

managing IT

Digital issues & developments within the State of Iowa

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A Tale of Target

Remaking the State of Iowa's IT enterprise is looking like reinventing a major company

Think of Iowa's government computing systems and you'll likely think of Target stores and their Michael Graves housewares, grocery super centers and endless rows of checker stations, right? And don't forget Club Wedd.

What in the world does Target have to do with Iowa's Charter IT Services initiative? Quite a bit, actually.

When analyzing the restructuring of a state's technology systems, most might examine similar initiatives in other states, perhaps

larger local governments or a federal program. They might look at planning methodologies, budgeting assumptions, administrative configurations and other



matrices.

All are important, but what about comparing the effort to a reinvention that's recently happened

in the private sector to provide some food for thought, and even a little inspiration.

Until two years ago, Target Corp was Dayton-Hudson Corp., a Minneapolis-based company owning traditional department stores such as Dayton's, Hudson, Marshall Field and Mervyn's. It also owned a growing number of stand-alone mass merchandise Target Stores. Like any good enterprise, the company was always looking at how its business was evolving and comparing it to national retailing patterns.

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Large, mall-anchor department stores were struggling (as many still are today). Shoppers—many of whom are working parents—were devoting less time to shopping at mall department stores. Longer work hours, longer work commutes and children's activities were cutting into the time consumers were devoting to finding distant parking spaces at a mall, navigating multiple floors of merchandise and locating hard-to-find cashiers.

In addition, customers were becoming more price conscious, willing to comparison shop to find the right bargain (can you say Wal-Mart?). To put it succinctly, “department stores have fallen on hard times because they are holdovers from an earlier era of U.S. retailing,” said Kurt Barnard, president of Barnard's Retail Trend Report of Upper Montclair, N.J.

As shifting consumer behavior was turning the conventional department store upside

down, Dayton-Hudson Corp. was seeing impressive sales and profit growth from its Target Stores division. Consumers coveted easy store access, plenty of national brand selection, competitive, near-discount pricing and department store quality in everything from teen apparel to designer toasters—all on one level with a phalanx of check-out stands and price scanning technology up front to get people out the door and on their way quickly.

In January 2000 Dayton-Hudson changed its name to Target Corp., reflecting the fact that Target stores were contributing 75 percent of the company's sales and operating profit. The Dayton and Hudson retail store brands were discontinued, leaving only the newly acquired Marshall Field's and Mervyn's to serve the much smaller department store market segment.

Target stores number



nearly 1,100 with more than 125 million square feet of space, outsizing its department store properties many times over. The Target Corp. enterprise has transformed itself from the days when Dayton's and Hudson were the mother ships and Target the little sister.

The Target stock price has appreciated from around \$25 per share to nearly \$45 recently, significantly outpacing the S&P 500 and Dow Jones indices. Investors clearly favor the new focus.

Implications for State IT Charter Initiative

Speed, convenience, quality and affordable price rule the day.

Just as Target is emphasizing these attributes in its retail service product, so is the State of Iowa emphasizing these same features as it plans consolidating email, web hosting, servers, data warehousing and storage. The commitment is for users to easily access these functions, receive outstanding service and support, all at a price that is affordable and competitive.

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Target – cont'd from page 2

There was no need to bet the farm or take a huge investment risk; maintaining investment levels but rethinking product and service mix can pay big dividends.

Target's success was not a result of divesting or acquiring large assets at a huge, risk-laden price tag. It simply looked at the assets it had, determined where the greatest growth and performance potential was, and realigned its focus to realize that potential.

Similarly, the State of



Iowa is not launching the charter initiative with exorbitant new funding or drastic equipment reductions. It is realigning and refitting its IT platforms to maximize performance and efficiency while

improving enterprise-wide cost levels.

This was not a jarring move to save a company. It was a visionary move designed to stay on pace with or slightly lead the market.

Target took forward-thinking, proactive measures well-ahead of any potential need for drastic action. The result was enhanced performance and buy-in from stakeholders that became a bellwether story in the retailing world.

The State of Iowa could

continue operating with the widely fractionalized and redundant IT infrastructure and multiple support systems and still function adequately. But all indicators have been pointing to a new, more efficient IT configuration

that can begin showing real results well ahead of any need for a sudden, drastic overhaul. Deploying and scaling technologies from a position of proactive opportunity that invites stakeholder input and guidance is the preferred path to results.

An evolution, not a revolution

The market place and customer patterns guided the changes for Target Corp. over time. This was not a snap decision by management to remake the company overnight.

Customer guidance and phased-in conversions will drive the Iowa Charter process as well. The Department of Human services is the first agency actively preparing for the Charter conversion process. Lessons learned from this client experience can be applied to other department clients as they go through the process later.

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Target – cont'd from page 3

Capitalize on core services...with some extra touches for customers who want them

Target Corp. has focused on a core business: Target Stores. Within that core are two tiers of retailing: The basic Target store and the Super Target, with expanded product selection and full-service supermarkets. Yet Target has not abandoned upscale and traditional department store customers who still prefer those shopping

environments. Marshall Field and Mervyn's continue to operate successfully as specialty "brands" within the Target stable.

The State's charter IT service lineup is similar in concept. Three tiers of service are proposed for each charter area. In addition, for those departments with advanced needs, a la carte services can be added as desired.

