Achieving World-Class Performance
Rapid Benchmark Report

The Hackett Group
World-Class Defined

Advisory · Benchmarking · Transformation · WORLD-CLASS

REL
Cash Flow Delivered

Presented to:
State of Ohio

The Hackett Group
February 2008

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

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

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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.

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.

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The Information Technology Benchmark Scope

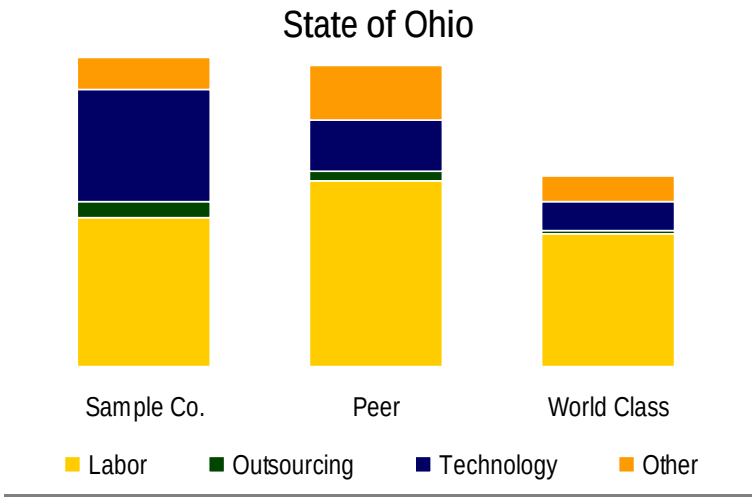
Benchmark Scope

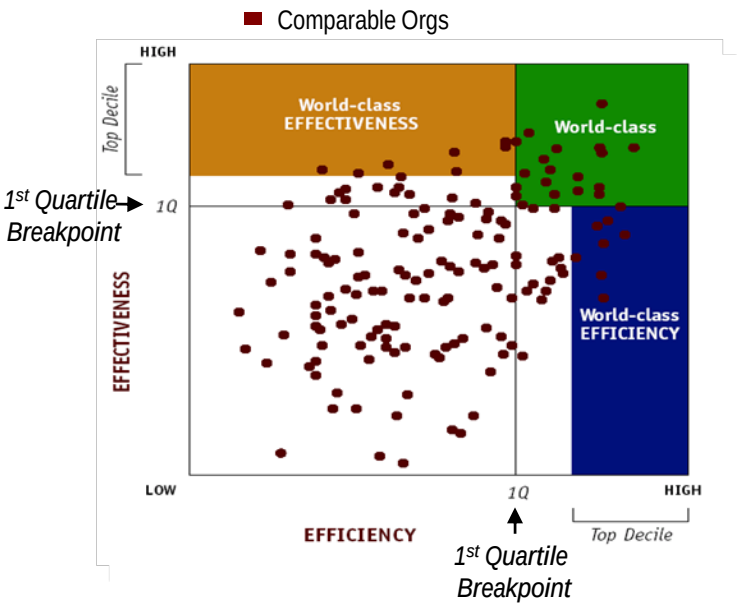
- Benchmark covered State of Ohio's investment across Hackett defined processes
  - Information Technology 11 processes
  - Finance 8 processes
  - Human Resources 11 processes
  - Procurement 11 process
- Information was collected globally
  - FTE data and best practice questions were collected across 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^{sm}
- 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 *how* 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	▪ Labor Cost: 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 & wages; Overtime/vacation/sick pay/personal leave; Bonuses/Social Security/Medicare/health; Pension/retirement/savings/401k plans; Bonus plans ▪ Fully-loaded labor costs are annualized and do not include stock options, one-time severance pay due to restructuring, or signing bonuses ▪ Outsourcing Cost: 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. ▪ Technology: 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. ▪ Other Cost: 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.

Defining Staffing (FTEs) and Staff Mix

Definitions	▪ FTE: 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). ▪ Manager: 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. ▪ Professional: 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. ▪ Clerical: 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.

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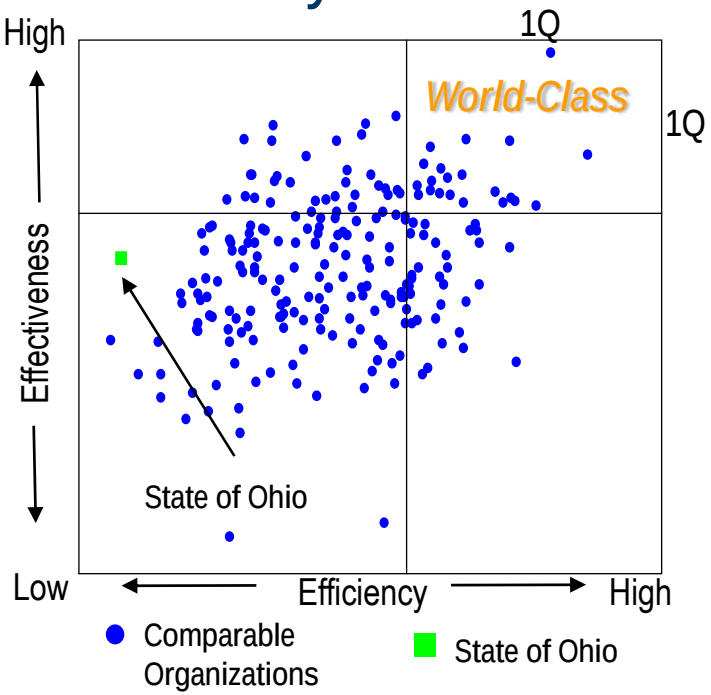
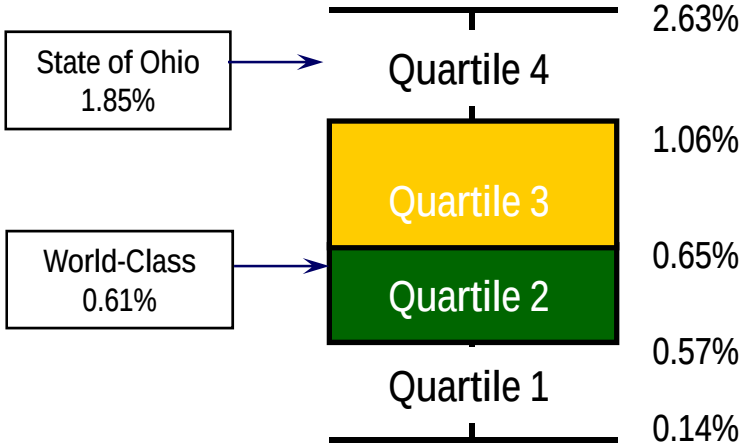
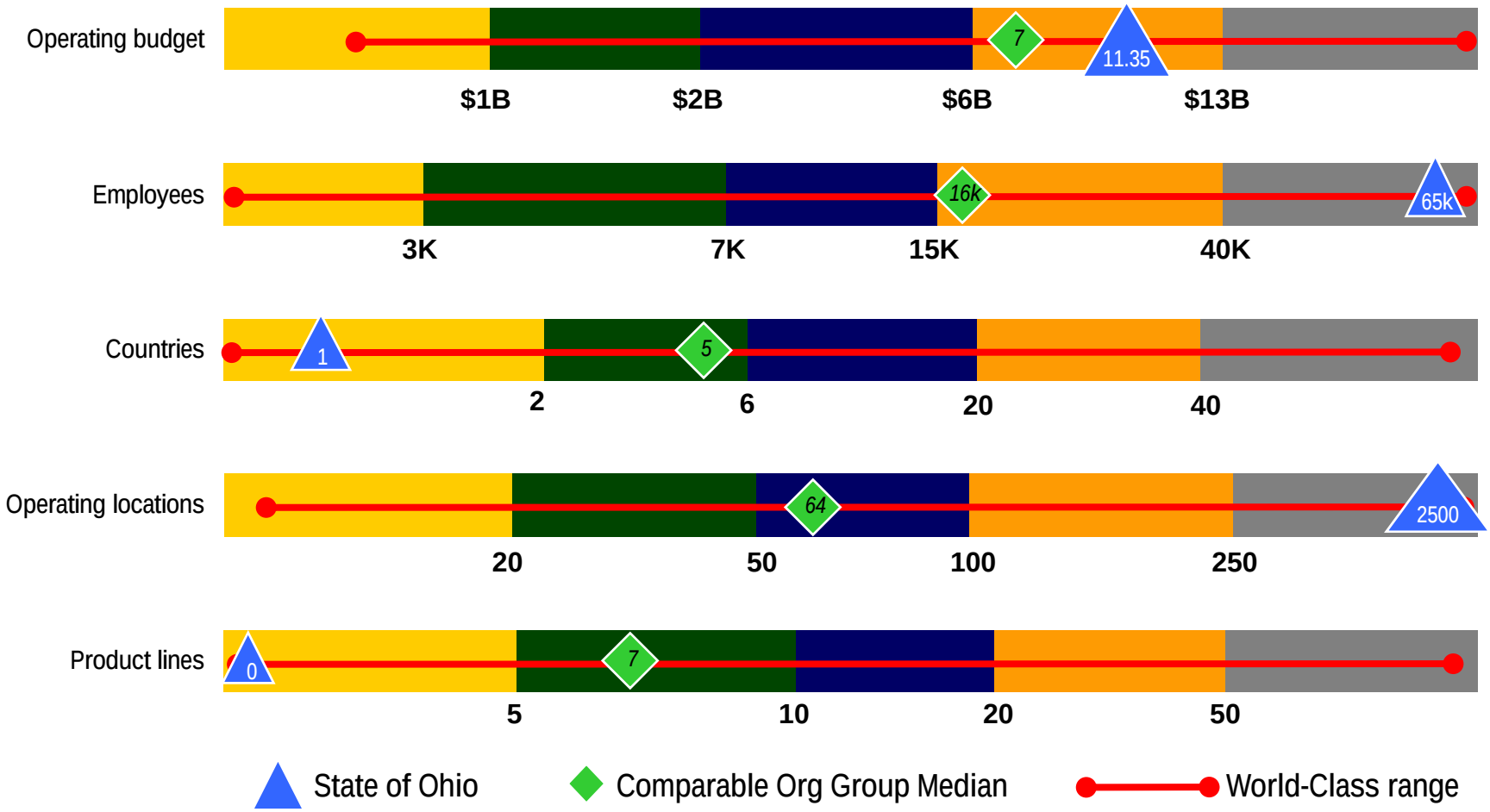
Efficiency and Effectiveness Ranking as Calculated by The Hackett Group's Finance Value Grid

- 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



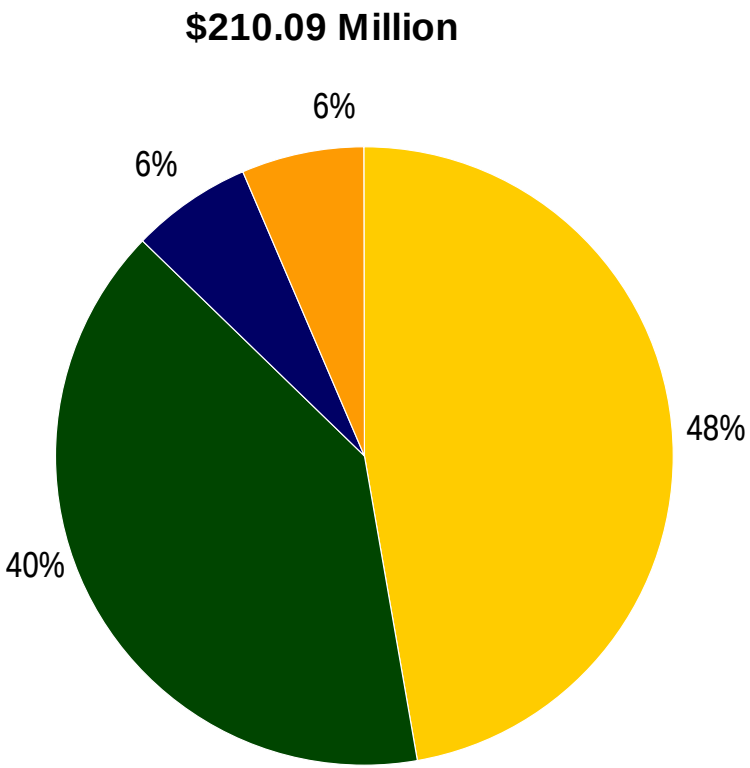
Finance Participants in the Large Consolidated Organization Slice of the Hackett Database

- 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
▪ Cash Disbursements – Accounts Payable – Travel and Expense ▪ Revenue Cycle – Credit – Customer Billing – Collections – Cash Application ▪ Accounting and External Reporting – Fixed Assets – Inter-Agency Accounting – General Ledger Accounting – Cost Accounting – External Reporting	▪ Treasury Management – Cash Management – Capital and Risk Management ▪ Compliance Management	▪ Planning and Performance Management ▪ Business Analysis	▪ Function Management

State of Ohio's Baseline of Annual Finance Cost *



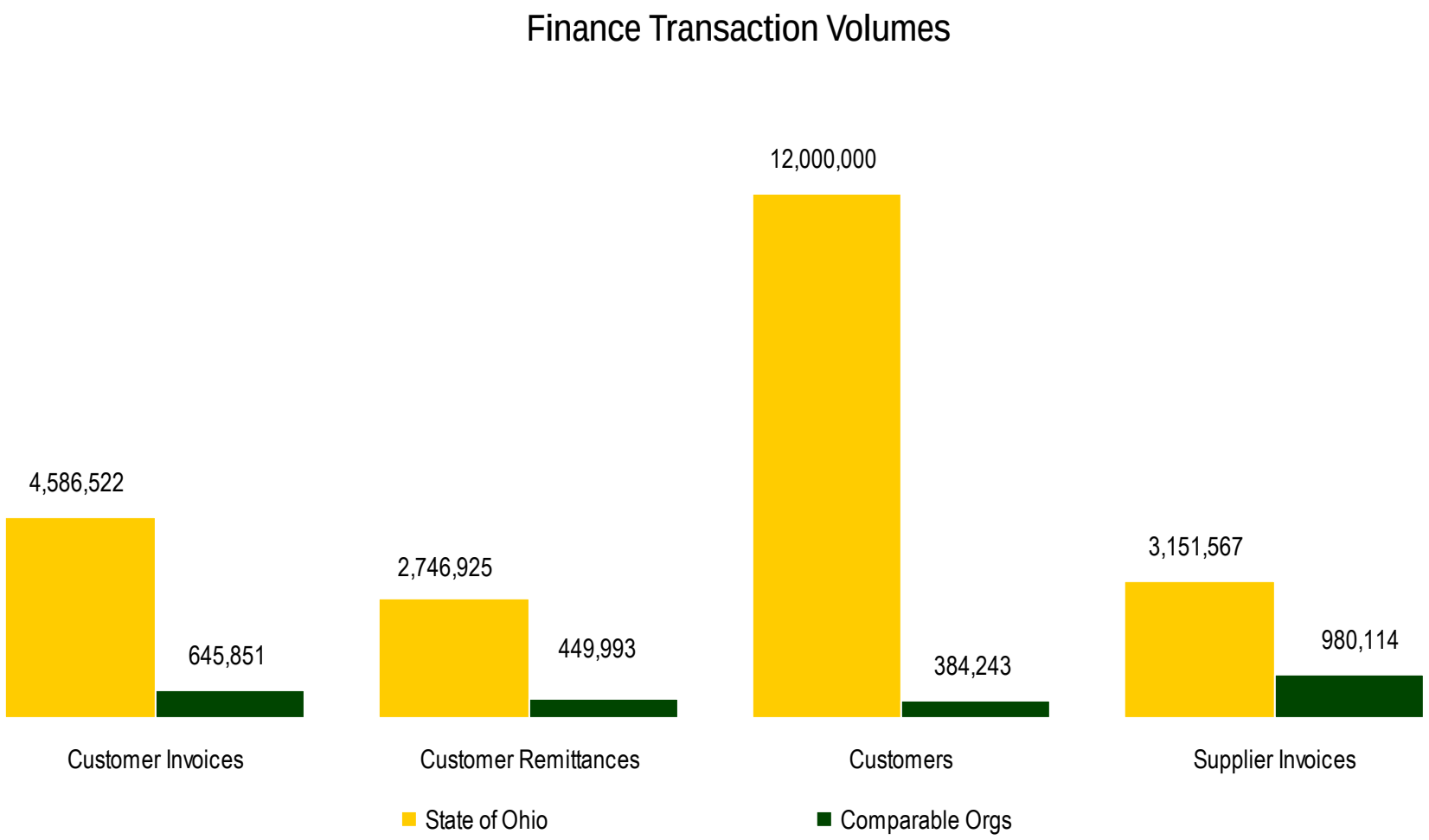
Operating Budget = $11.35 Billion

- **Other cost – $13.39 Million**
  - Facilities & Overhead
  - Travel
  - Training
  - Other (Supplies, subscriptions, etc.)
- **Technology cost – $13.33 Million**
  - Computer processing
  - Maintenance
- **Outsourcing cost – $83.88 Million**
  - Outside services
- **Labor cost – $99.49 Million**
  - Wages (full-time and part-time)
  - Overtime and bonuses
  - Taxes and fringe benefits

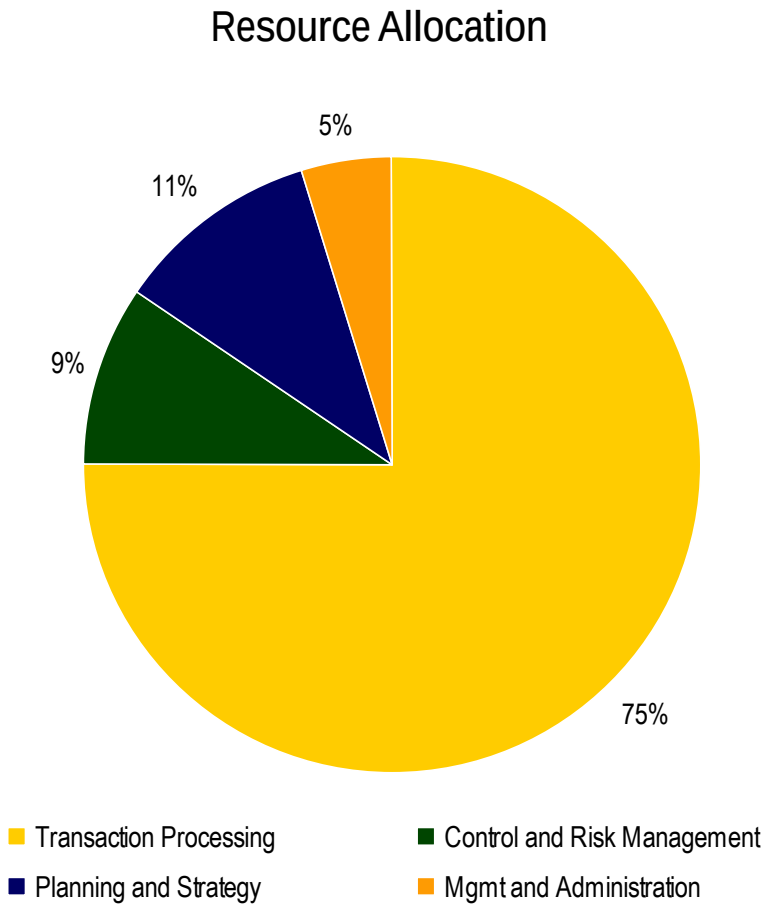
Process Cost: $183.37 Million

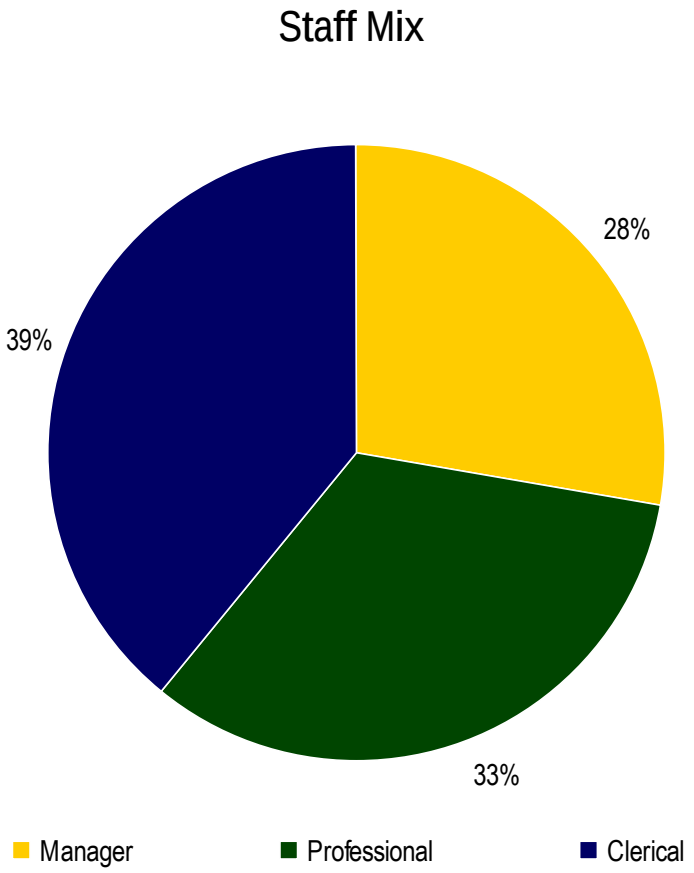
• Total cost excludes Other Non-labor Process Cost for comparability to benchmark database.

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

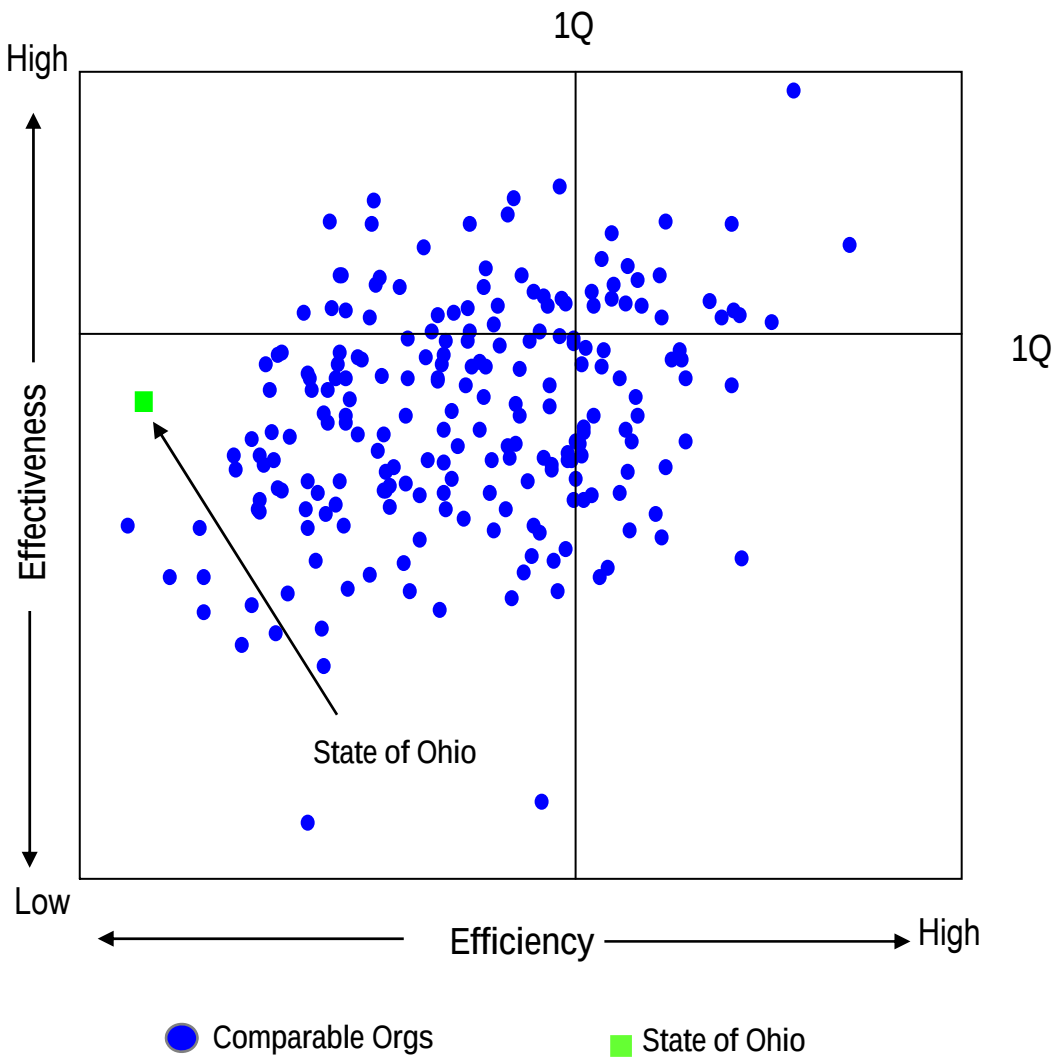


State of Ohio's Baseline Resource Allocation and Staff Mix





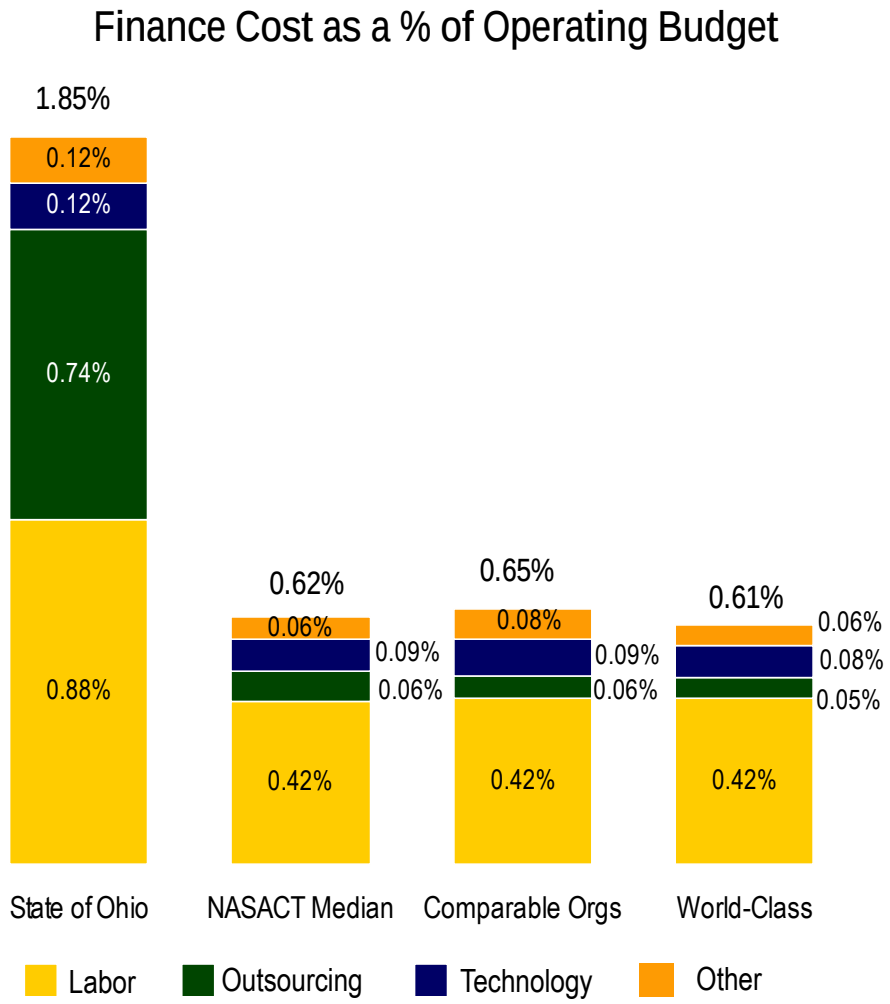
State of Ohio's Value Grid Shows Opportunity to Improve Performance in Effectiveness and in Efficiency

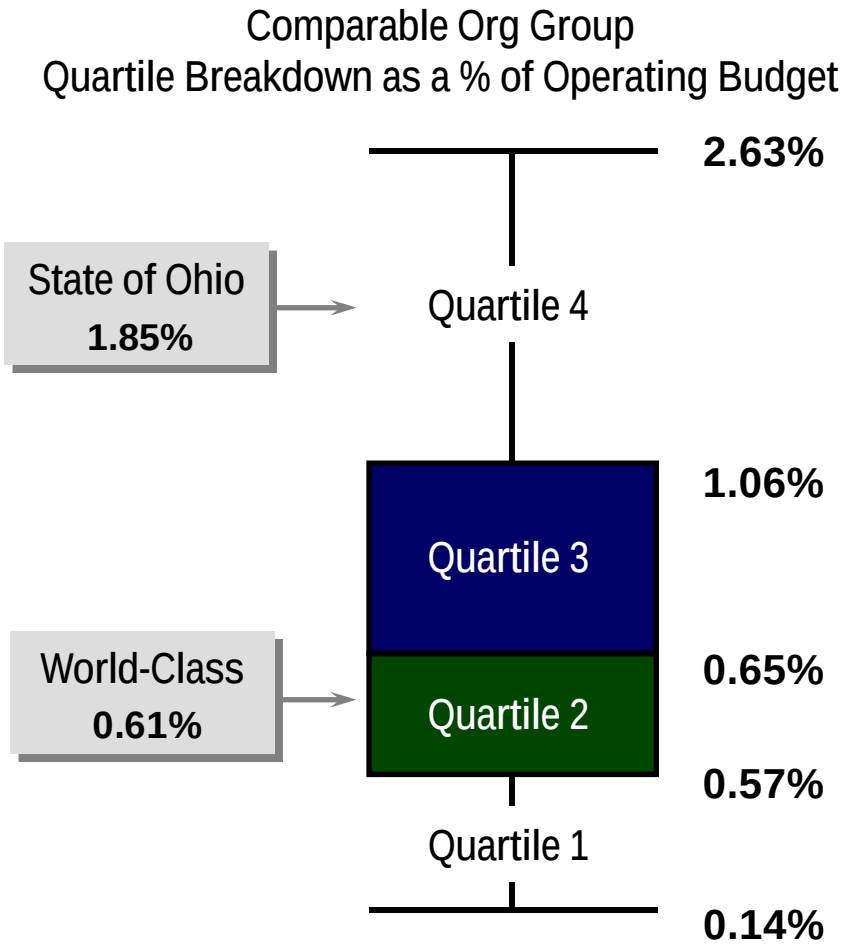


	Key Finance Drivers	State of Ohio
Efficiency	Total Cost	🔴
	Transaction Processing Cost	🔴
	FTEs & Productivity	🔴
	Cycle Time	🔴
	Technology Leverage	🔴
Effectiveness	Role of Finance	🟡
	Talent Management	🟡
	Value of Analysis	🟡
	Quality	🟡
	Economic Return	🟡
	Information Access	🟡

🟢 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

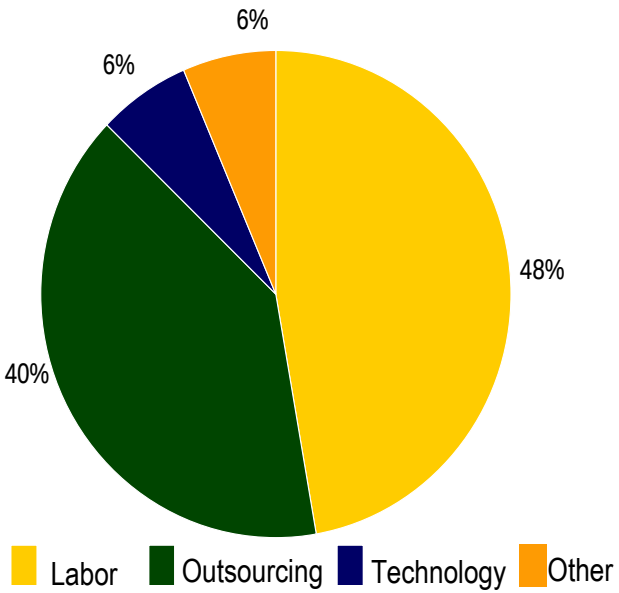
Finance Cost as a Percent of Operating Budget by Quartile





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

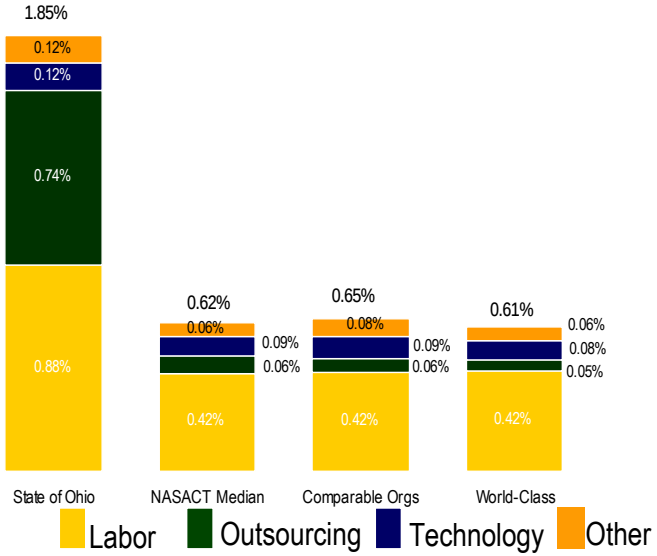
$210.09 Million



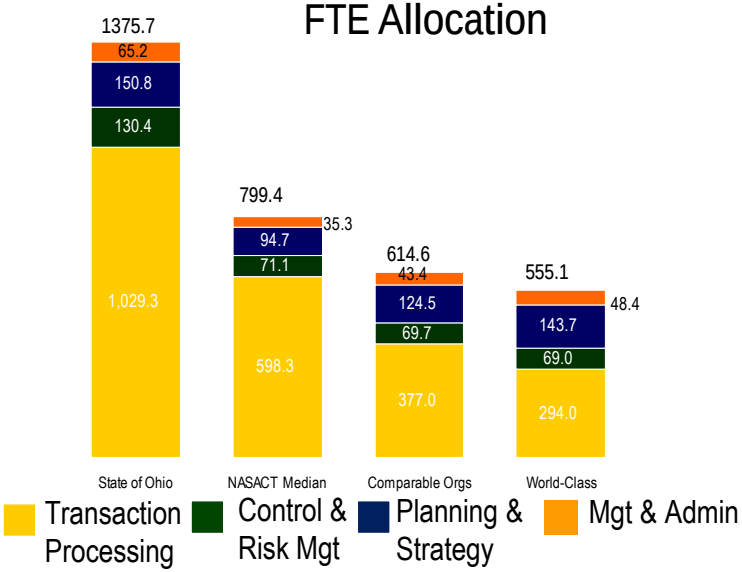
• Total cost excludes Other Non-labor Process Cost for comparability to benchmark database.

