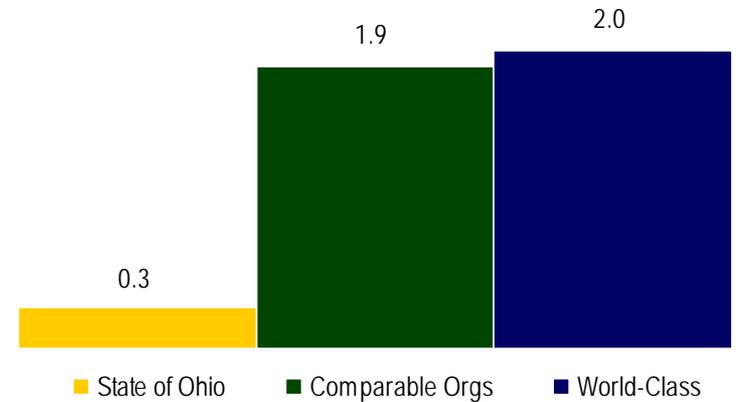


# Total Rewards Administration Process (Cont'd)

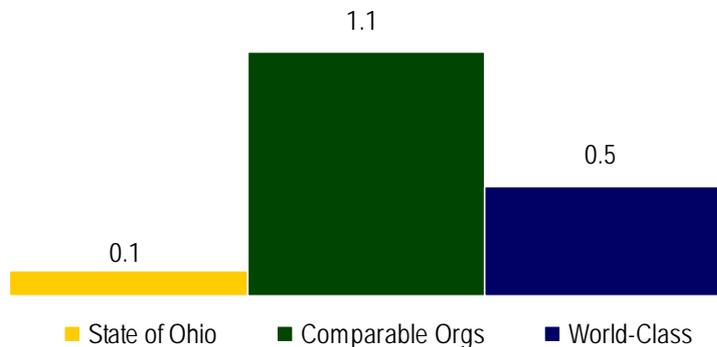
## Error Rates for Transactions



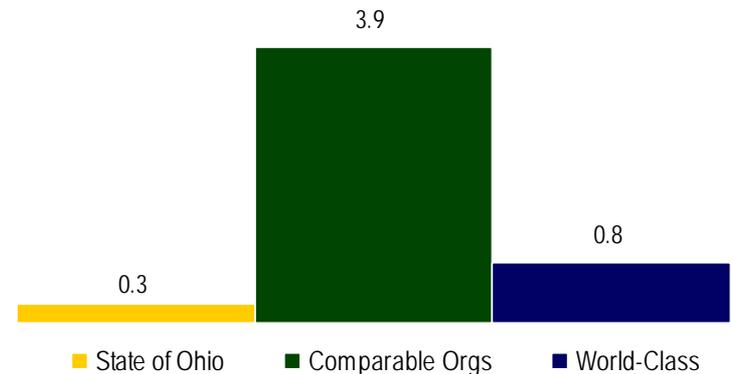
## Health & Welfare Plans per Thousand Enrolled Employees/Retirees



## Pension & Savings Plans per Thousand Enrolled Employees/Retirees



## Compensation Plans per Thousand Employees

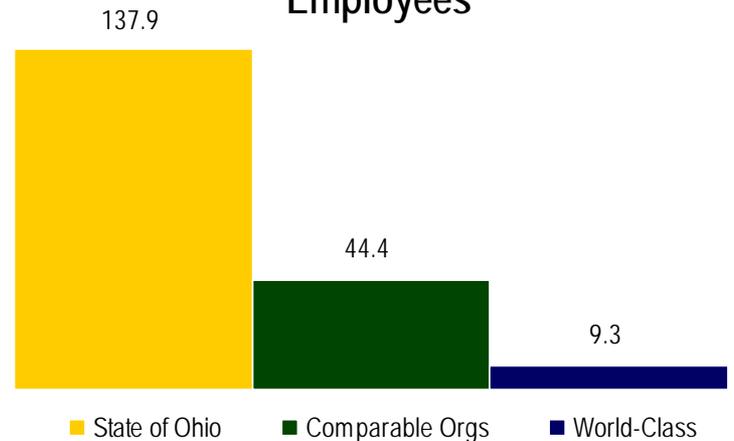


# Time & Attendance Process

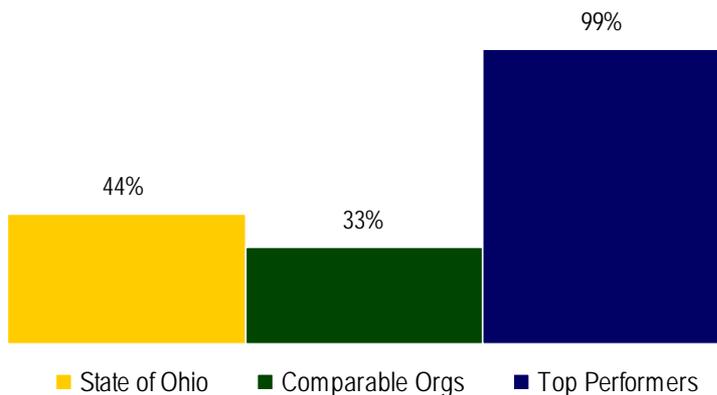
## Time & Attendance Cost (\$) per Employee



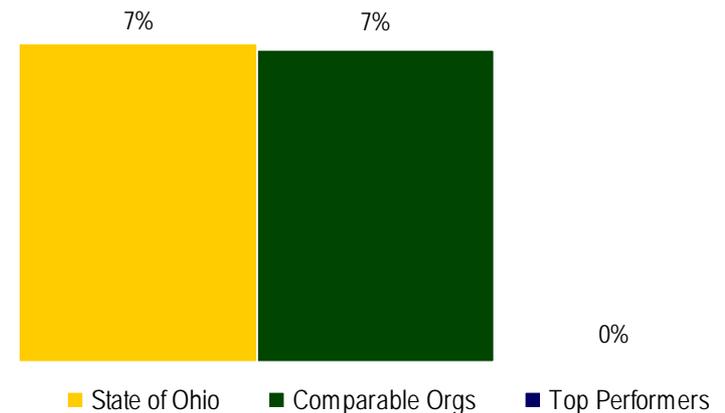
## Time & Attendance FTEs per State of Ohio's Employees



## Time & Attendance Automation



## Time & Attendance Error Rate

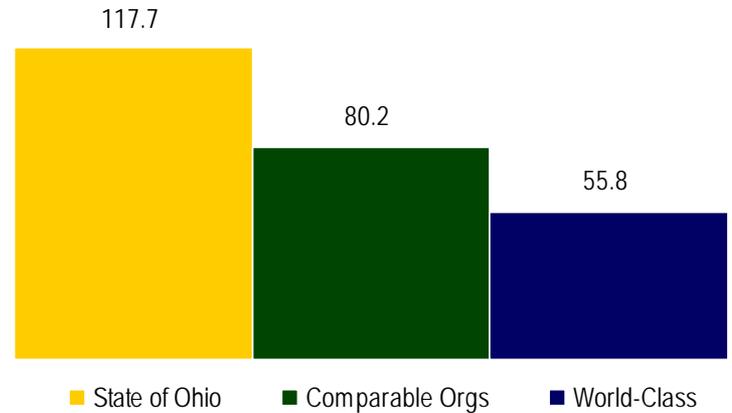


# Payroll Administration Process

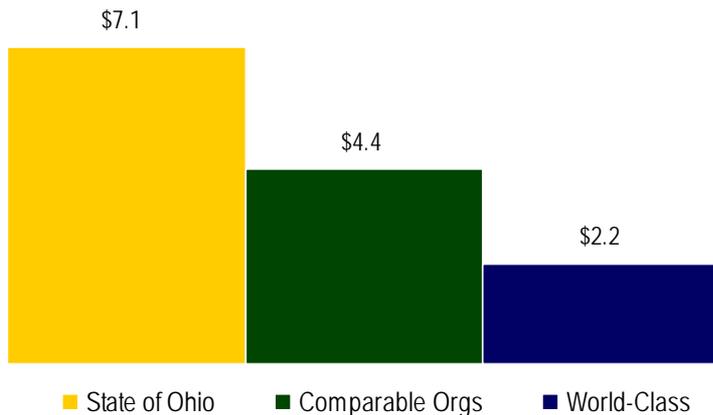
## Payroll Administration Cost (\$) per Employee



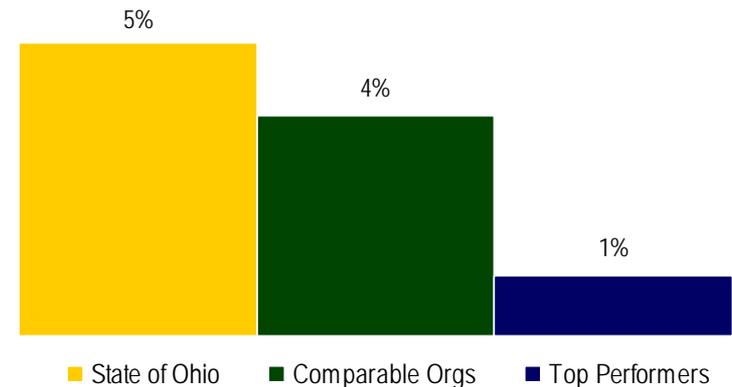
## Payroll Administration FTEs per State of Ohio's Employees