Perhaps state-of-the-art retailing and state government truly are two

different worlds. Still, fundamental strategies and actions to serve changing customer needs while accommodating financial objectives can be applied—in various iterations—to many institutions. And successful outcomes can be instructive.



Driveway talk about Charter

Explaining to the lay person how the Charter Initiative works and why it makes sense

You are outside washing your car on a summer evening and your neighbor stops by to chat. He might know a little bit about computers, but he is not an IT hardcore.

You start talking about the IT consolidation initiative that's under way. How do you explain the Charter project to him and why it makes sense? The following might help:

Ralph: So what's up with this Charter thing I've been hearing about?

Ray: Well, you know, budgets are tight yet we still need computers that are fast and can run all the latest programs. So the State is working on ways to keep its computer systems up to snuff and easier to run while saving some money. Rather than 53 different email systems or umpteen different Web hosting facilities, we'll have just a few systems that will power all of state government. It will be a "shared services" design, where everyone can run their own programs and business operations themselves, but all use the same high-powered central computing platform instead of dozens and dozens of platforms.

Ralph: Heck, that sounds like it will take a lot of new equipment that will cost more, not less.

Ray: It may cost a little more in the short run to design and test everything. But we're gonna use existing equipment where we can and not just landfill everything. So that will keep start-up expenses down. And over the years, we'll be saving some significant dollars by getting rid of multiple, overlapping systems and rolling them into far fewer systems.

Ralph: But can you still do everything on that streamlined system and do it as fast?

Ray: Yep. Maybe even faster. And easier.

Ralph: Well, how does the overall Charter price tag compare with what departments separately are paying now?

Ray: We'll get the first price list soon. But even then, it's tough to compare item by item because not everyone counts overhead the same way. But we're pretty sure costs and pricing will stack up well against what's out there in the business world and in other governments.

Ralph: So, is it just the ITD staff running the show?

Ray: What do you mean?

Ralph: Well, you know, what part are the state departments playing in all this?

Ray: They've been at the table every step of the way, giving input on how this gets planned and implemented. In fact, they've formed a Department of Administrative Services (DAS) Customer Council, which will set policy and approve strategy for the Charter model during and after the launch of services.

Ray: Plus, nearly everything that's been documented on this is online.

Ralph: Oh yeah? Where?

Ray: www.itd.state.ia.us. Click the "IT Resource Consolidation" link in the left column to go to the Charter page.

Ralph: I've heard a lot of people saying this is all happening too fast.

Ray: No doubt things have been moving quickly. But we want to keep the momentum going and not let things stall. The budget picture is requiring that we make good progress. We've pretty much finished the first planning phase. We want to put the Charter plan in place soon.

Ralph: So, what's the staffing plan? Does this mean job cuts?

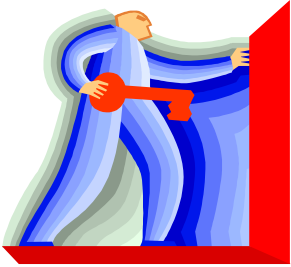
Ray: There's no staff chart yet, but a plan is being worked on. There will be some job cuts. But departments are still gonna have their own IT pros to manage their own applications and planning. The Charter 'shared services' engine will just provide the platform to power those applications.

Ralph: Why is this all happening now?

Ray: Up to now, continuing to do things the same way might have worked. The State's revenue picture, plus the technology now available for big organizations with many departments to do things in an integrated, streamlined way, has changed that.

Updates and **stuff**

C h a r t e r I m p l e m e n t a t i o n



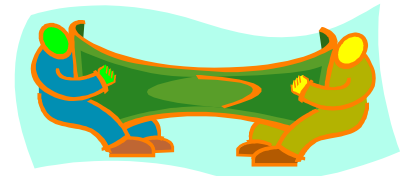
The Charter Initiative is moving from planning to implementation. On July 1, a new Charter implementation team began work on Charter implementation plans. Debbie O'Leary, ITD Policy and Planning Administrator, will continue as the overall coordinator for the Charter project. Steve Harris, who played a key role in the preparation of the Charter strategy, is the Project Manager for Charter implementation. Lorrie Tritch, ITD Operations Administrator, is the Executive Sponsor for the implementation team. Other implementation team members are: Darwin Ten Haken, ITD; Steve Mosen, DHS; and Cathy McLuen, DHS. The team will likely be expanded as implementation issues in other departments are addressed.

The Implementation Team will continue to draw upon the expertise of many other State IT staff as needed for specific Charter services issues.

P r i c i n g

More details about criteria for setting prices charged to departments for Charter services will soon be available.

A price list for basic Charter services is expected in mid-August, 2002. Final prices for Charter services will be approved by the newly formed Department of Administrative Services (DAS) Customer Council (made up of department directors).



G o v e r n a n c e

Department Directors held the organizational meeting of the DAS Customer Council on Wednesday, June 12. Mark Wandro, Director of the Department of Transportation, was selected to chair the Council, and Mollie Anderson, Director of the Department of Personnel, was selected as vice chair. Department directors agreed that each department has one vote on the Council concerning Charter policies.

The latest Council meeting was Wednesday, July 10, when the Council received an update on the Charter planning process and reviewed the costing/pricing methodology.