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

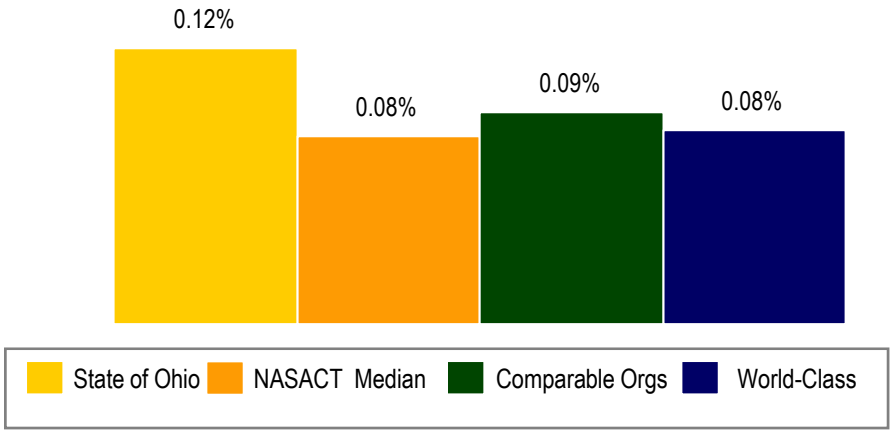


FTE Allocation



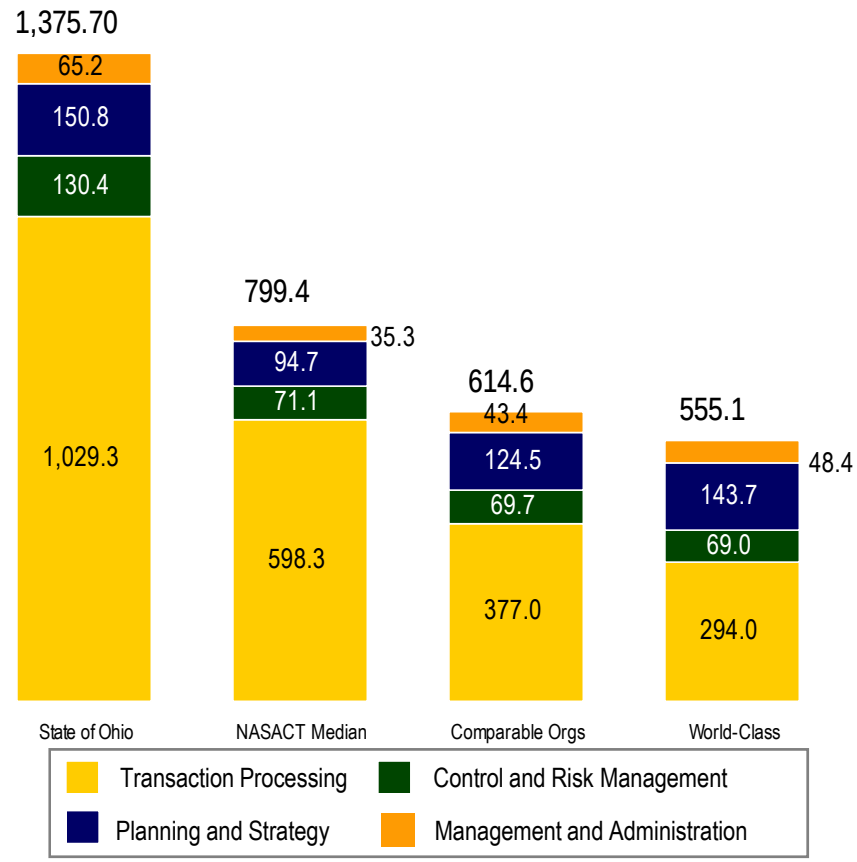
Higher Investment in Technology has not Reduced Overall Staffing

Technology Cost as a % of Operating Budget



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



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
Total Process Costs	183.4	131.7	132.7
Technology Cost	13.3	3.1	4.0
Other Cost	13.4	4.3	7.1
Total Finance Cost	210.1	139.1	143.8

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

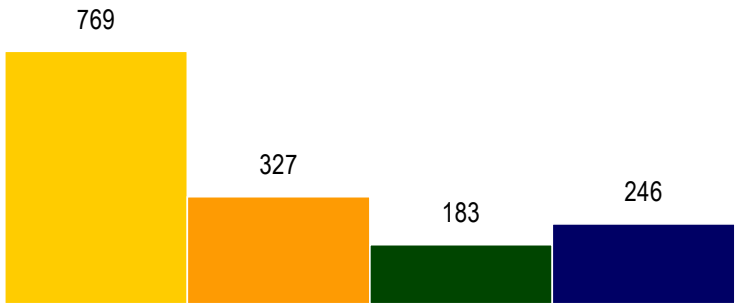
Total FTEs: 220.2

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

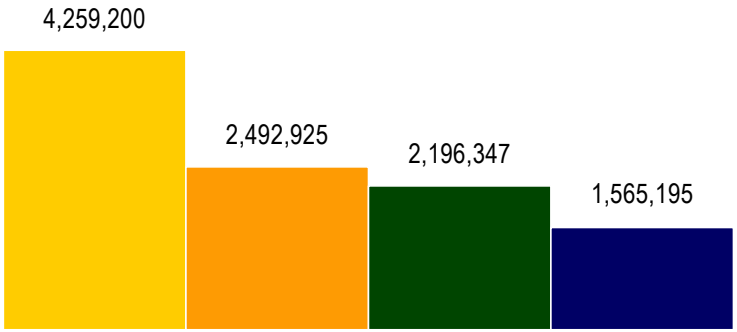
Cost per remittance: $11.24
Remittances per FTE: 28,749

Treasury Management Practices

Bank Accounts per State of Ohio's Operating Budget

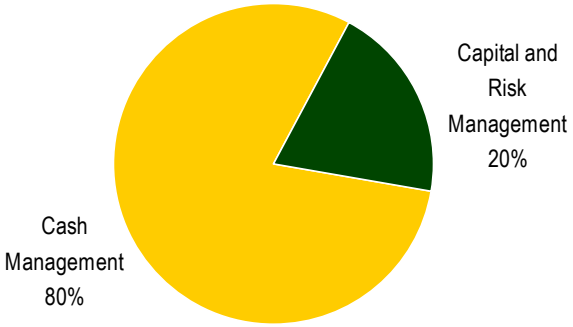


Annual Gross Banking Fees per State of Ohio's Operating Budget ($)

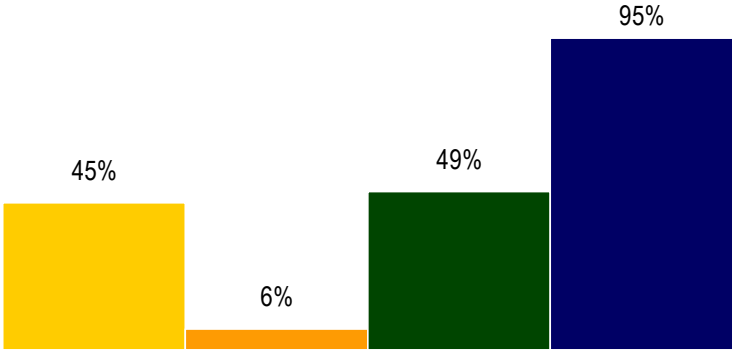


State of Ohio | NASACT Median | Comparable Orgs | World-Class

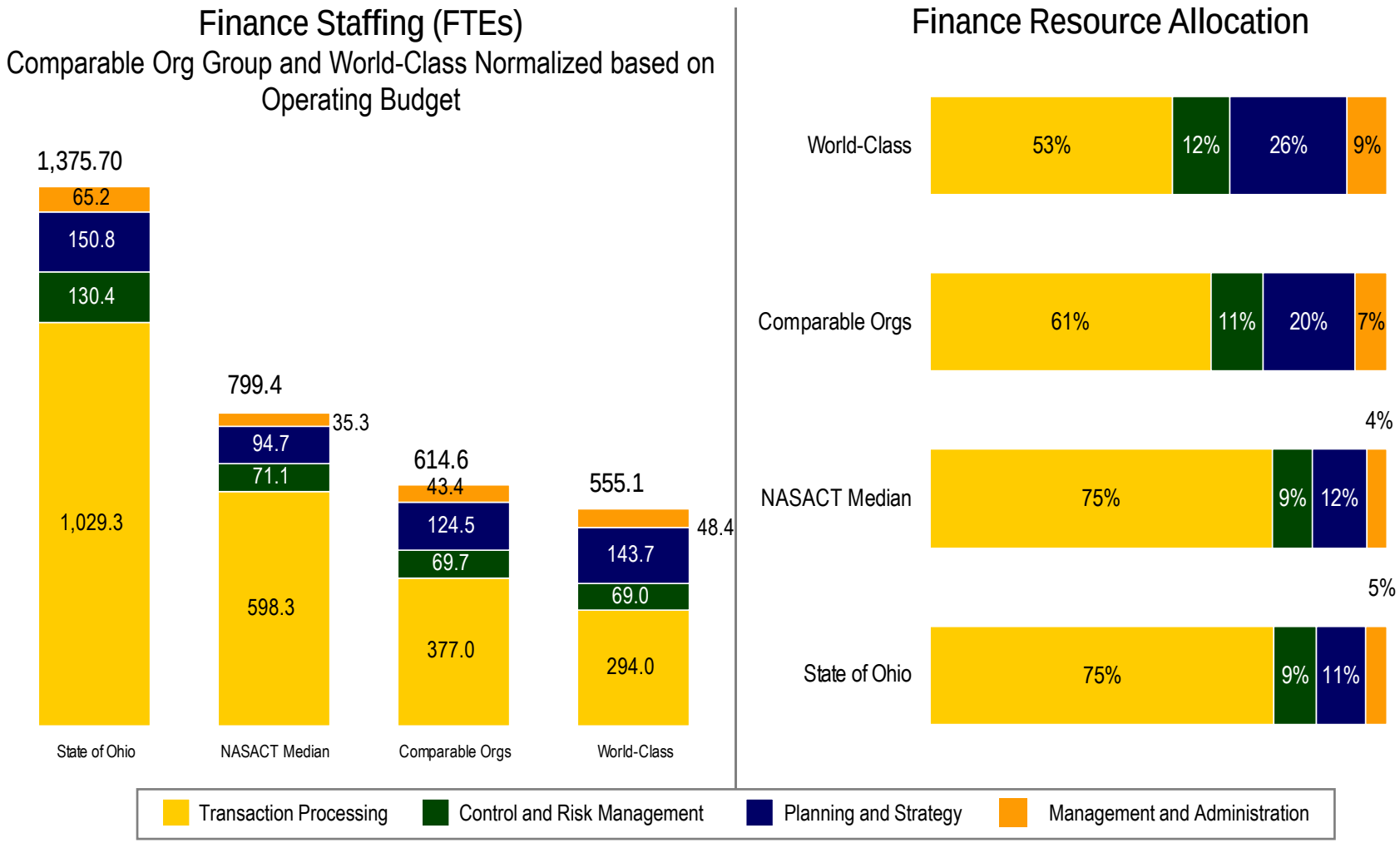
Treasury Management FTE Distribution



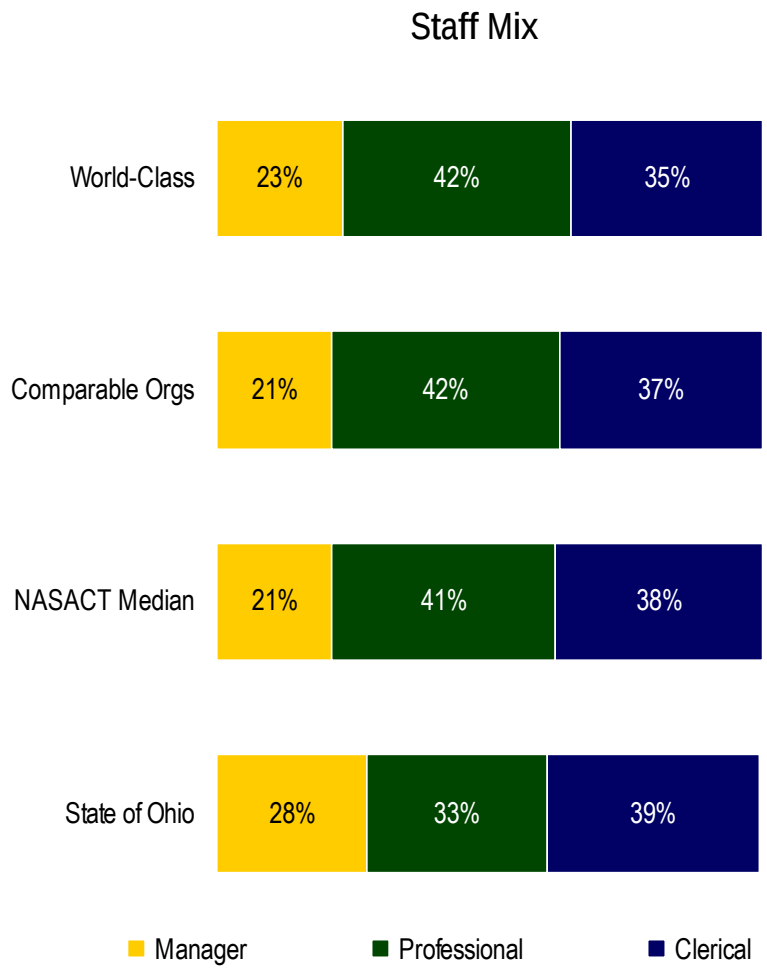
% of Cash Transactions with Daily Cash Positioning and Funds Mobilization Automated

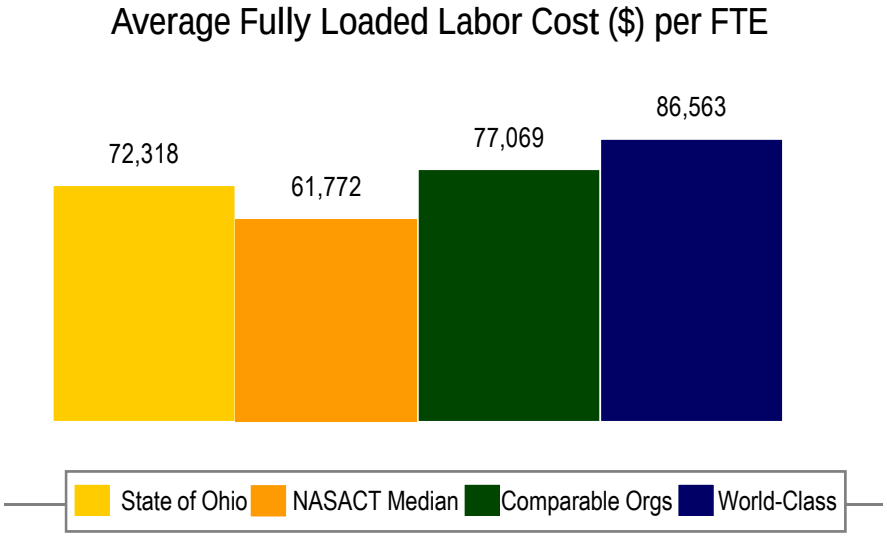


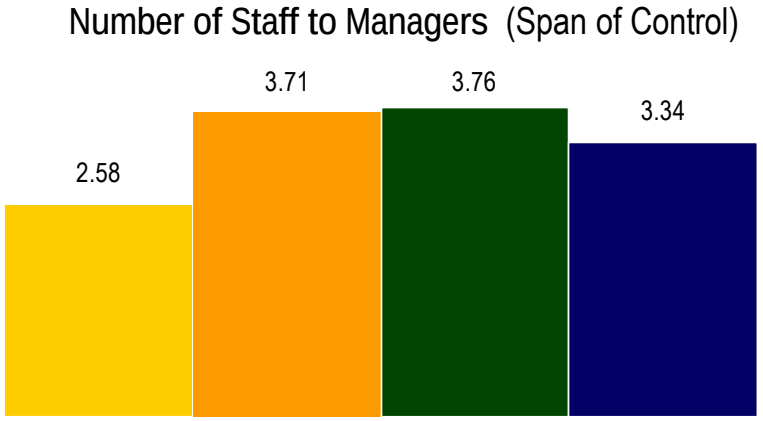
Finance Staffing and Resource Allocation



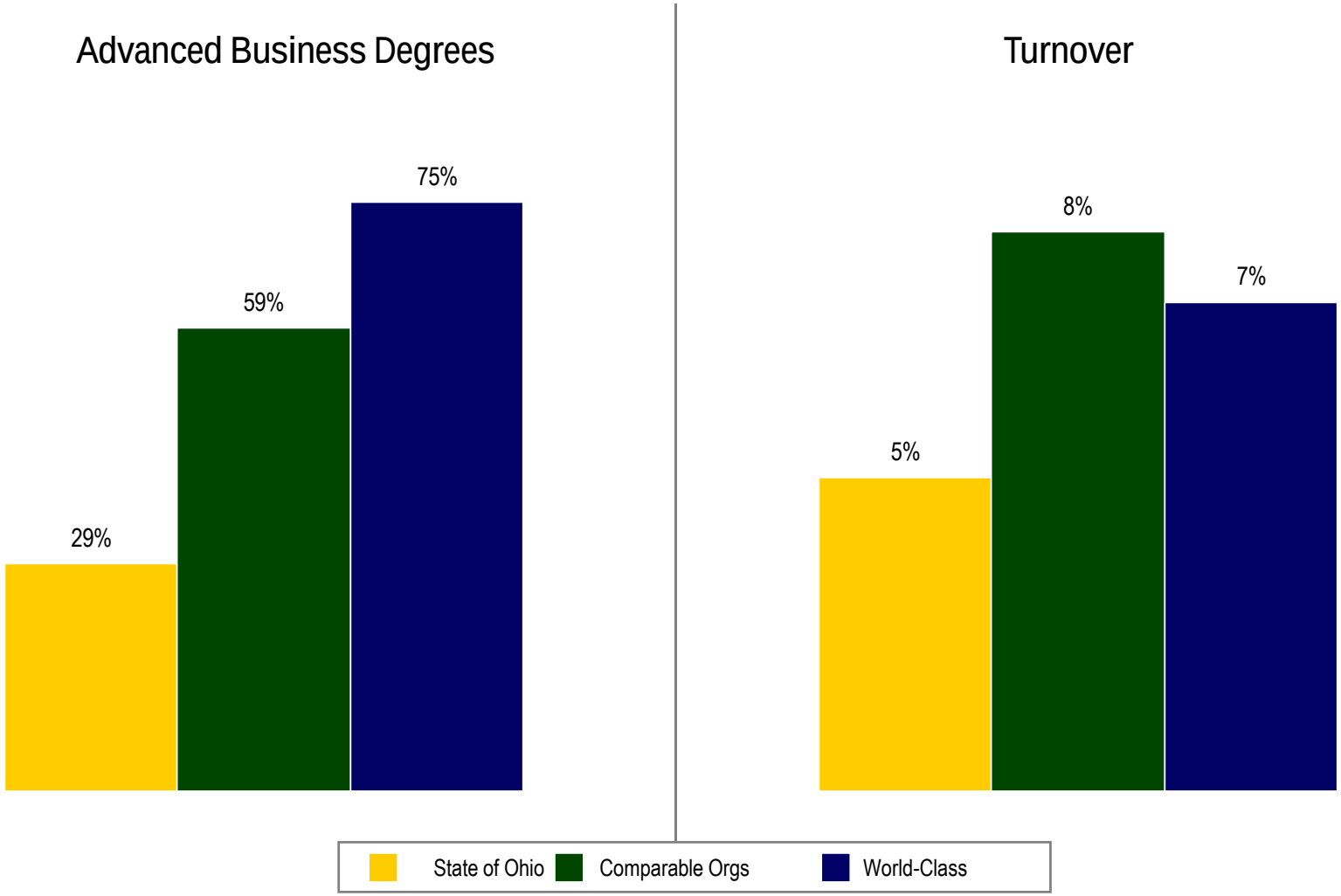
Staff Mix, Labor Rates and Spans of Control



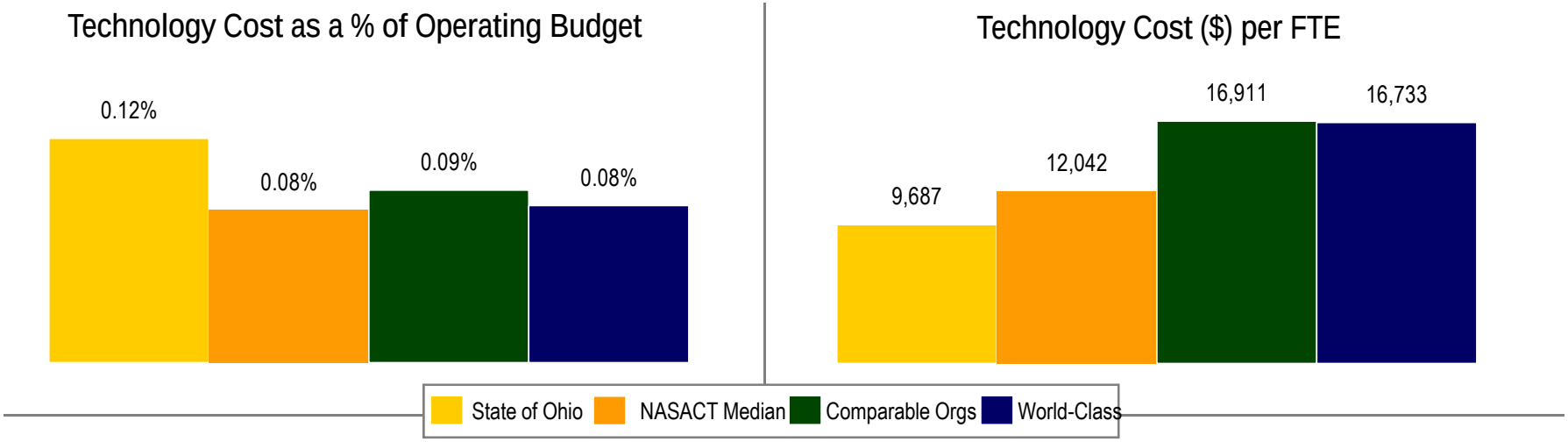




Formal Business Experience and Turnover of the Finance Staff



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



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.

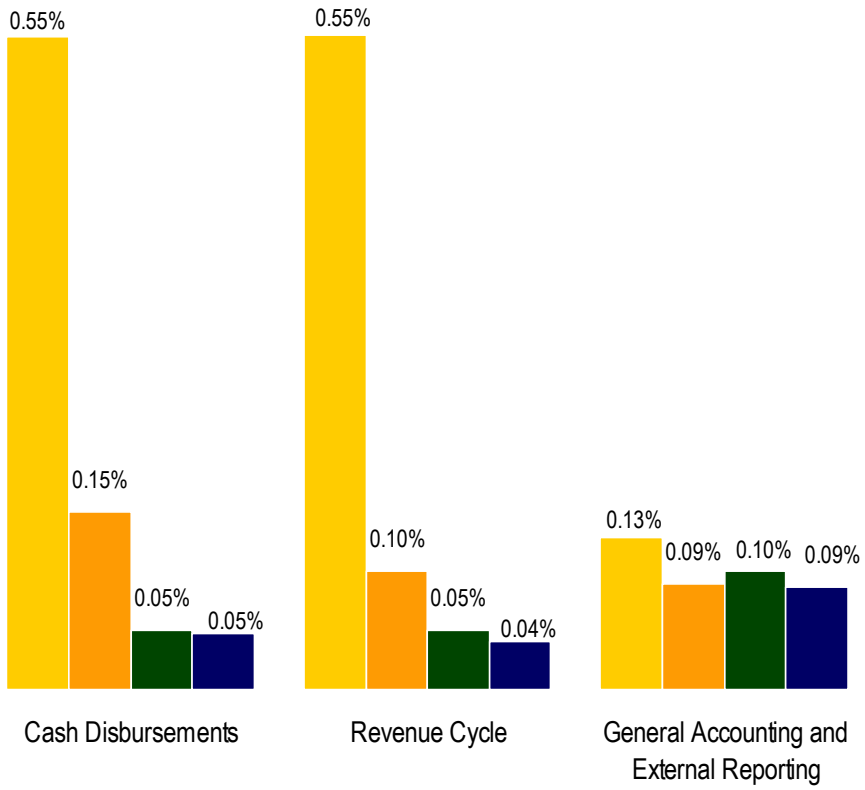
Finance Cost Differences to Comparable Orgs and to World-Class

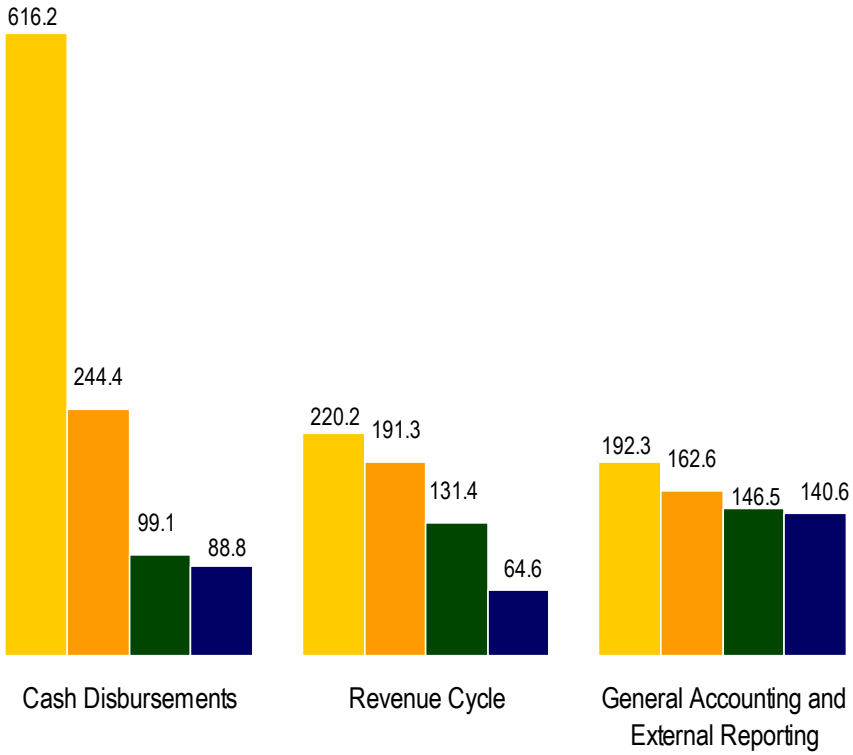
Finance Cost Differences (in $)

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
Total Process Costs	183.4	131.7	132.7
Technology Cost	13.3	3.1	4.0
Other Cost	13.4	4.3	7.1
Total Finance Cost	210.1	139.1	143.8

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.

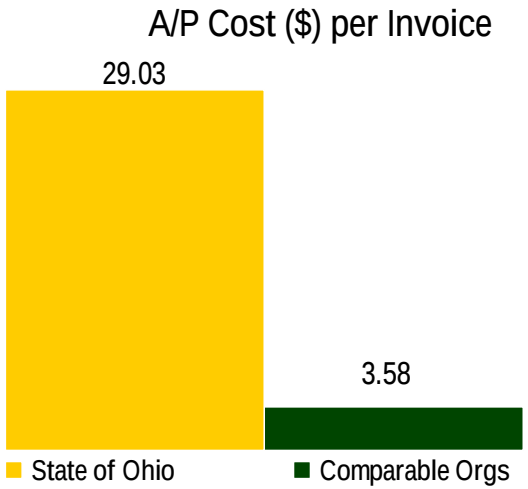
Transaction Processing Costs and Staffing Levels

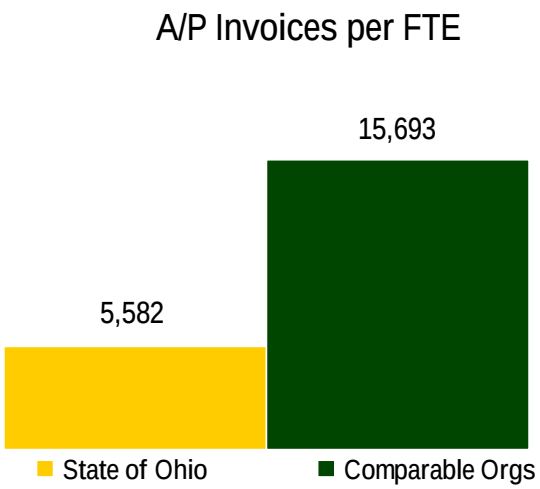




State of Ohio | NASACT Median | Comparable Orgs | World-Class

Accounts Payable Practices

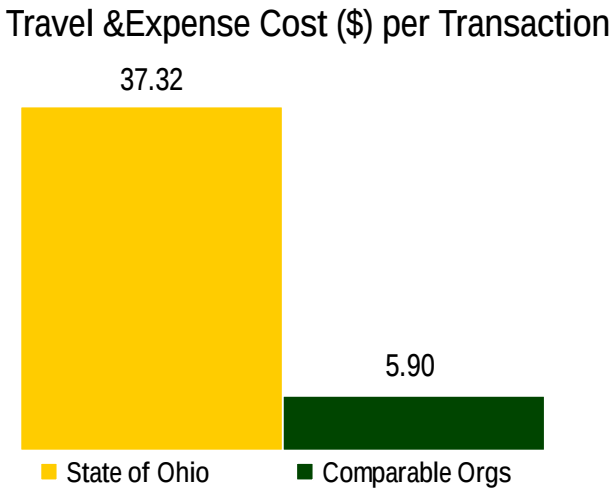


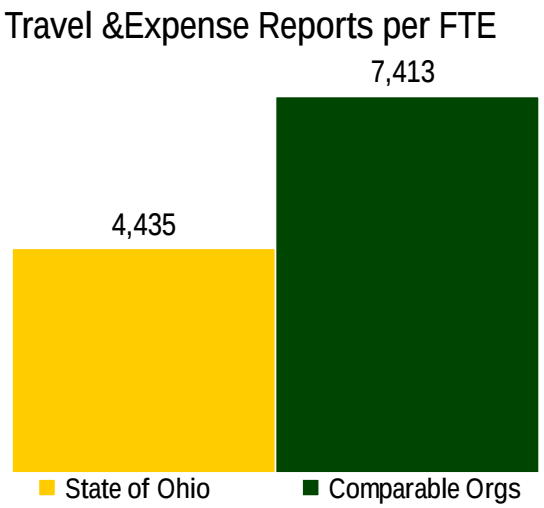


Accounts Payable Best Practices	State of Ohio	Top Performers
Integration of accounts payable applications with purchasing applications	48%	100%
Integration of accounts payable applications with general ledger applications	50%	100%
Extent policies and procedures for accounts payable are standardized across 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

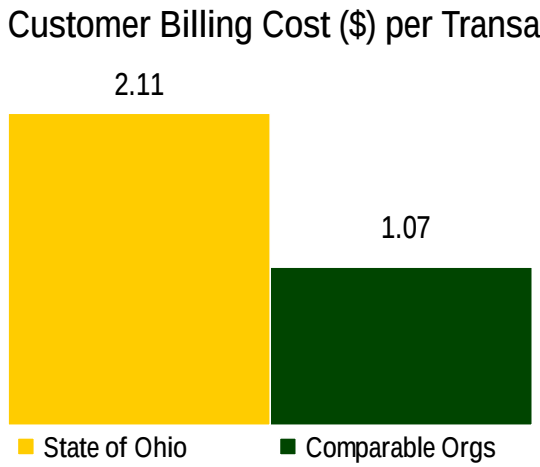
Travel & Expense Practices

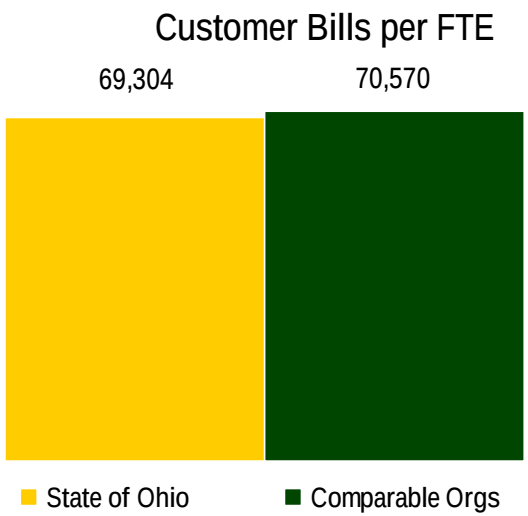




Travel and Expense Best Practices	State of Ohio	Top Performers
Percent T&E transactions automated	25%	na
Extent policies and procedures for travel and expenses standardized across business units	95%	na
Travelers complete and submitting expense reports online	31%	100%
Expense reports requiring correction	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

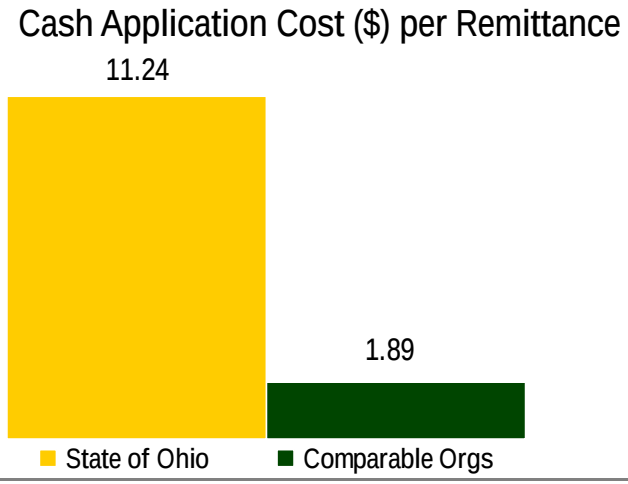


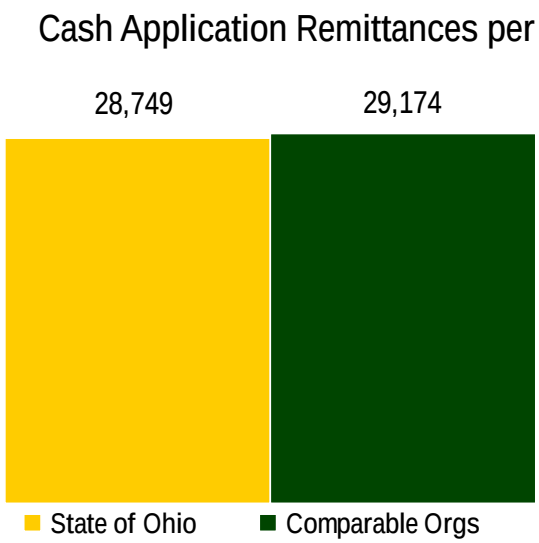


Customer Billing Best Practices	State of Ohio	Top Performers
Percent billing transactions automated	22%	98%
Billing cycle time	16	na
Occurrence of billing errors	3%	1%
Billing application integration to sales/order entry	20%	100%
Billing application integration to accounts receivable	33%	100%
Billing 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

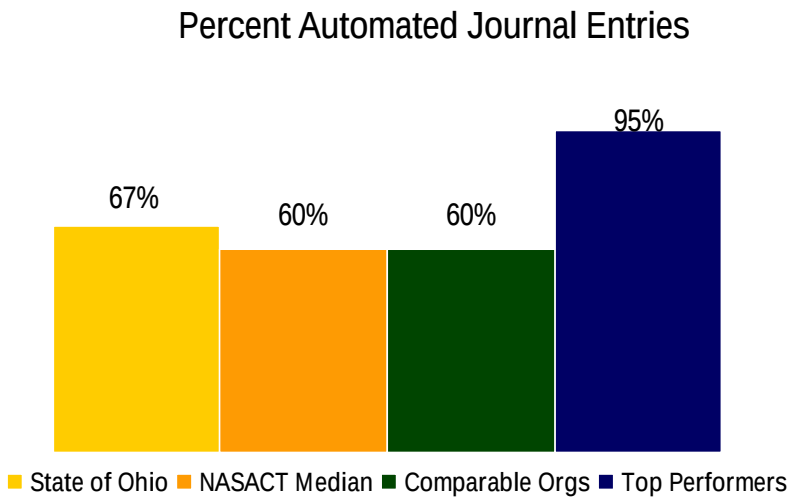


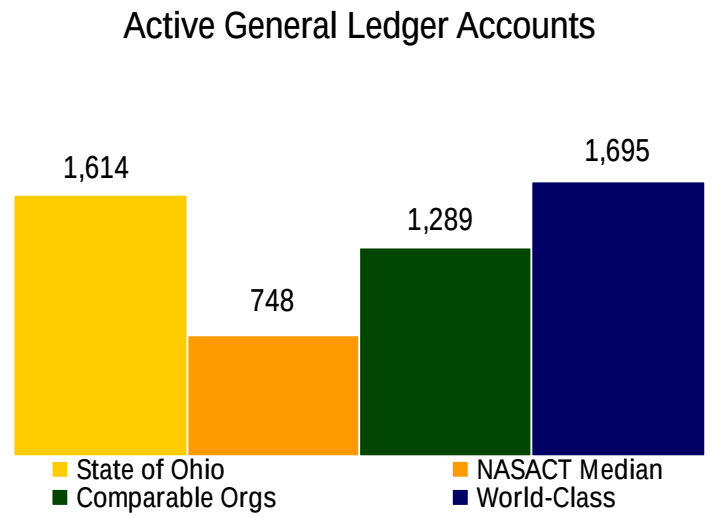


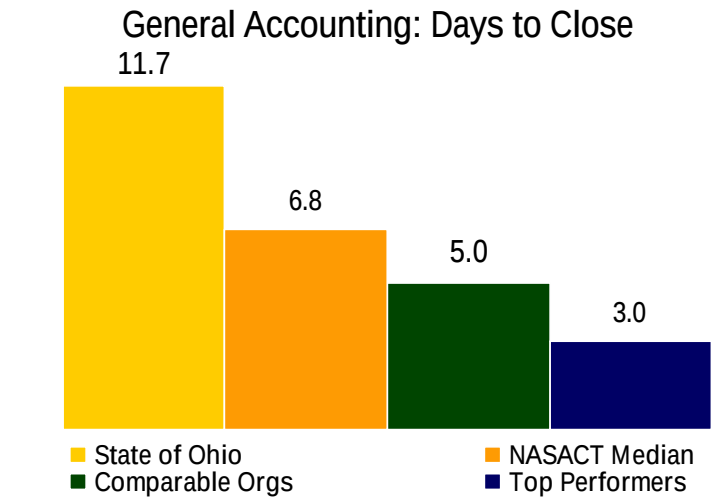
Cash Application Best Practices	State of Ohio	Top Performers
Cash application policy/ procedure standardization	95%	na
Percent cash application transactions automated	29%	97%
Average time to apply cash (days)	3	1
Automatic cash application rate	47%	94%
Days Sales Outstanding ('DSO')	48	24
Credit sales 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

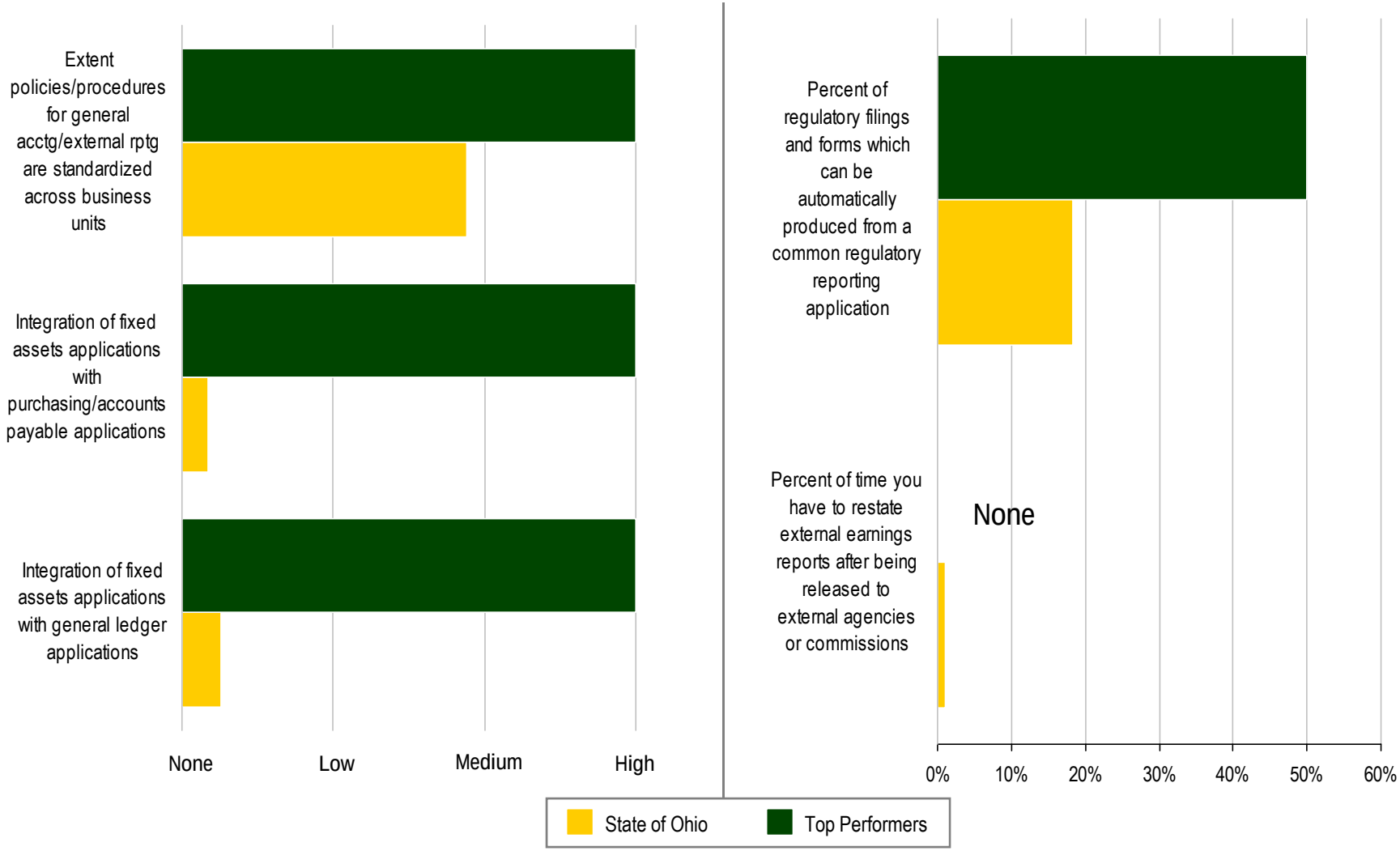




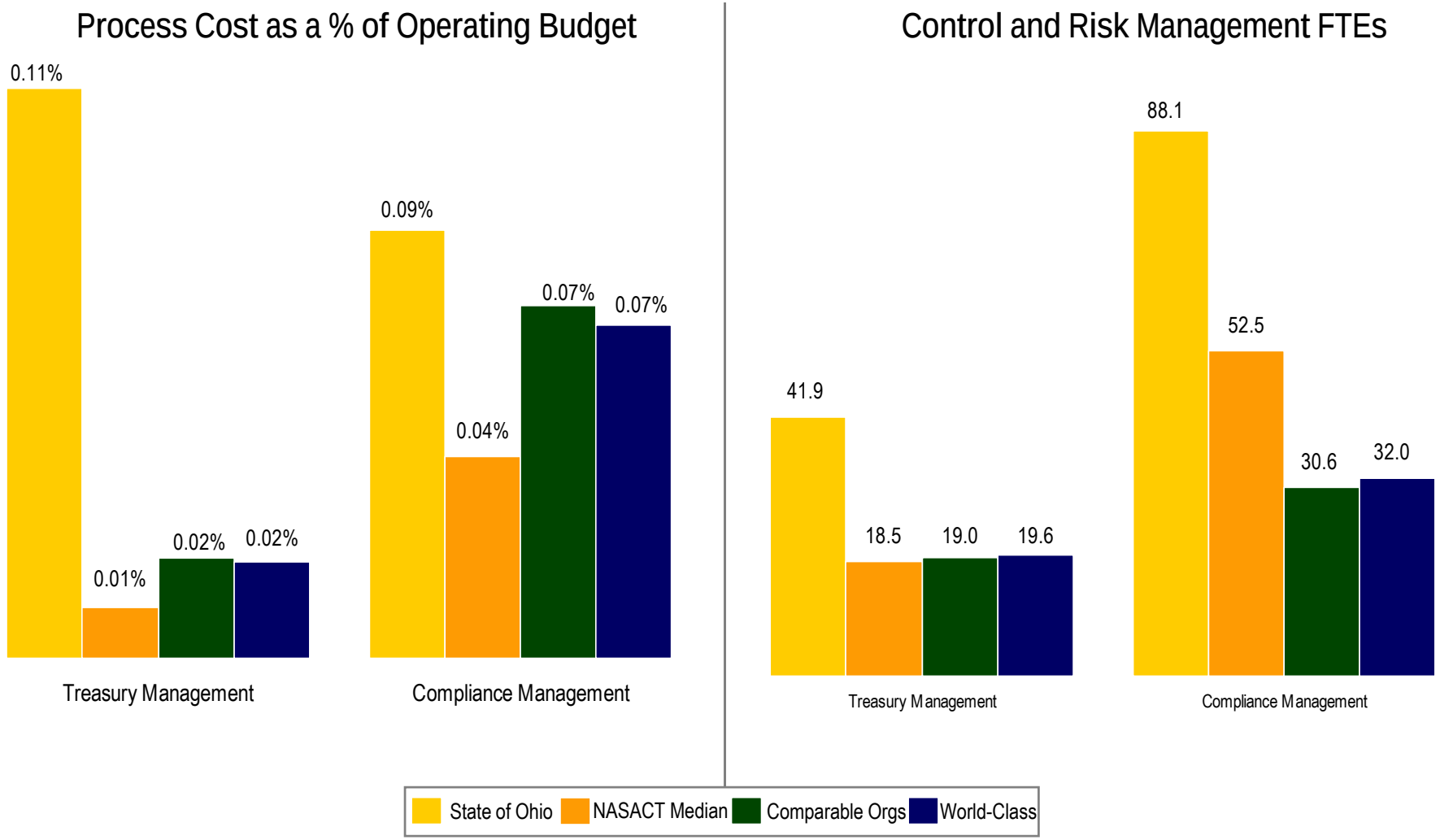


FTE Distribution	State of Ohio
Fixed Assets	51.7
Intercompany Accounting	19.8
General Accounting	63.4
Cost Accounting	14.6
External Reporting	43.6