## Payroll Administration Cost (\$) per Paycheck

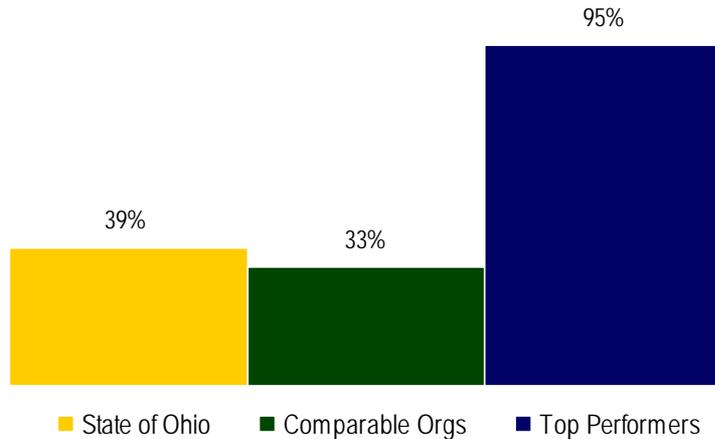


## Payroll Administration Error Rate

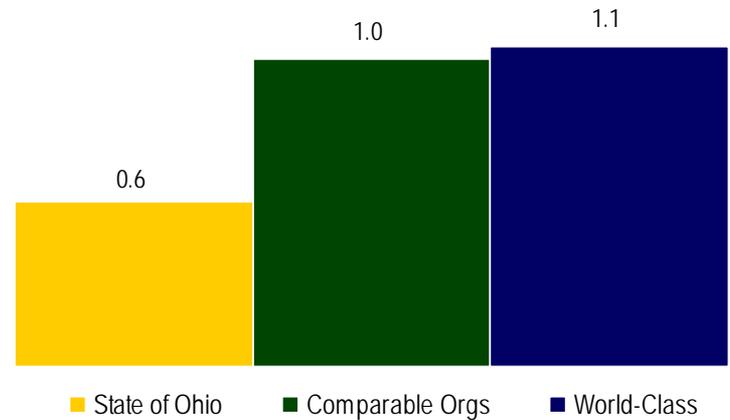


# Payroll Administration Process (Cont'd)

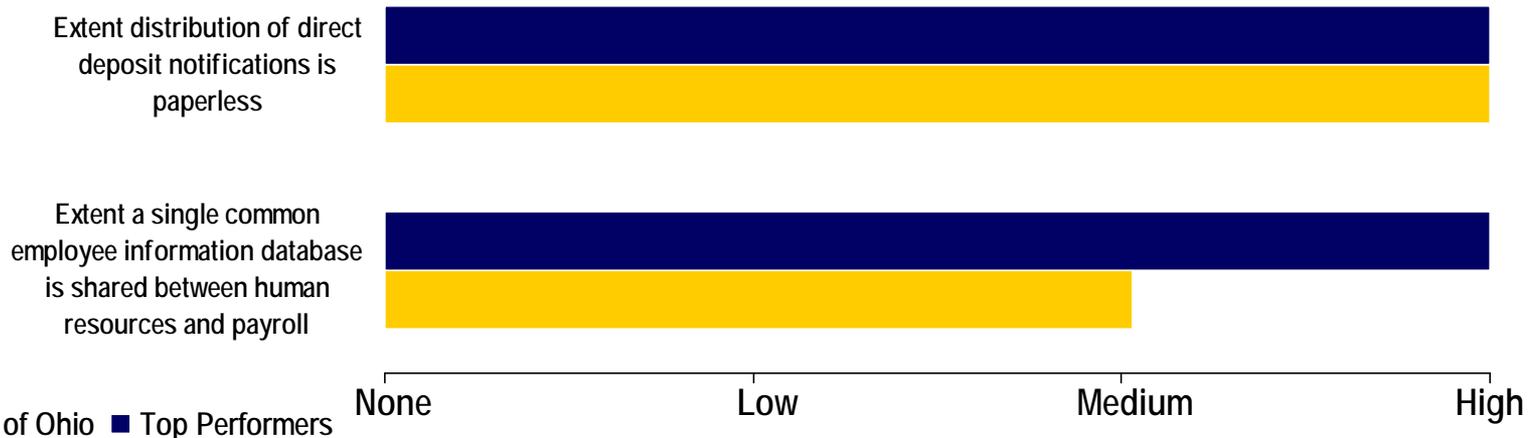
## Payroll Administration Automation



## Pay Adjustments per Employee



## Payroll Administration Best Practices



■ State of Ohio ■ Top Performers

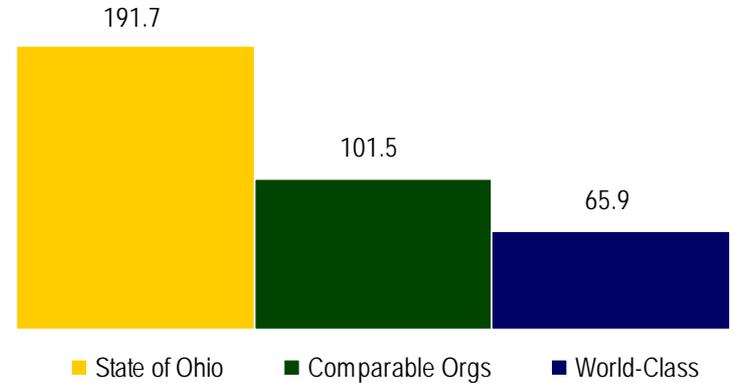
None Low Medium High

# Data Management, Reporting & Compliance Process

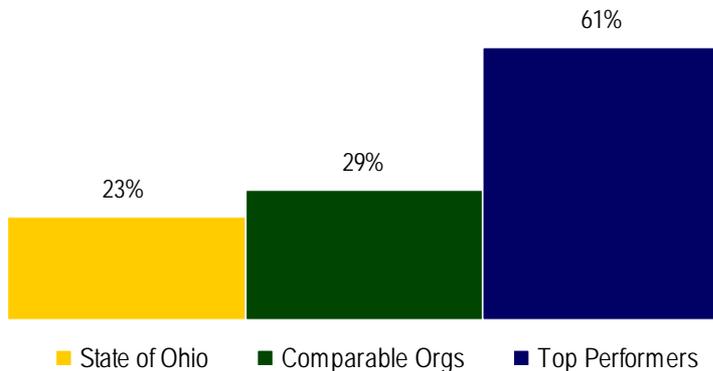
Data Mgmt, Reporting & Compliance Cost (\$) per Employee



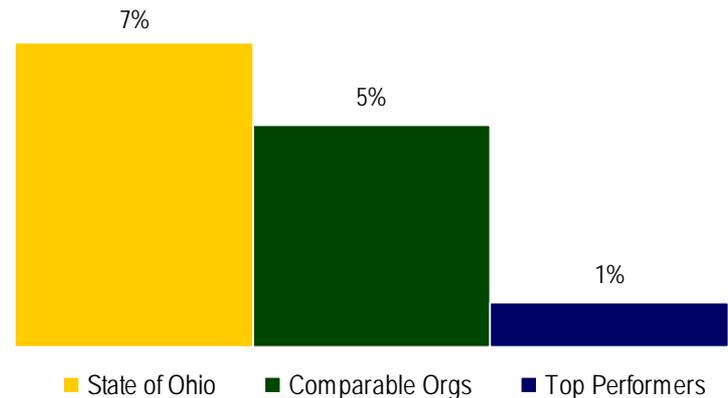
Data Mgmt, Reporting & Compliance FTEs per State of Ohio's Employees



