

Oregon Department of Revenue IT-Business Alignment Case Study



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The case study on the Oregon Department of Revenue (DOR) illustrates a classic example of the internal struggle between IT and business in a government setting.

Besides highlighting the challenges at DOR, the case also emphasizes several lessons that are relevant to the management of all public services.

Introduction

As David Almond sits in his office, he starts reminiscing about the time that has passed since he took his new job. The former IT director with Honeywell took the Chief Information Officer (CIO) position of the Oregon Department of Revenue (DOR) in February of 2007. Having well-rounded experience from the private sector, David was expected by DOR leaders to be the agent of change, one who could execute the transformation process that the agency has undertaken.

Prior to David's arrival, IT seemed to be a separate part of the agency. The miscommunication between IT staff and the business side led to serious setbacks and frustration. Many IT initiatives got stalled since they didn't correspond well to real business needs. Obsolete practices were the norm since "that's the way we always did it". [DA]

While there is still a great deal of work yet to be done, David is confident that the foundation for change is perfectly timed. DOR leaders understood the need for change and initiated the IT transformation. David's mission now is to develop a roadmap to make these changes happen. With the help from his IT management team and outside consultants, David has created such a roadmap and has begun to execute the plan.

Quick Facts
* <u>Agency</u> : Oregon Department of Revenue (DOR)
* <u>Location</u> : Salem, Oregon
* <u>Category</u> : Government organization
* <u>Operation</u> : DOR oversees more than 30 tax programs in addition to the personal income tax. The department collects approximately \$5 billion, serves 1.75 million taxpayers, and processes approximately 4.5 million documents a year.

The EA Framework
Enterprise Architecture (EA) is a method and a framework for aligning the functions, information, systems and technology of an organization in order to realize its strategic vision. EA is emerging in many government entities and businesses as a planning discipline that can address growing complexities and customer expectations.
In November 2006, the Oregon CIO Council chartered a group to investigate the potential of EA concepts to increase cooperation across agency boundaries and meet broad, common needs. The state EA effort seeks to build communication channels and an interagency cooperative for sharing knowledge, experience, and solutions. The state EA team is providing resources for efforts that may benefit from EA concepts, such as the DOR transformation.
One of the goals of the state EA program is to acknowledge agency efforts that exemplify Government Excellence and to share those experiences and results with others. To that end, the EA group coordinates completion of case studies such as this.

Another daunting task on David's mind now is how he can share the practices that he has carried out at DOR with other agency CIOs. The state CIO Council provides a great forum for him to exchange knowledge. However, David strongly believes his works at DOR can provide even a greater value if they are used to build a common framework for every state agency in Oregon. David remembers the conversation that he had earlier with Ben Berry – CIO of the Oregon Department of Transportation. Ben has been a strong and influential supporter of the state Enterprise Architecture (EA) – a framework that aligns IT and business for state agencies in Oregon. "EA is one answer to this riddle", David thought to himself.

Glancing at the clock, David knows he will have a lot of things to talk about at the CIO Council meeting coming up in two hours.

Agency Background

The mission of Salem-based DOR is "to make revenue systems work to fund the public services that preserve and enhance the quality of life for all citizens." The agency provides tax information, filing and paying services, and enforcement activities that are designed to ensure that citizens have the information and means to fulfill their tax obligations.

In 2005, the number of Oregonians who chose to file their tax returns electronically reached a record high of 820,000. That number grew another 14.1 percent to roughly 981,500 in 2006. Electronic returns now represent far more than half of all returns filed. This major change in tax filing preference is an example of changing taxpayer expectations driving the need to transform IT Services.

Area for Improvements

When David first came to DOR, he heard a clear message from the business that the core systems, while solid and stable, no longer met their needs. Almost all of its systems were developed internally, some more than twenty years ago. This resulted in a bulky system that contains more than twenty million lines of COBOL code. Minor modifications for business needs often lead to long, inefficient rewriting and debugging. In addition, end-users, demanding for the latest user-interface look and feel, support for web access and transaction-based processing, have become increasingly disappointed with the shortcomings of the system.

The IT unit also did not have strong performance measures for its projects. "Timelines were seldom met and costs were thought of as being sunk". [KG] This weakness leads to disagreements between the IT and business sides when financial matters are discussed.

The biggest challenge for David, however, was the communication between his unit and the business staff. Rather than telling IT the outcomes they want, the "business side still wants to tell IT how to get there and not say what they desire the outcomes to be". [KG] On the other side of the coin, IT staff tends "to step in the old way of looking at the world". [KG] Even though they made lot of effort to reduce the communication gap, IT still seems to speak a different language than the business side.

Objectives

Working with leaders and managers from both IT and business, David and his team was able to develop a set of desirable improvements for DOR. At the end of the assessment stage, the group concluded that the IT transformation at DOR must enable the achievement of the following goals:

- to increase IT service competency through process standardization and improvement utilizing both internal and external resources
- to measure the IT service performance through proven assessment methodologies
- to improve the communication and partnership between IT and business staff

In addition, David also understands the need for a collaborative effort with other state agencies. David knows that the challenges at DOR are not unique. In fact, he has listened to the same stories at the CIO Council many times before. His goal is now to set up a collaborative effort from his unit that ultimately leads to a statewide alignment between business and technology.