General Accounting and External Reporting Practices

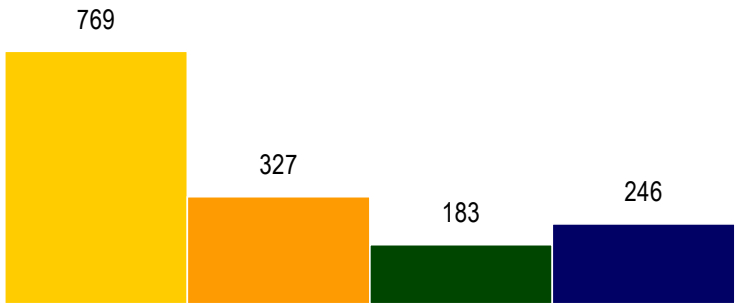


Control and Risk Management Costs and Staffing Levels

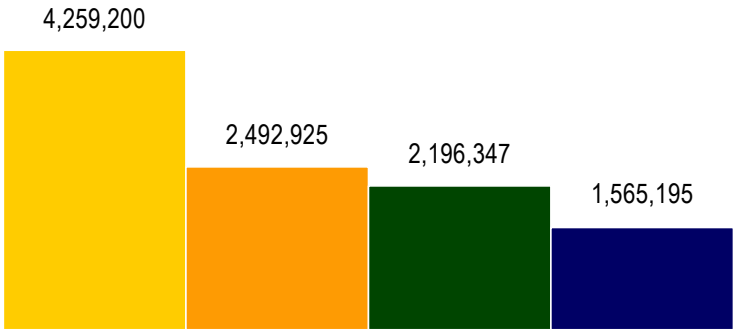


Treasury Management Practices

Bank Accounts per State of Ohio's Operating Budget

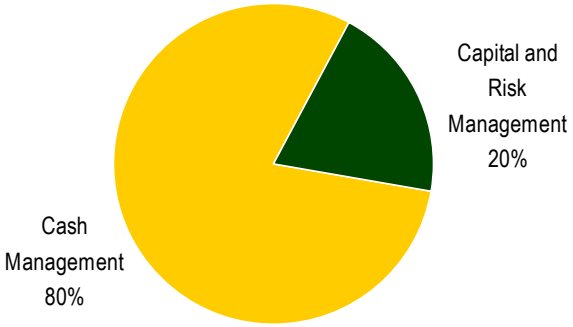


Annual Gross Banking Fees per State of Ohio's Operating Budget ($)

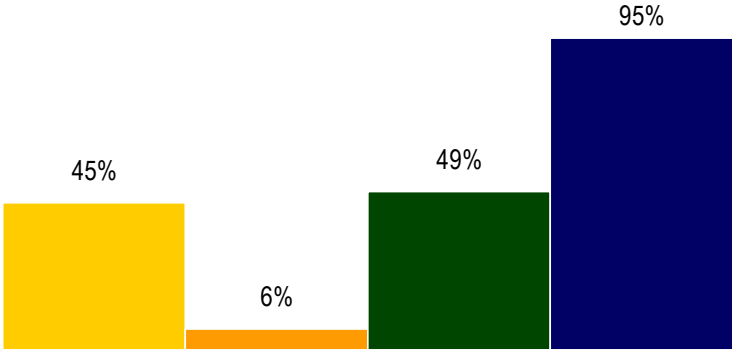


State of Ohio | NASACT Median | Comparable Orgs | World-Class

Treasury Management FTE Distribution

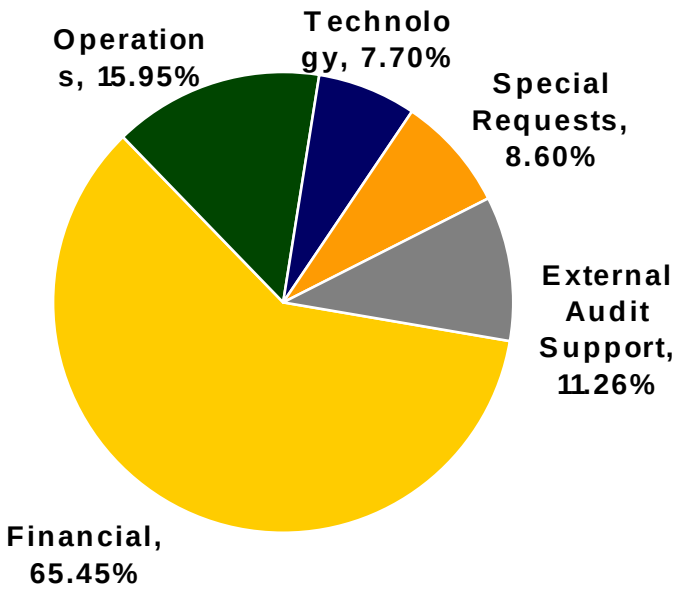


% of Cash Transactions with Daily Cash Positioning and Funds Mobilization Automated

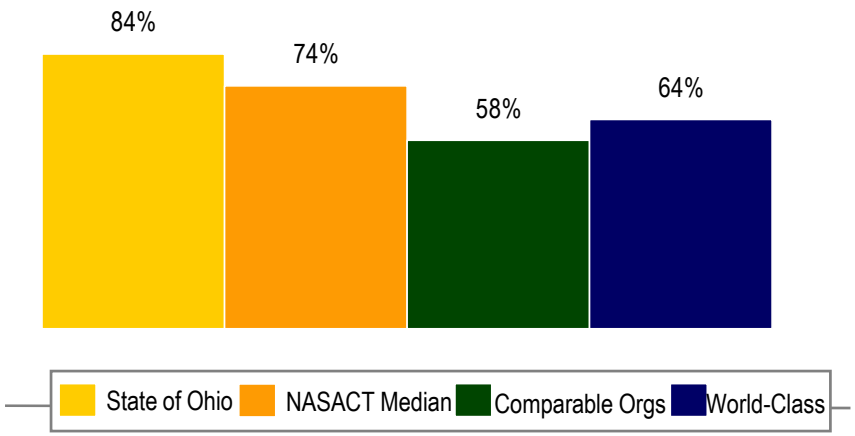


Compliance Management Practices

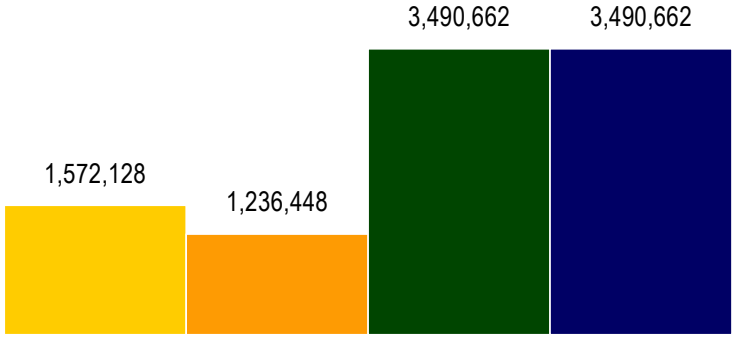
Engagement Distribution



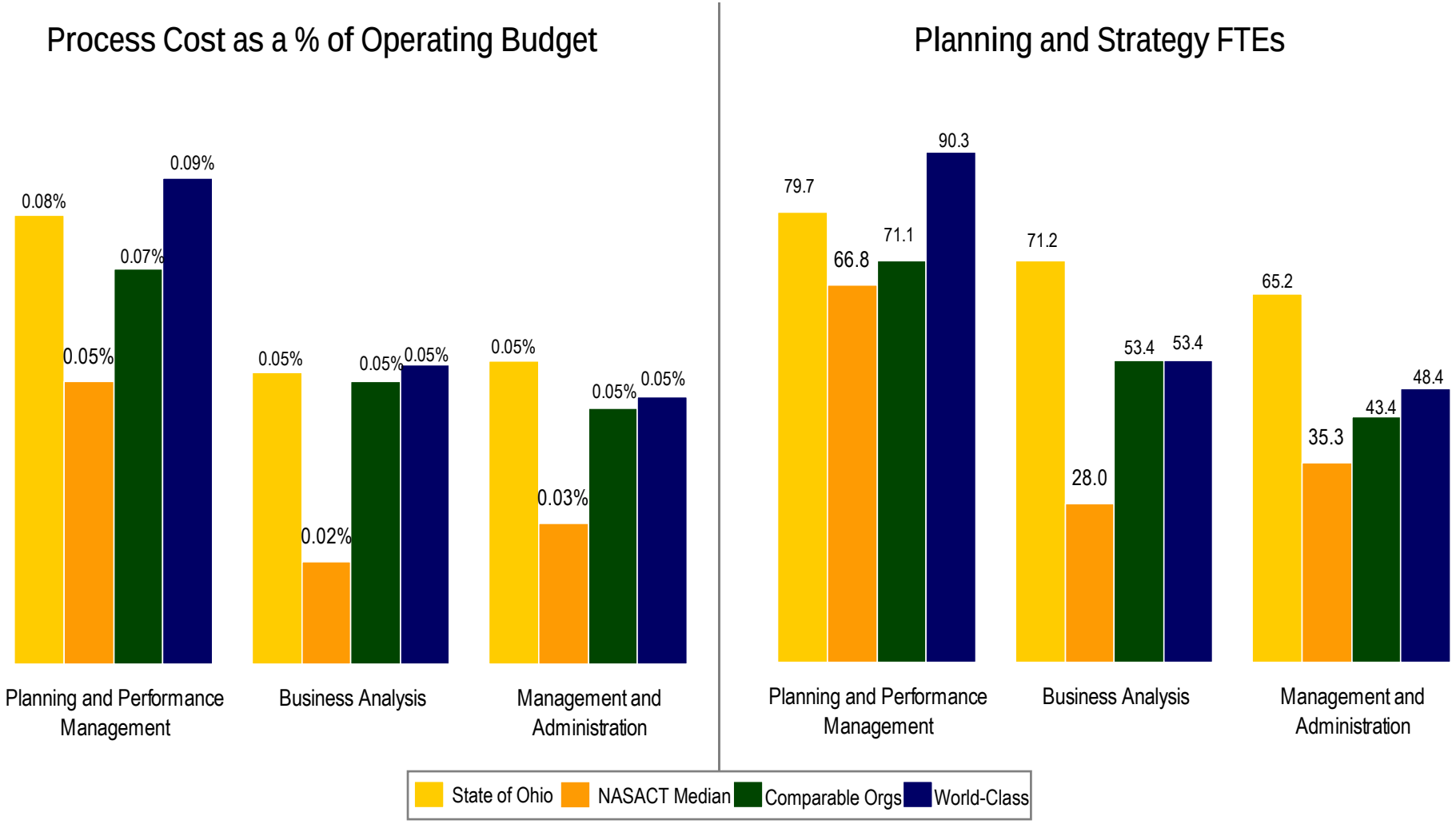
% of Locations Audited Annually



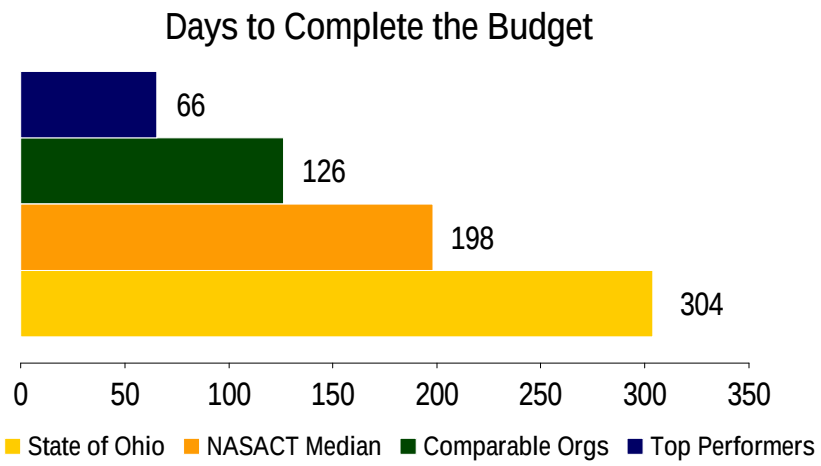
External Audit Fees per State of Ohio's Operating Budget ($)

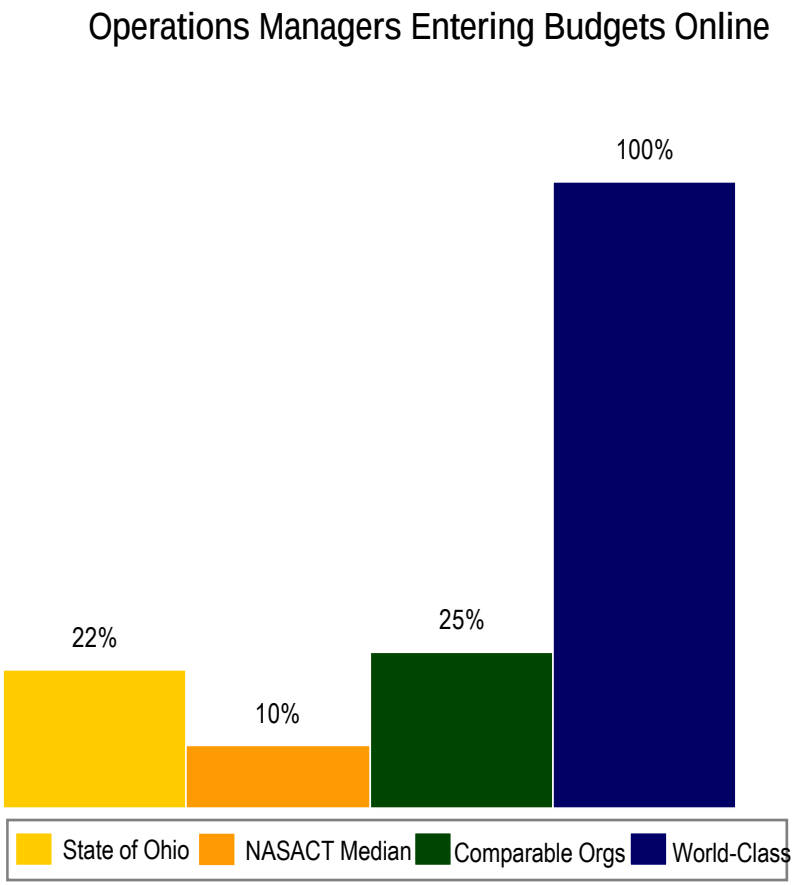


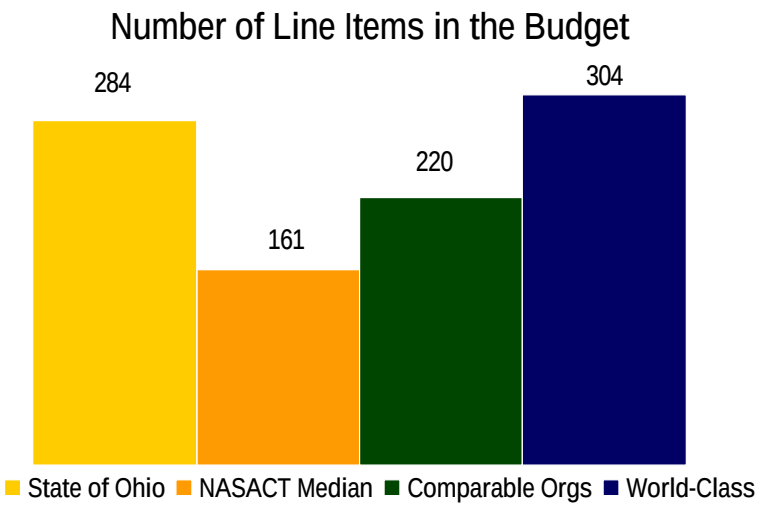
Planning and Strategy and Function Management Costs and Staffing Levels



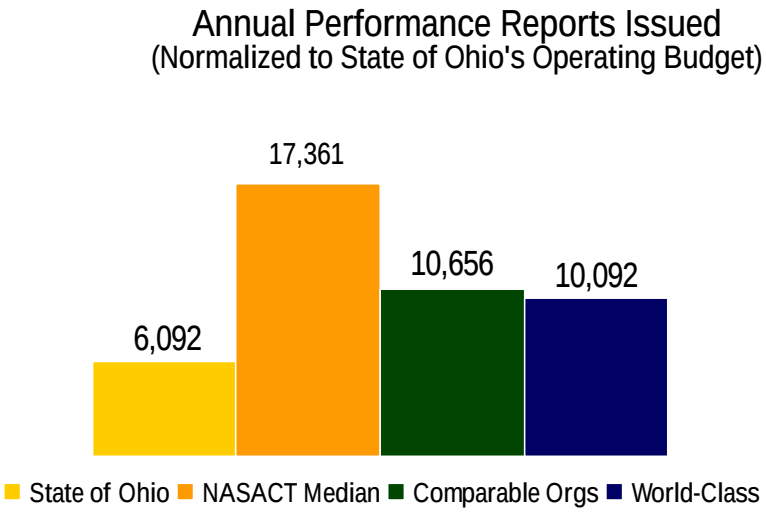
Budgeting Practices



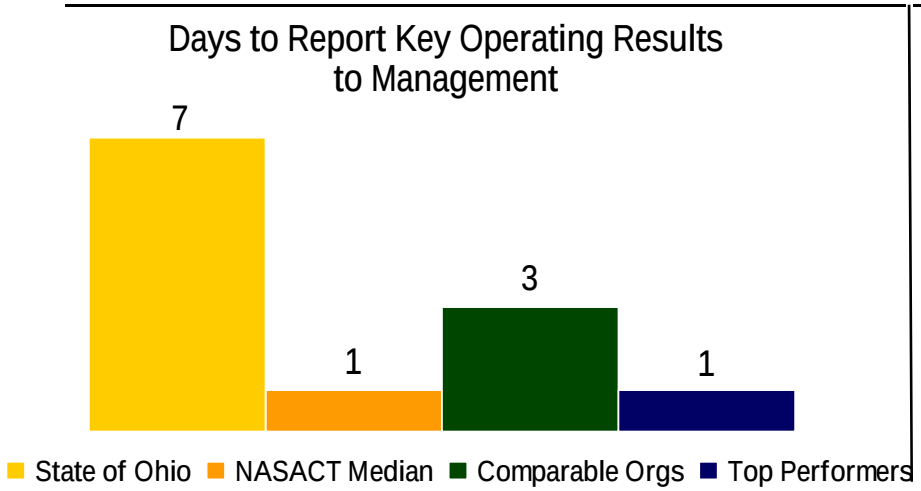


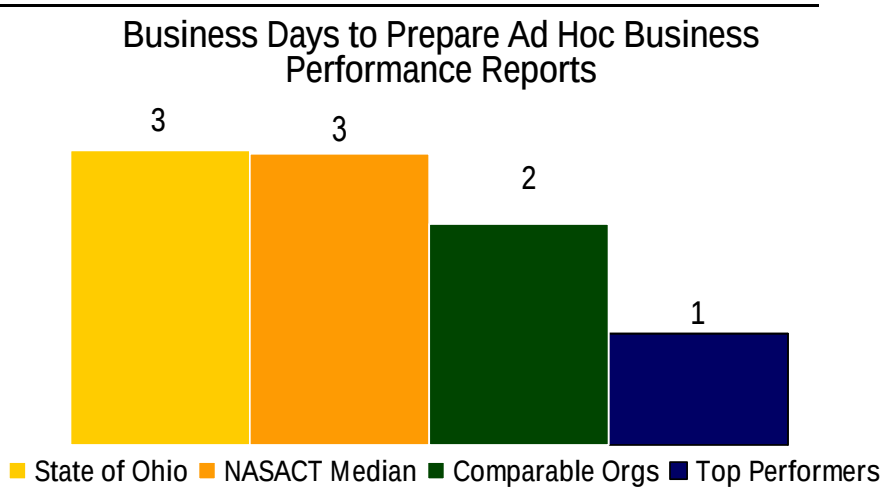


Planning and Performance Management Metrics

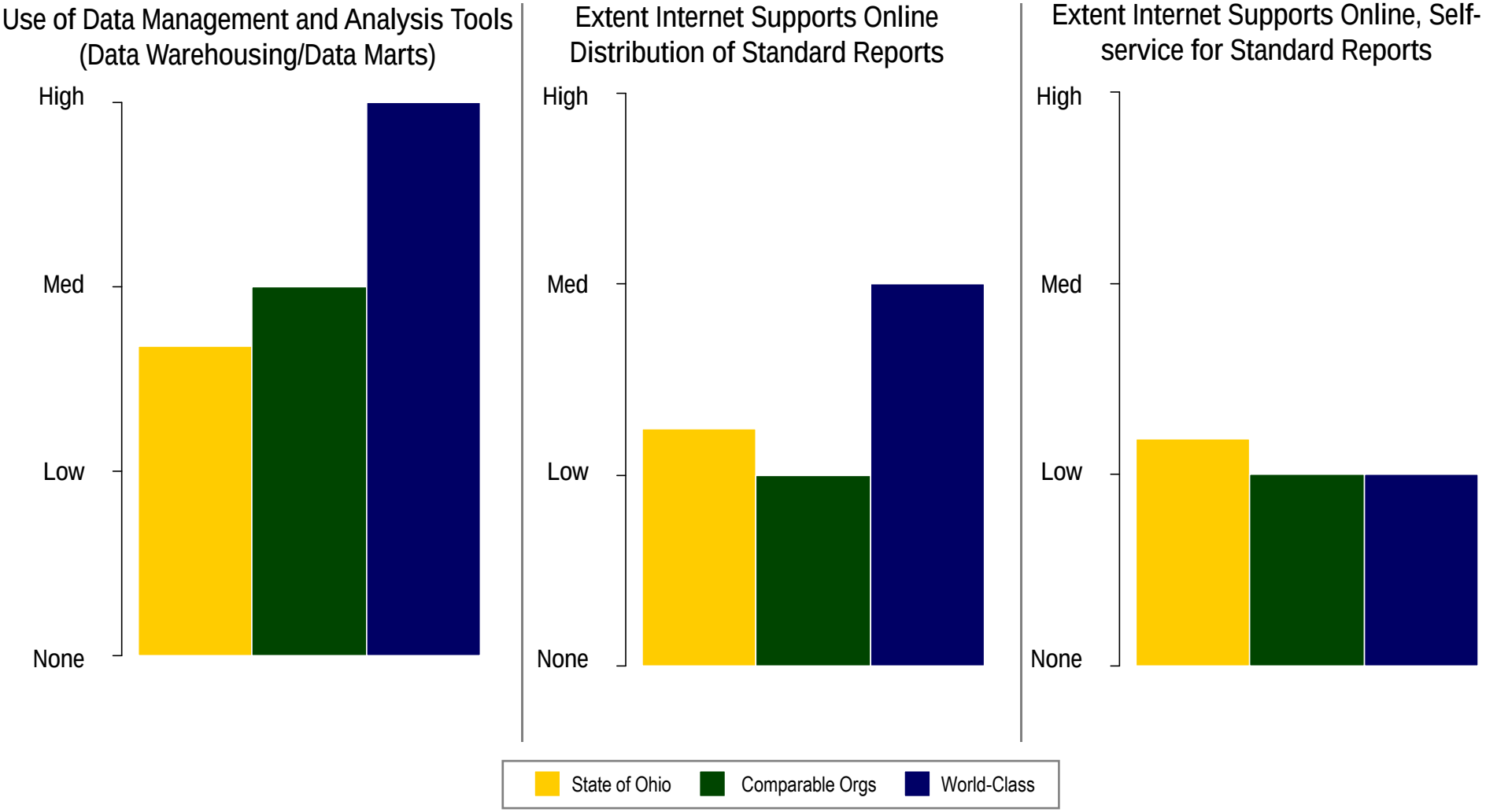


Planning Best Practices	State of Ohio	Top Performers
Management reports created using PC spreadsheets as primary application	75%	50%
Reports distributed electronically	57%	95%
Percent of time reports address future action instead of explanation of history	30%	50%
Extent balanced scorecard, which combines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



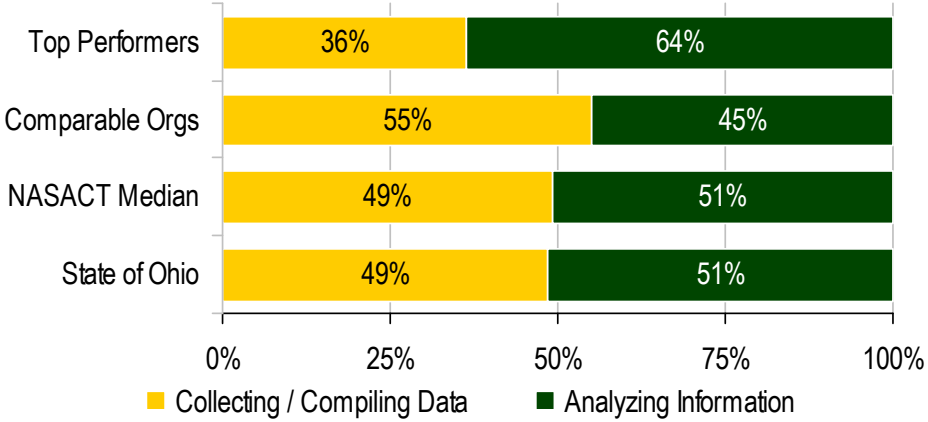


Performance Reporting Practices

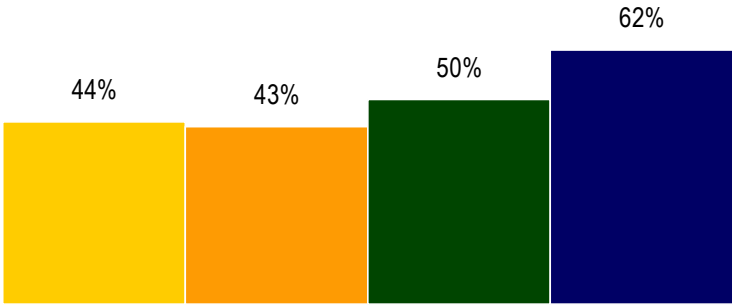


Business Analysis Practices

Allocation of Analysts' Time for Standard Reports

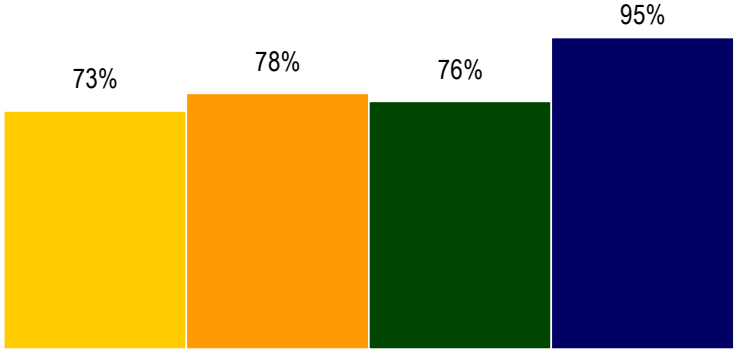


% of Time Analytical Focus is on Proactive Planning vs. Historical Reporting



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

Analysis Output on Target for Pricing Decisions



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

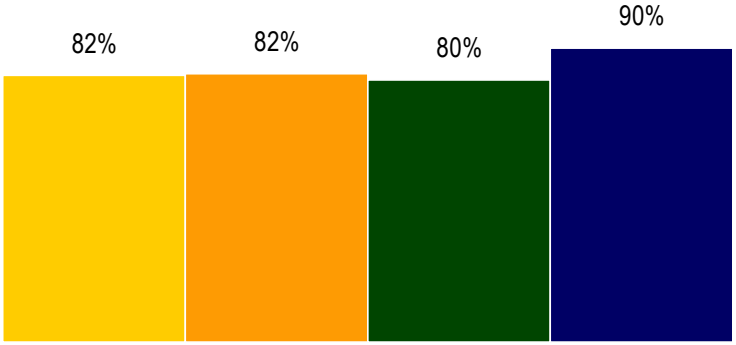


Table of Contents

The Hackett Group
World-Class Defined

REL
Cash Flow Delivered

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- Section Two
  - Executive Summary
- Section Three
  - Appendix
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    - Section Two
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    - Section Three
      - Technology Rapid Benchmark Report – *pages 1 - 51*
    - Section Four
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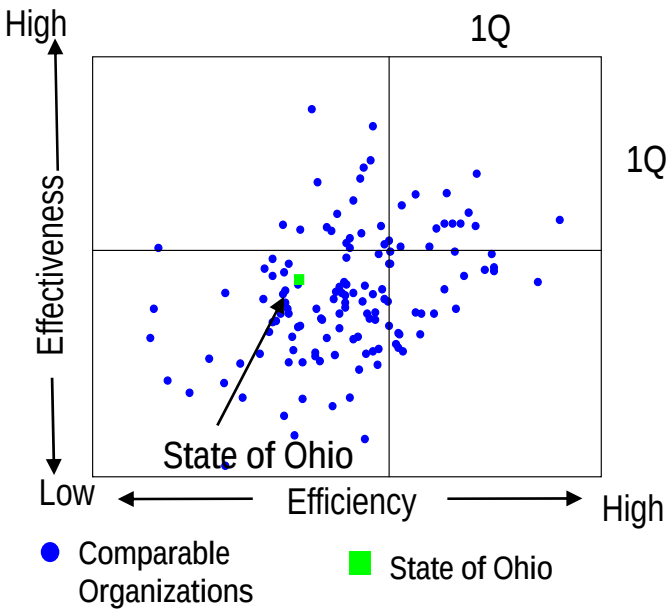
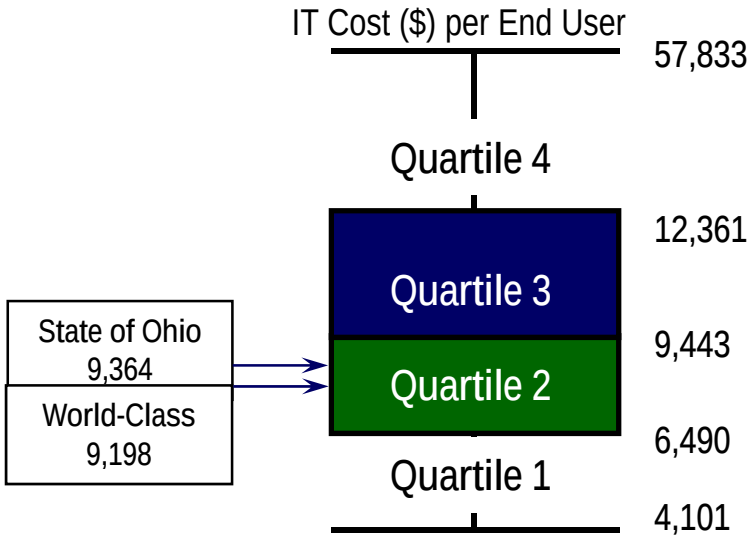
      - Achieving World-Class Performance – *pages 1 - 3*
    - Section Seven
      - About The Hackett Group – *pages 1 - 5*

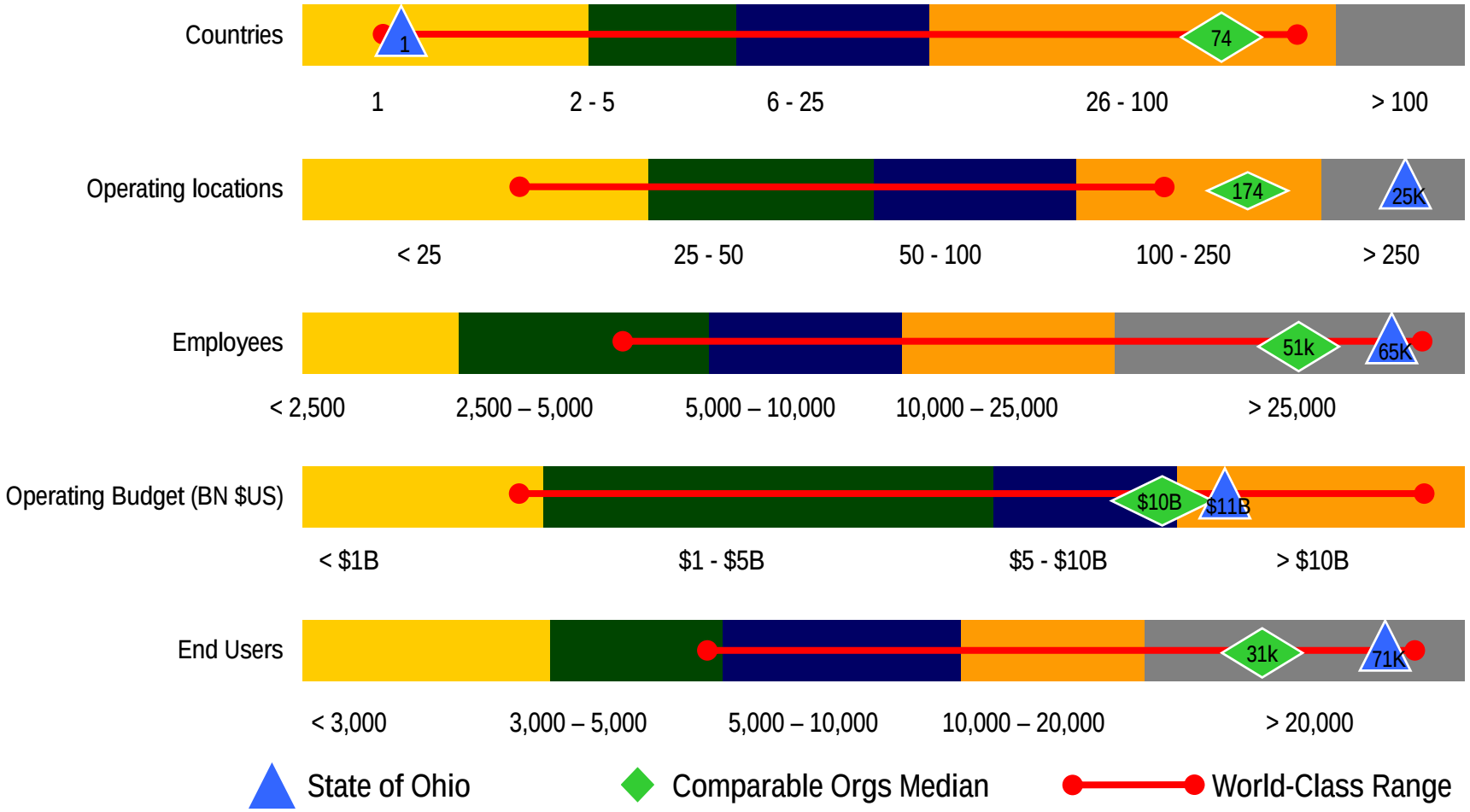
Efficiency and Effectiveness Ranking as Calculated by The Hackett Group's IT Value Grid

- 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

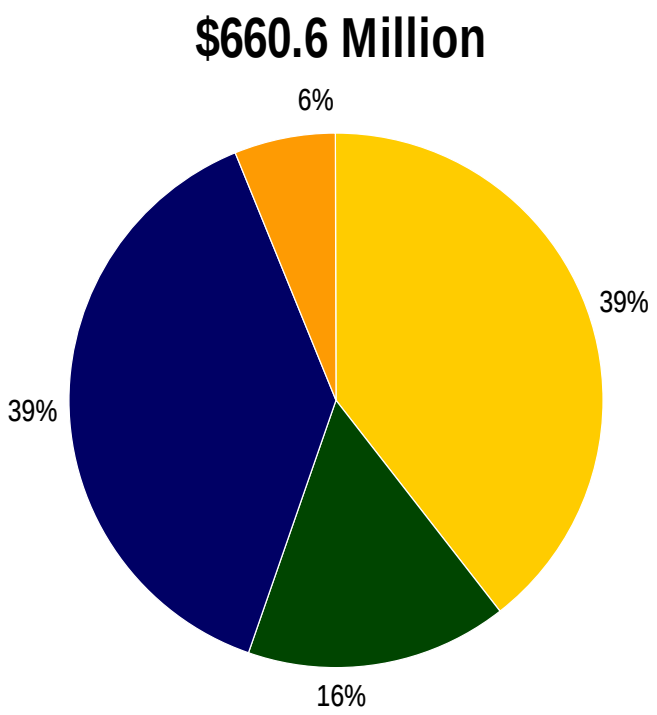
- Agilent Technologies, Inc.
- Alcoa, Inc.
- Bayer AG
- Caterpillar, Inc.
- Celestica Inc.
- Cendant Corporation
- Cingular Wireless LLC
- Citigroup Inc.
- E.I. du Pont de Nemours and Company
- Eastman Chemical Company
- General Electric Company
- Georgia-Pacific Corporation
- Halliburton
- Heineken 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