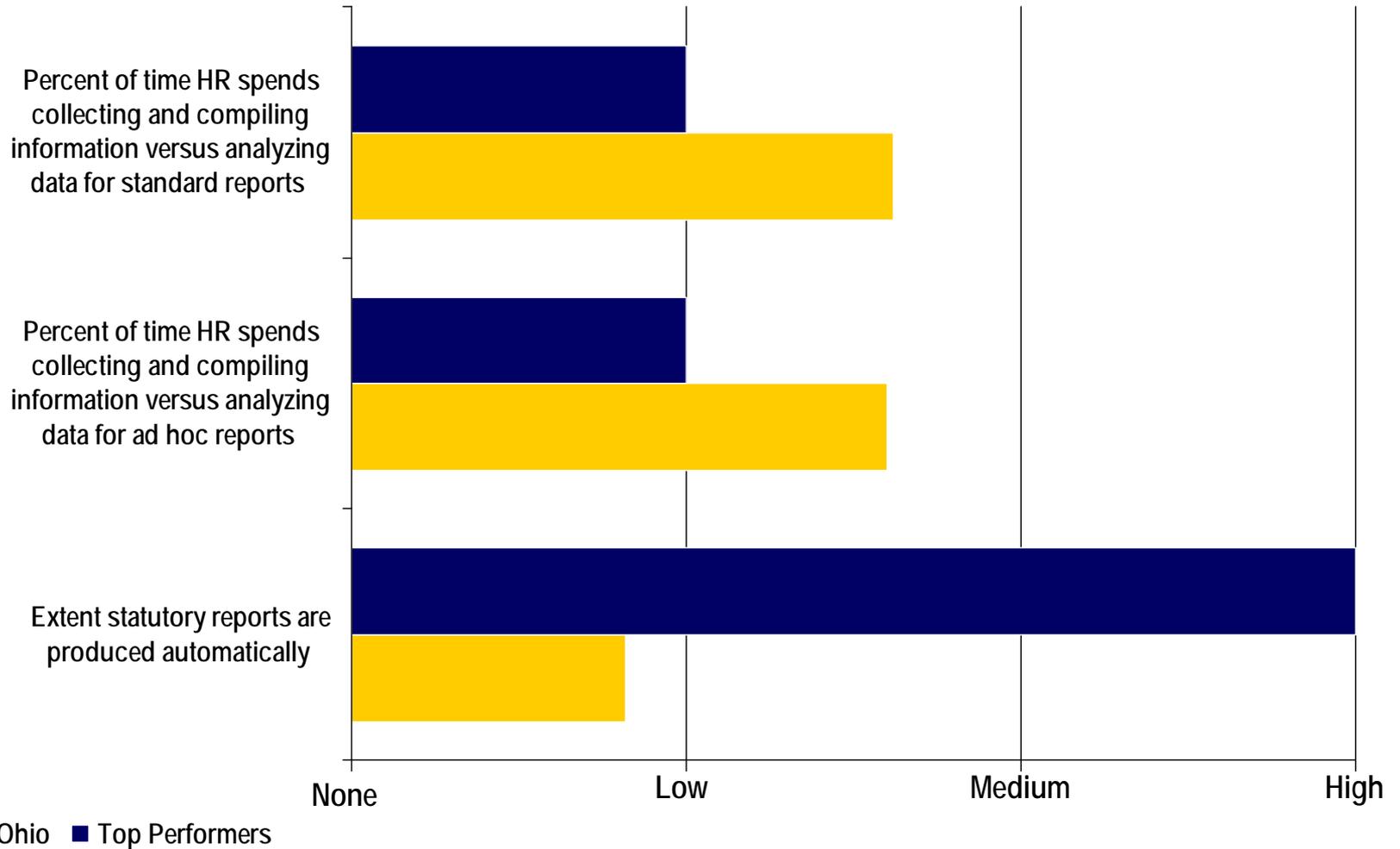
Data Management Automation



Data Management Error Rate

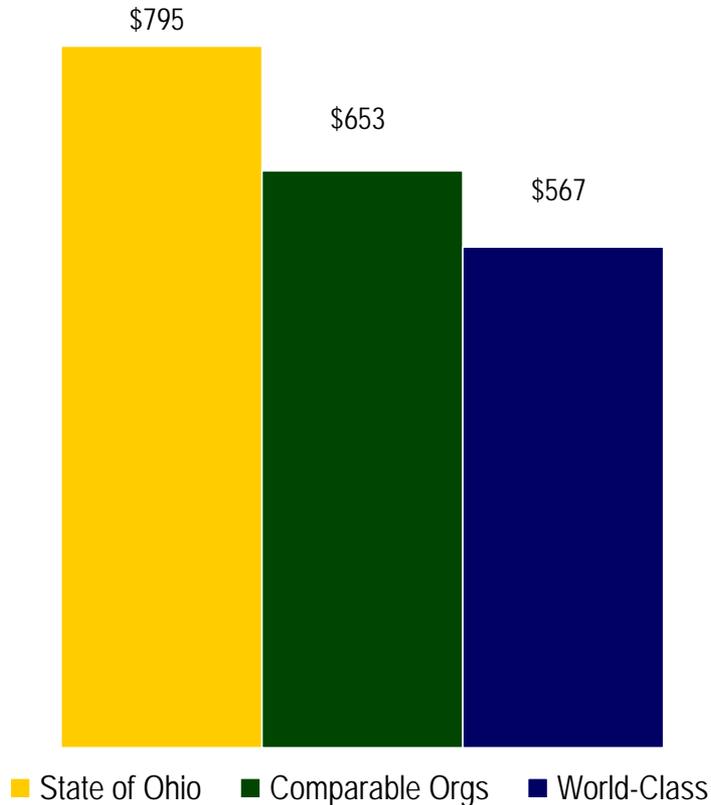


# Data Management, Reporting & Compliance Best Practices

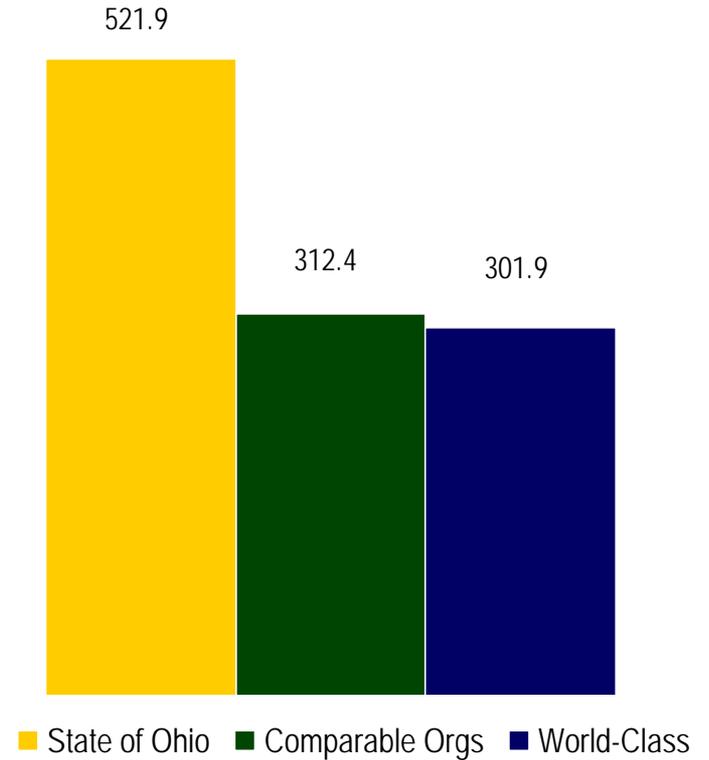


# Employee Life Cycle Costs and Staffing Levels

Process Cost per Employee (\$)



Employee Life Cycle FTEs per State of Ohio's Employees

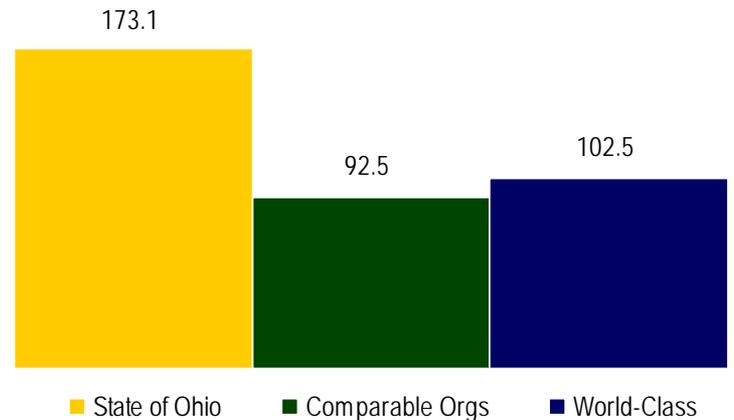


# Staffing Services Process

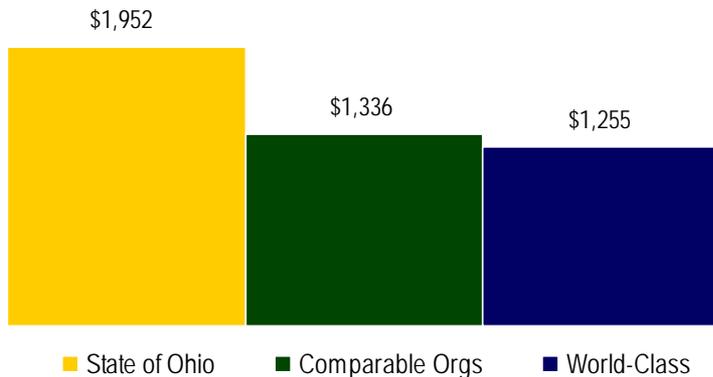
## Staffing Services Cost (\$) per Employee



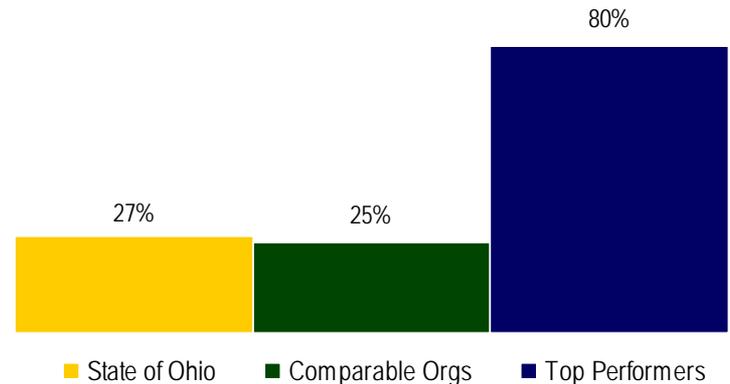
## Staffing Services FTEs per State of Ohio's Employees