Approach

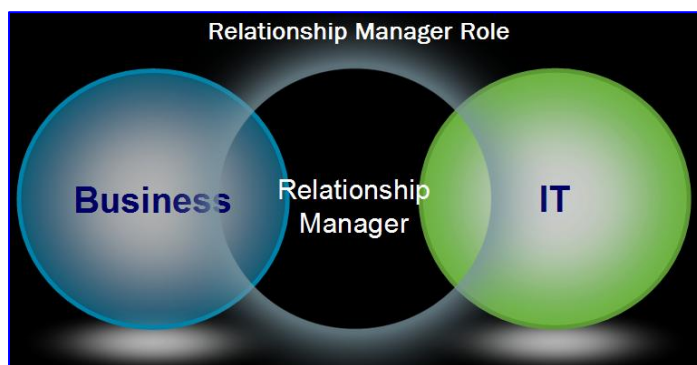
Through out the initial phases of the transformation program, David pays particular attention to four areas of DOR: people, organization, business process and technology. With the help from outside consultants, the agency came up with a new vision for IT and a roadmap for the next several months to deal with the most immediate needs. However, given the importance of these fundamental changes, a long-term process built on incremental moves is a sound strategy.

For the purposes of knowledge and experience exchange, David is open in sharing the implementation of this transformation program. Progress and the results of the program in many areas are well communicated and made accessible to other state agencies.

Implementation

Under David's administration, many efforts have been initiated. Some examples include:

- Working with ieSolutions to build a future IT staffing model based on the idea of changing from a relationship-based delivery model to a service oriented delivery model
- Having [Virtual Information Executives, LLC \(VIE\)](#) perform an assessment of IT Services internal processes using the industry-standard benchmarks to see how IT services has changed from ad-hoc and reactive approach to a more process-structured approach.
- Moving into new system platforms which promise user-friendly interfaces, flexibility and web accessibility
- Instituting relationship managers who are able to understand and speak both the business and IT language to bridge between business and IT
- Establishing "flexible capacity" to increase IT delivery capability by using external expertise and partnering with private sector.
- Creating two Enterprise Architect positions to establish and technical standards. They will be a key link to coordinating efforts with other agencies in the state



Results

Most of the efforts to align IT and business are still in the formative stage at DOR. However, some of the results visible at this point are:

- "Growing awareness that there are better, more structured approaches to building out technology solutions to support the business." [RT] Derived from this, another visible result is that the "organization is beginning to apply energy and effort in a more effective way." [RT]
- Improved internal communication between IT and business staff and external collaboration initiatives between agencies
- The new IT staffing model and the hiring of relationship managers promise a stronger bridge between IT and business

In addition, the on-going effort to join forces with other agencies has earned preliminary results. The constant communication between DOR and other agencies through regular EA meetings assures that DOR is not behind the curve and promises potential synergies from collaborative projects.

Critical Success Factors/Lessons Learned

- Upper management support: Both agency and state level leadership buy-in are crucial for the success of the transformation. As was the case at the DOR, top management understood the business need for changes and hired David to drive a transformation effort. Cost savings, improved performance and increased inter-agency collaboration were some of the benefits that cannot simply be ignored.
- Persistence: to make change happen. Constantly making steps in the process and “pacing the change” [DA] of the organization in order to meet dynamic needs will take perseverance, patience and hard work. This kind of change takes a vision that extends beyond the tenure of any individual or administration. The complete transformation and adaptation of a public agency to a dynamic enterprise is a “never-ending, challenging journey that will need a constant push.” [DA]
- Communication: is and will be salient in making people from all levels of the organization aware of the benefits of implementing changes. At DOR, there has been significant progress in constantly and consistently communicating where the agency to all employees.
- Funding: In the current difficult economic environment it will be challenging to obtain the funding needed for completing some of the proposed projects.

Conclusions

Under the leadership of CIO David Almond and his IT managers, DOR is beginning to implement technology, cultural and business process changes in order to build the bridge between IT and business. The evolution and adaptation of DOR's IT unit to the changing business environment is a continuous process and it will continue to need constant support at all levels. Evidences have shown that the support from within is the single most important success factor for these critical enterprise changes.

This case study illustrates one of the biggest dilemmas of many public organizations: integrating and making IT a driver for growth instead of treating it like a liability or a sunk cost. Only time will tell if the changes of the IT unit will deliver substantial quantitative returns for DOR. It's important to notice, however, things like positive cultural changes can never be quantified. By having the right people and the right roadmap to implement these changes, DOR has already positioned itself well for the road ahead. The story of DOR is worth to tell, especially to those still looking for their right roadmap.

Notes:

[DA] - David Almond- CIO DOR (Interview)

[RT] - Richard Tobias- Senior System Analyst DOR (Interview)

[KG] - Karen Gregory- Deputy Director DOR (Interview)

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