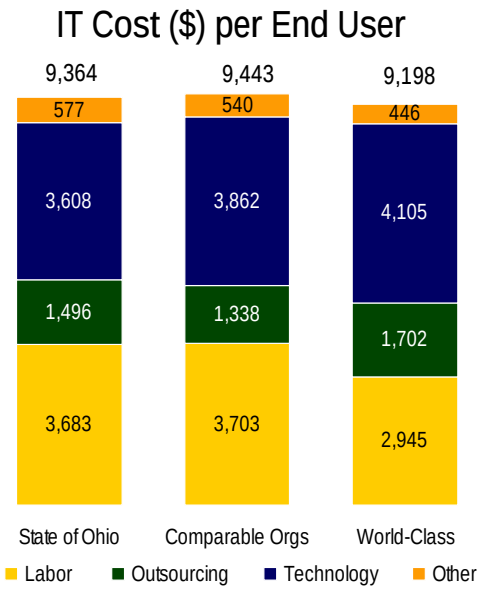
Technology Infrastructure	Application Management	*Planning and Strategy	Management and Administration
▪ Infrastructure Management – Operations Management – Security Management – Disaster Recovery Planning ▪ End User Support – Help Desk – End User Training ▪ Infrastructure Development – Planning – Construct – Implement	▪ Application Maintenance – Application Support – Enhancement Delivery – Upgrade Execution ▪ Application Development and Implementation – Planning – Constructing – Implementing	▪ IT Business Planning – Alignment – Project Prioritization – Communication ▪ Enterprise Architecture Planning – Governance – Standards Management ▪ Emerging Technologies – Technology Evaluation ▪ Quality Assurance * – Change Management ▪ Risk Management * – Audit and Compliance	▪ Function Management – Function Oversight – Personnel Management – Policies and Procedures Oversight

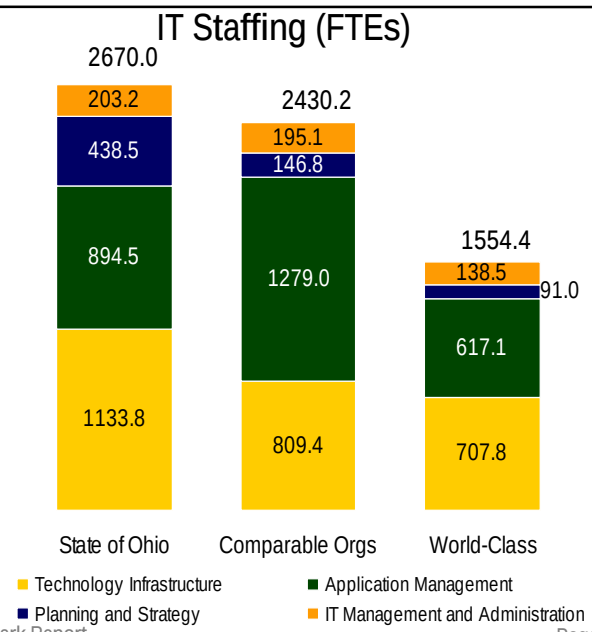
(*) For comparison purposes, Control & Risk Management will be included in the Planning & Strategy Process Group

State of Ohio's Baseline of Annual IT Cost

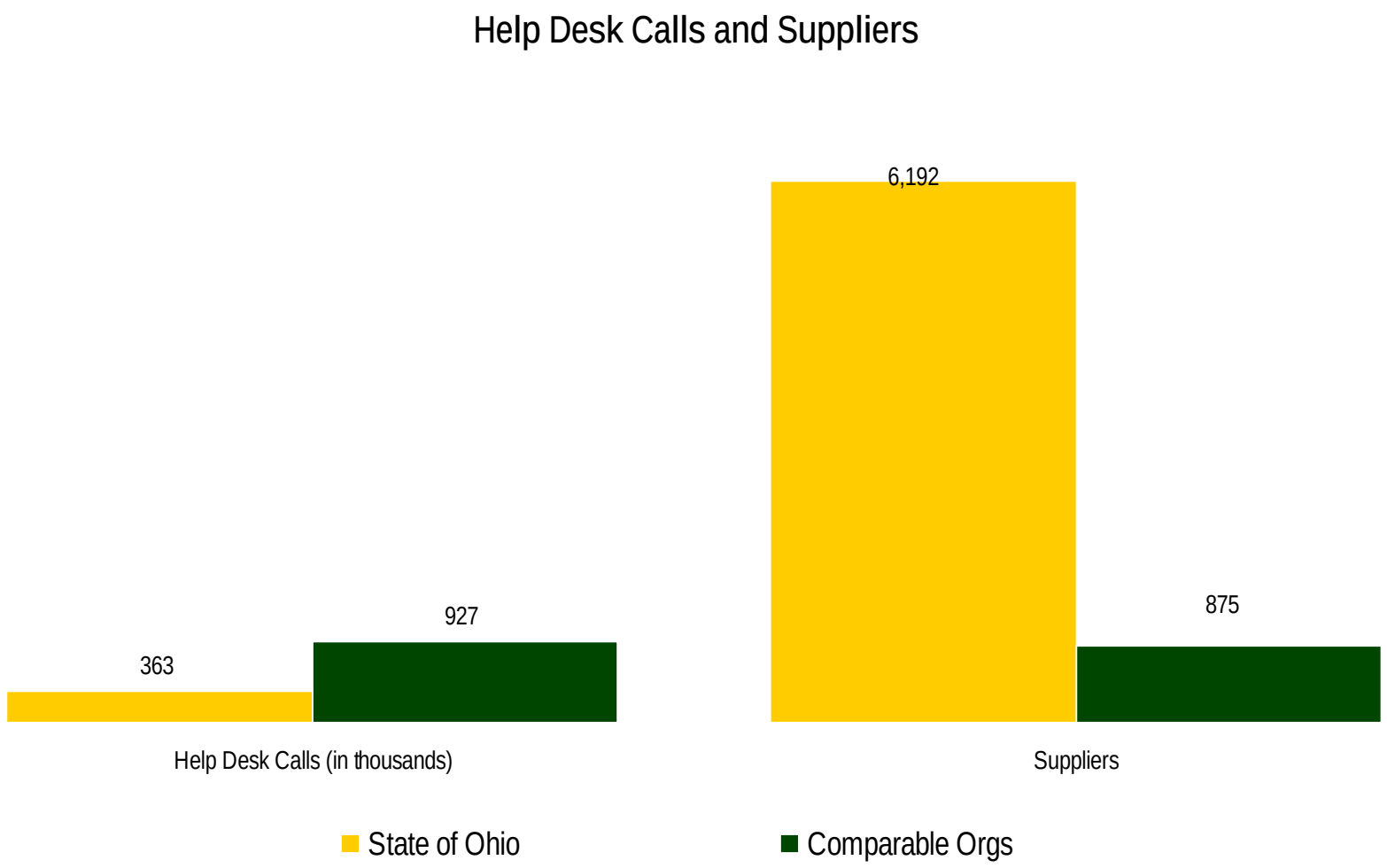


End Users	70,554
Labor	$259.9 million
Outsourcing	$105.5 million
Technology	$254.5 million
Other	$40.7 million

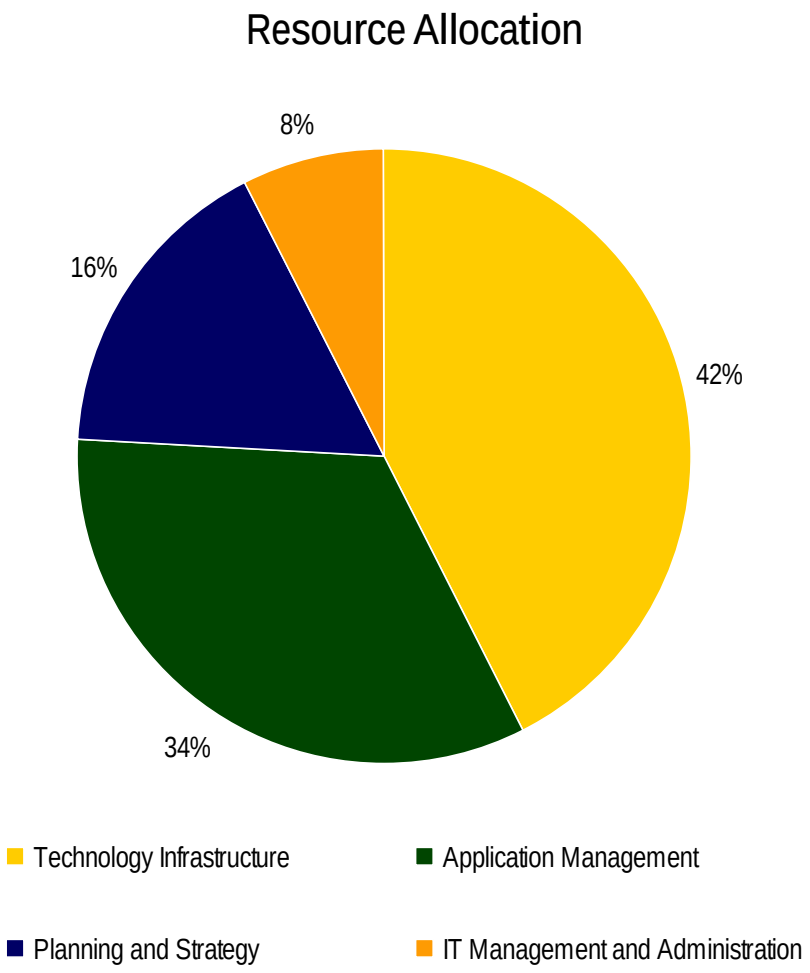


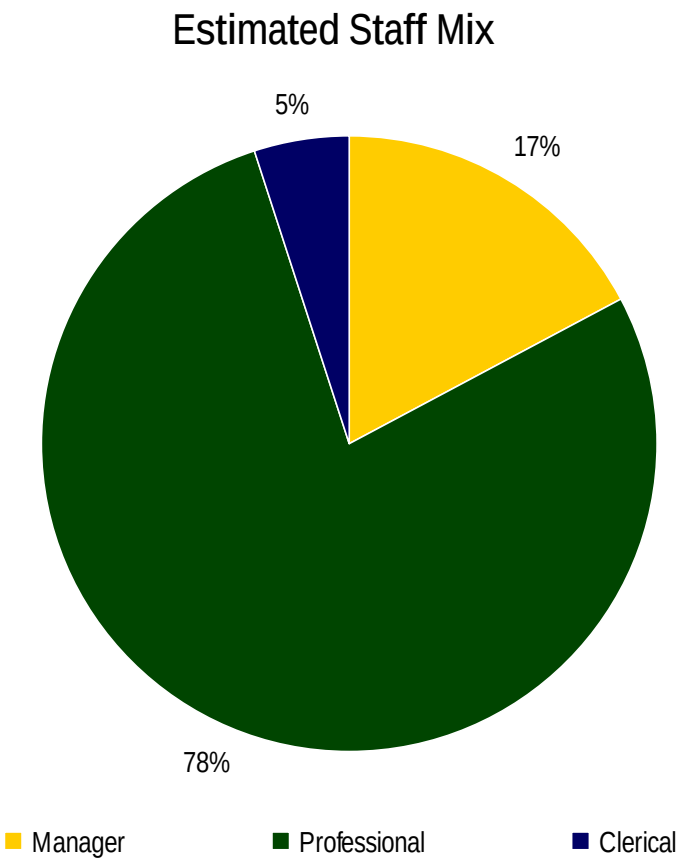


State of Ohio's Volumes Related to the Large Diverse Organizations

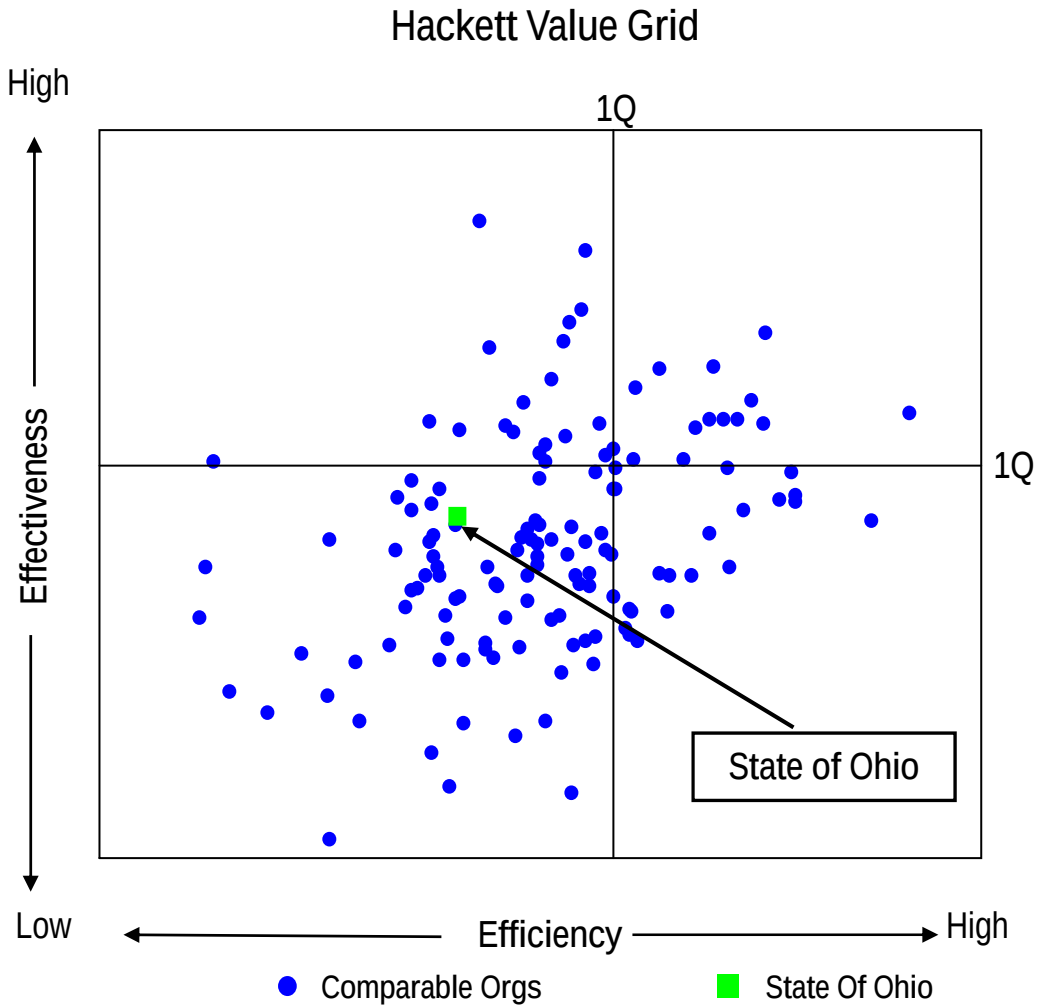


State of Ohio's Baseline Resource Allocation and Staff Mix





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

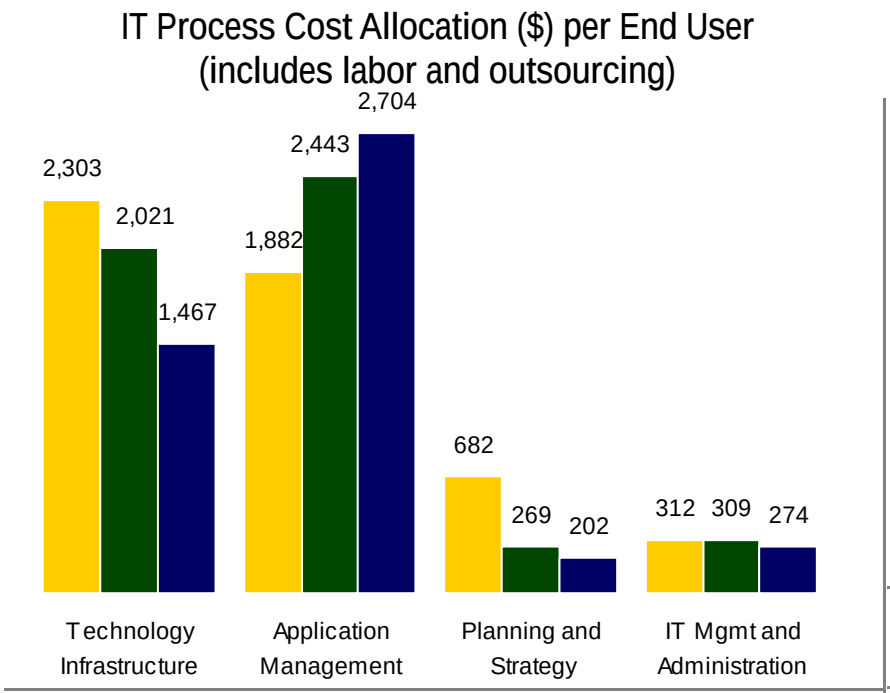


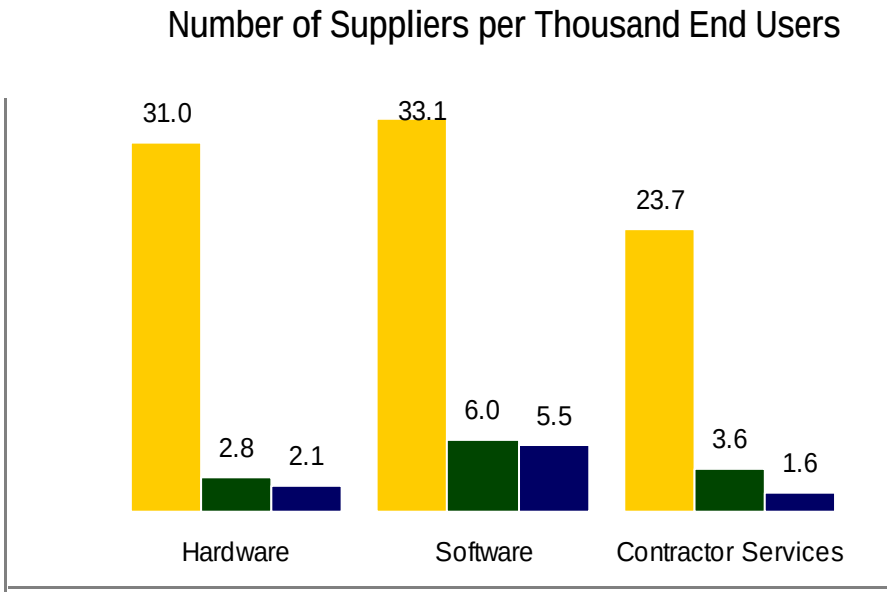
	Key IT Drivers	State of Ohio
Efficiency	Cost	Yellow
	Staffing & Productivity	Red
	Cycle Time	Yellow
	Complexity	Red
Effectiveness	Role of IT	Red
	Talent Management	Red
	Quality	Yellow
	Economic Return	Yellow
	Information Access	Yellow
	Running IT	Red

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

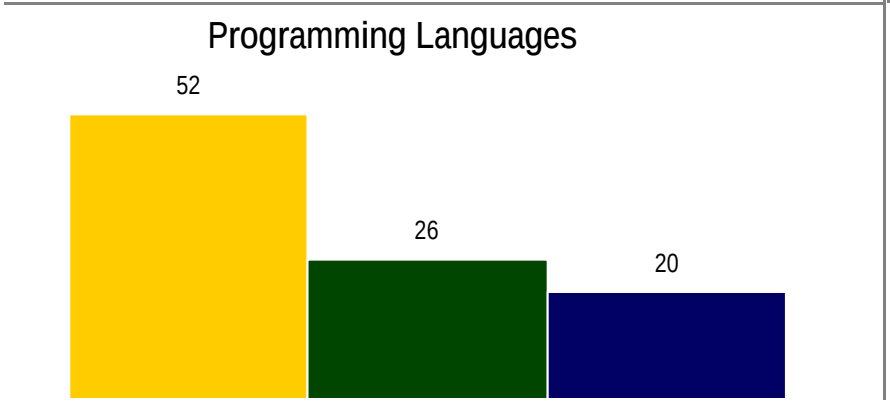
Note: The colors are only a representation of gaps to World-Class and are not a direct indicator of where to focus/launch any initiative. Specific action plans should not be developed until after the benchmark results are assessed within the context of the functional and business strategies.

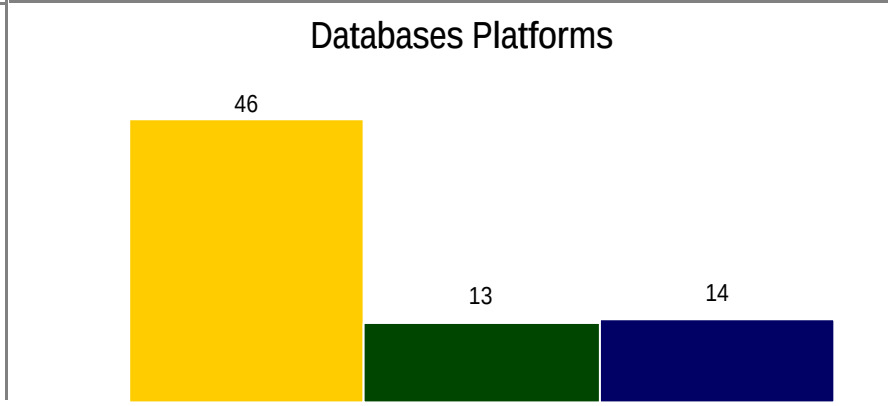
Higher Complexity is Driving Up Overall Process Costs





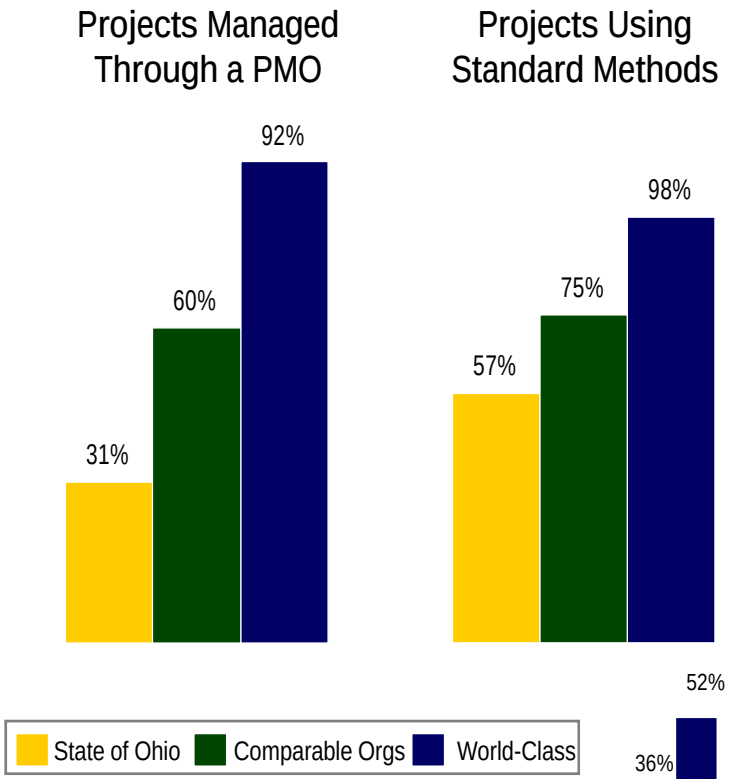
1897 Customer Database Profiles



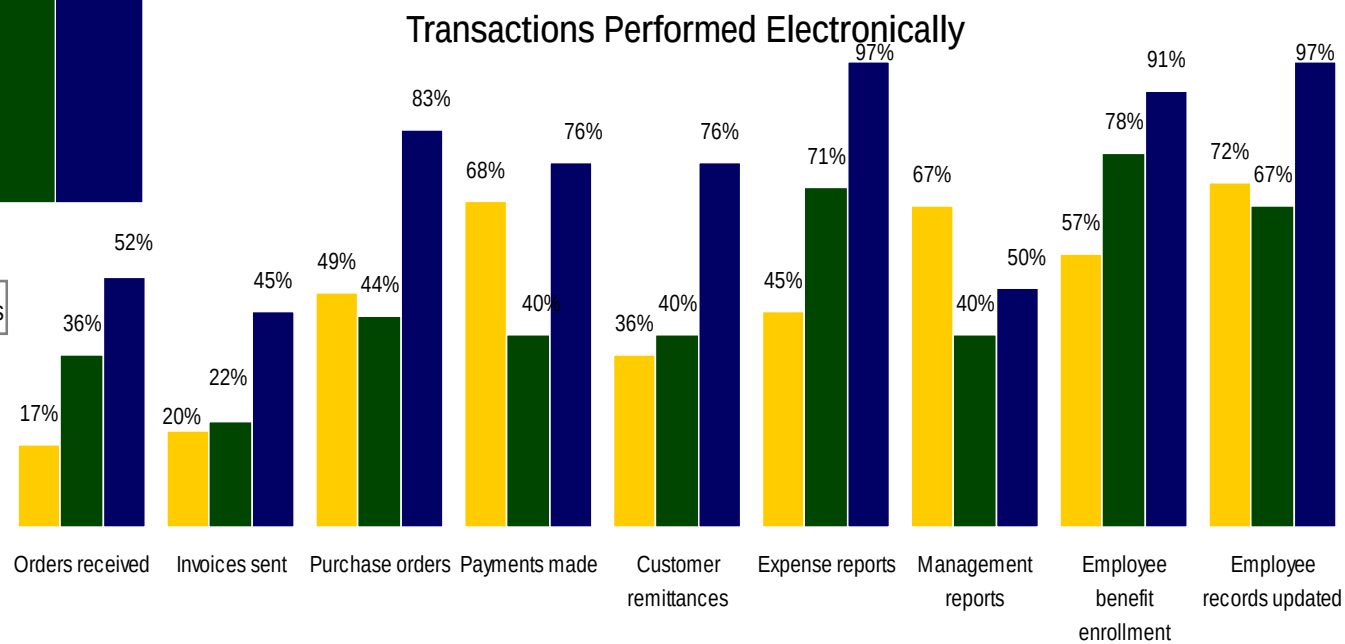


State of Ohio | Comparable Orgs | World-Class

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



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.



State of Ohio's IT Cost Differences

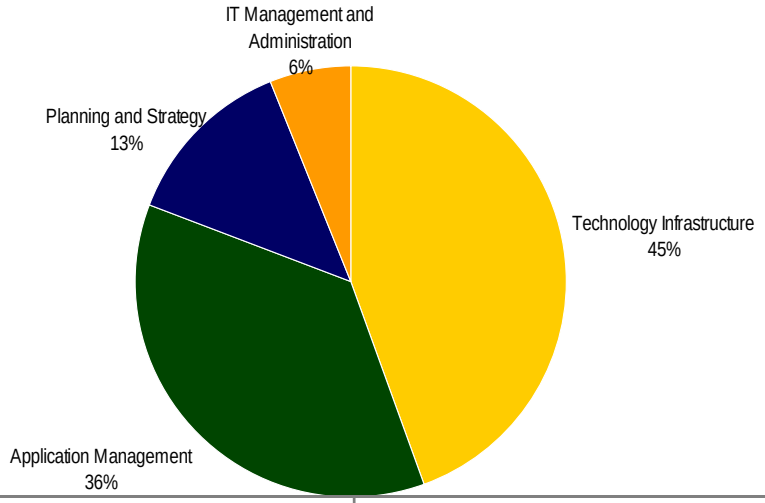
IT Processes	State of Ohio's Costs (in Millions)	State of OH's Gap to Comp Orgs (in Millions)	State of Ohio's Gap to World-Class (in Millions)
Technology Infrastructure	162.5	19.9	59.0
Application Management	132.8	(39.6)	(58.0)
Planning and Strategy	48.1	29.1	33.9
Management and Administration	22.0	0.2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

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.

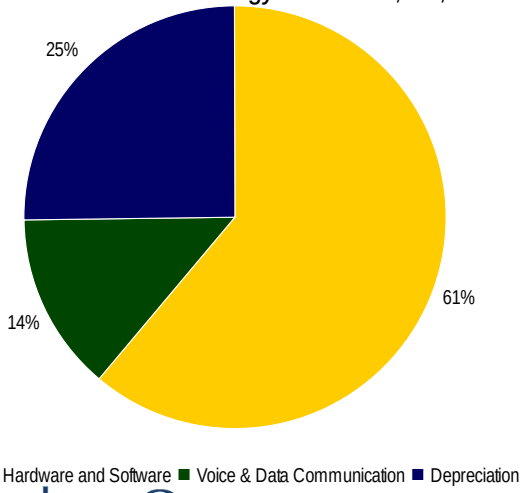
* Values in $.

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

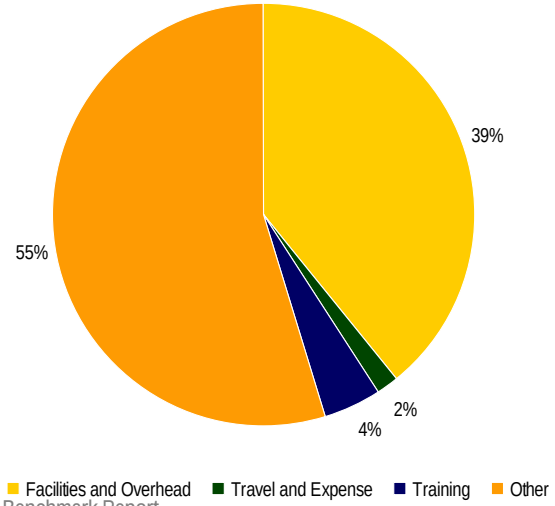
Process Cost Allocation (includes labor and outsourcing)



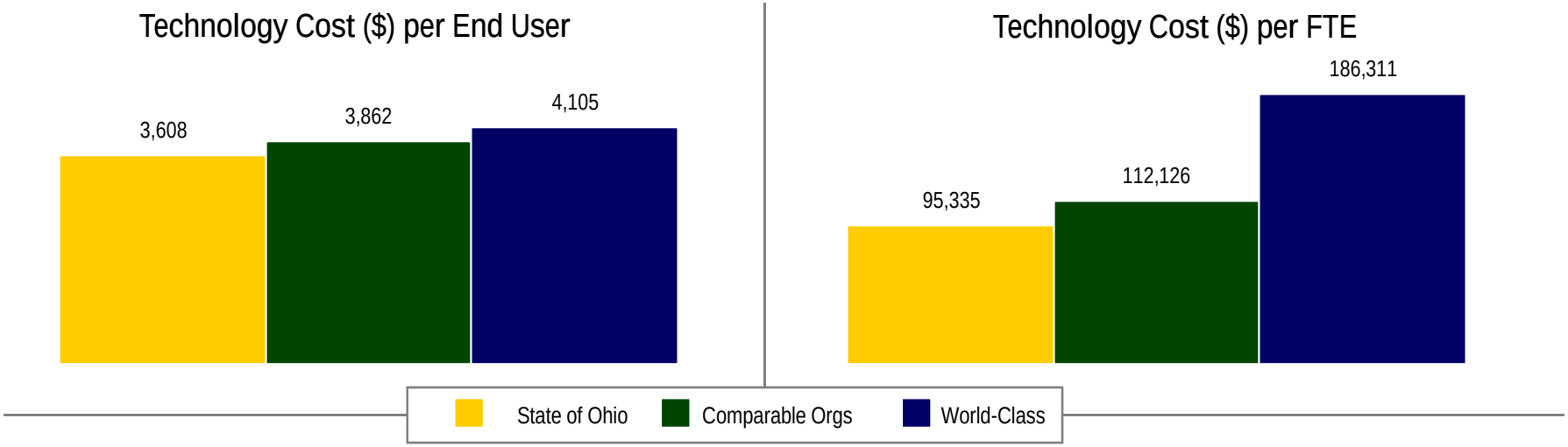
Technology Cost Distribution
IT – Technology Cost – 254,543,046



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



Technology Cost per End User and Technology Cost per FTE



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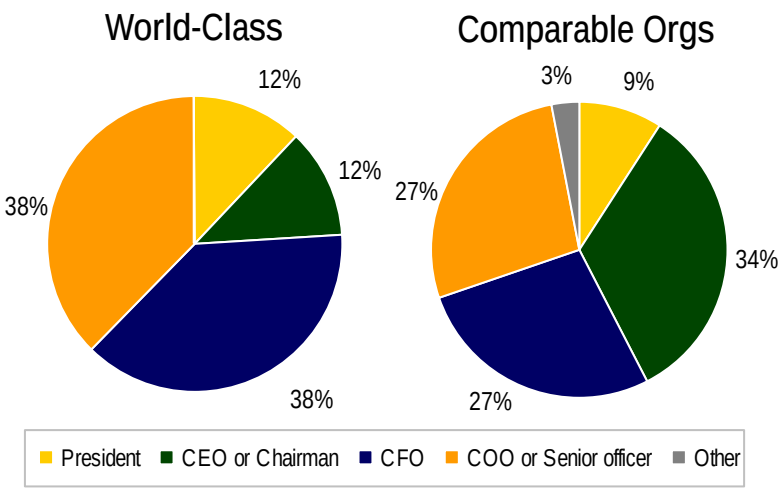
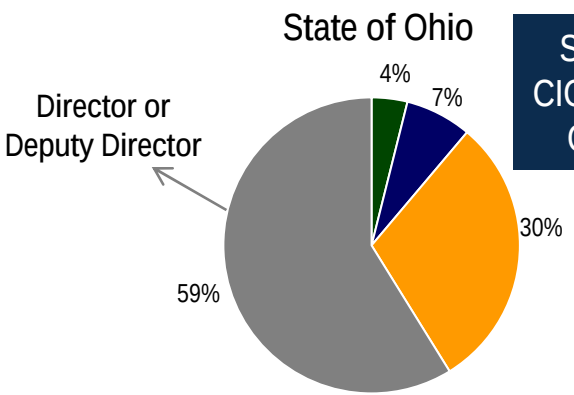
Reporting, Executive Committee Participation and Budgetary Control

Reporting Channel of Senior IT Leader

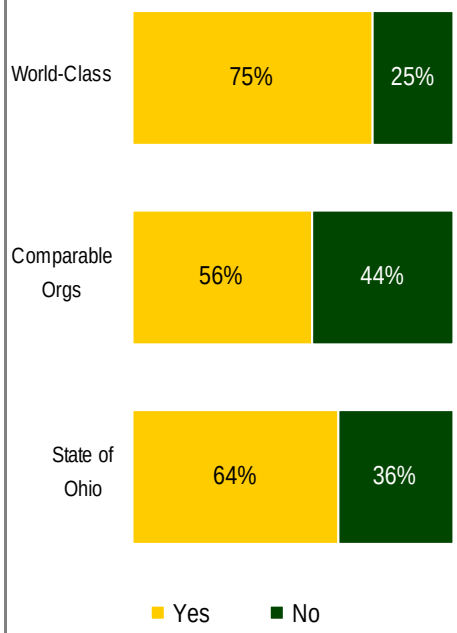




State-wide CIO reports to Governor

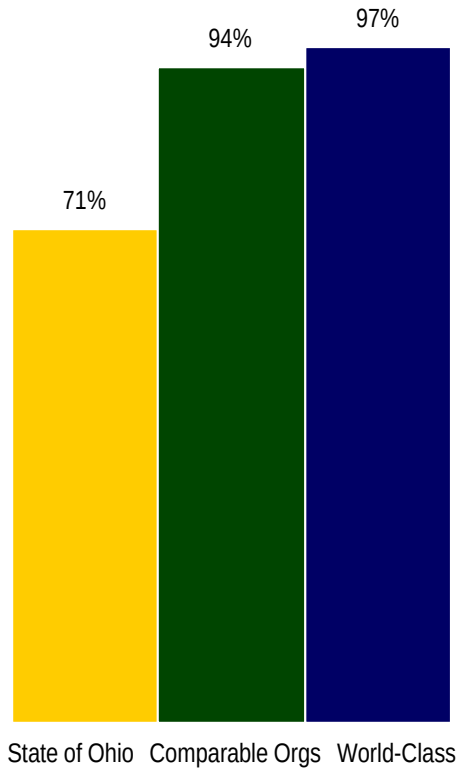
Best Practice - Sr. IT Lead reports to CEO

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



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

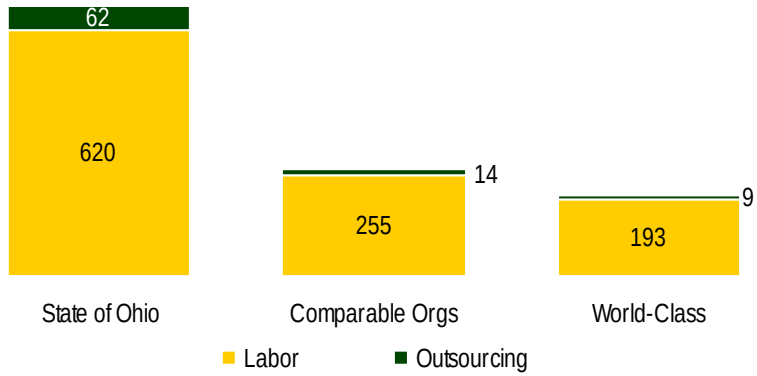
% of Total IT Budget Controlled by IT Executive