## Process Cost (\$) per Hire/Placement

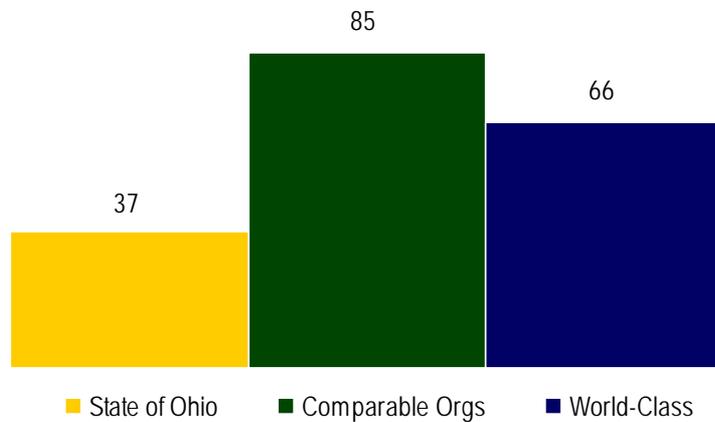


## Staffing Automation

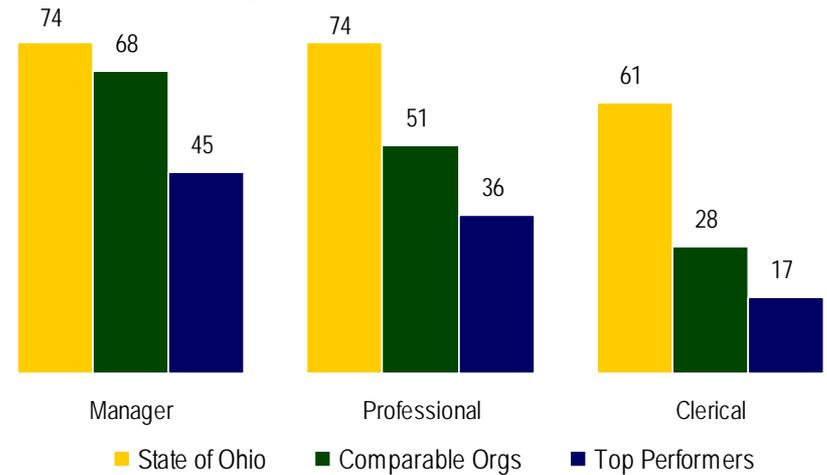


# Staffing Services Process (Cont'd)

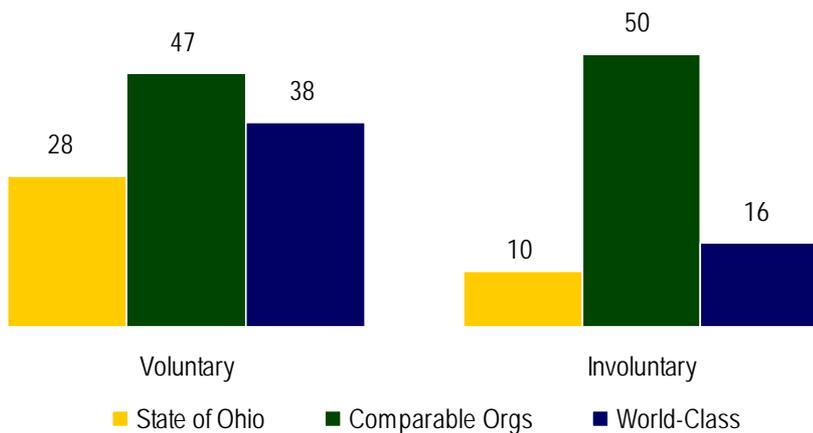
## Total Placements/Hires per Staffing FTE



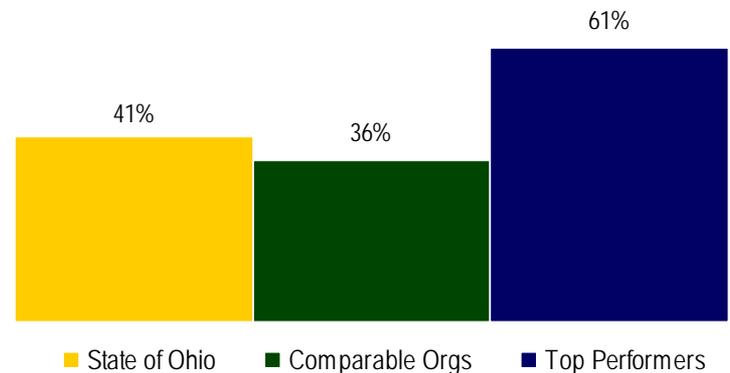
## Days to Fill Open Positions



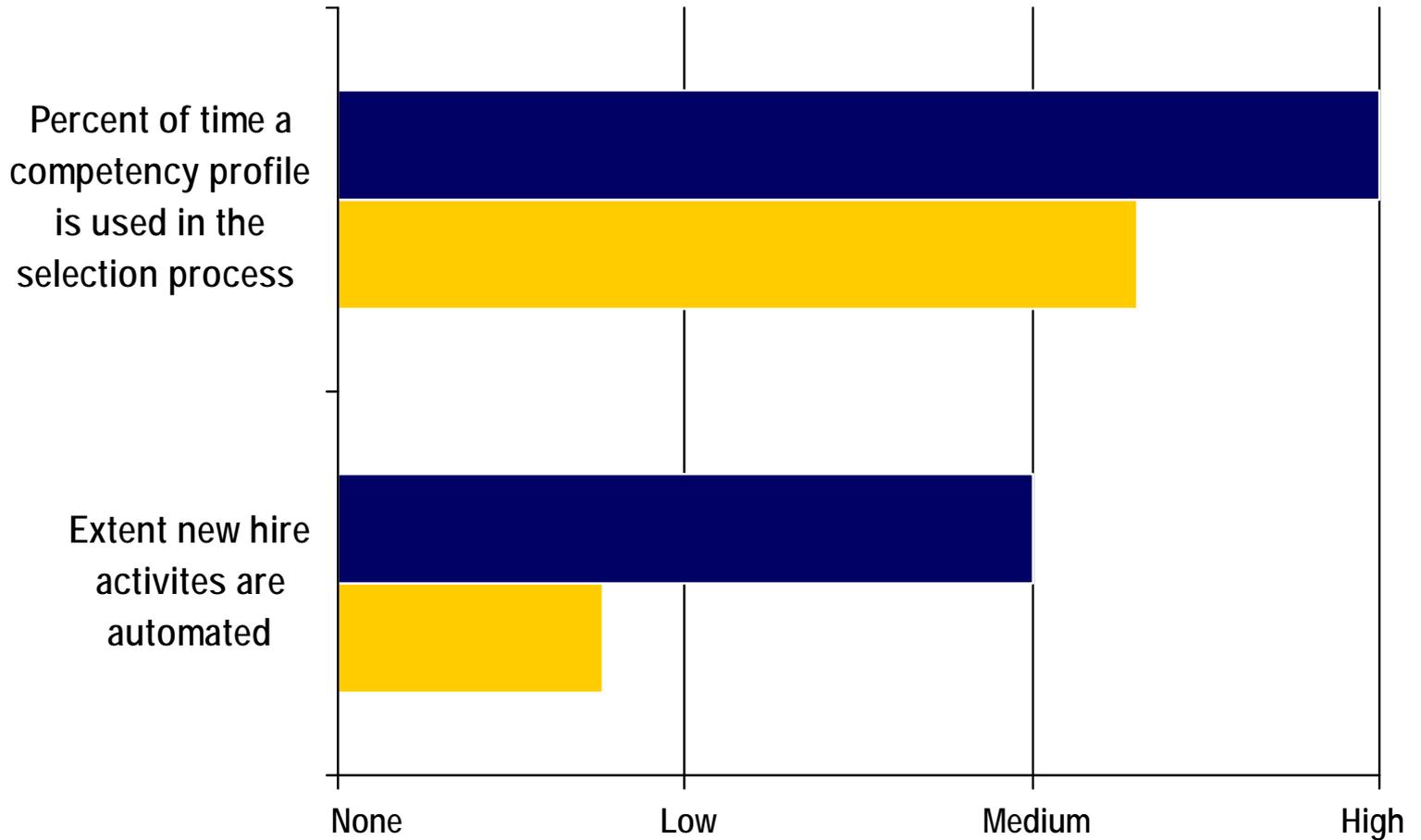
## Terminations per Thousand Employees



## Internal Placements versus External Hires



# Staffing Services Best Practices



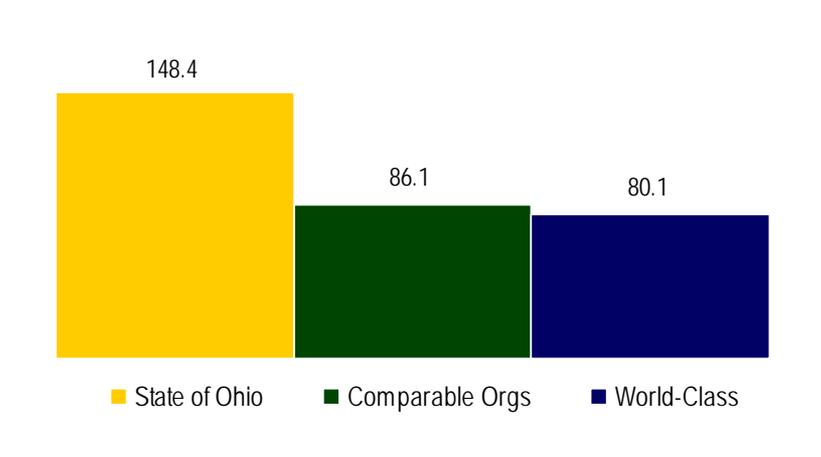
■ State of Ohio ■ Top Performers

# Workforce Development Process

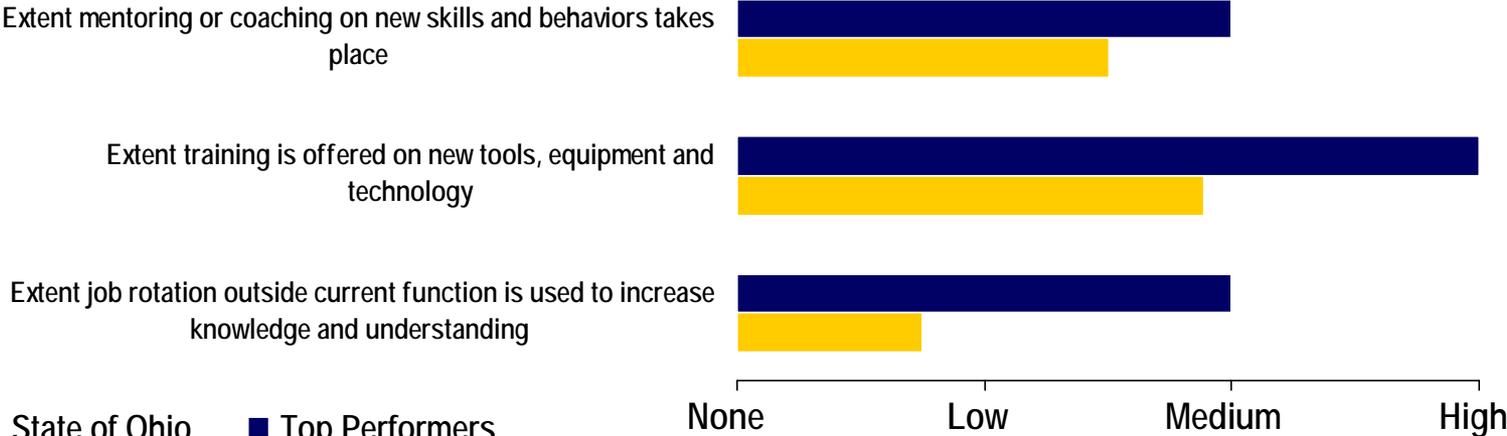
Workforce Development Cost (\$) per Employee



Workforce Development FTEs per State of Ohio's Employees



## Key Best Practice Utilization Comparisons

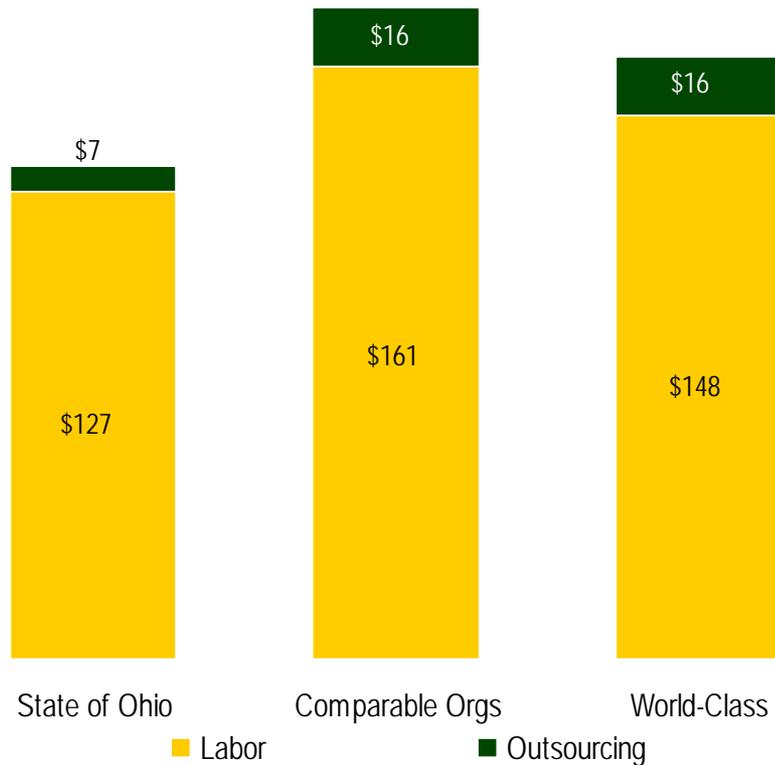


■ State of Ohio ■ Top Performers

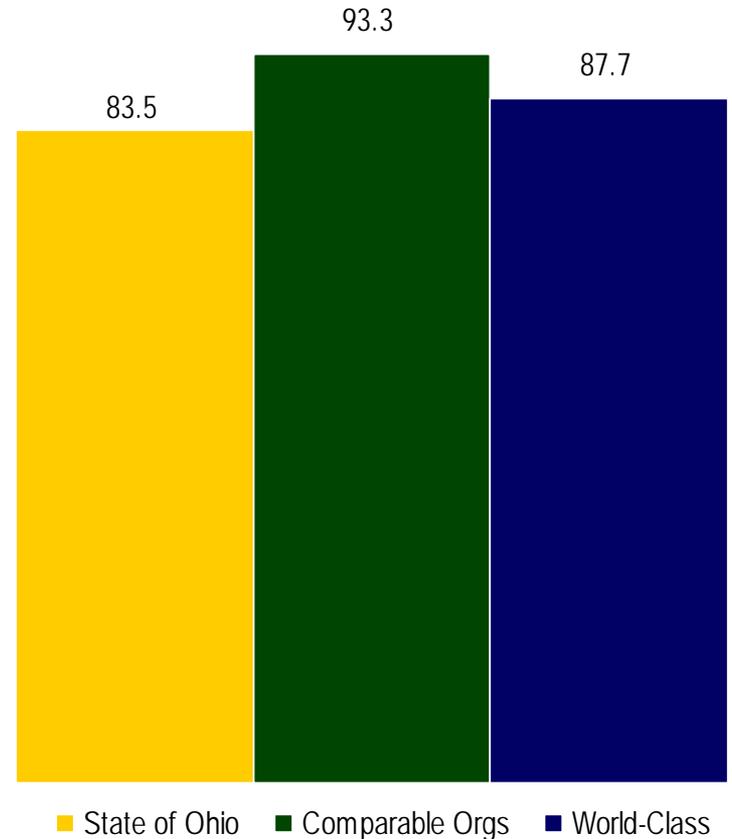
None Low Medium High

# Organizational Effectiveness Process

Organizational Effectiveness Cost (\$) per Employee

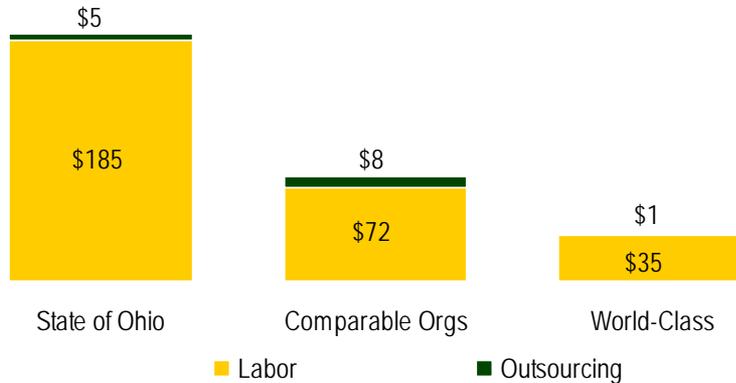


Organizational Effectiveness FTEs per State of Ohio's Employees

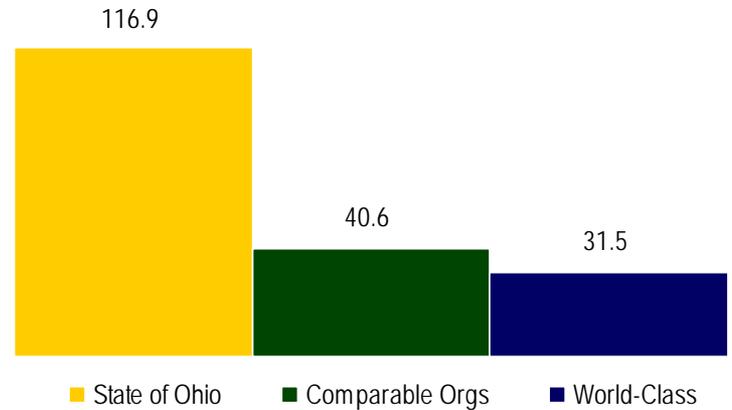


# Labor Relations Process

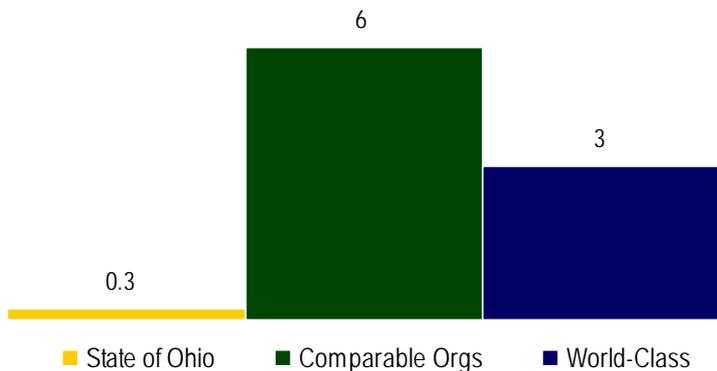
## Labor Relations Cost (\$) per Employee



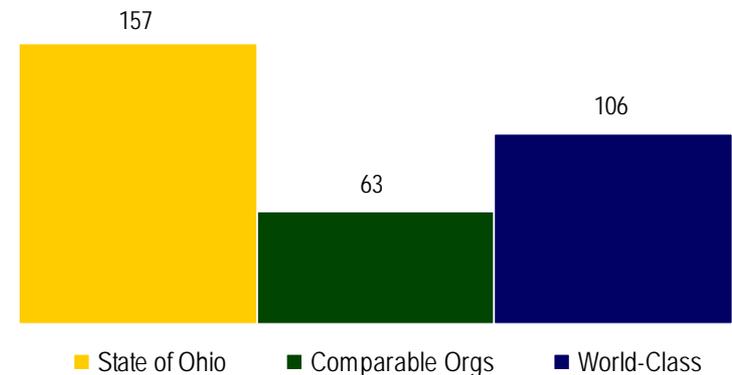
## Labor Relations FTEs per State of Ohio's Employees