Best Practice - IT controls 100% of the budget

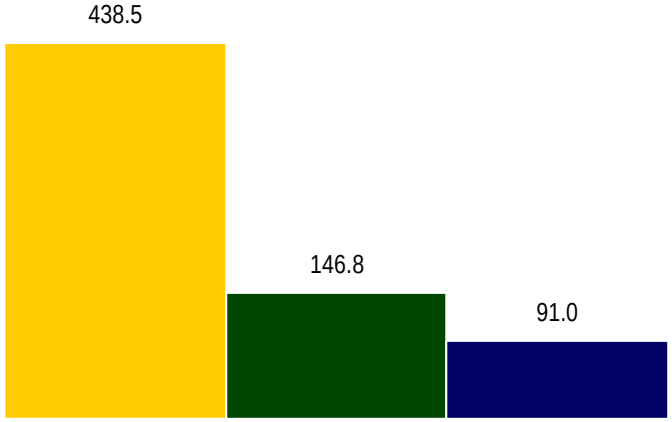
Planning & Strategy FTEs and Costs

Planning & Strategy Process Cost ($) per End User

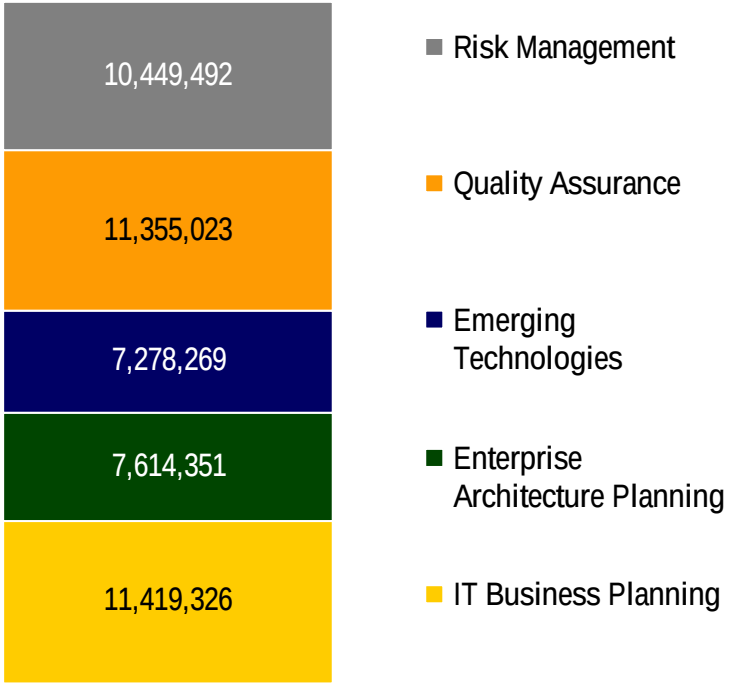


State of Ohio | Comparable Orgs | World-Class

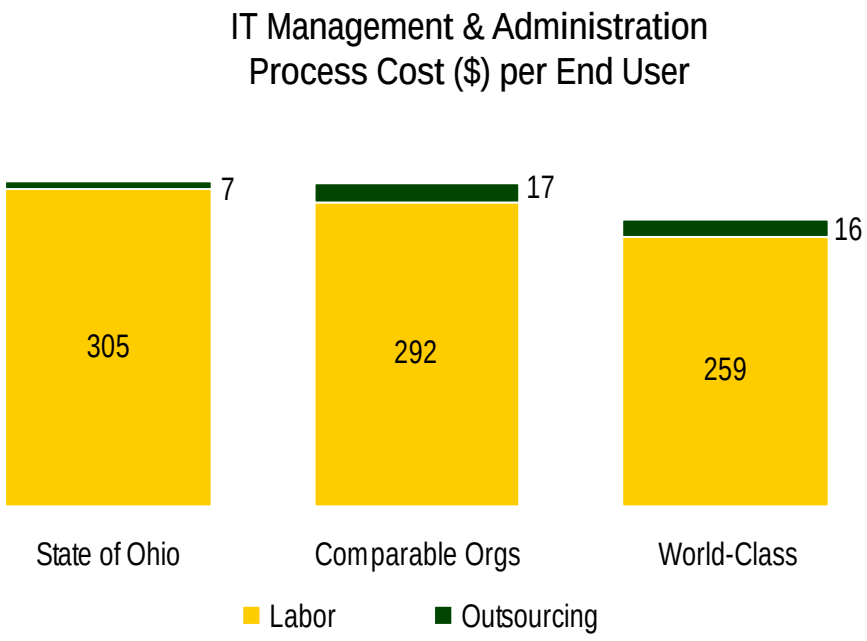
Planning & Strategy FTEs

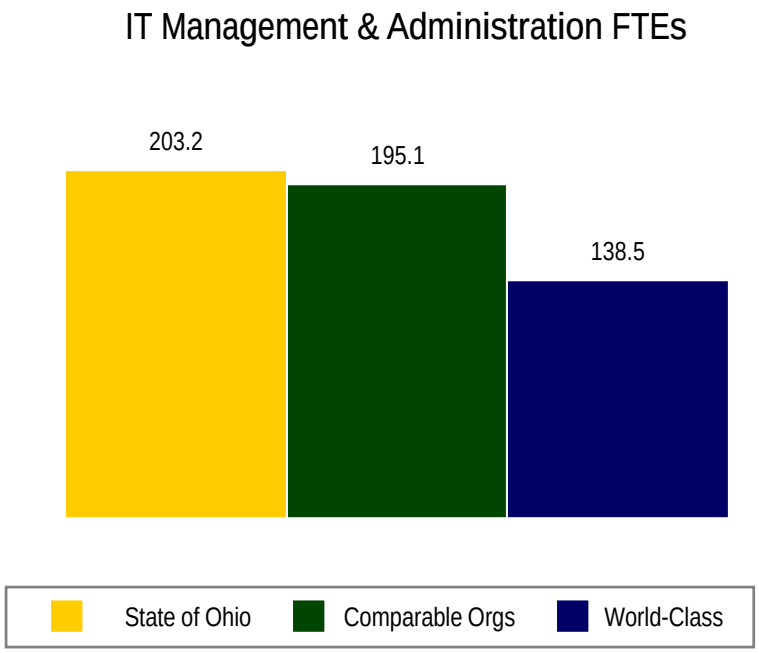


State of Ohio's Planning & Strategy Process Cost ($) by Process Group



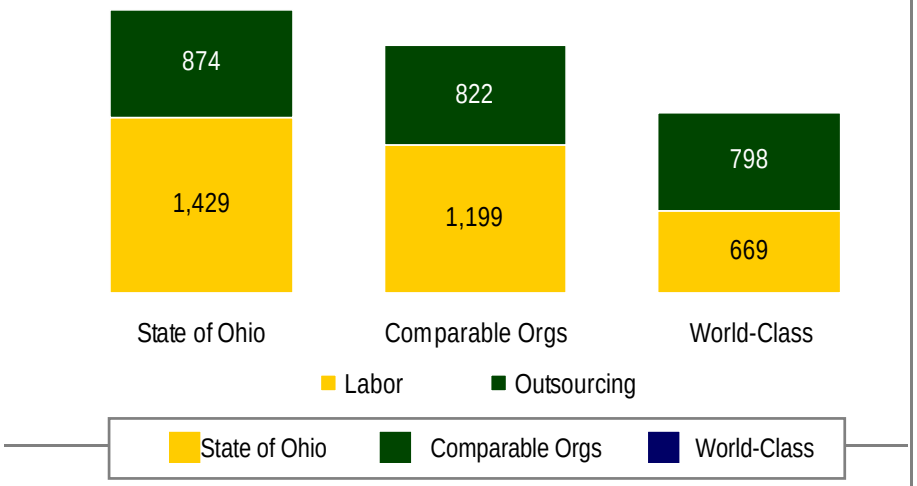
IT Management & Administration FTEs and Cost



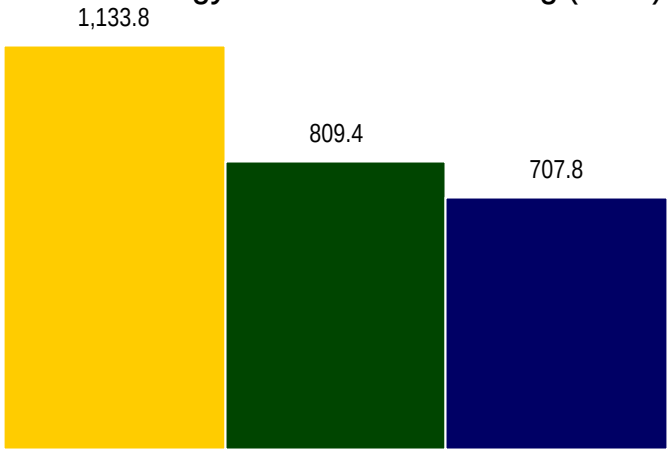


Technology Infrastructure FTEs and Costs

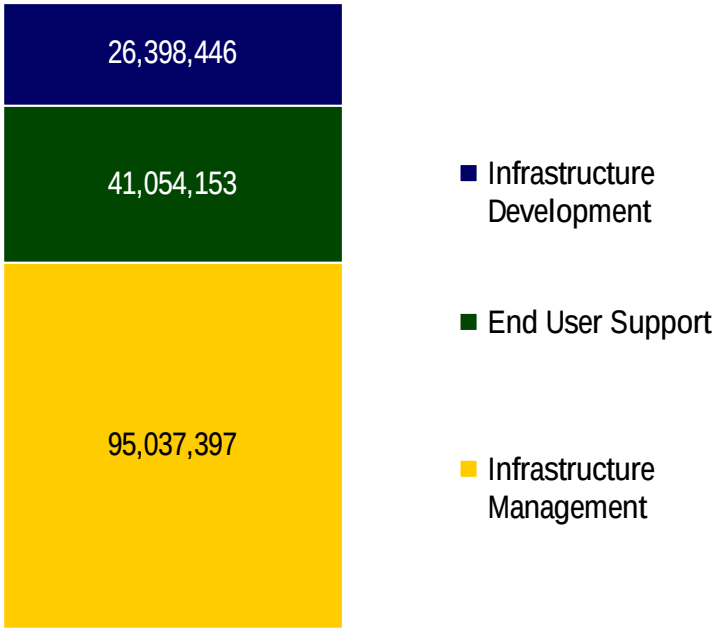
Technology Infrastructure Process Cost ($) per End User



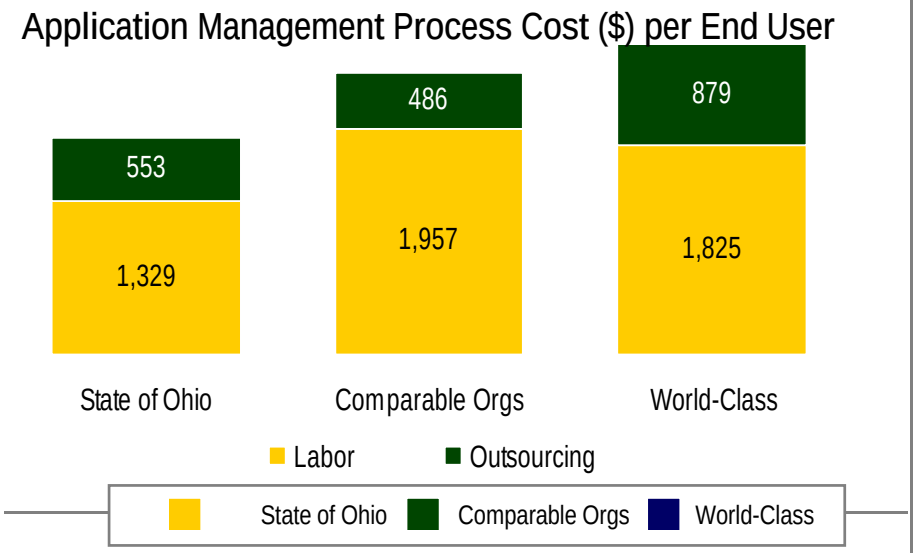
Technology Infrastructure Staffing (FTEs)

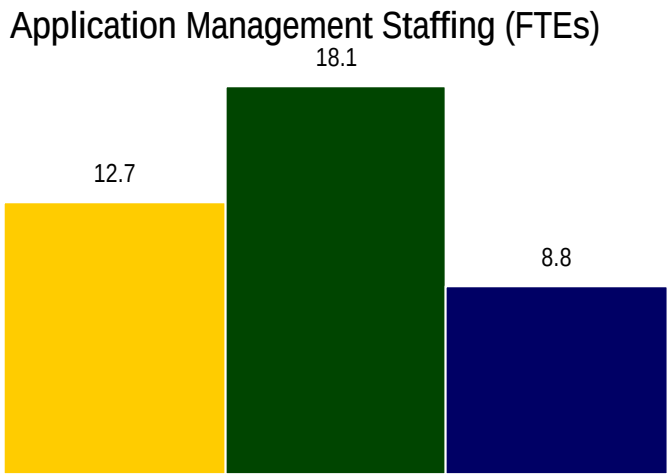


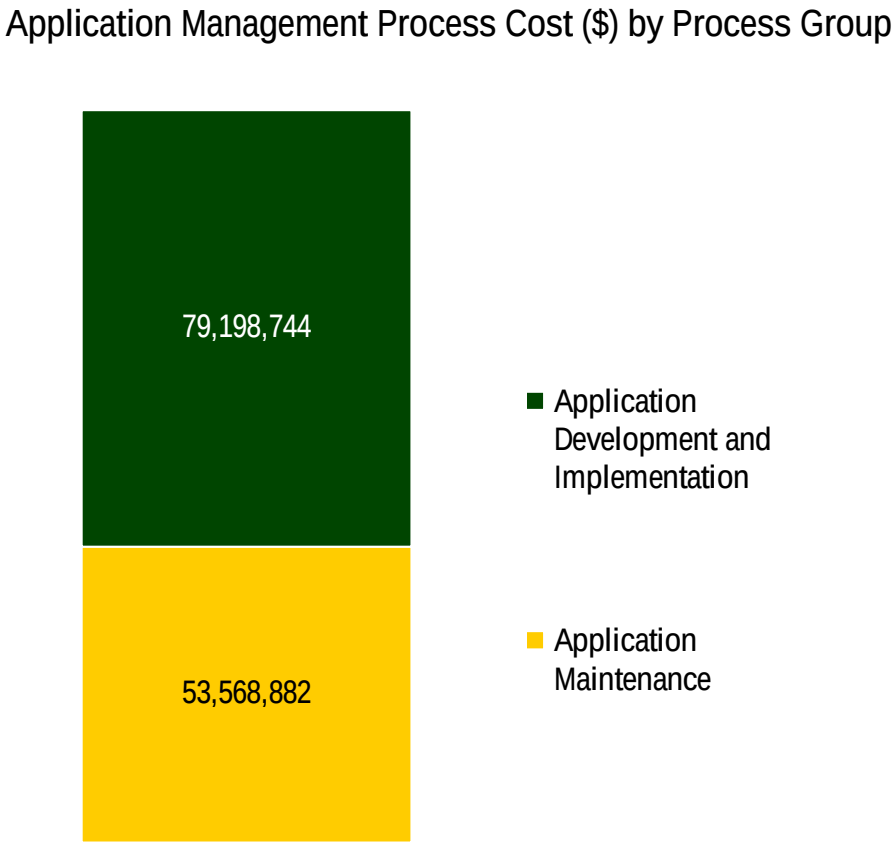
State of Ohio's Technology Infrastructure Process Cost ($) by Process Group



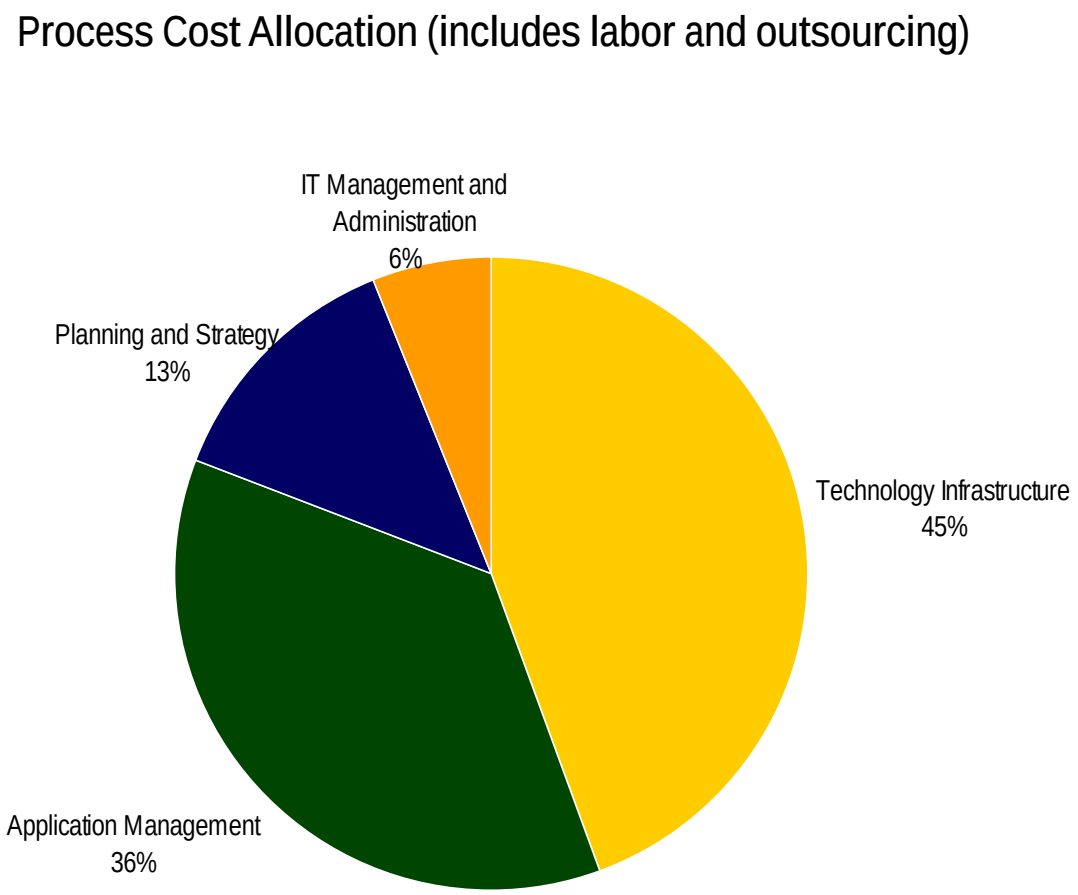
Application Management FTEs and Costs







State of Ohio's Process Cost Allocation



State of Ohio's Technology and Other Costs

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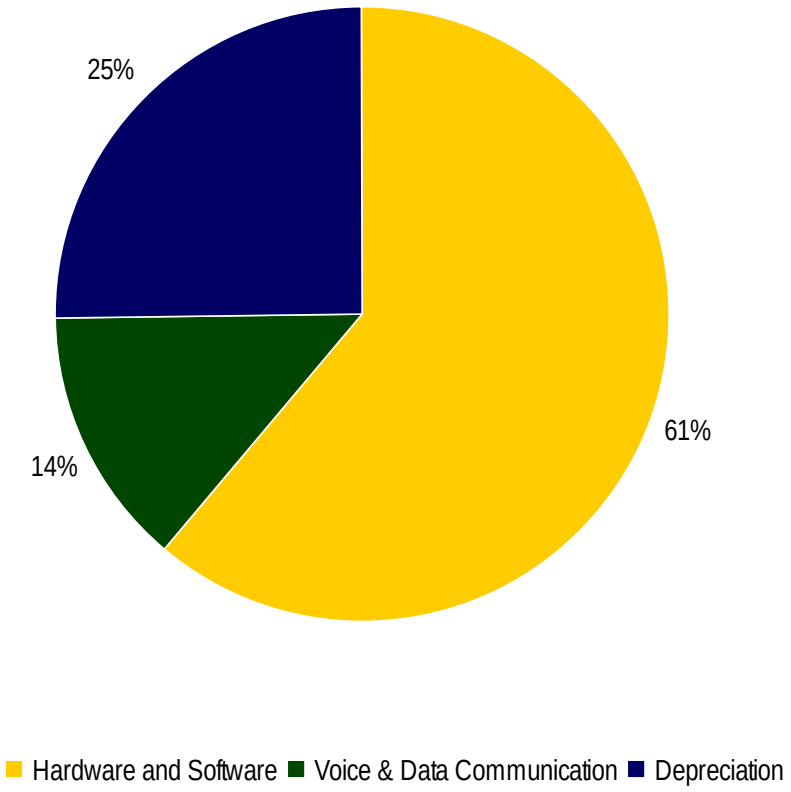

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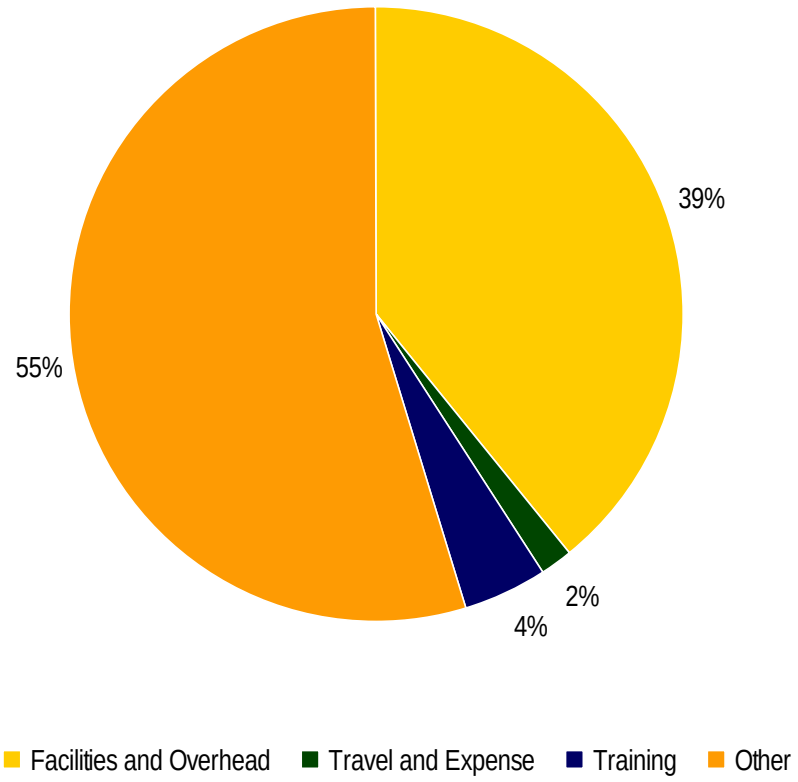
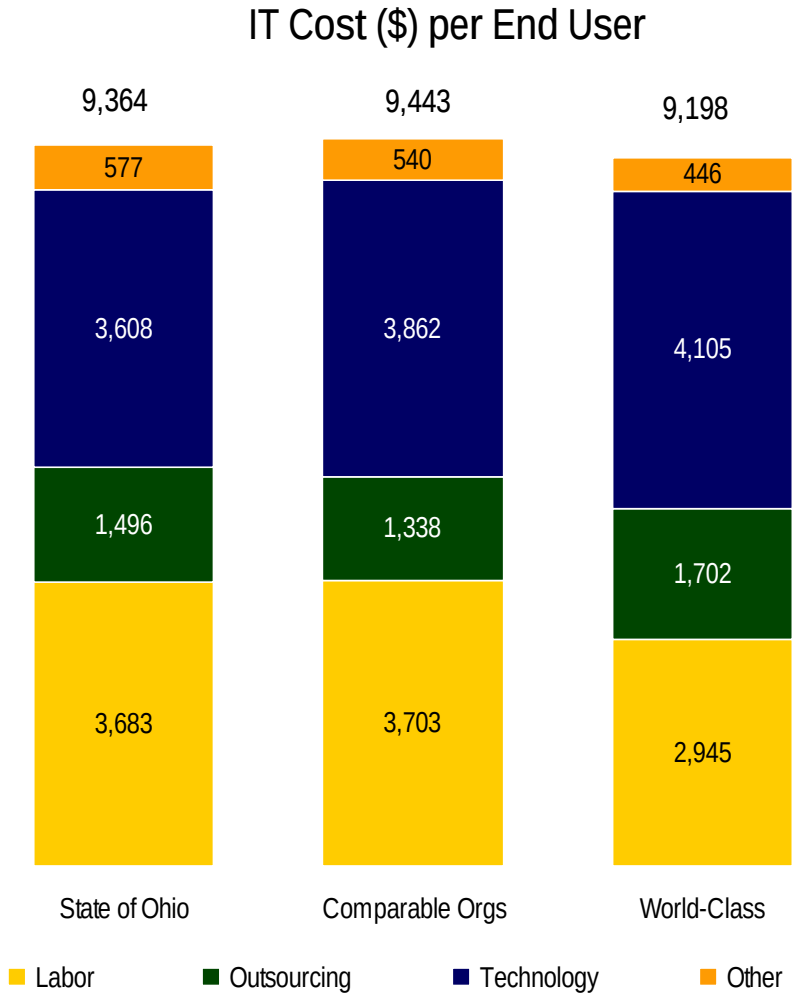
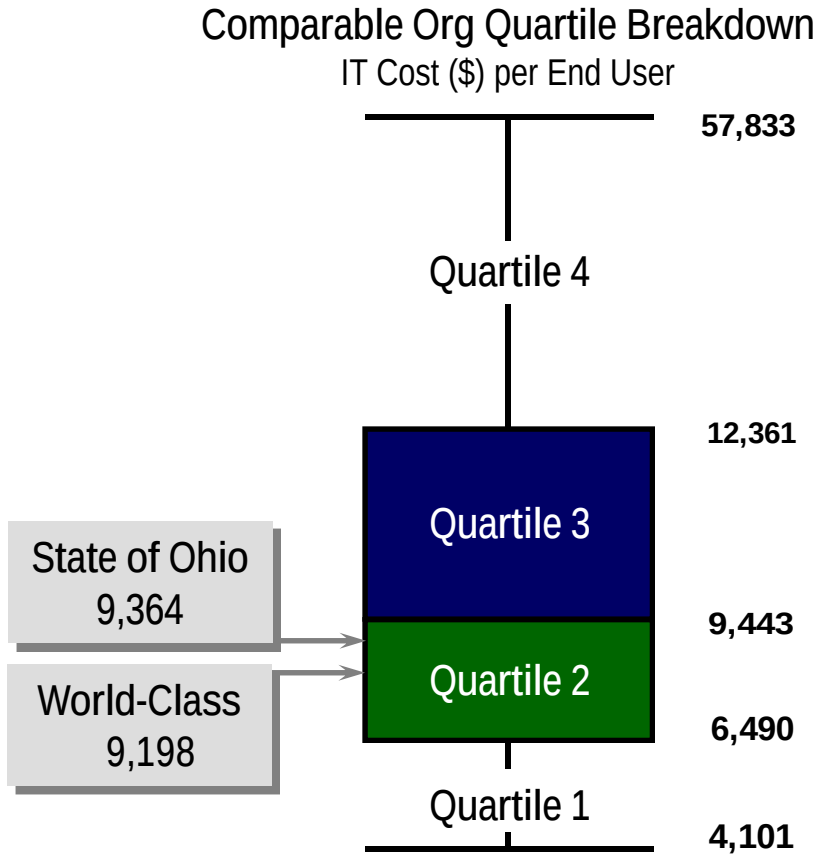


IT Cost per End User by Quartile

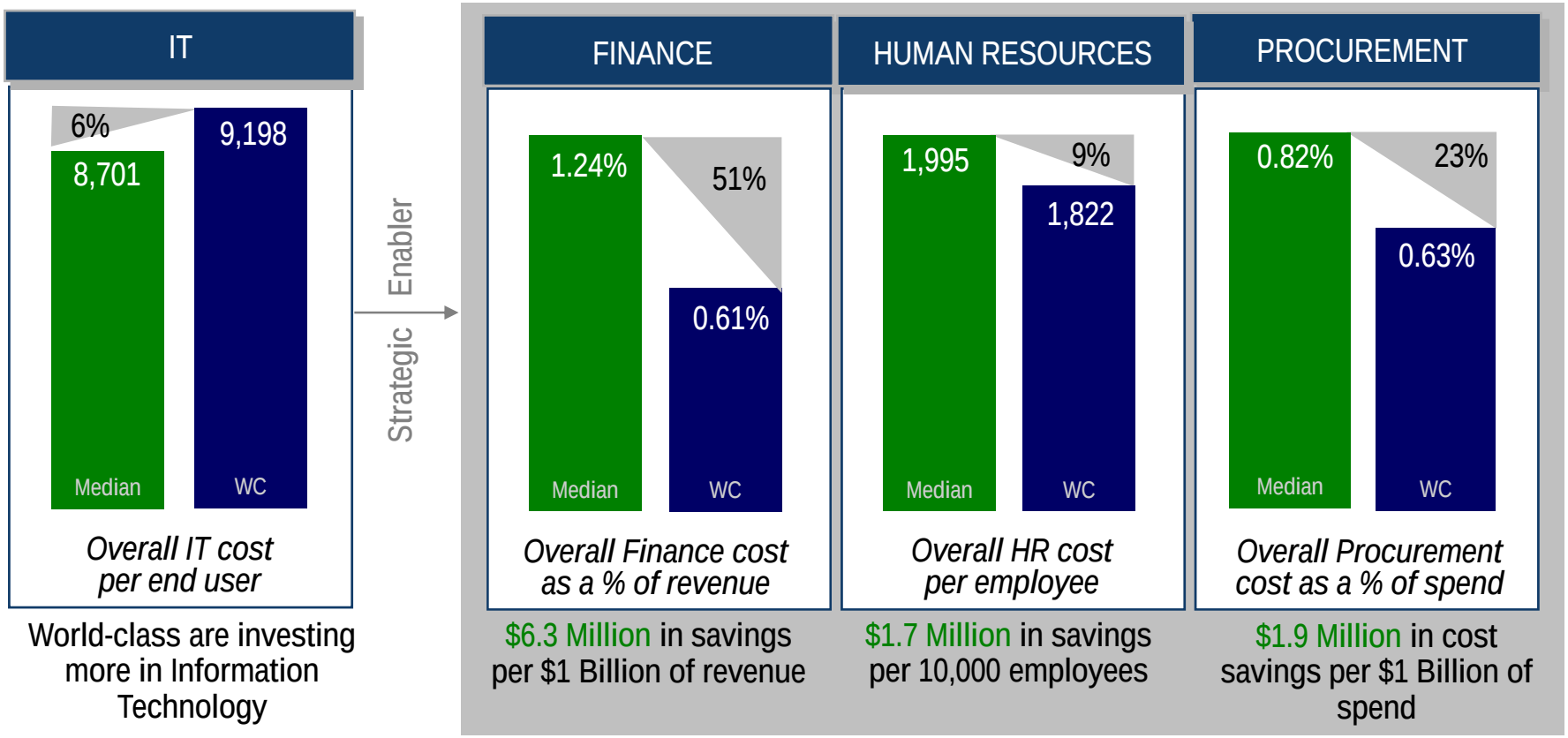




Comments	▪ Positioning by quartile on this chart is on a cost basis only. It does not take into account effectiveness of services provided. Your company's cost per end user result is provided in the left hand chart.

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

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



World-class are investing more in Information Technology

$6.3 Million in savings per $1 Billion of revenue

$1.7 Million in savings per 10,000 employees

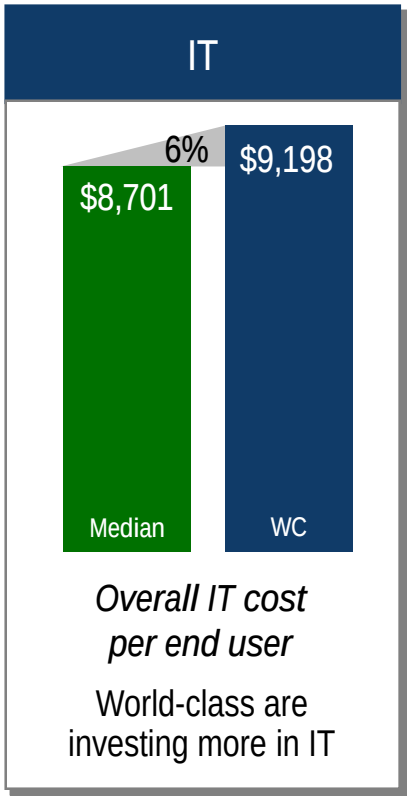
$1.9 Million in cost savings per $1 Billion of spend

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



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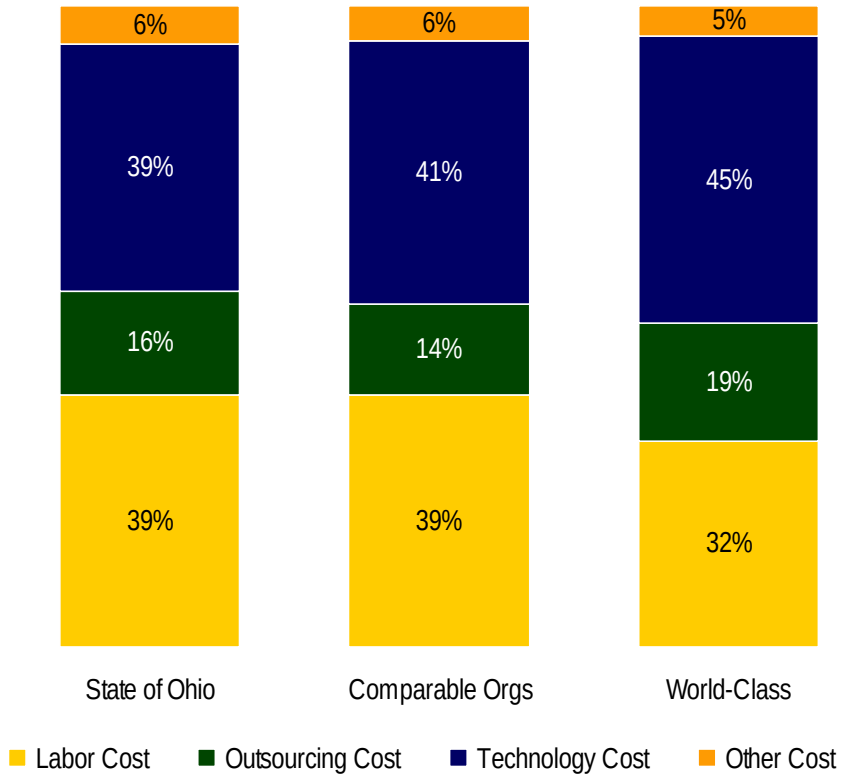
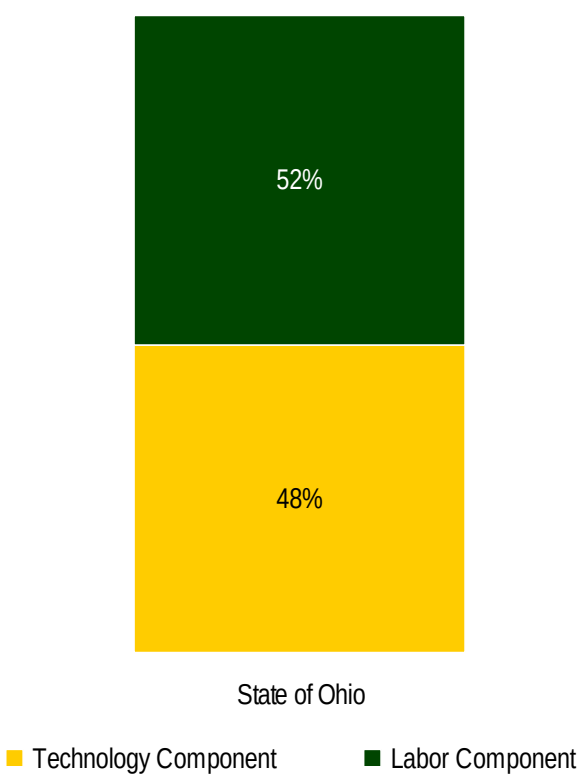
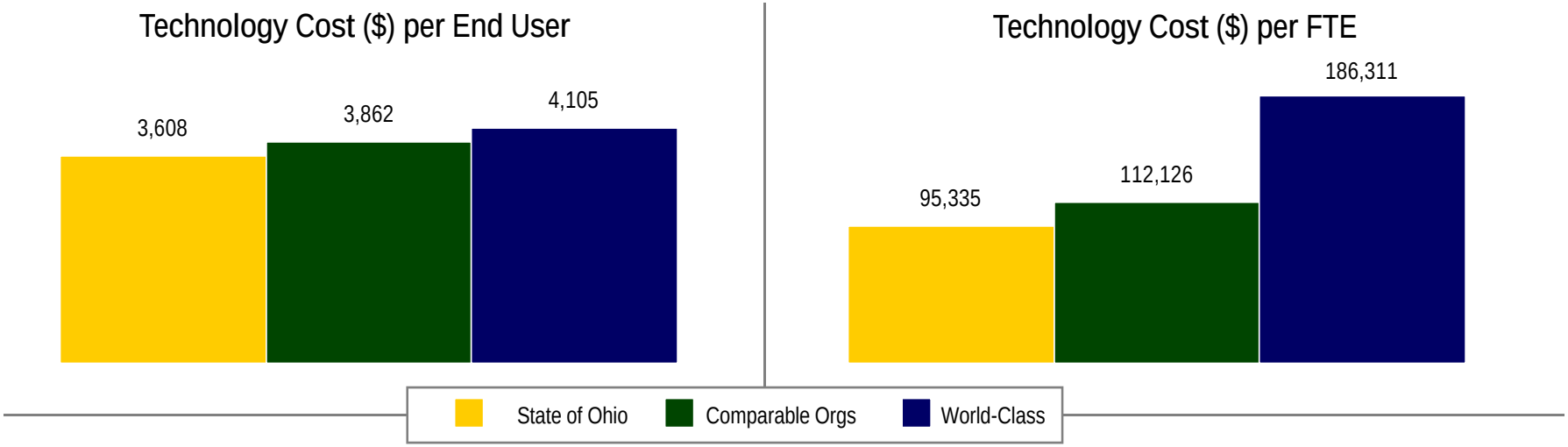
State of Ohio's Cost Distribution by Percentage





Technology Cost per End User and Technology Cost per FTE



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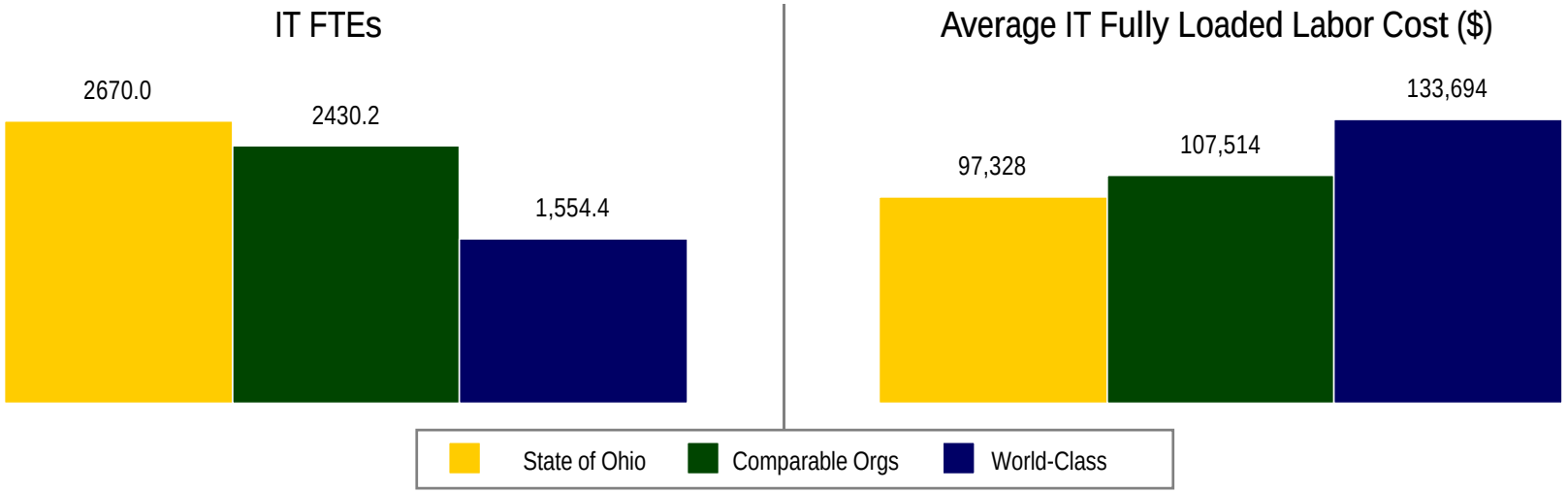
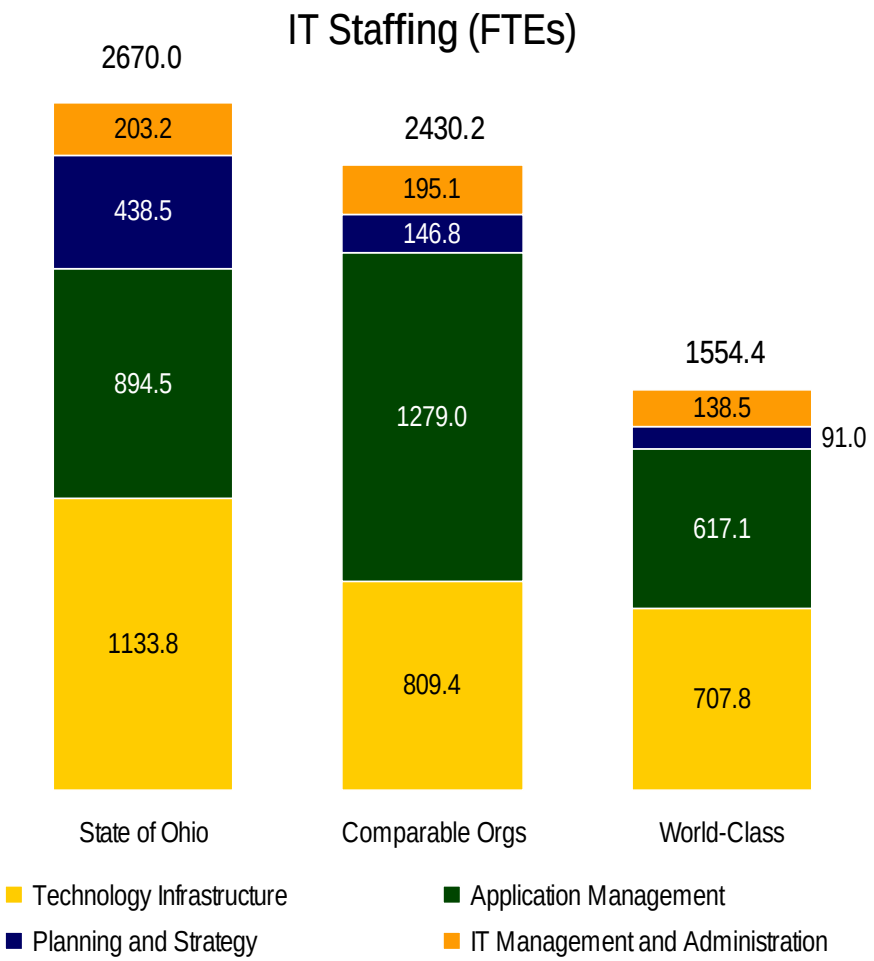
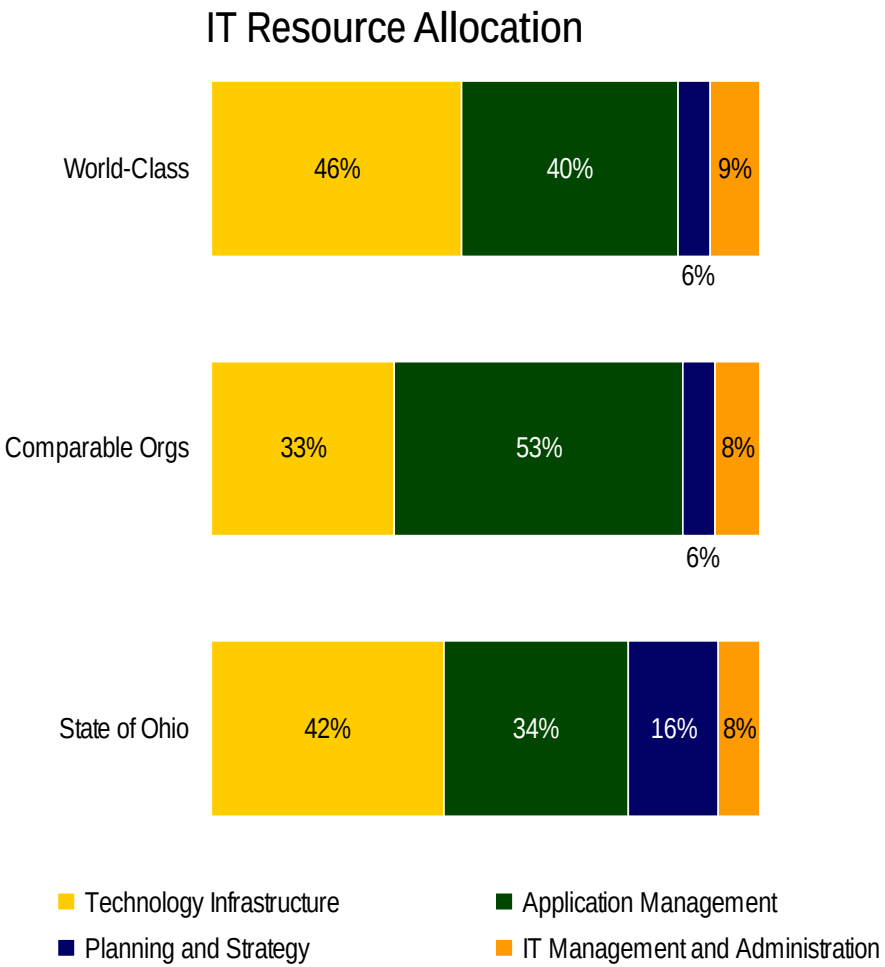
IT Staffing and Labor Rates