## Unions per Thousand Unionized Employees

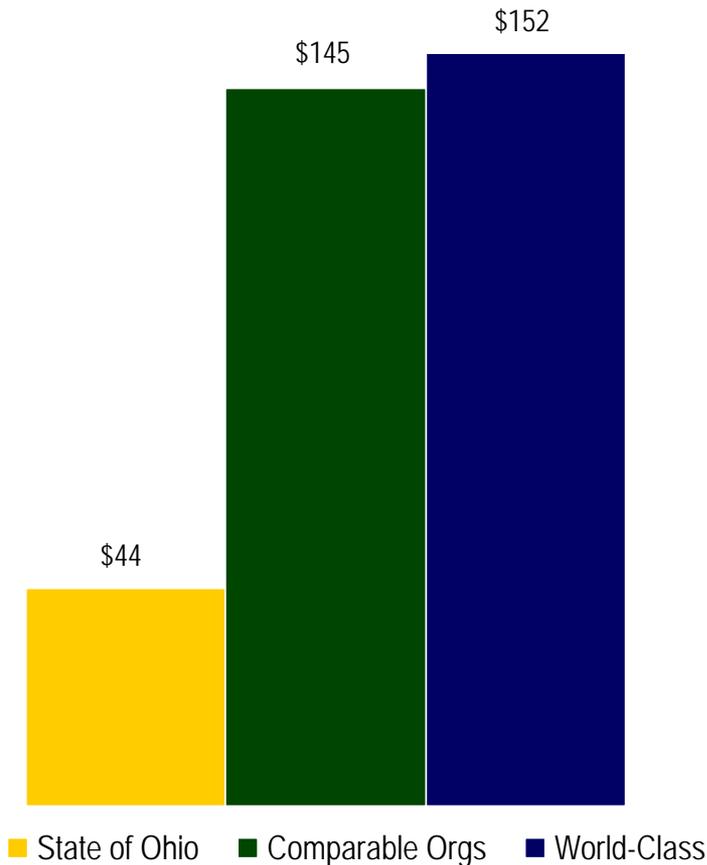


## Grievances per Thousand Unionized Employees

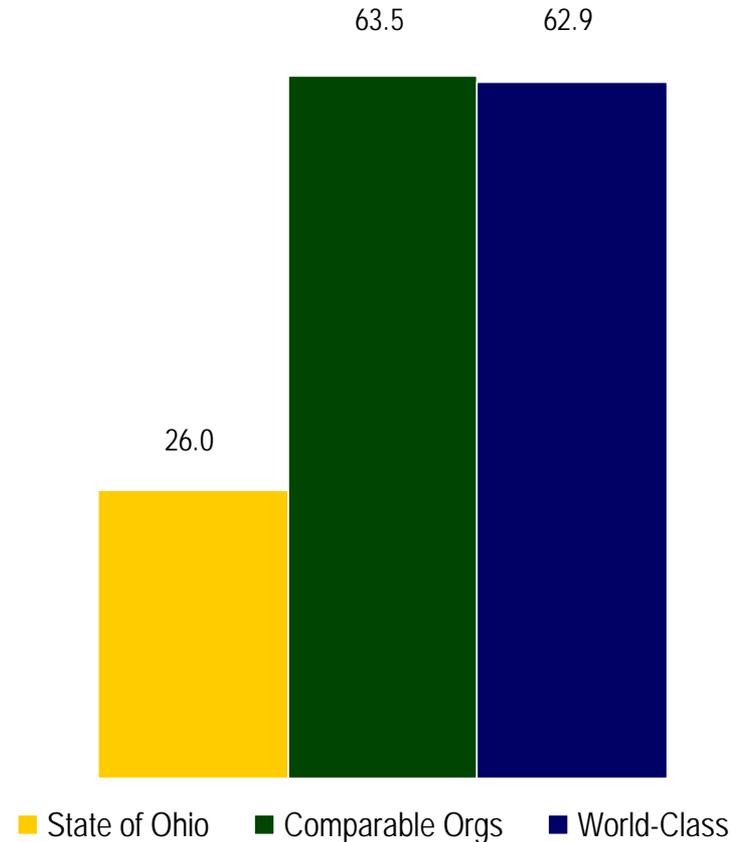


# Strategic Costs and Staffing Levels

## Process Cost per Employee (\$)



## Strategic FTEs per State of Ohio's FTEs

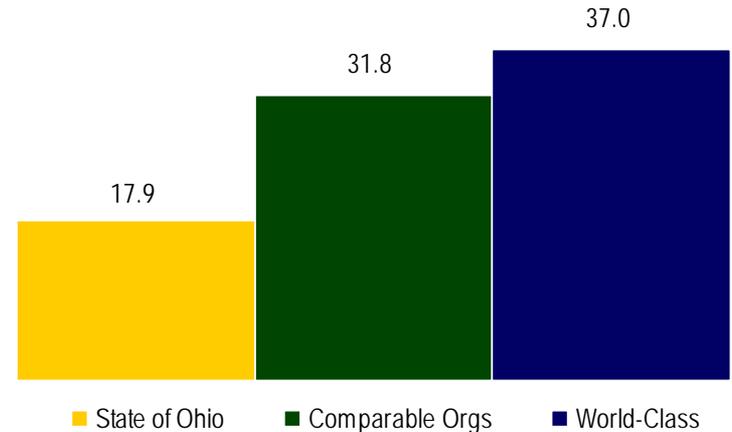


# Strategic Workforce Planning Process

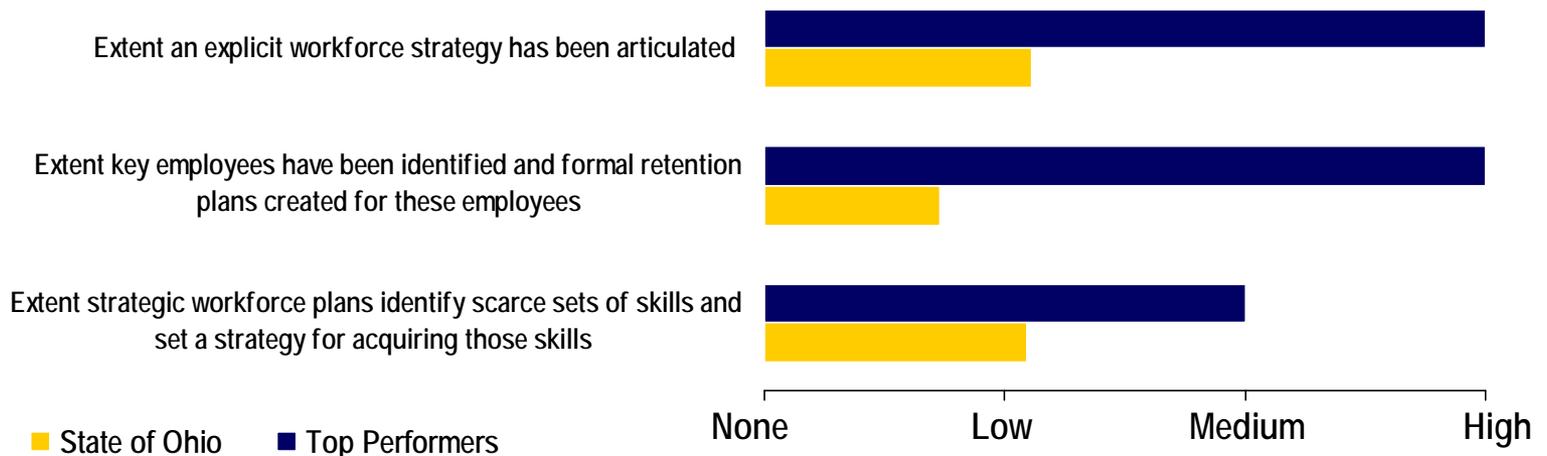
Strategic Workforce Planning Cost (\$) per Employee



Strategic Workforce Planning FTEs per State of Ohio's Employees



## Key Best Practice Utilization Comparisons



■ State of Ohio ■ Top Performers

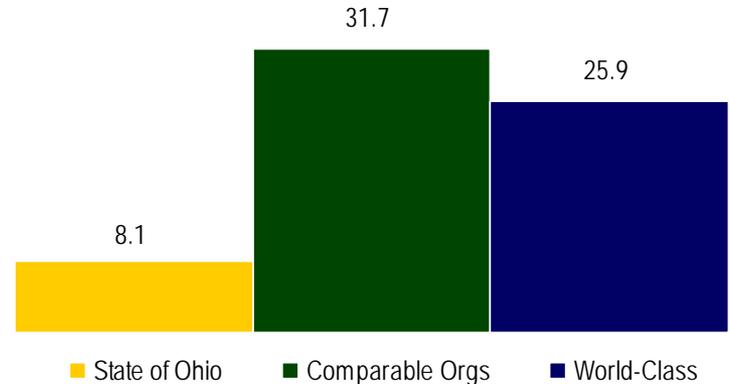
None Low Medium High

# Total Rewards Planning Process

Total Rewards Planning Cost (\$) per Employee

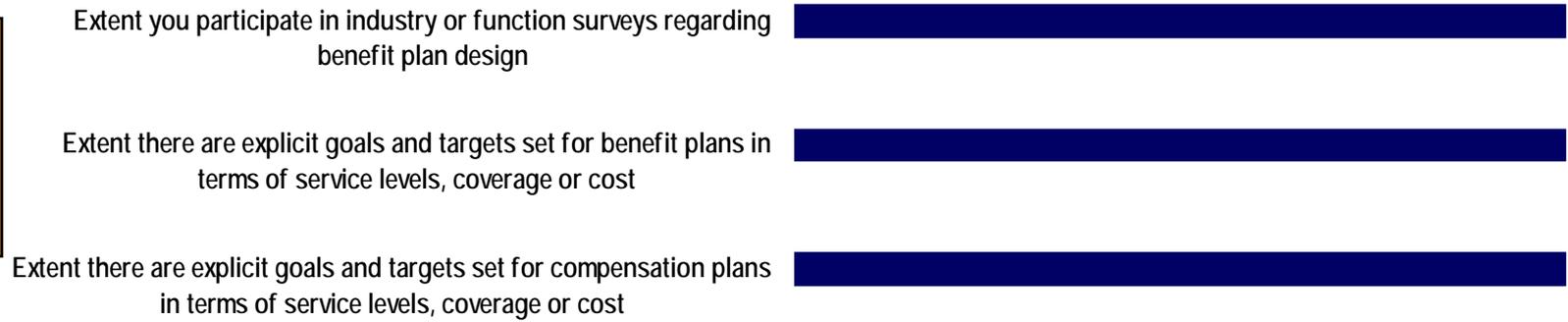


Total Rewards Planning FTEs per State of Ohio's Employees



## Key Best Practice Utilization Comparisons

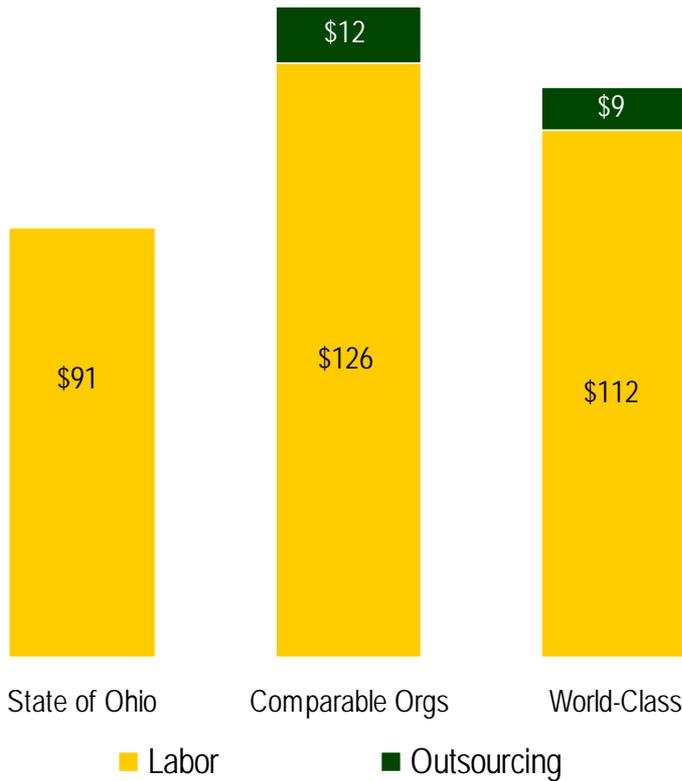
Not Applicable to State of Ohio



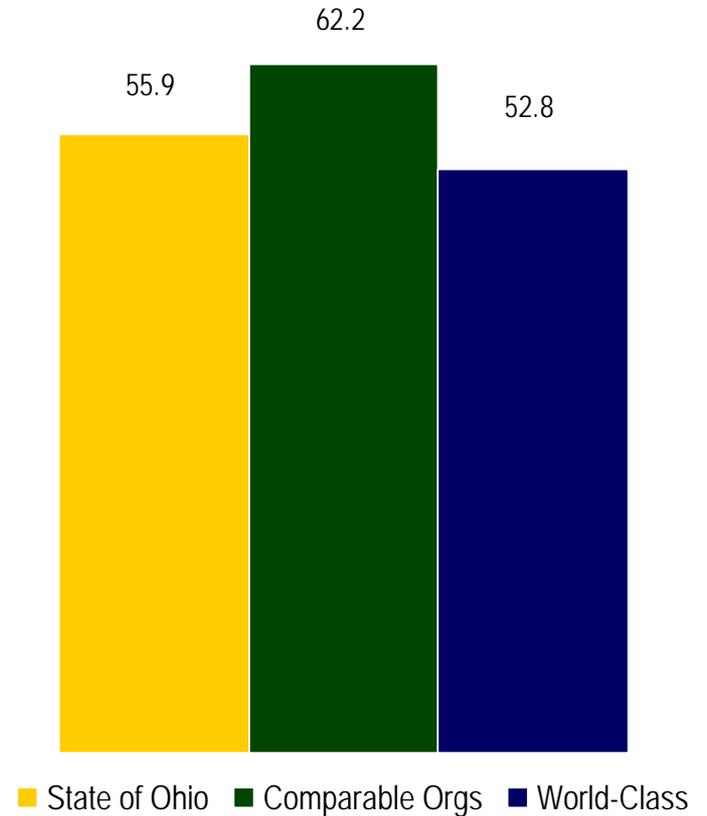
Legend: State of Ohio (Yellow), Top Performers (Dark Blue). Scale: None, Low, Medium, High.

# Human Resources Function Management Process

Human Resources Function Management Cost (\$) per Employee



Human Resources Function Management FTEs per State of Ohio's Employees



# Table of Contents

**The Hackett Group**  
*World-Class Defined*



**REL**  
*Cash Flow Delivered*

- **Section One**
  - Sponsor's Letter
- **Section Two**
  - Executive Summary
- **Section Three**
  - Appendix
    - Section One
      - Introduction
    - Section Two
      - Financial Rapid Benchmark Report
    - Section Three
      - Technology Rapid Benchmark Report
    - Section Four
      - Procurement Rapid Benchmark Report
    - Section Five
      - Human Resources Rapid Benchmark Report
  - **Section Six**
    - Achieving World-Class Performance
  - Section Seven
    - About The Hackett Group

# What Does it Take to Achieve World-Class Performance?



World-Class

- Track and communicate progress consistently to established performance targets
- Fact-based award recognition

- Use metrics to determine priorities, not "intuition"
- Establish infrastructure to lead change
- Evaluate strategic alternatives and business case

Continuous Measurement

Execute

Prioritize and Manage

Identify Certified Practices

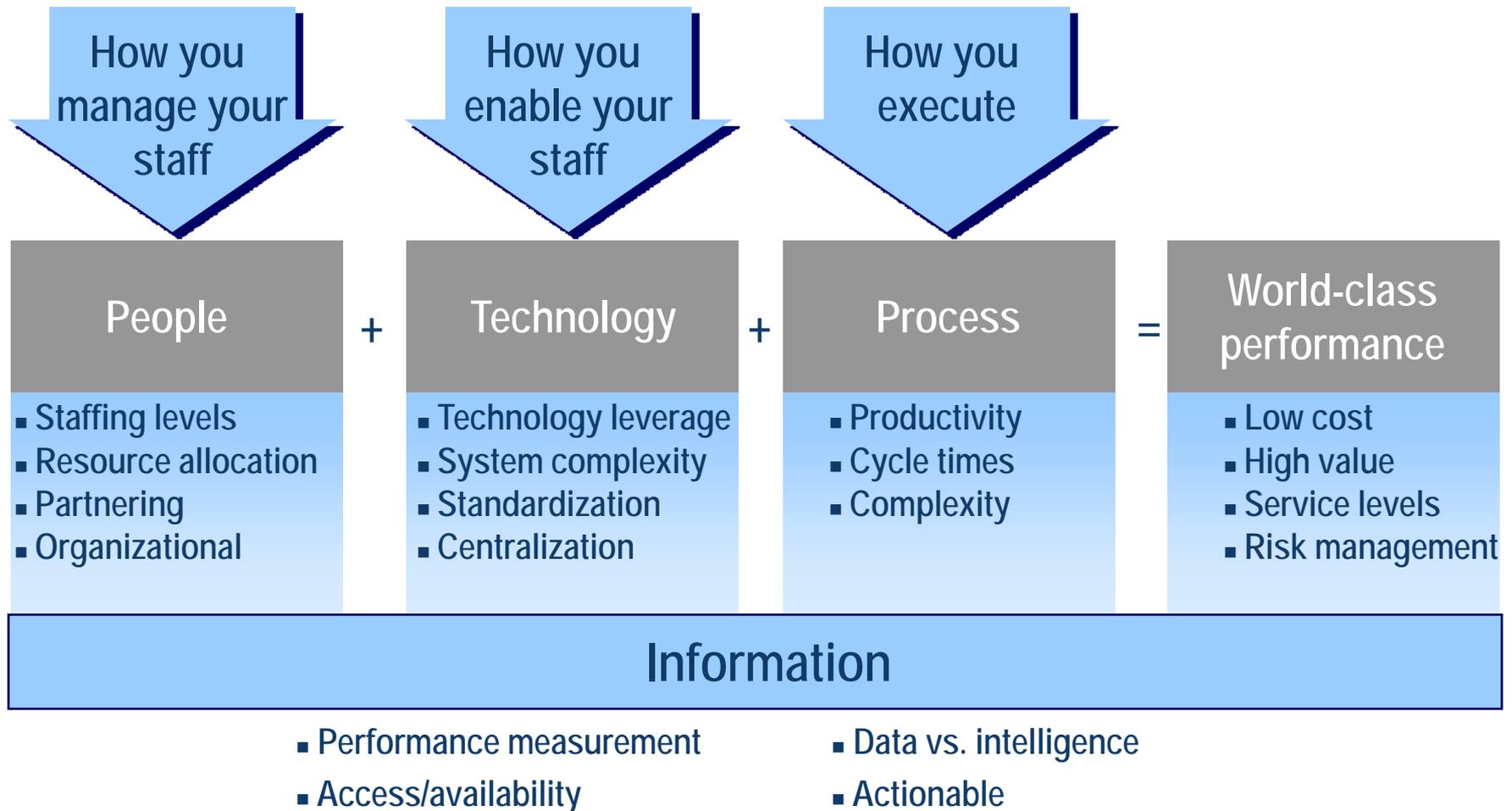
Objectively Quantify Opportunity

- Develop a holistic solution encompassing
  - People (Organization)
  - Use of Information
  - Business Process
  - Technology
- Technology configuration and rapid execution