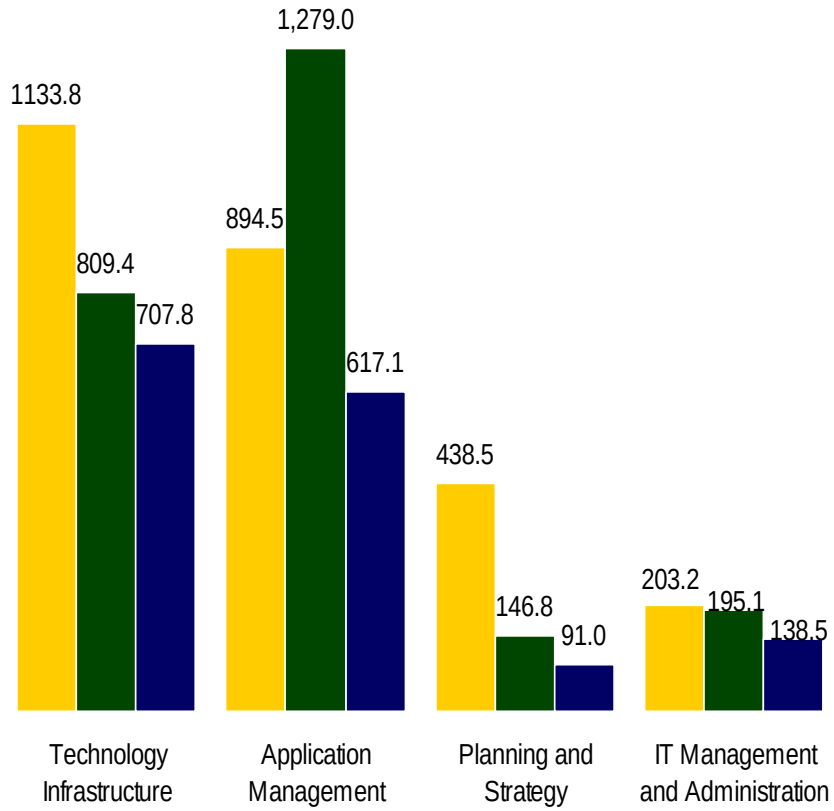


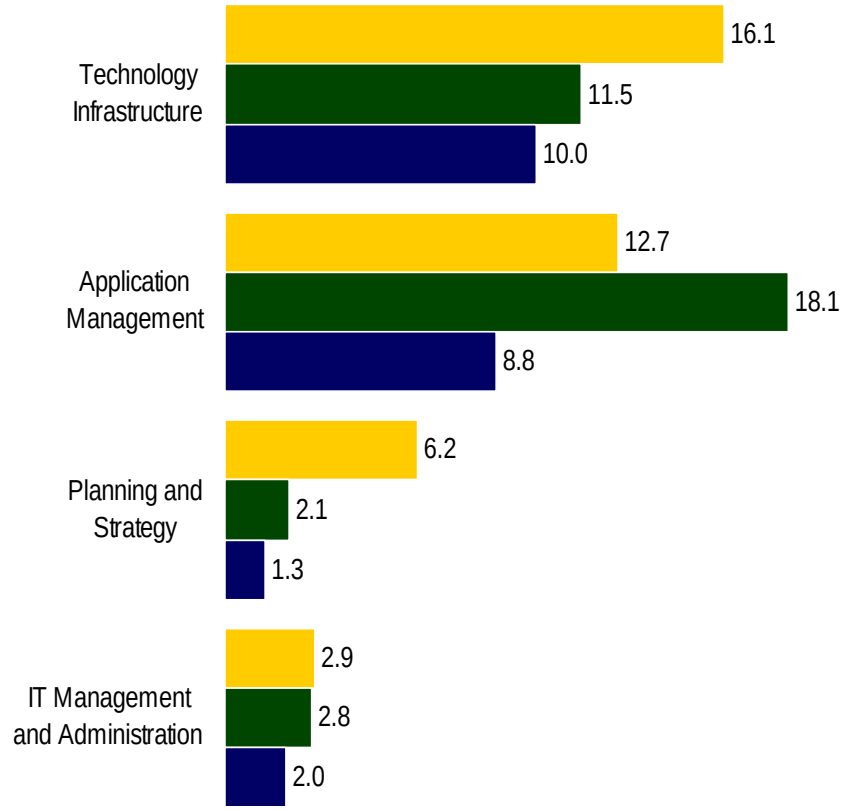
IT Overall Staffing and Resource Allocation





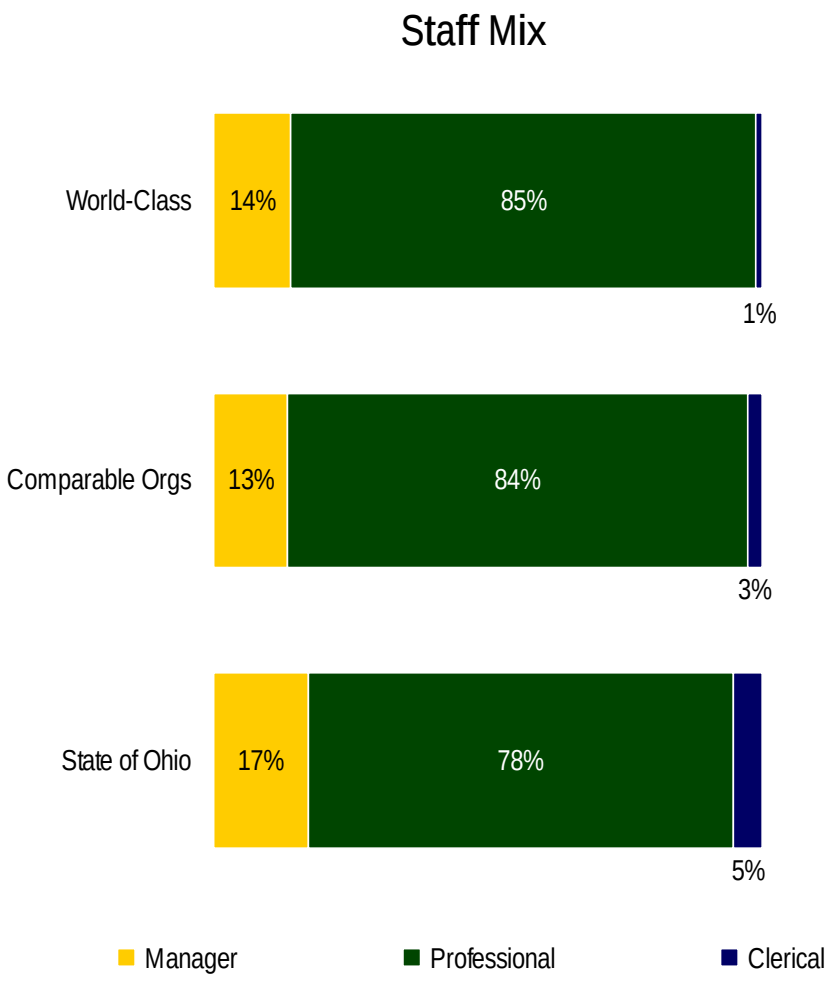
IT Staffing and Resource Allocation by Process

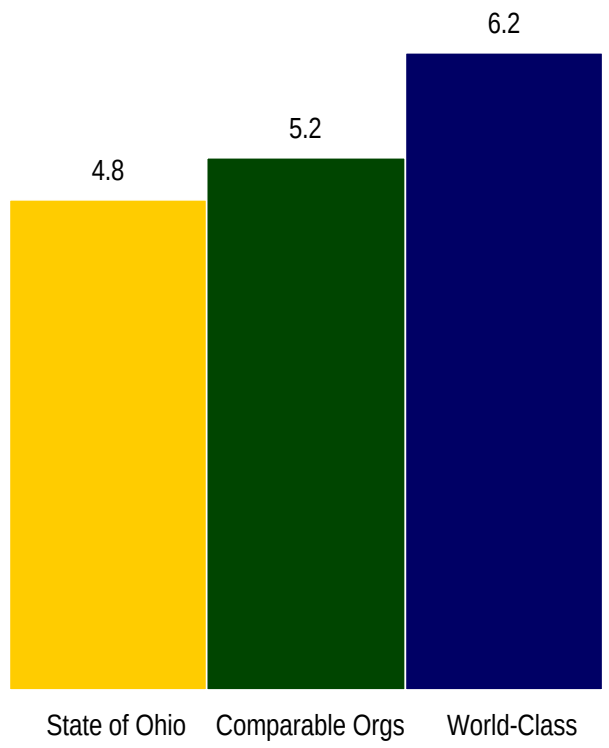




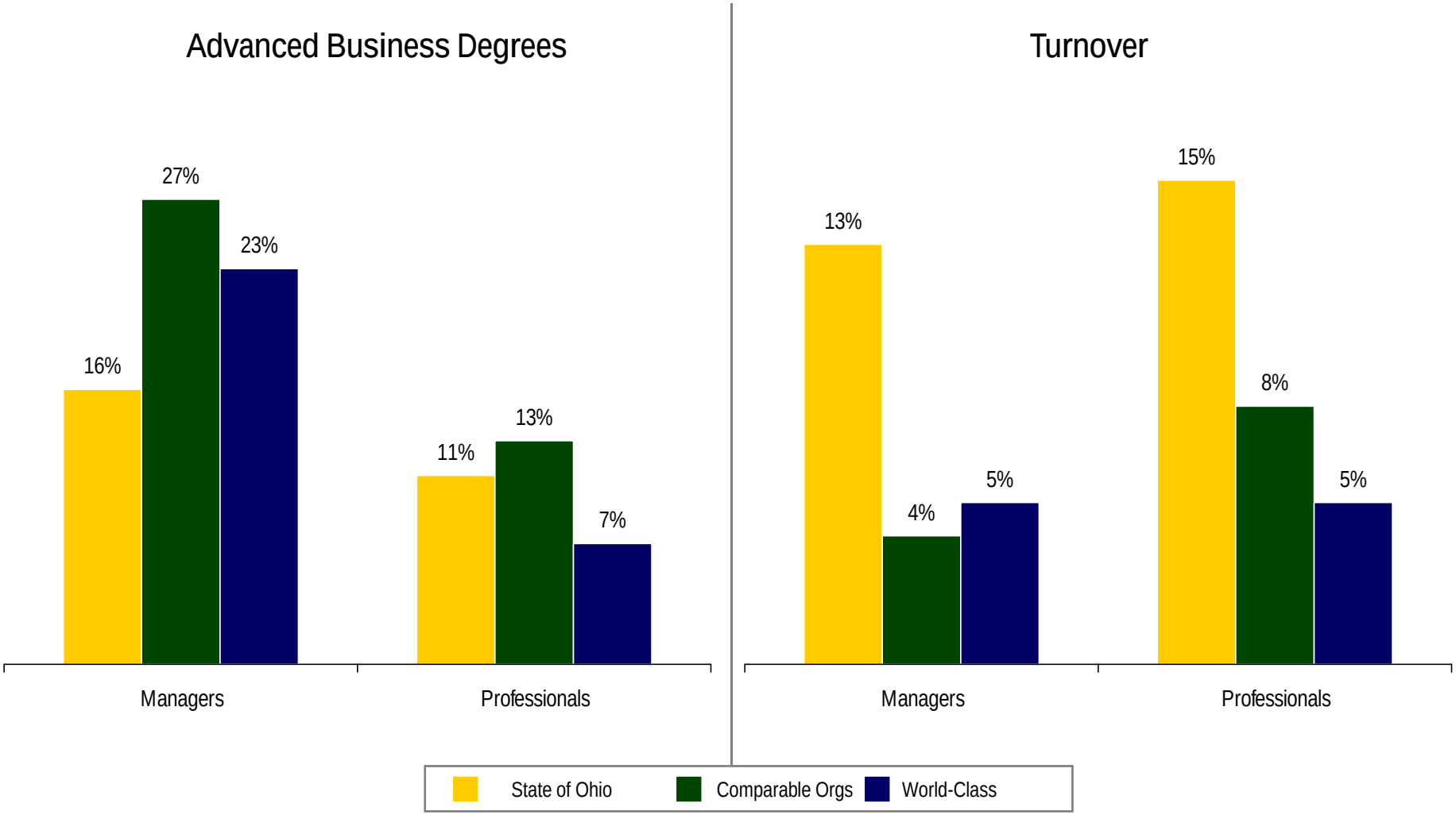
State of Ohio | Comparable Orgs | World-Class

Staff Mix and Span of Control

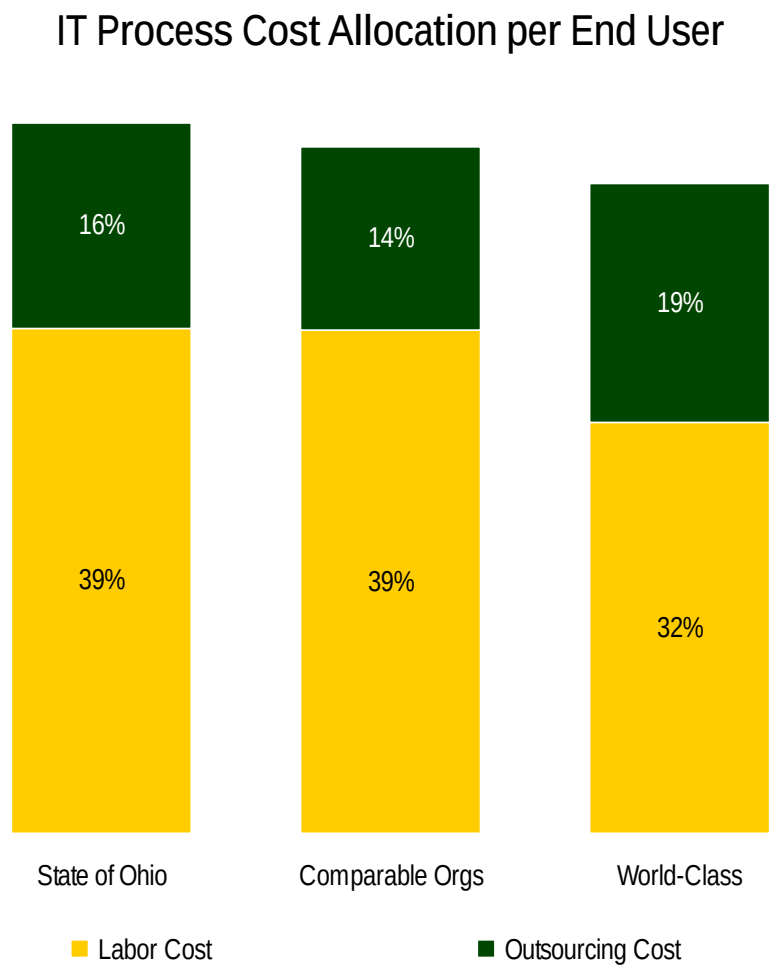


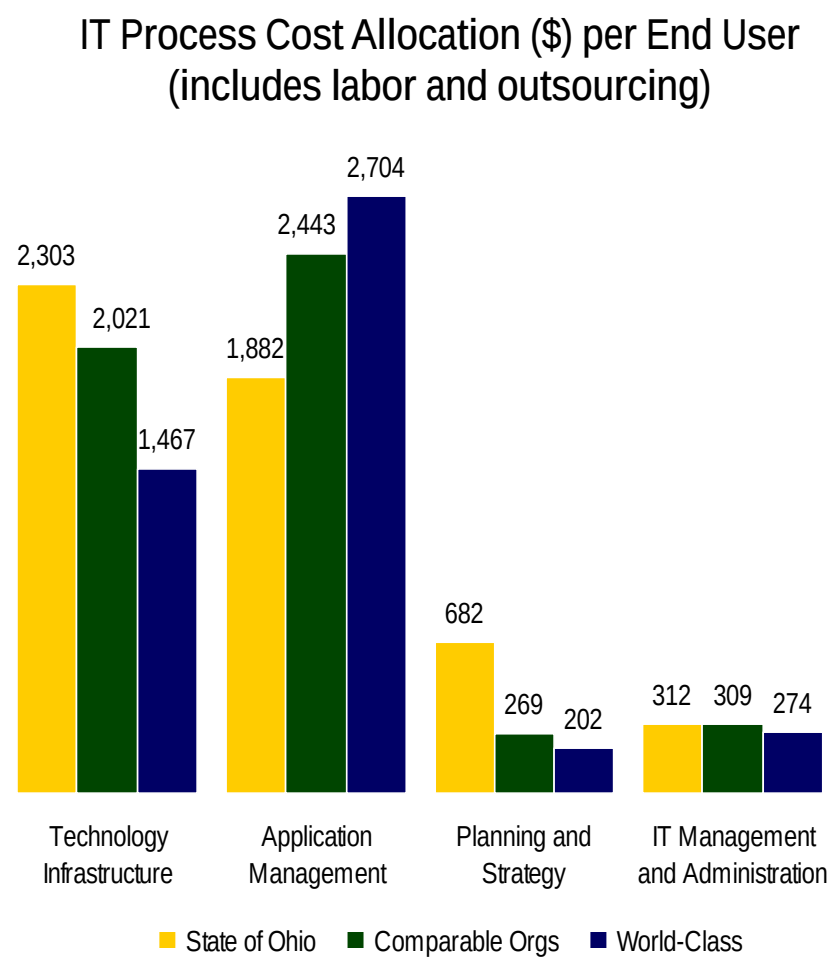


Formal Business Experience and Turnover of the IT Staff

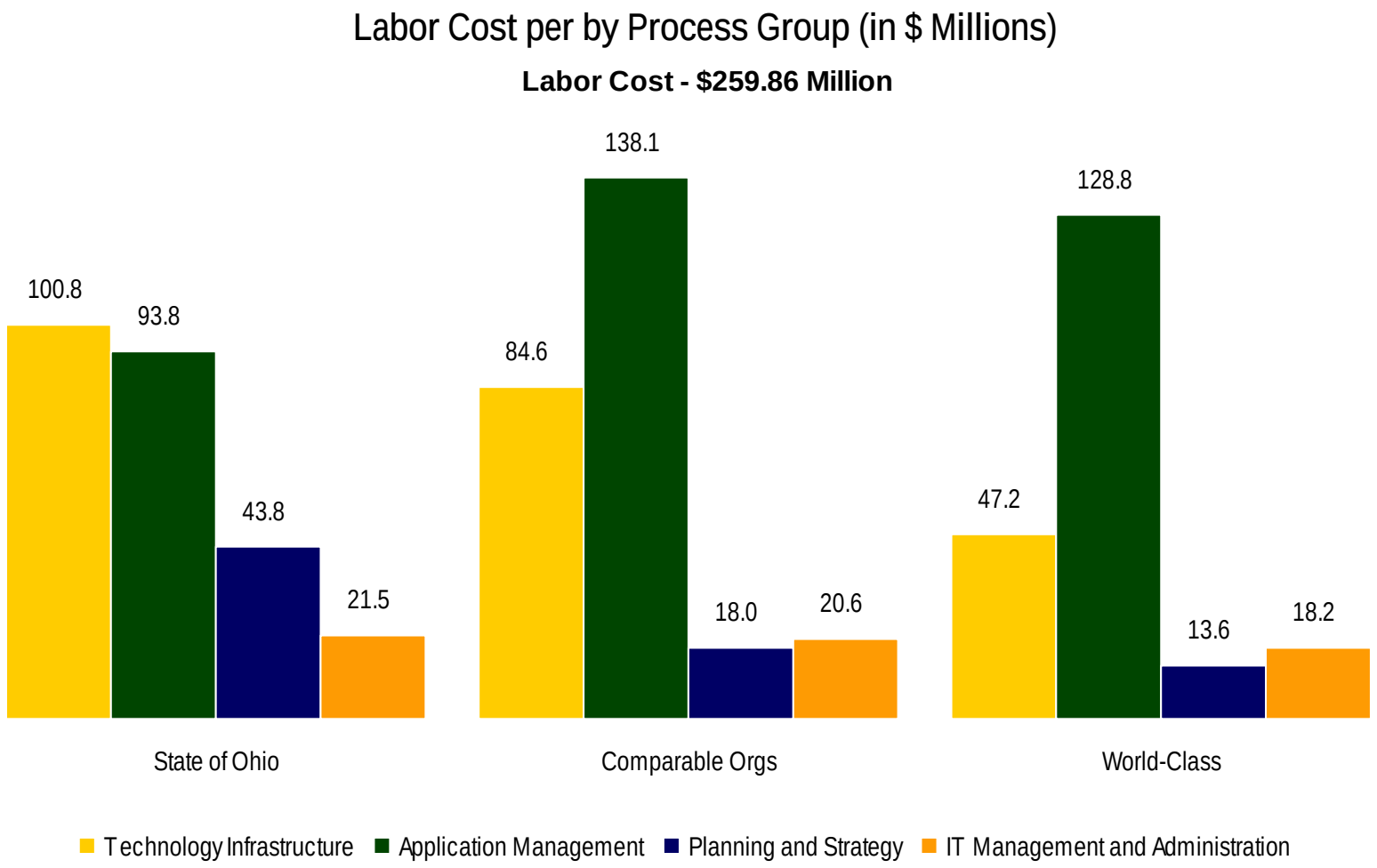


IT Total Cost Allocation and Process Cost Allocation per End User

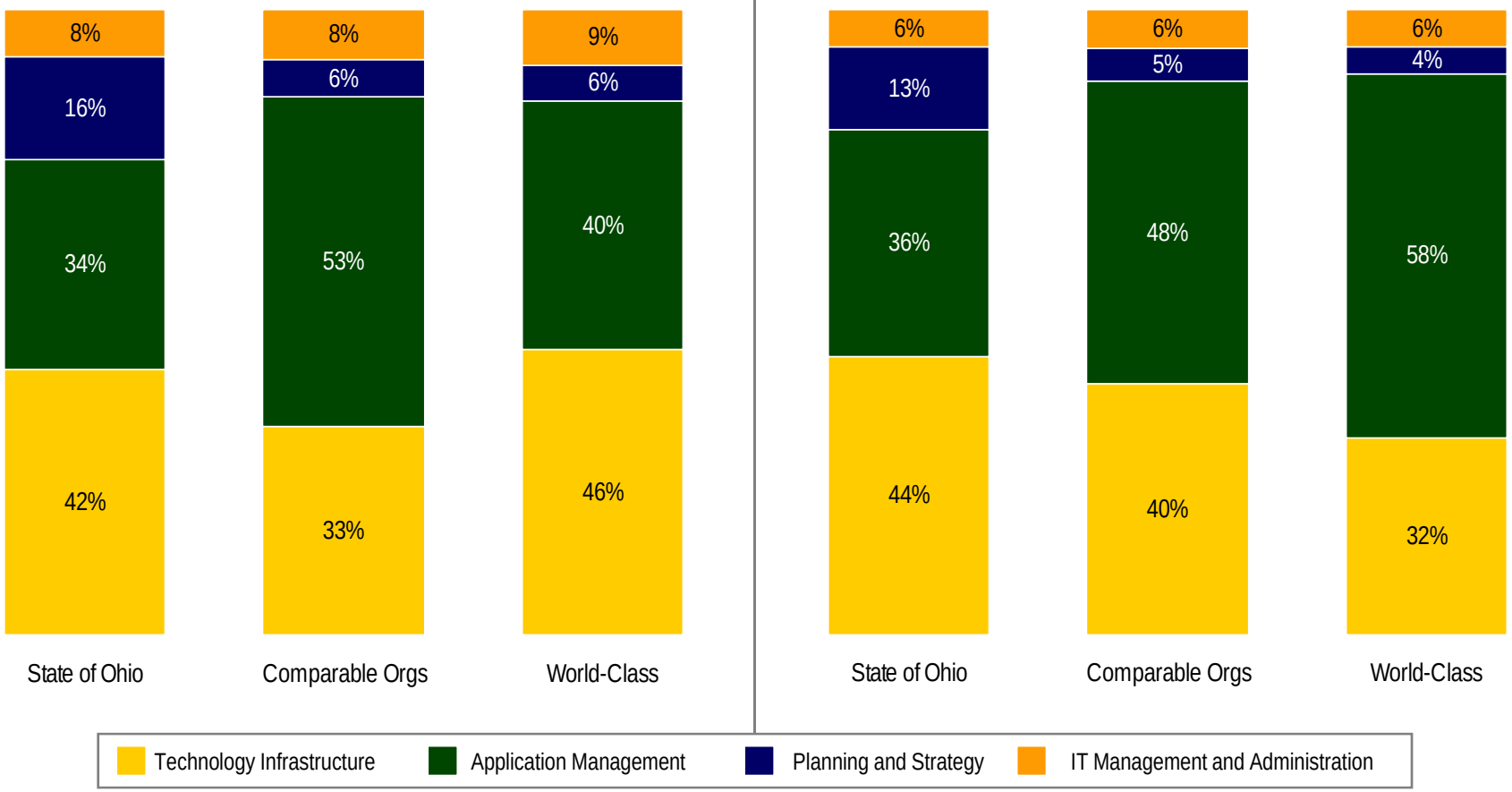




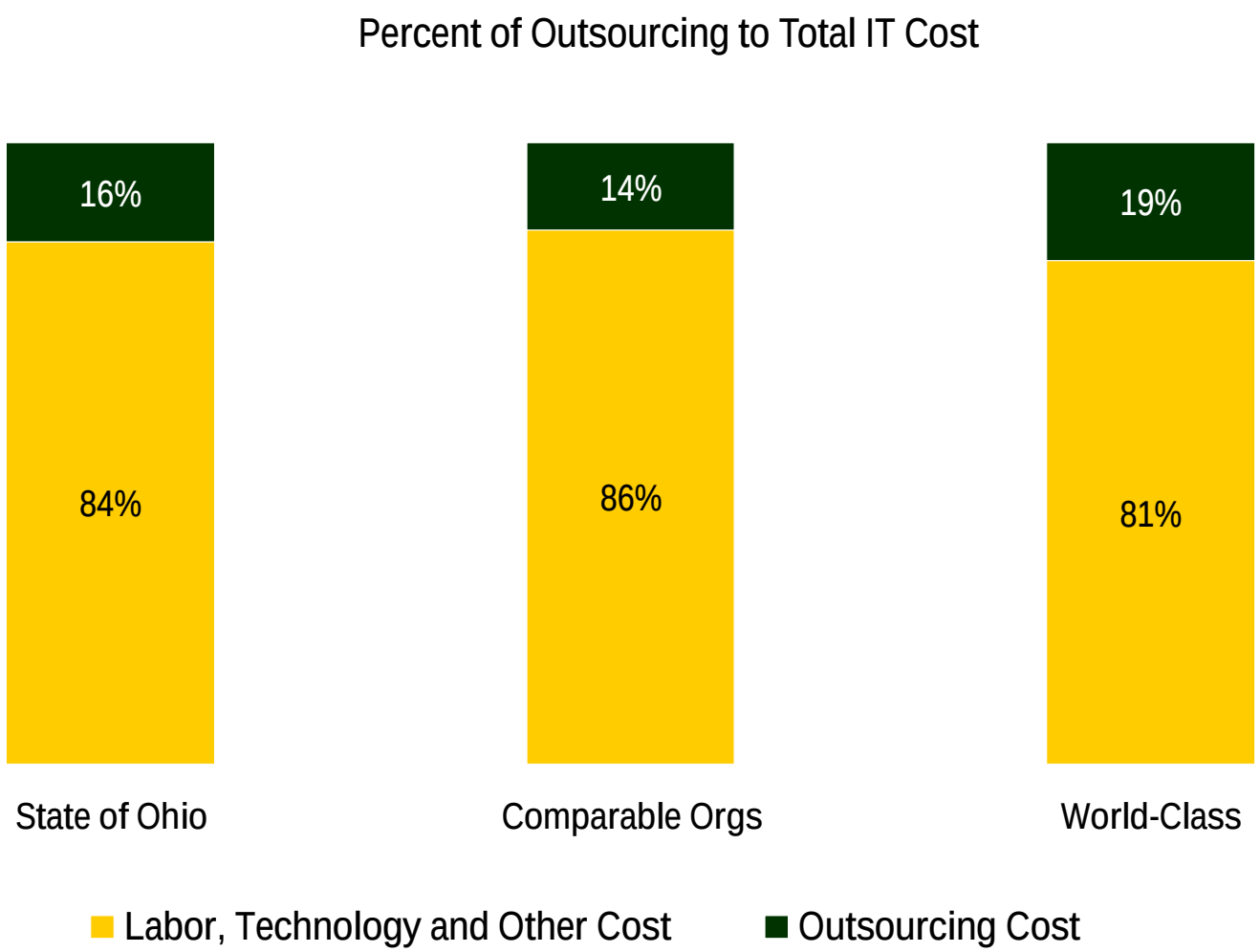
State of Ohio's Labor Cost by Process Group



IT Staffing Allocation in Relation to Process Cost Allocation

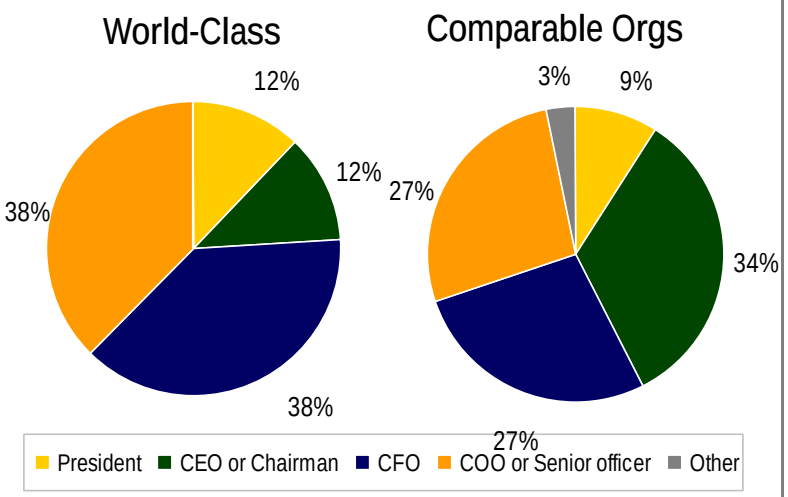


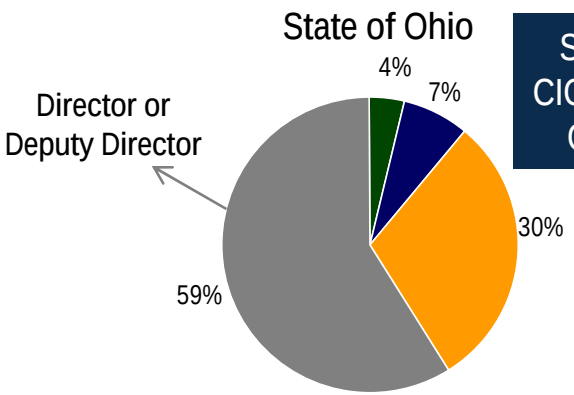
Percentage of Outsourcing to Total IT Cost



Reporting, Executive Committee Participation and Budgetary Control

Reporting Channel of Senior IT Leader

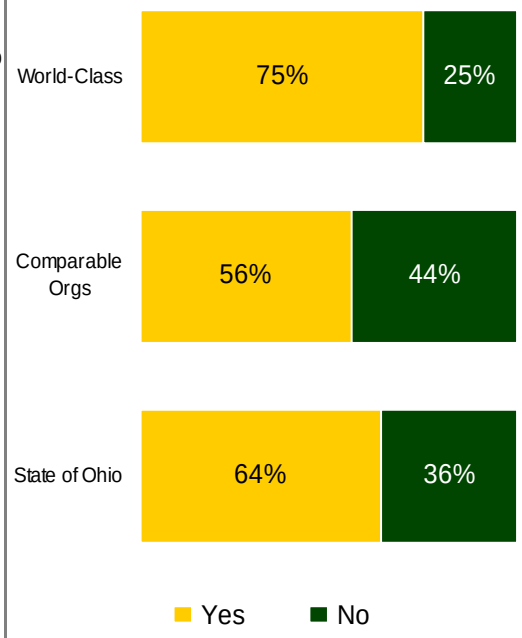




State-wide CIO reports to Governor

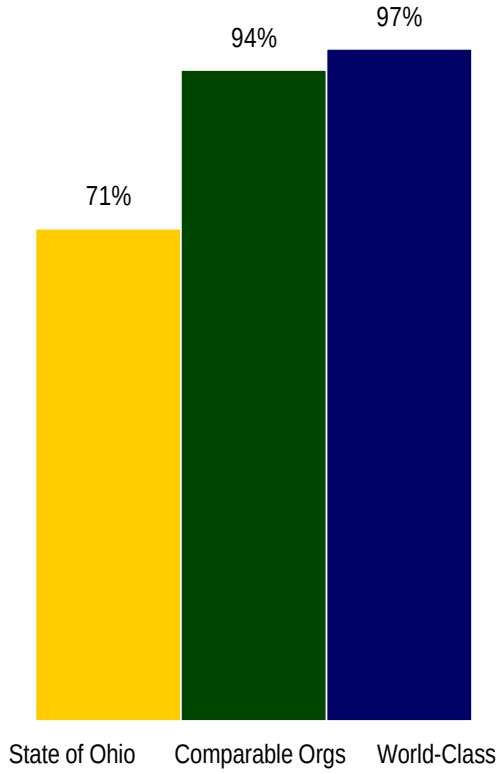
Best Practice - Sr. IT Lead reports to CEO

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



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

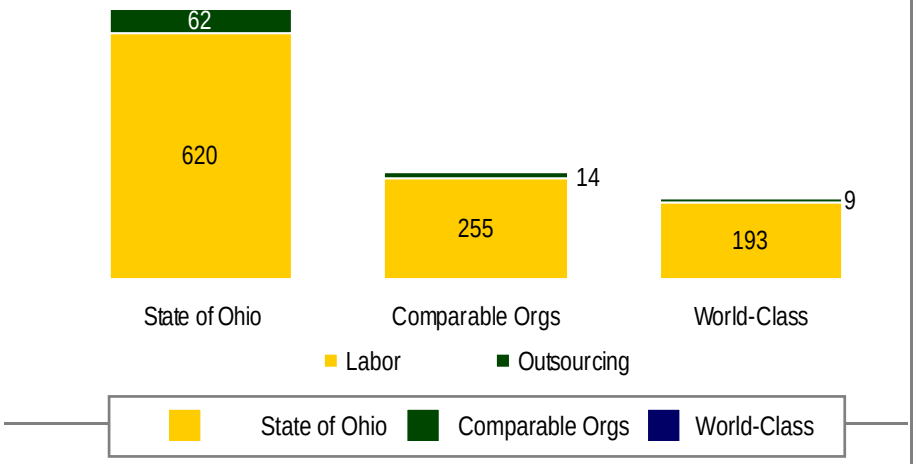
% of Total IT Budget Controlled by IT Executive



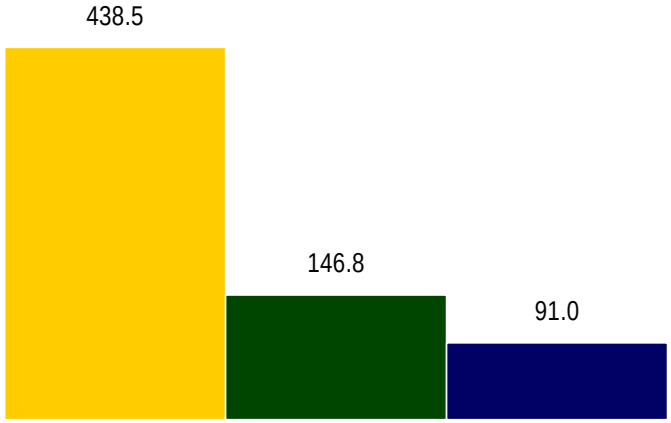
Best Practice - IT controls 100% of the budget

Planning & Strategy FTEs and Costs

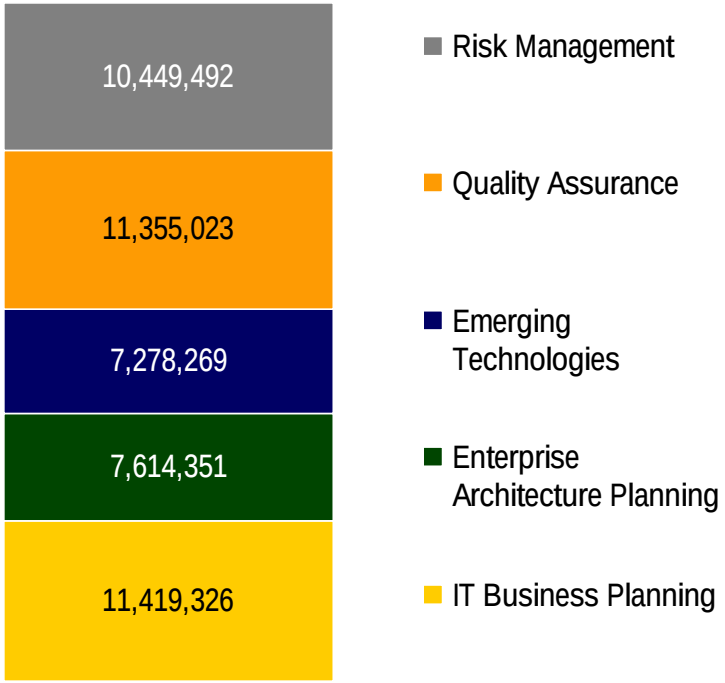
Planning & Strategy Process Cost ($) per End User



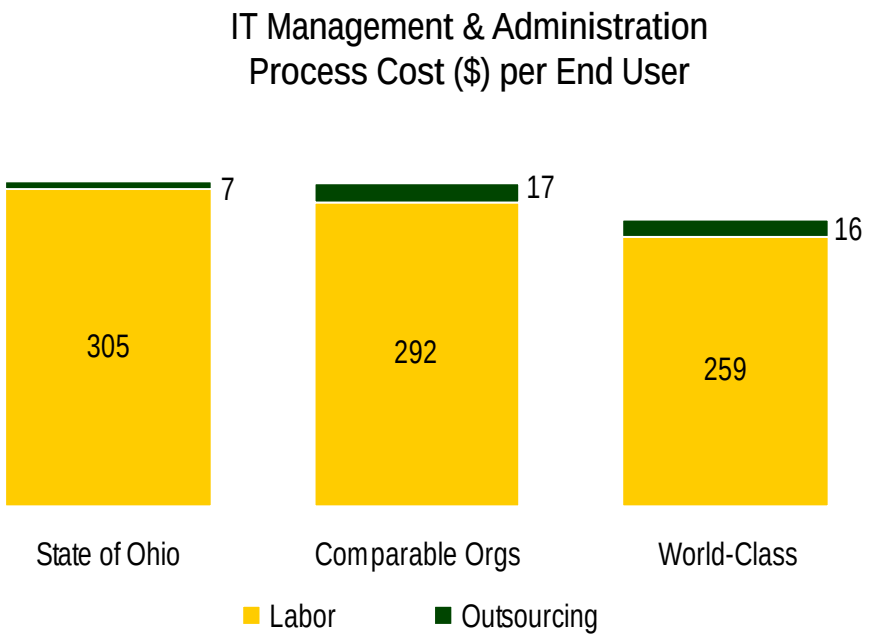
Planning & Strategy FTEs

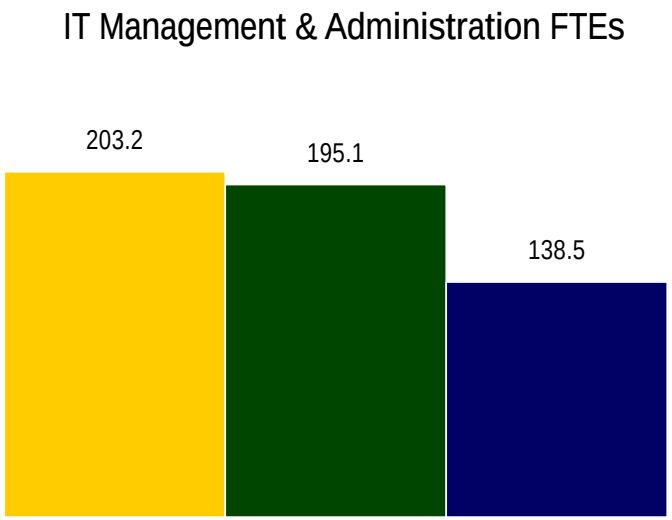


State of Ohio's Planning & Strategy Process Cost ($) by Process Group



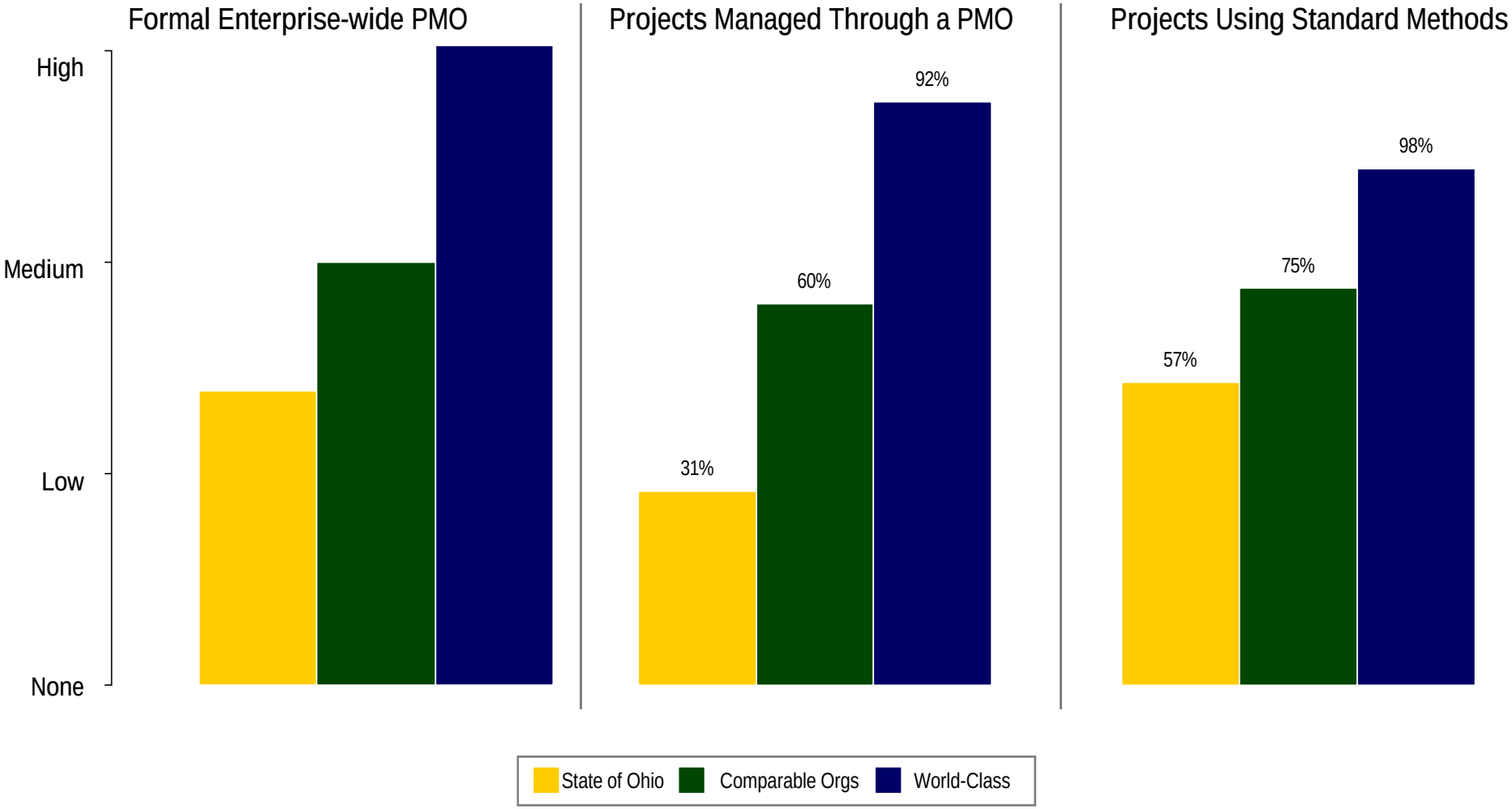
IT Management & Administration FTEs and Cost





State of Ohio | Comparable Orgs | World-Class

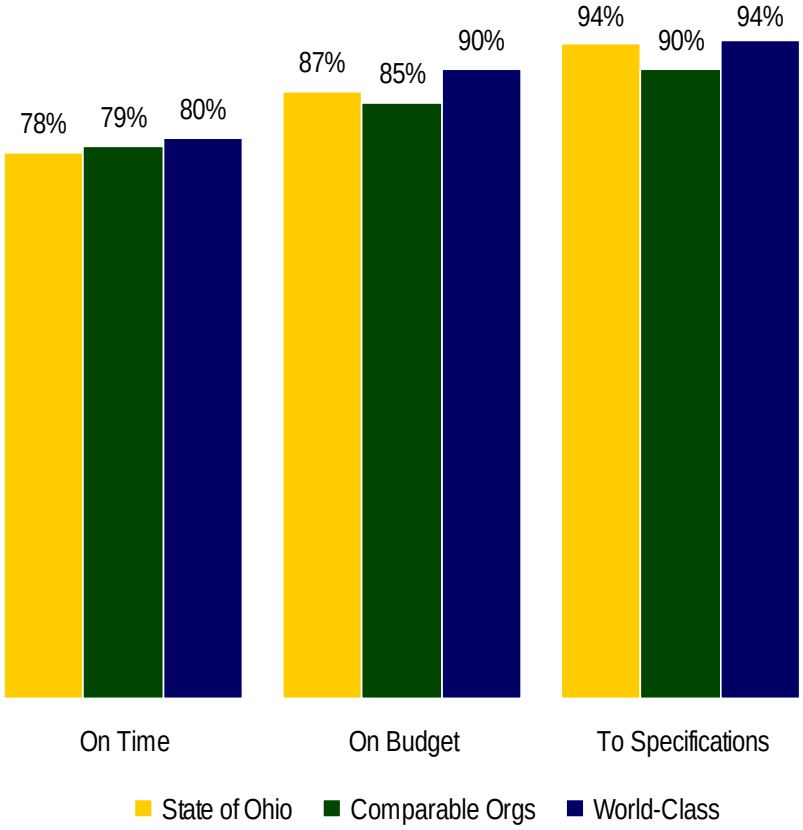
Use of Formal PMO and Standard Methods for Projects



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

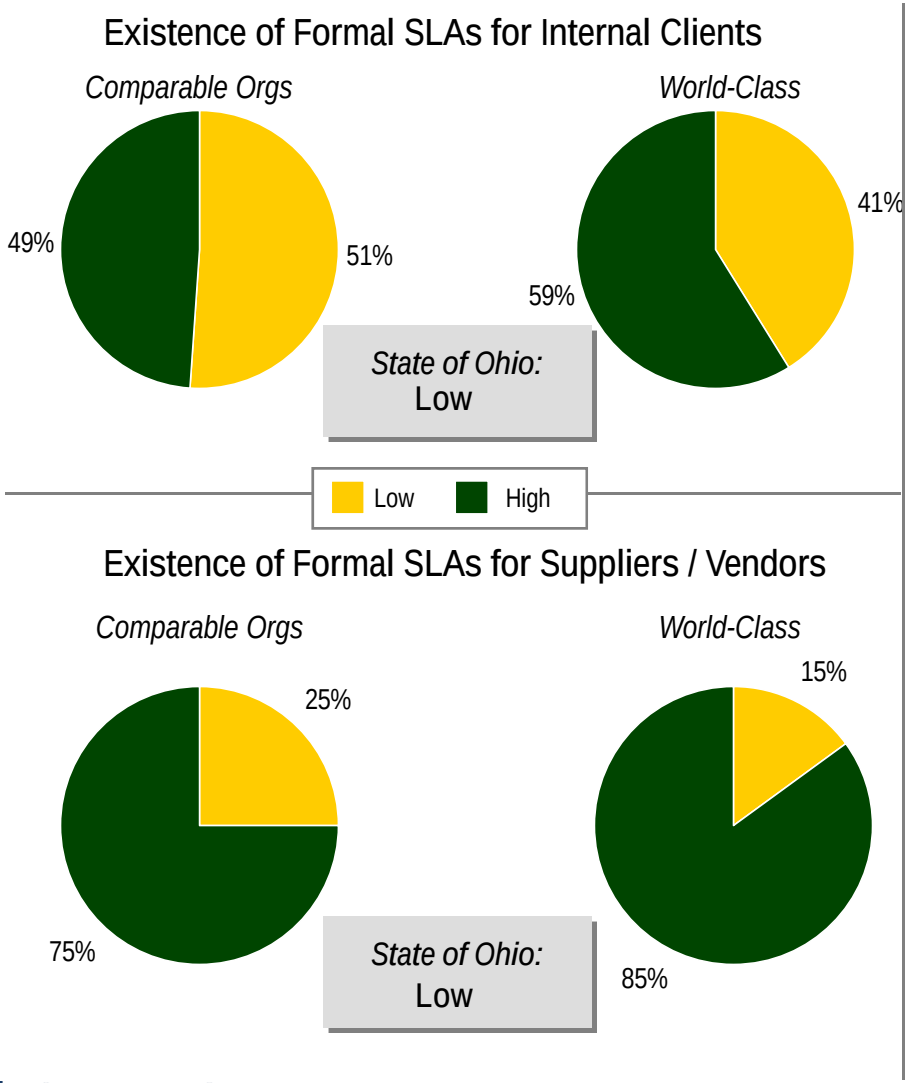
	State of Ohio
What percent of projects deliver anticipated benefits?	92%
What percent of development projects have formal business cases / CB analysis?	53%
What percent of IT projects were managed by the PMO?	31%

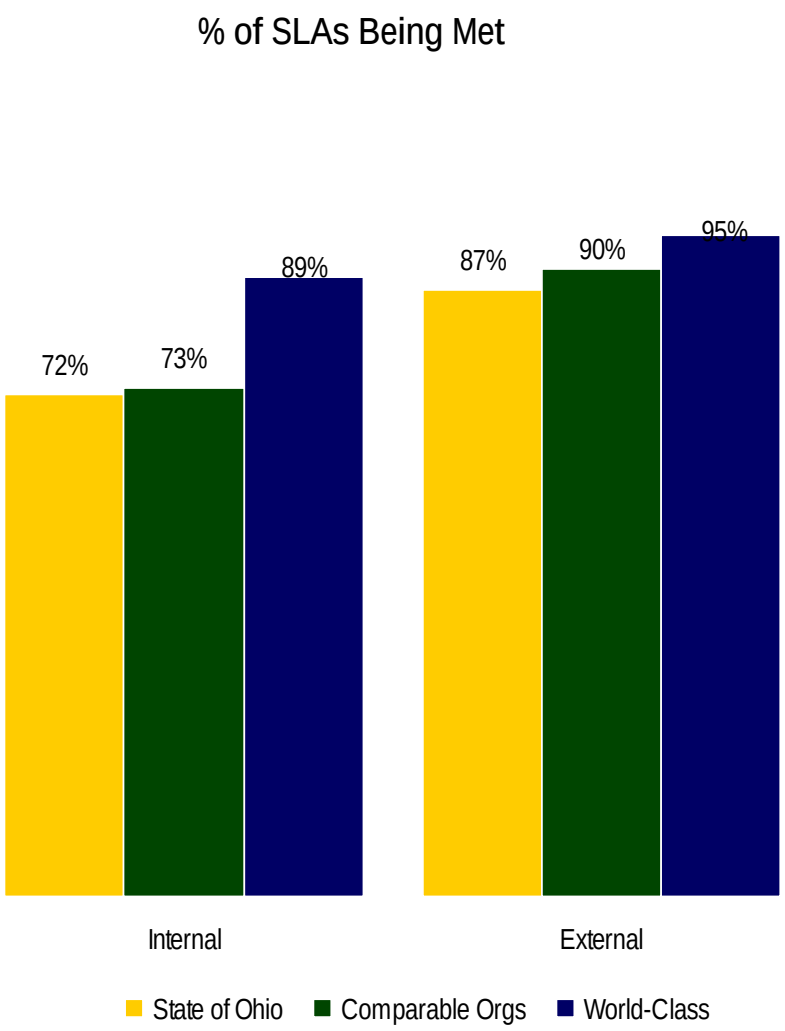
Percentage Allocation Relative to ROI for the Completed Projects

	State of Ohio
Meeting ROI	32%
Missing ROI	3%

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

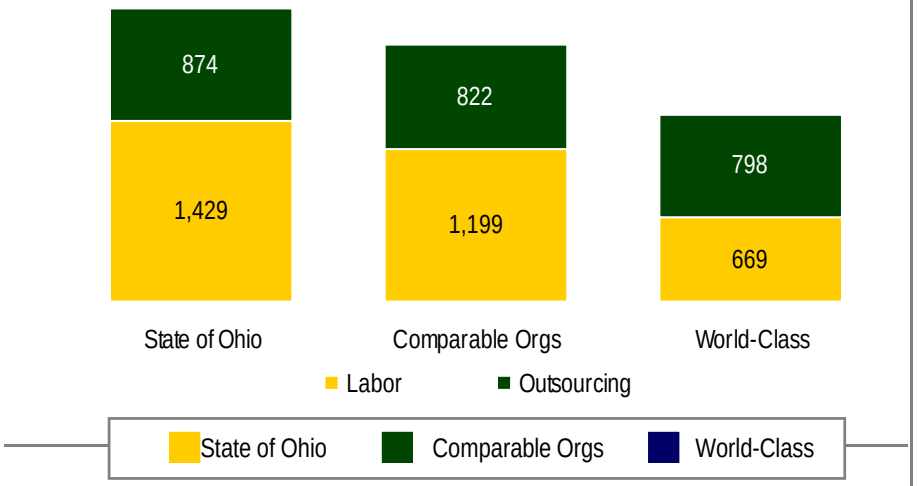
Use of Service Level Agreements for Internal and External Clients



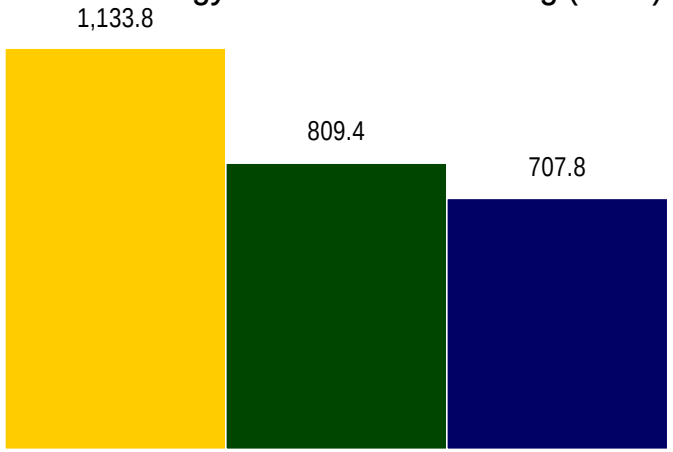


Technology Infrastructure FTEs and Costs

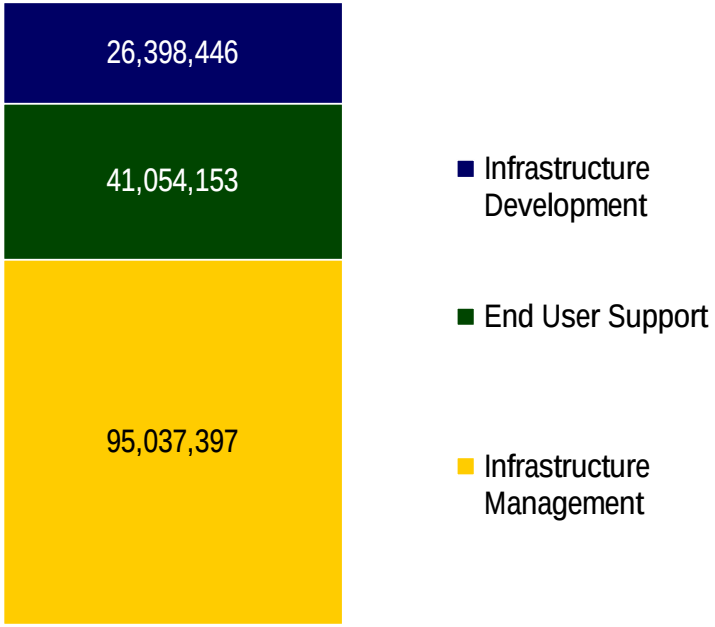
Technology Infrastructure Process Cost ($) per End User



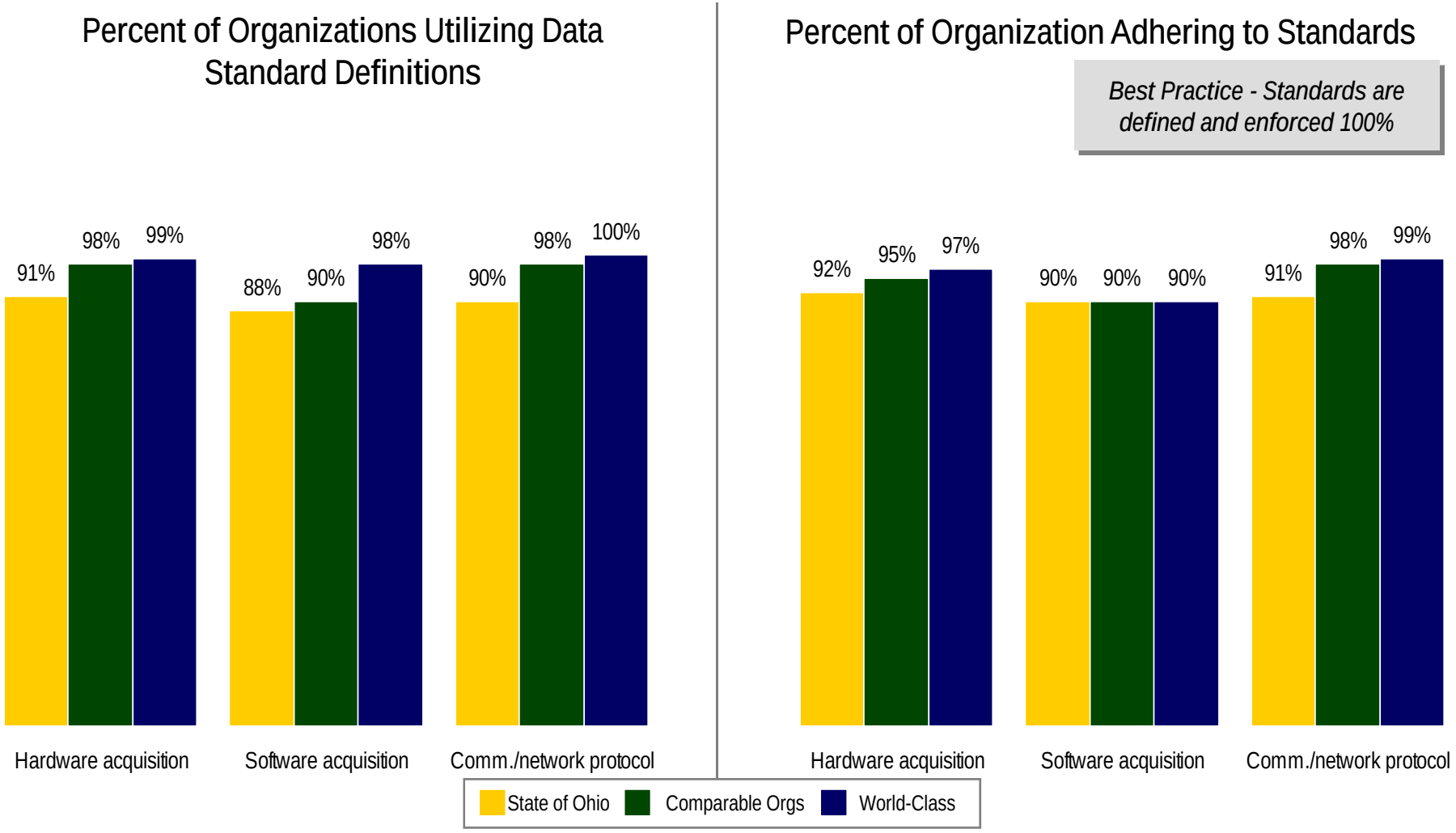
Technology Infrastructure Staffing (FTEs)



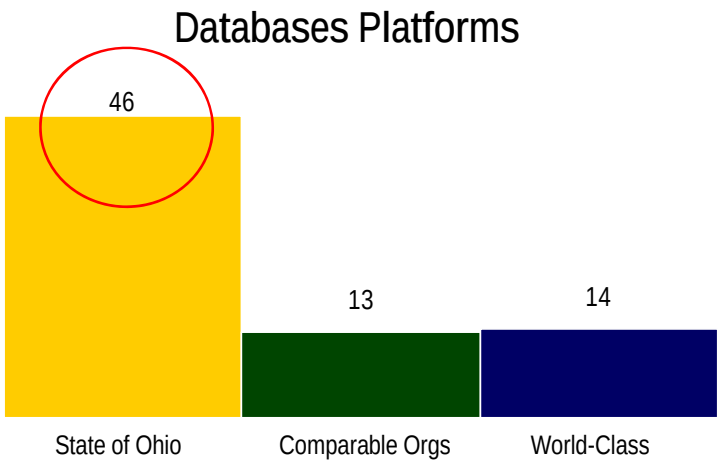
State of Ohio's Technology Infrastructure Process Cost ($) by Process Group



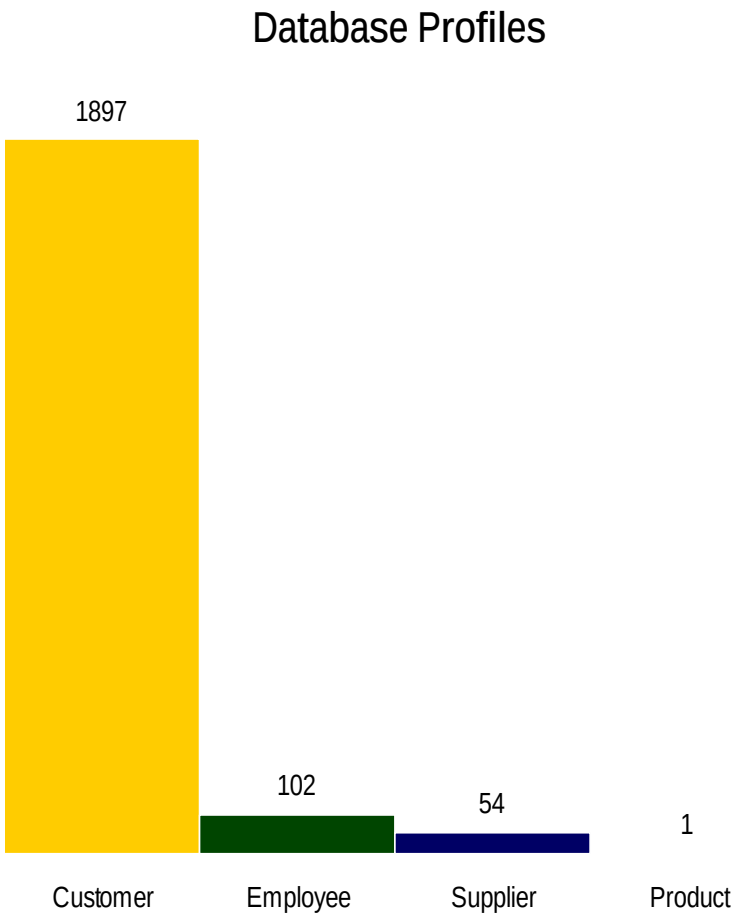
Use of Standard Definitions and Adherence to Standards



Database Platforms

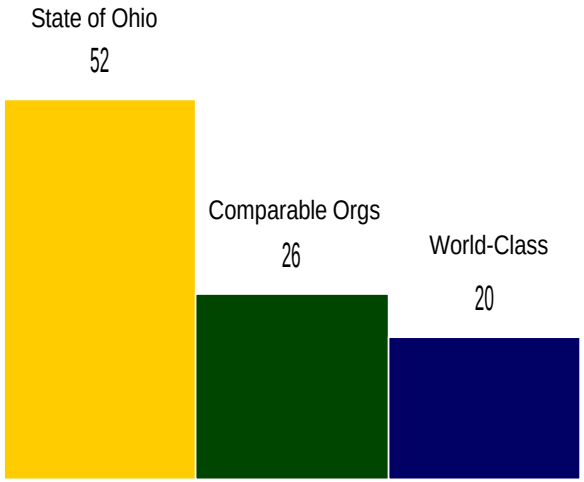


Primary Database Platform	Microsoft - SQL Server
% of Business Applications using Primary Database	74%
# of Databases supporting core Business Applications	82
# of Databases supporting Open source	5

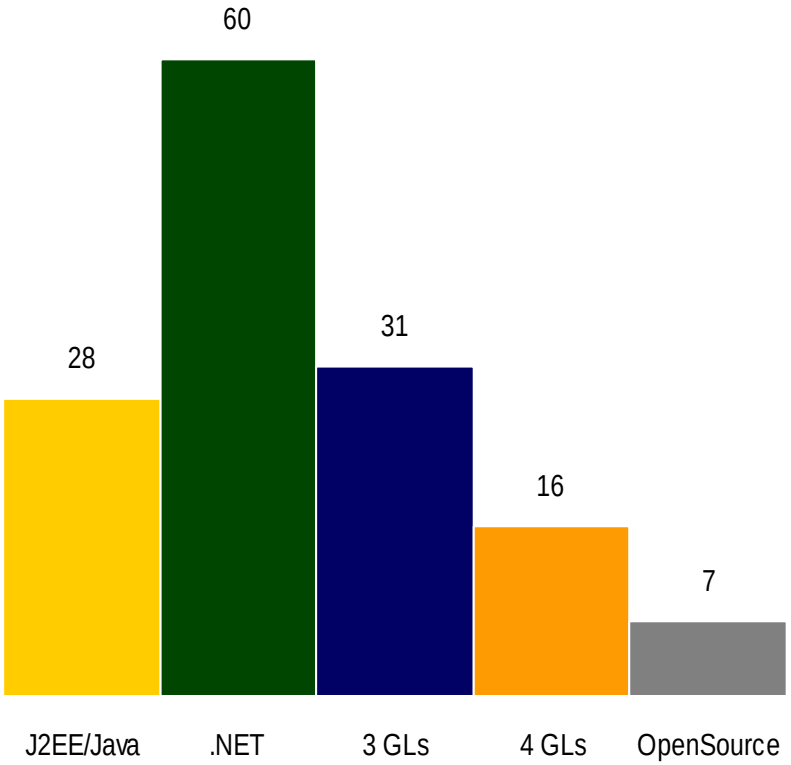


Programming Languages

Programming Languages



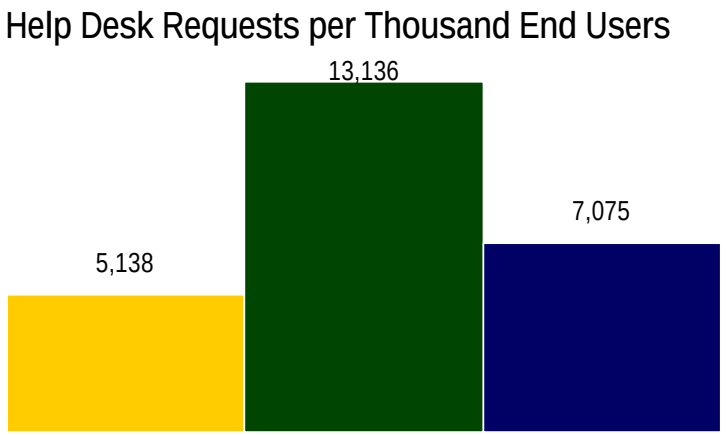
Development Platforms Being Supported

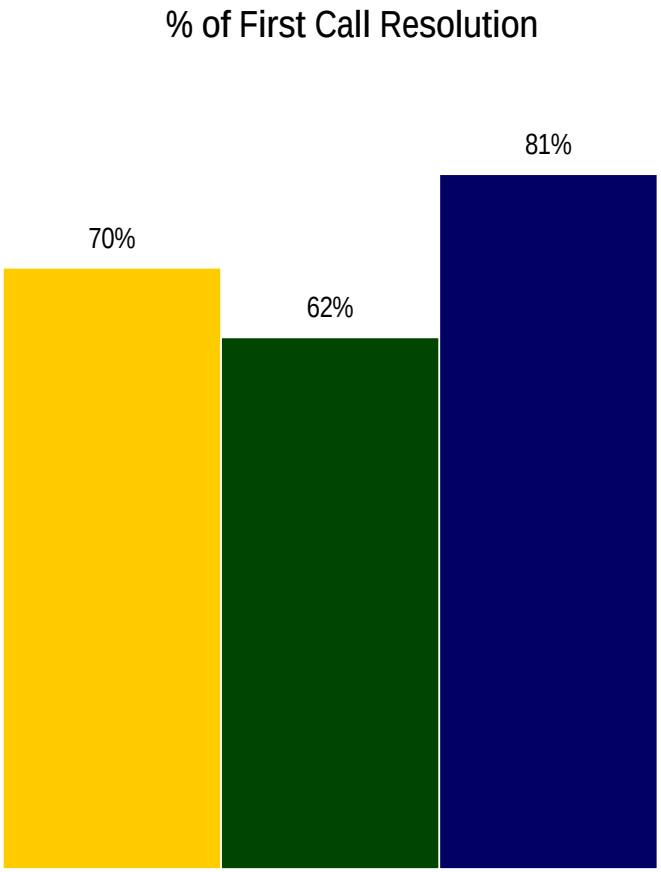


142 Development Platforms Being Supported

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



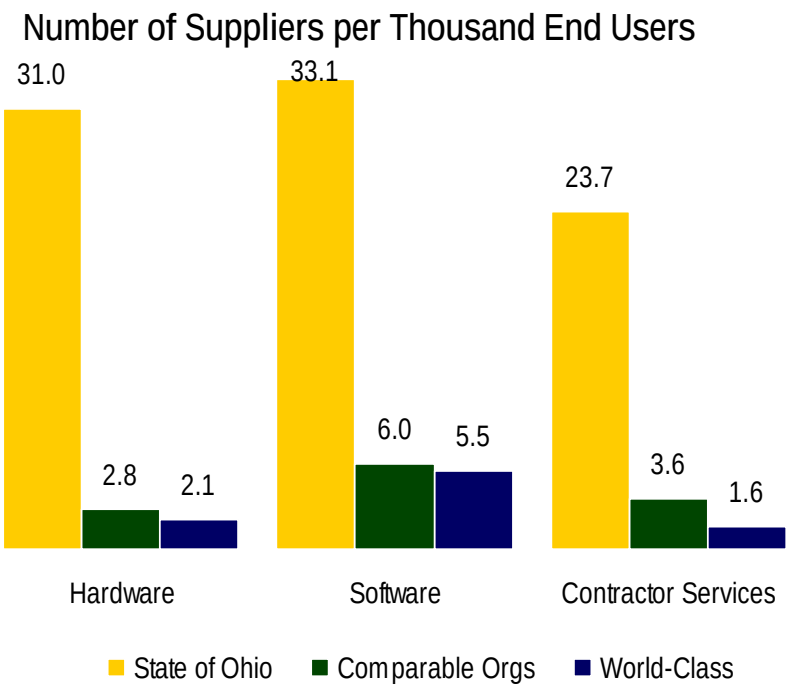


State of Ohio | Comparable Orgs | World-Class

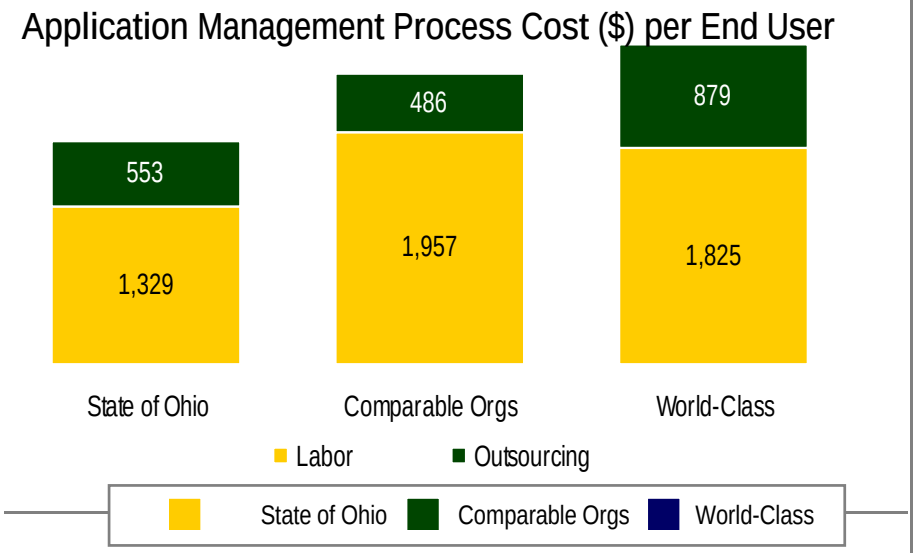
State of Ohio's Help Desk Profile, End User Training Spend and Number of Suppliers

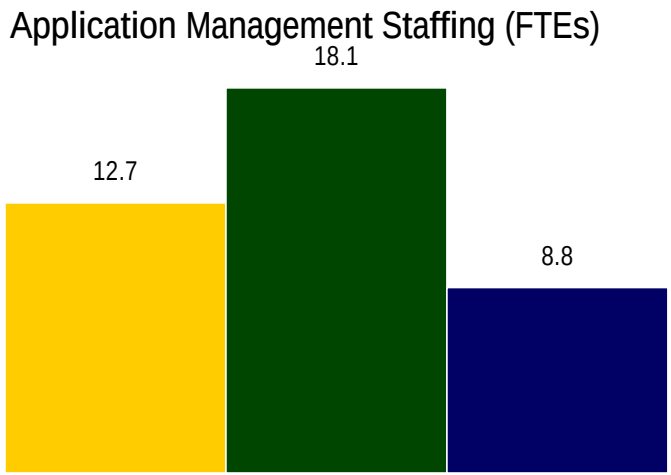
State of Ohio	
How is your help desk organized	Centralized
What is the help desk's primary objective	Issue ticket-queue follow up
Target % for first call resolution	75
Average length of call – resolved in first contact (minutes)	230
Target average length of a call that's resolved on first contact (minutes)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