- Understand proven approaches of world-class organizations
- Select "right" practices vs. maximum possible

**Benchmarking and Best Practices are the foundation**

# Improving all Key Business Drivers Simultaneously is Essential to Becoming World-Class



# Table of Contents

**The Hackett Group**  
*World-Class Defined*



**REL**  
*Cash Flow Delivered*

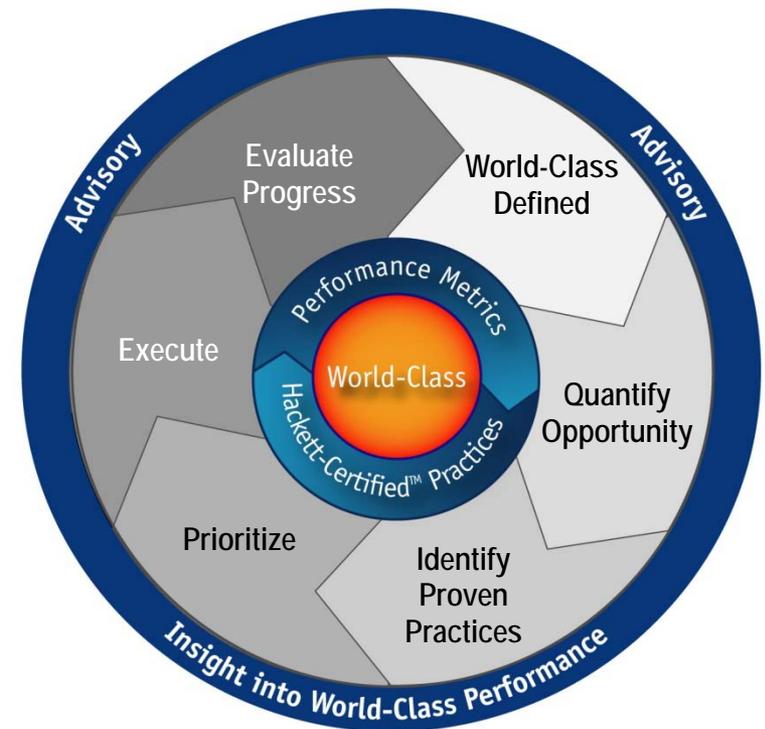
- **Section One**
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  - Executive Summary
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    - Section Four
      - Procurement Rapid Benchmark Report
    - Section Five
      - Human Resources Rapid Benchmark Report
    - Section Six
      - Achieving World-Class Performance
- **Section Seven**
  - About The Hackett Group

# The Hackett Group defines world-class performance

The Hackett Group, a global strategic advisory firm, provides:

- Advisory Programs that support benchmarking and business transformation services for executives across the Global 2000
- Efficiency gains throughout enterprise SG&A activities by identifying, designing and implementing cost reduction initiatives
- Effectiveness improvements in areas such as working capital management to optimize cash flow generation
- Insight, advice, and best practice recommendations backed by performance metrics obtained through 14 years and 3,500 benchmark studies
- 30 years of experience delivering over \$25 billion in sustainable cash benefits for clients across the globe

Hackett World-Class Framework



*Mission: Enabling executives to achieve world-class enterprise performance*

# Hackett Defines General & Administrative Across 8 Functions and 64 Process Groups

## Finance

- Cash Disbursements
- Revenue Cycle
- Accounting and External Reporting
- Tax Management
- Treasury Management
- Compliance Management
- Planning and Performance Management
- Business Analysis
- Function Management

## Information Technology

- Infrastructure management
- End User Support
- Infrastructure Development
- Application Maintenance
- Application Development and Implementation
- Quality Assurance
- Risk Management
- IT Business Planning
- Enterprise Architecture Planning
- Emerging Technologies
- Function Management

## Human Resources

- Total Rewards Administration
- Payroll Services
- Data Management, Reporting and Compliance
- Staffing Services
- Workforce Development Services
- Organizational Effectiveness
- Total Rewards Planning
- Strategic Workforce Planning
- Function Management

## Procurement

- Supply Data Management
- Requisition and PO Processing
- Supplier Scheduling
- Receipt Processing
- Compliance Management
- Customer Management
- Sourcing Execution
- Supplier Management and Development
- Function Strategy and Performance Management
- Sourcing and Supply Base Strategy
- Function Management

## Sales

- Sales Execution
- Sales Operations
- Planning and Strategy
- Function Management

## Service

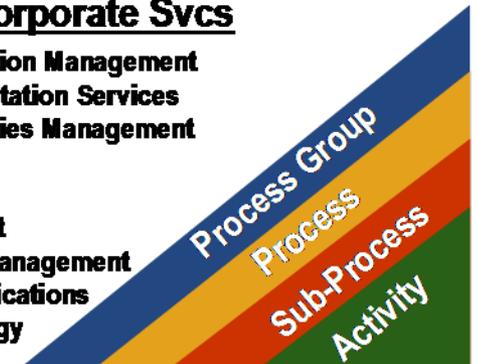
- Order and Contract Management
- Service Execution
- Service Operations
- Planning and strategy
- Function Management

## Marketing

- Marketing Communication
- Brand and Product Management
- Planning and Strategy
- Market Research and Analytics
- Function Management

## Executive and Corporate Svcs

- General Administration Management
- Travel and Transportation Services
- Real Estate & Facilities Management
- Government Affairs
- Legal
- Quality Management
- Risk and Security Management
- Corporate Communications
- Planning and Strategy
- Executive Office



# Hackett's Knowledge Repository is Derived from 3,500 Studies of 2,100 of the World's Leading Companies

## Dow Jones Industrials

**97%** of the companies included in the Dow Jones Industrial Average are Hackett clients\*

## Fortune 100

**77%** of the companies included in the Fortune 100 are Hackett clients\*

## DAX 30

**70%** of the companies included in the DAX 30 are Hackett clients\*

## FTSE 100

**50%** of the companies included in the FTSE 100 are Hackett clients\*

## Dow Jones Global Titans Index

**90%** of the companies included in the Dow Jones Global Titans Index are Hackett clients\*

- 3M Co
- ABN AMRO Holding N.V.
- Alcoa Inc.
- Altria Group, Inc.
- American Express Company
- AOL Time Warner Inc.
- AstraZeneca PLC
- AT&T Corp.
- Bank of America Corp.
- Barclays PLC
- Bayer Group
- Best Buy Co., Inc.
- BHP Billiton PLC
- Boeing Company
- British Petroleum PLC
- Bristol-Myers Squibb Co.
- BT Group
- Cable & Wireless
- Cadbury
- Caterpillar, Inc.
- Centrica PLC
- ChevronTexaco Corporation
- Cisco Systems, Inc.
- Citigroup Inc.
- Coca-Cola Company
- ConocoPhillips
- Credit Suisse Group
- DaimlerChrysler AG
- Dell Inc.
- Deutsche Bank AG
- Diageo
- Dow Chemical Co
- Duke Energy Corporation
- E. I. du Pont de Nemours & Co.
- Electronic Data Systems Corp.
- ENI S.p.A
- Exxon Mobil Corporation
- Federal Reserve System
- FedEx Corporation
- Ford Motor Company
- France Telecom SA
- General Electric Company
- General Motors Corporation
- GlaxoSmithKline PLC
- HBOS PLC
- Hewlett-Packard Company
- Home Depot, Inc.
- Honeywell International Inc.
- IBM Corporation
- ING Groep N.V.
- Intel Corporation
- J.P. Morgan Chase & Co.
- Johnson & Johnson
- Kmart Corporation
- Lloyds TSB Group plc
- Lockheed Martin Corp.
- McDonald's Corporation
- McKesson Corporation
- Merck & Co., Inc.
- Merrill Lynch & Co., Inc.
- MetLife, Inc.
- Microsoft Corporation
- Morgan Stanley
- Motorola, Inc.
- Nestle S.A.
- Nissan Motor Co., Ltd.
- Nokia Corporation
- Northrop Grumman Corp.
- Novartis AG
- PepsiCo Inc.
- Petróleos Mexicanos
- Pfizer Inc.
- Procter & Gamble Co.
- Prudential Financial, Inc.
- Roche Holding AG Part. Cert.
- Rolls-Royce Group
- Royal Bank of Scotland Group
- Royal Dutch Shell PLC
- SAP AG
- SBC Communications Inc.
- Sears, Roebuck and Co.
- Siemens AG
- Sprint Corporation
- Swiss Reinsurance Company
- Time Warner Inc.
- The Allstate Corporation
- Toyota Motor Co. N. America
- Tyco International Ltd.
- UBS AG
- Unilever PLC
- United Technologies Corp.
- Verizon Communications Inc.
- Vodafone Group PLC
- Wal-Mart Stores, Inc.
- Wyeth

\*as of April 15, 2006