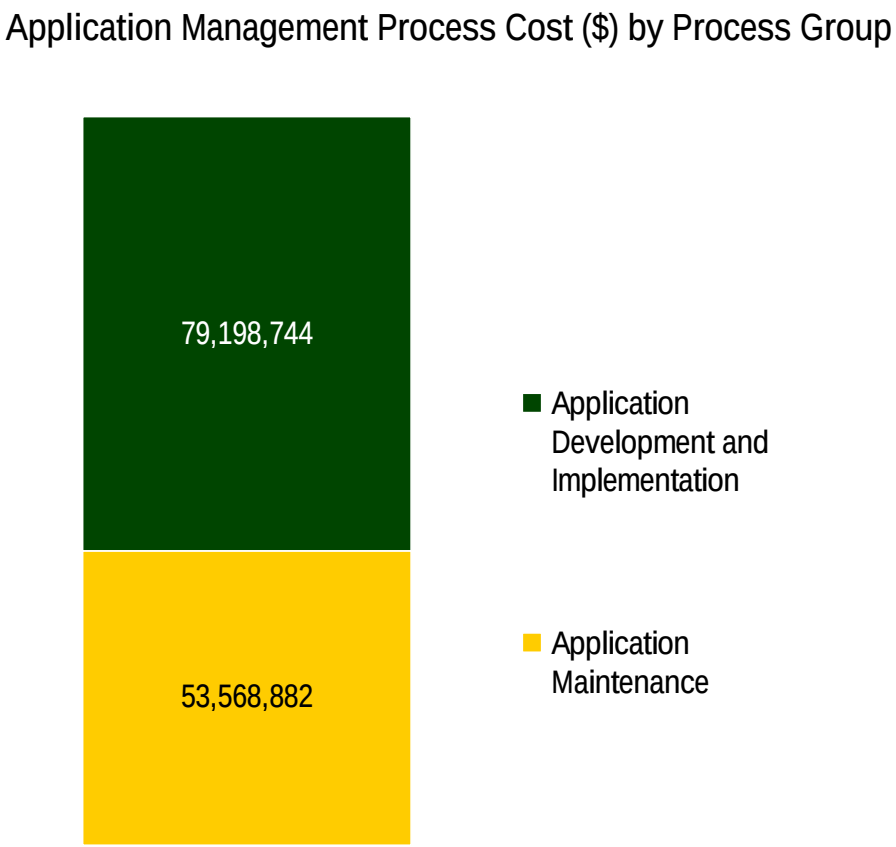
End user training spend	
Expense	800,823
Capitalized	-



Application Management FTEs and Costs

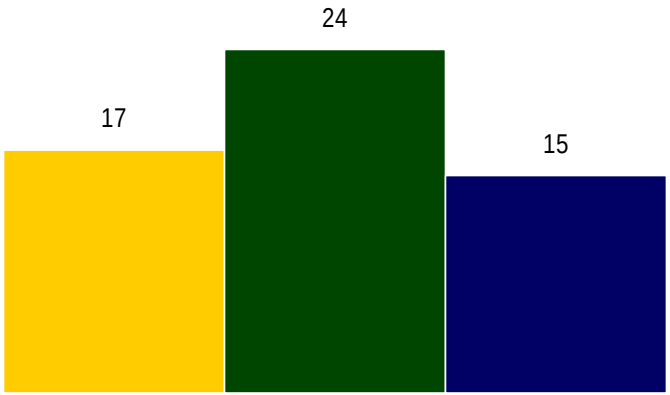






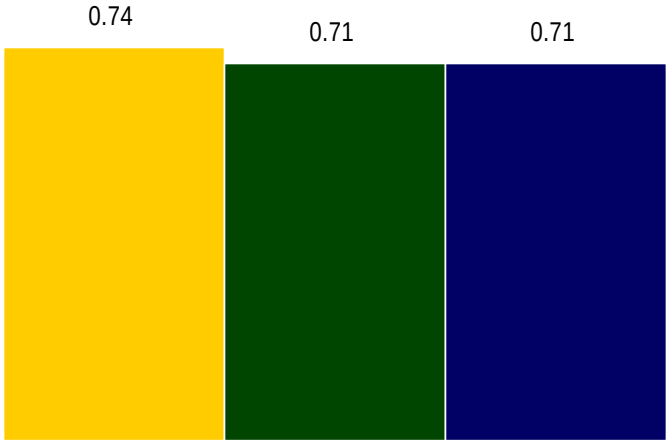
Application Management Metrics

Number of Applications Supported per 1,000 End Users

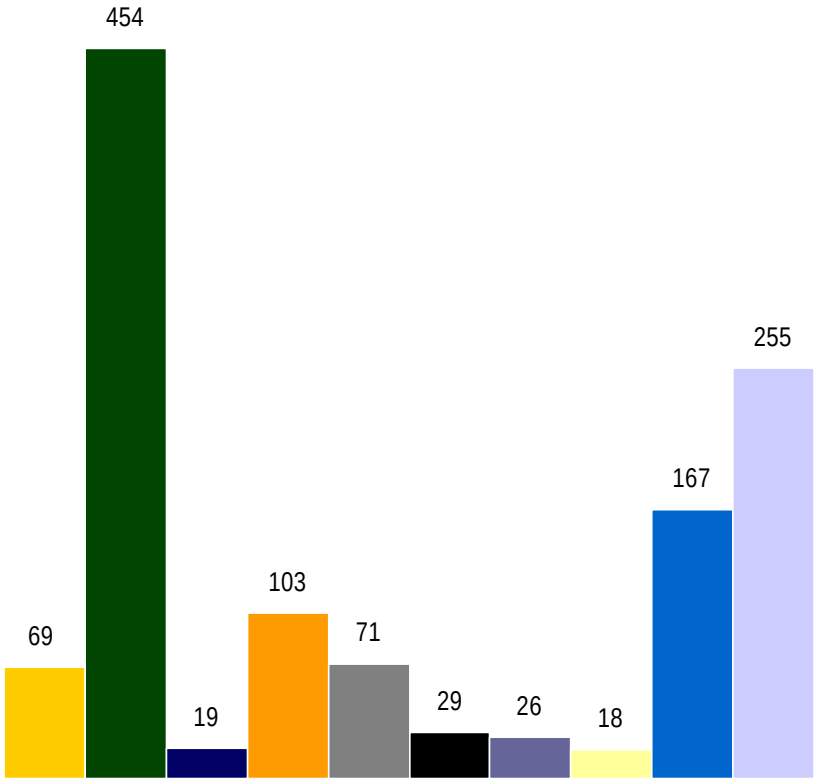


State of Ohio | Comparable Orgs | World-Class

Application Management FTEs per Application

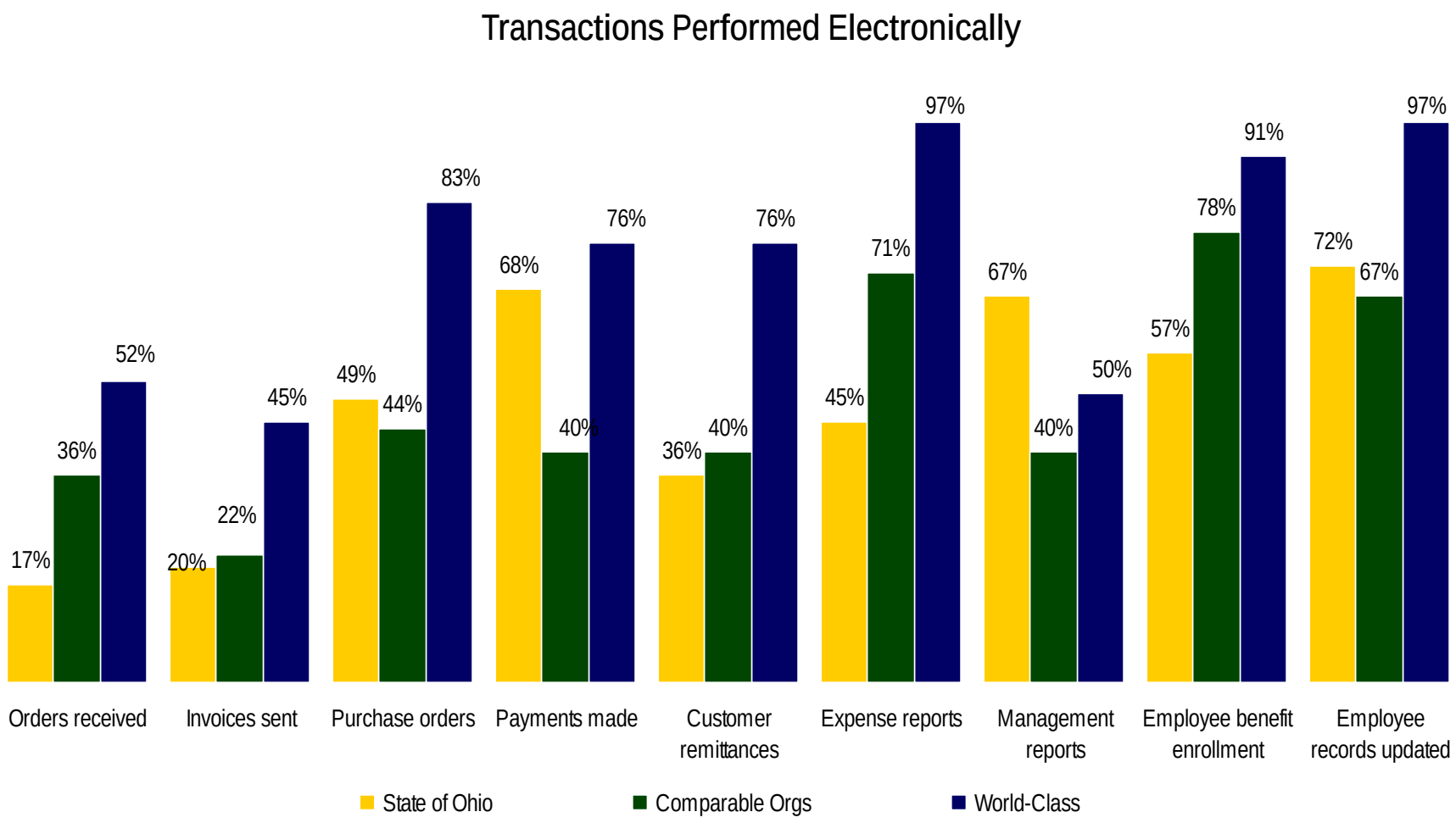


Application Breakdown



- Product Development
- Operations
- Supply Chain
- Finance
- HR
- Procurement
- Sales
- Marketing
- Service
- Executive and Corp. Svc.

Percentage of Transactions Performed Electronically – Automation



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The Hackett Group
World-Class Defined

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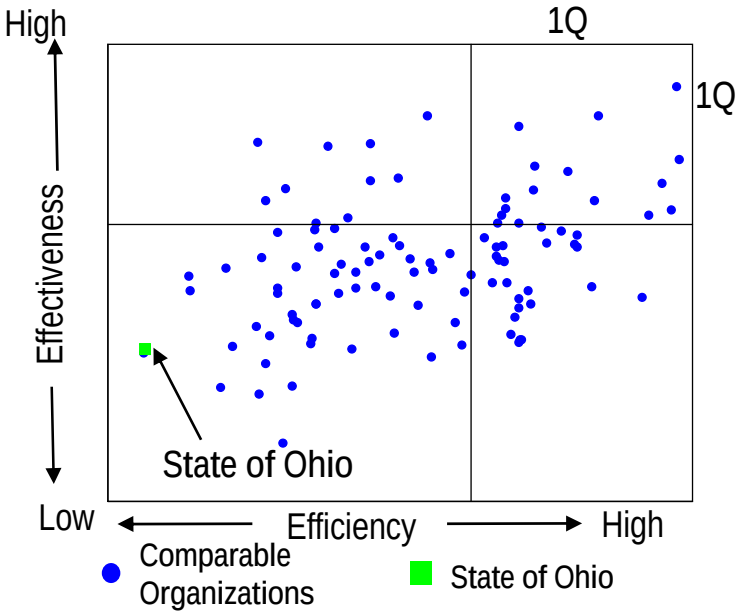
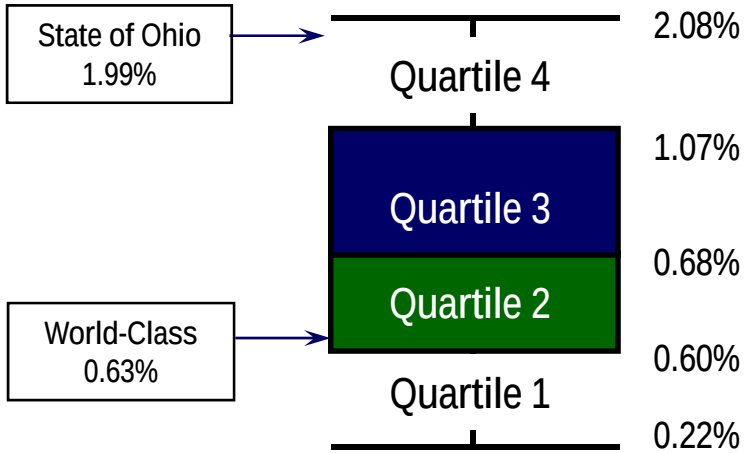
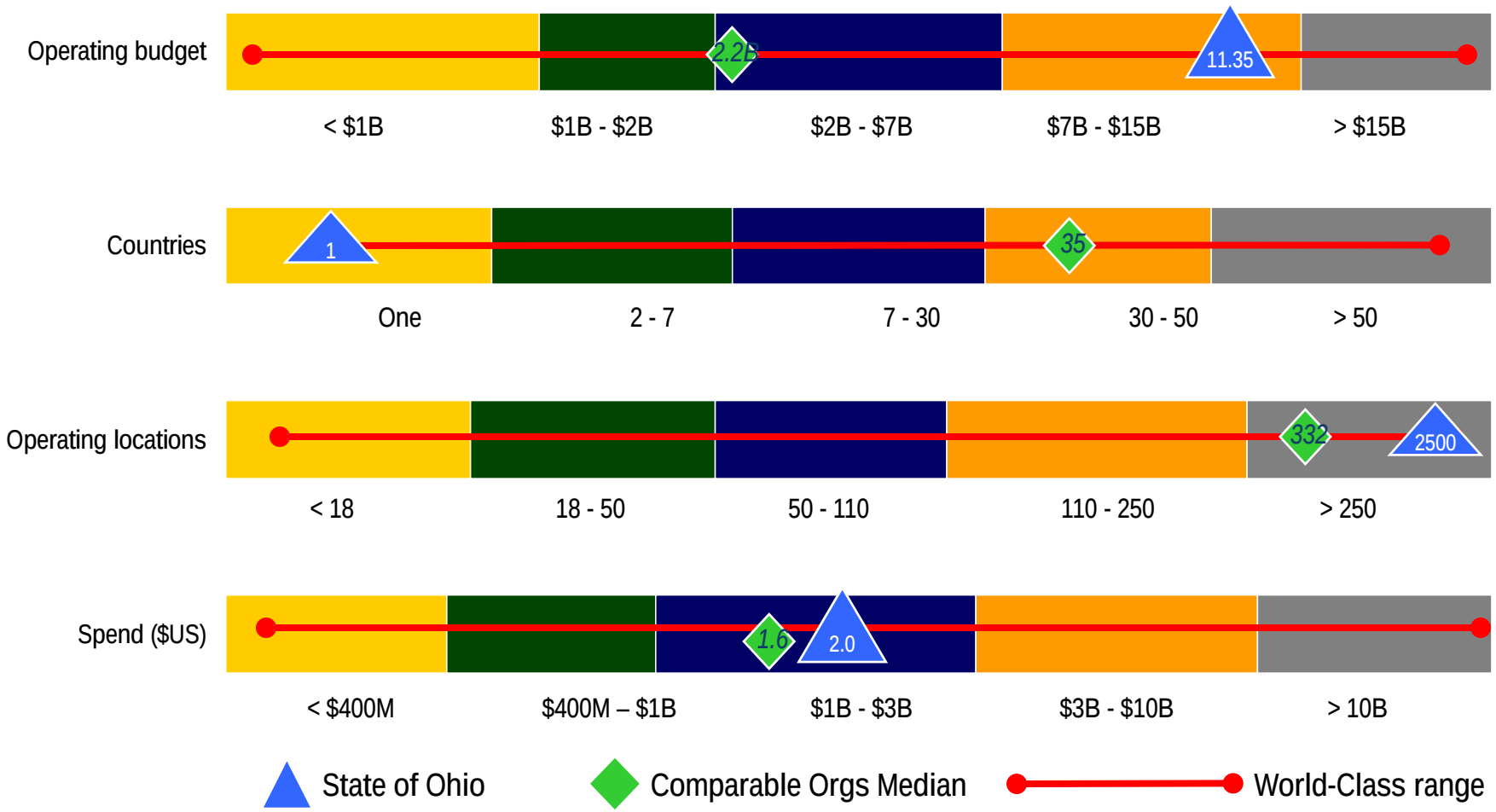
Efficiency and Effectiveness Ranking as Calculated by The Hackett Group's Procurement Value Grid

- 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

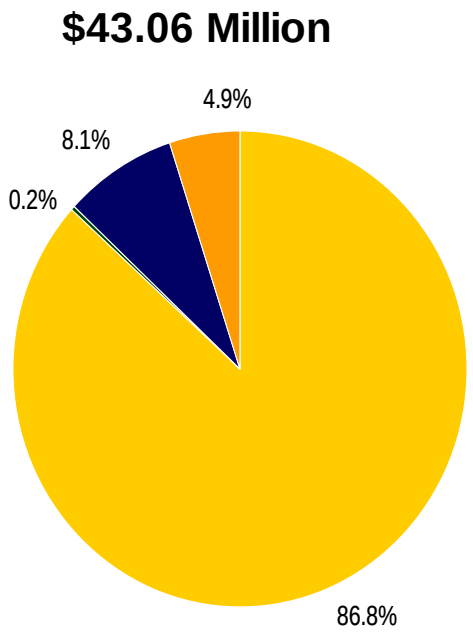
- 7-Eleven
- AAFES - Army and Air Force Exchange Service
- Agilent Technologies
- American Express Company
- ARINC Company
- AutoDesk, Inc.
- Cadence Design Systems, Inc.
- Carlson Companies, Inc.
- Cisco Systems, Inc.
- Citigroup Inc.
- Convergys Corporation
- DHL Worldwide Express, Inc.
- First Data 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

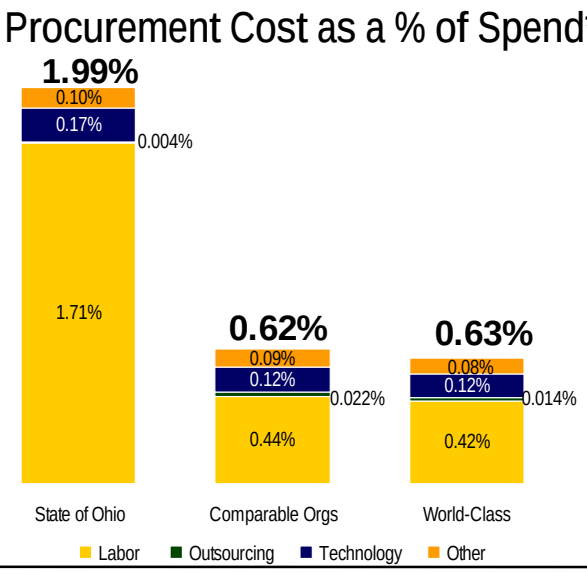
Operations & Compliance		Sourcing & Supply Base Management	Planning & Strategy
▪ Supply Data Management – Supplier master management – Item master/content management – Catalog management – Contract master management ▪ Requisition and PO Processing – Requisition processing – Purchase order processing – Requisition and purchase order support	▪ Supplier Scheduling – Supply requirements review – Supplier scheduling – Order release – Inbound tactical supply management – Delivery coordination ▪ Receipt Processing – Materials and goods – Services ▪ Compliance Management – Internal Compliance Management – External Compliance	▪ Customer Management – External Customer Management* – Internal Customer Management* – Product Development and Design Support ▪ Sourcing Execution – Requirements definition and supplier bidding – Negotiation and supplier contract creation ▪ Supplier Management and Development – Supplier Management – Supplier Partnering	▪ Sourcing and Supply Base Strategy – Sourcing and Supply Base Strategy **Management & Administration** ▪ Function Strategy and Performance Mgmt ▪ Function Mgmt – Function oversight – Personnel mgt – Policy and procedures oversight

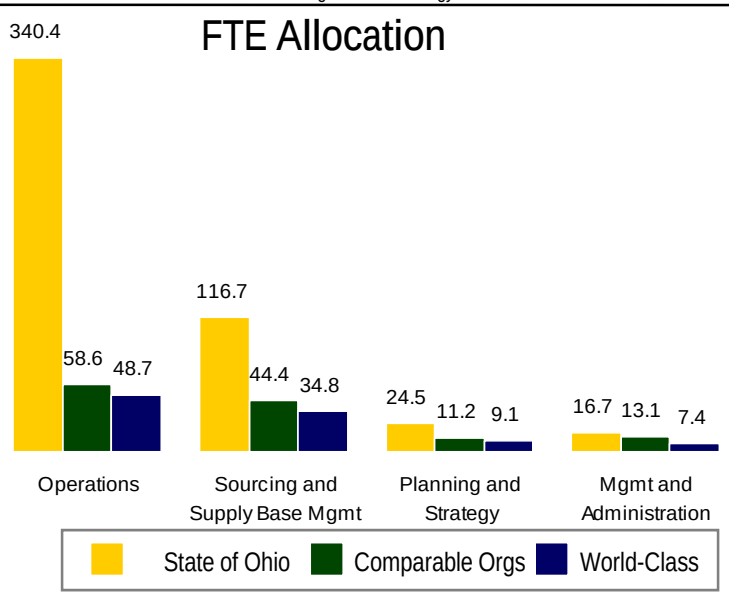
* New Hackett process and excluded from comparative analysis

State of Ohio's Baseline of Annual Procurement Cost



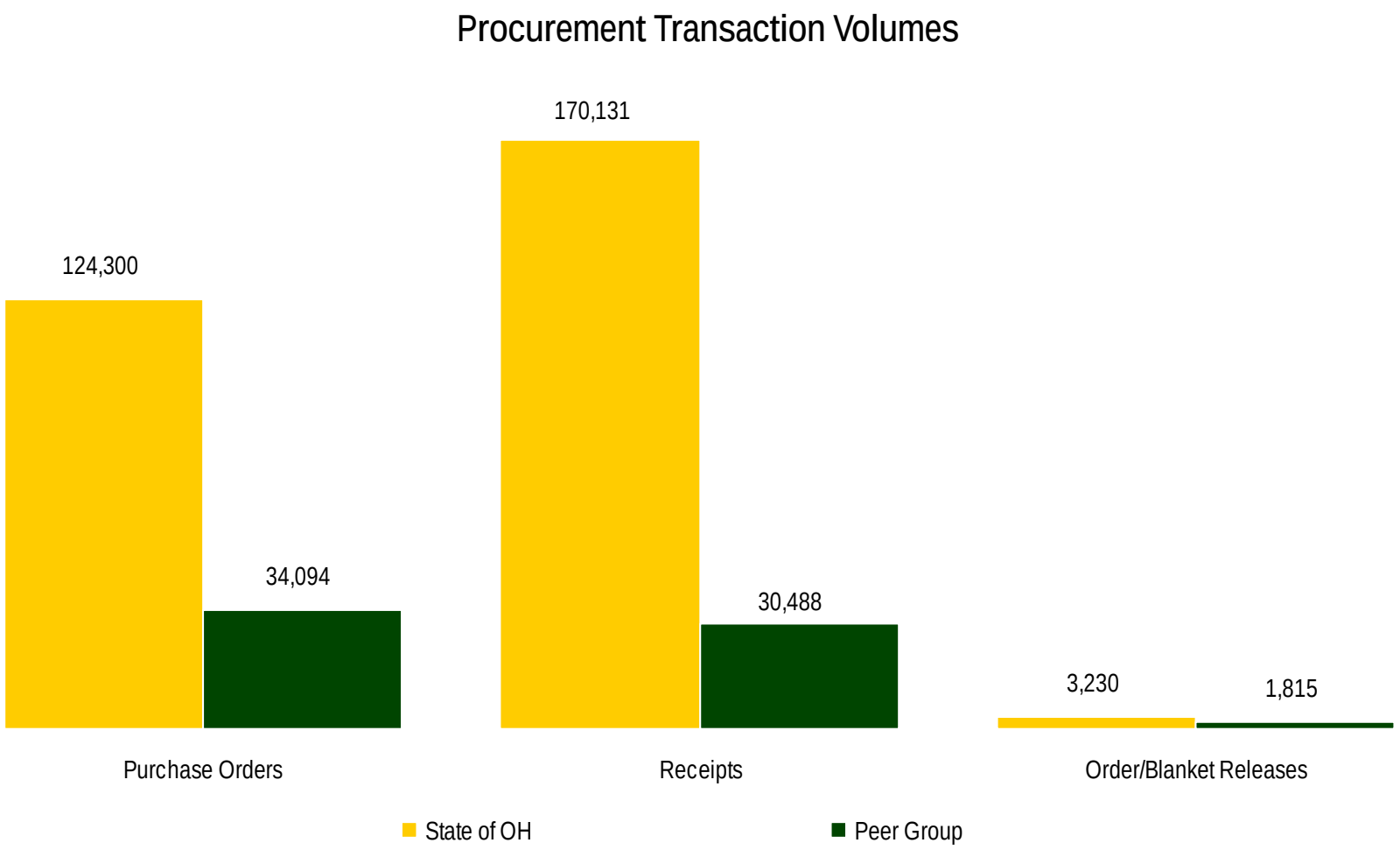
Spend	$2.03 Billion
Labor	$37.4 million
Outsourcing	$0.09 million
Technology	$3.48million
Other	$2.1 million



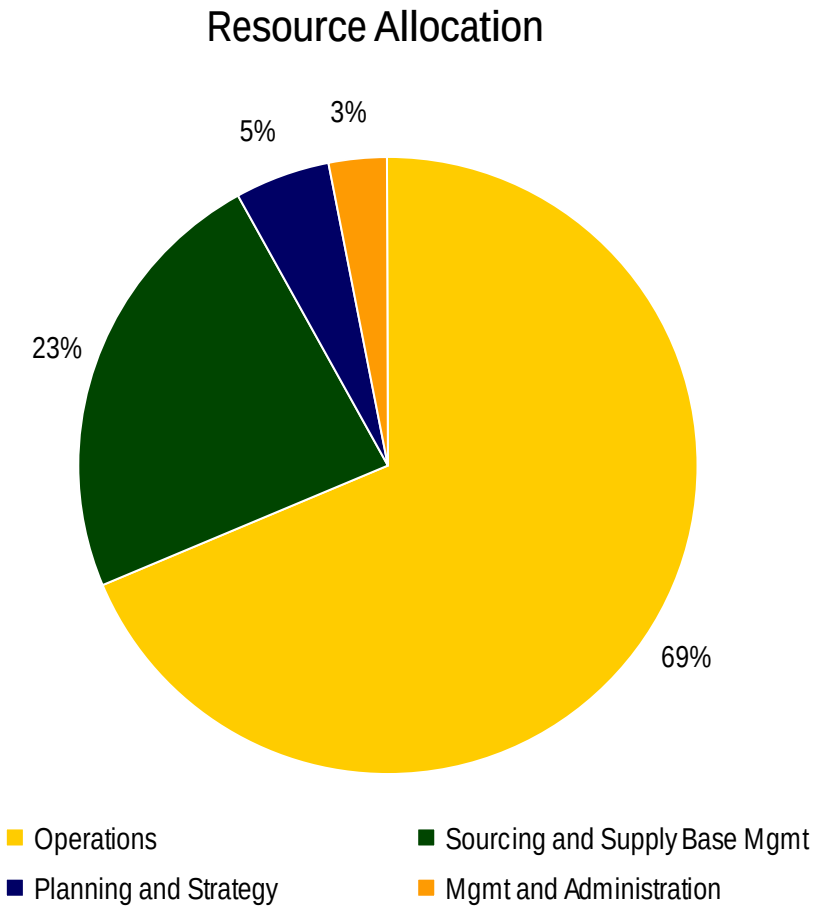


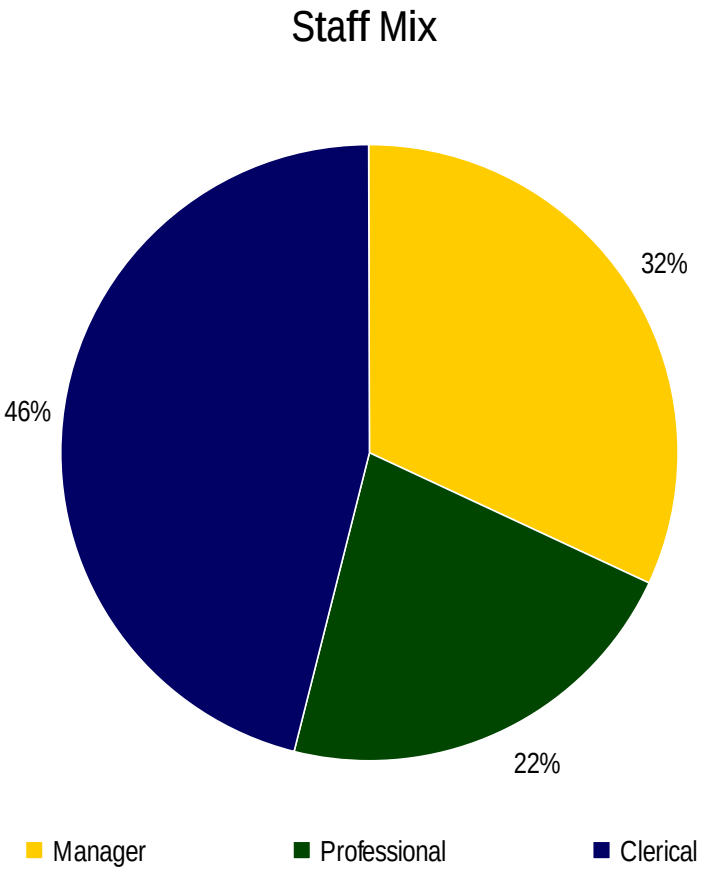
*Includes Customer Management

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

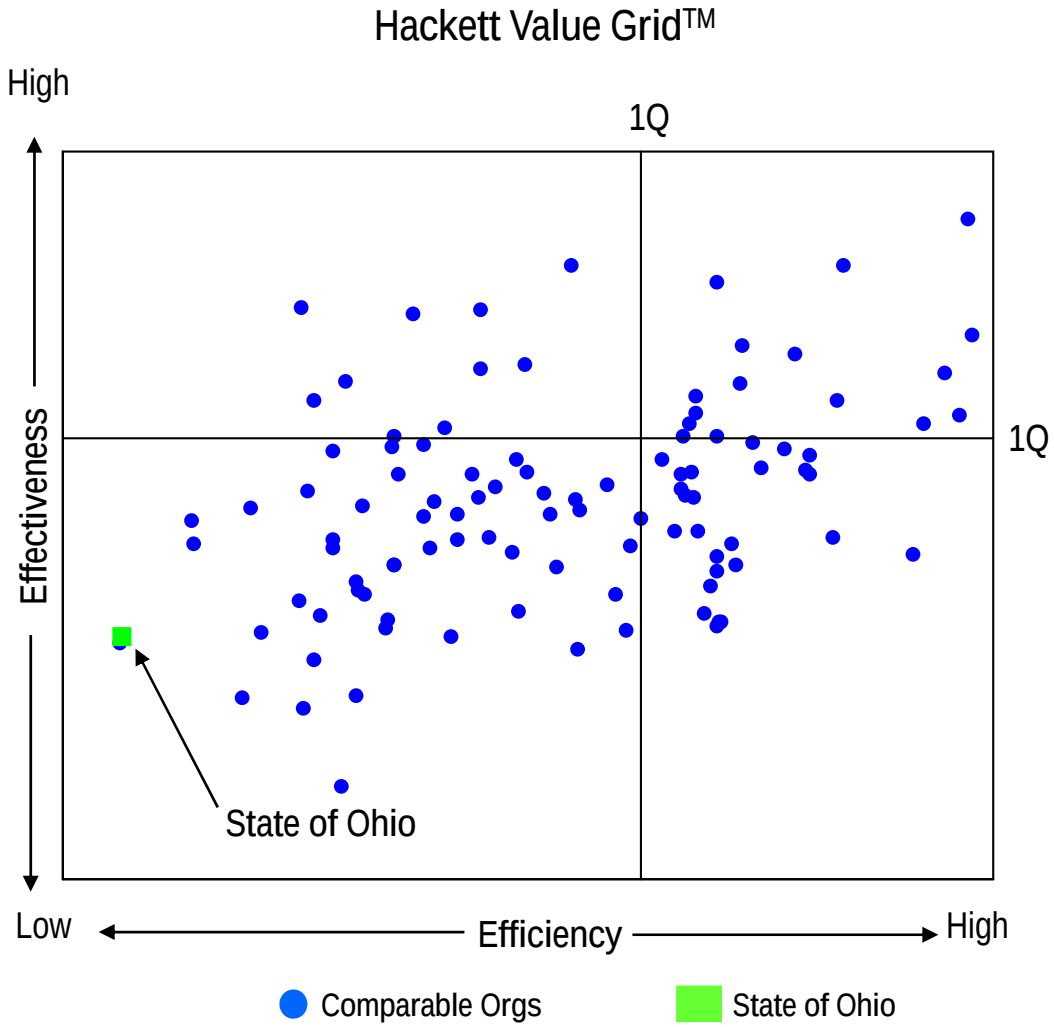


State of Ohio's Baseline Resource Allocation and Staff Mix





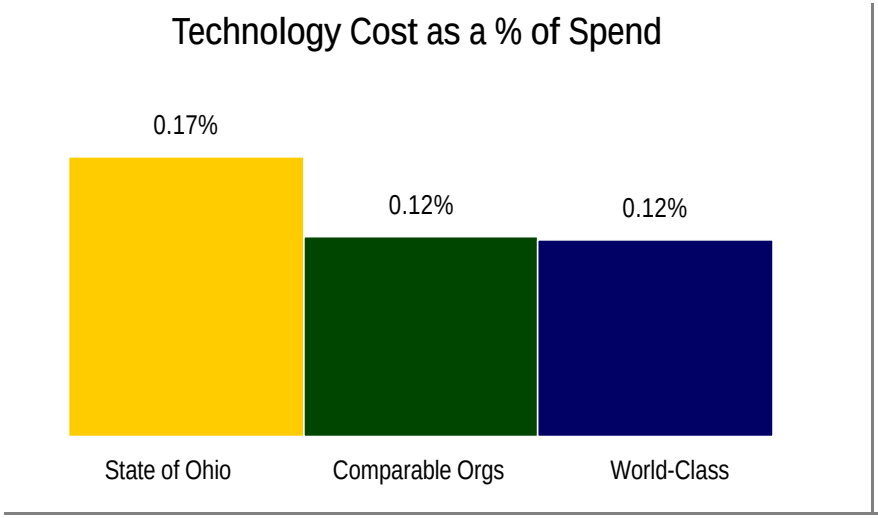
State of Ohio's Value Grid Shows Opportunity to Improve Performance both in Efficiency & Effectiveness

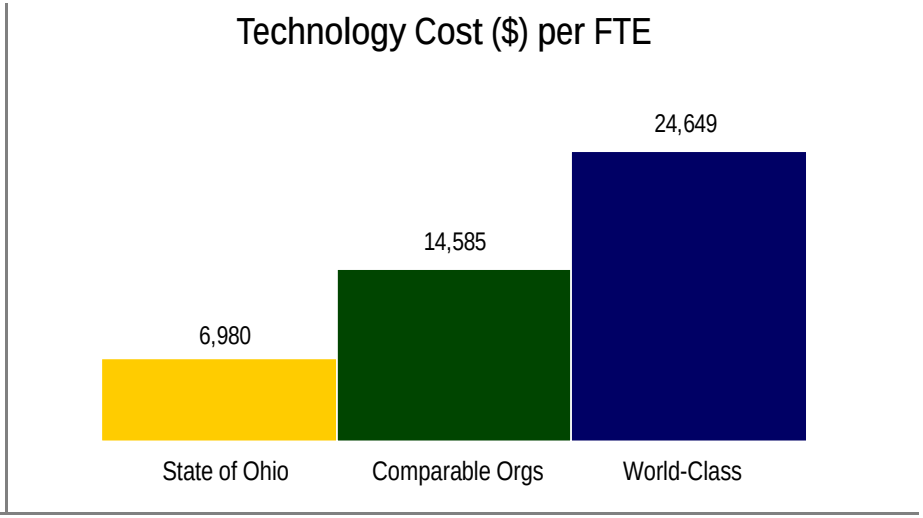


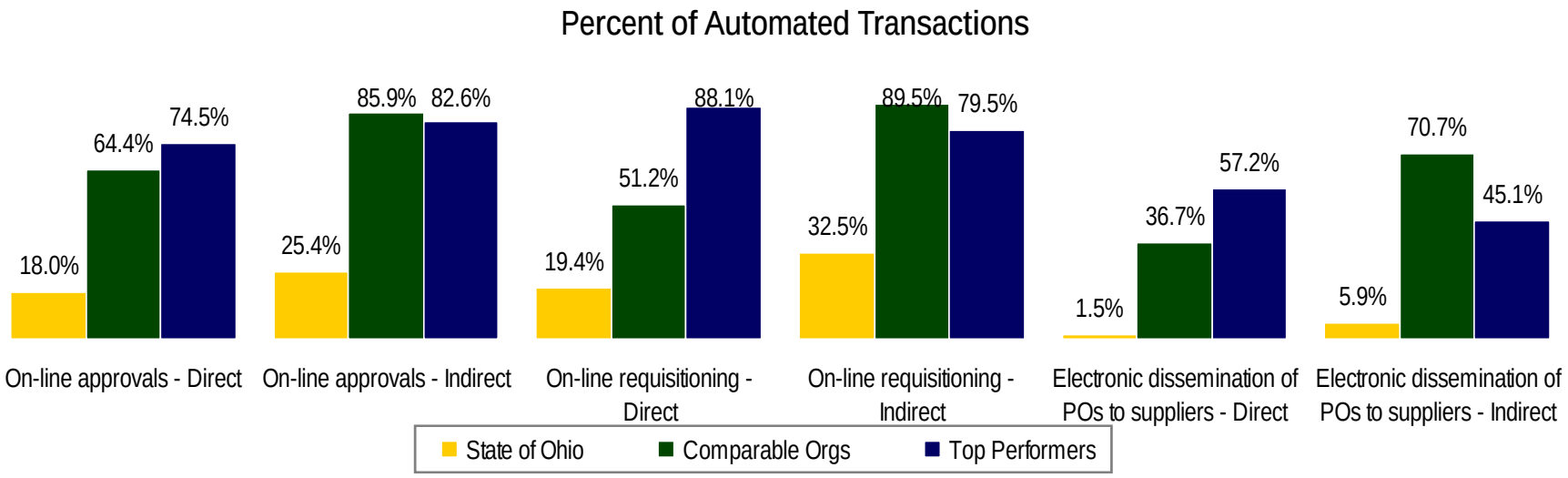
	Key Procurement Drivers	State of Ohio
Efficiency	Overall Cost	🔴
	Staffing & Productivity	🔴
	Transactional Process Cost	🔴
	Cycle Time	🟡
	Technology Leverage	🔴
Effectiveness	Role of Procurement	🔴
	Talent Management	🔴
	Internal Quality	🟢
	Economic Return	🔴
	Supplier	🔴
	Information Analysis	🟡

🟢 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

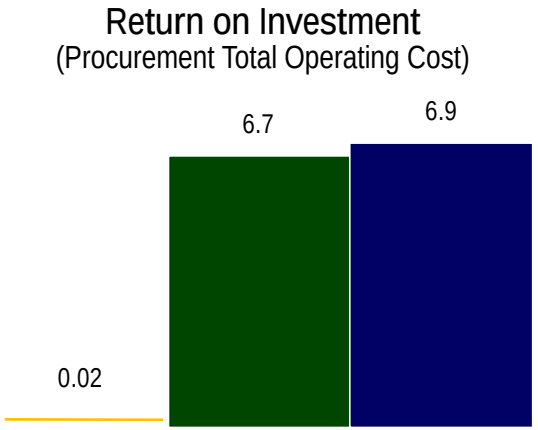
Higher Investment in Technology Cost has not Resulted in Increased Automation

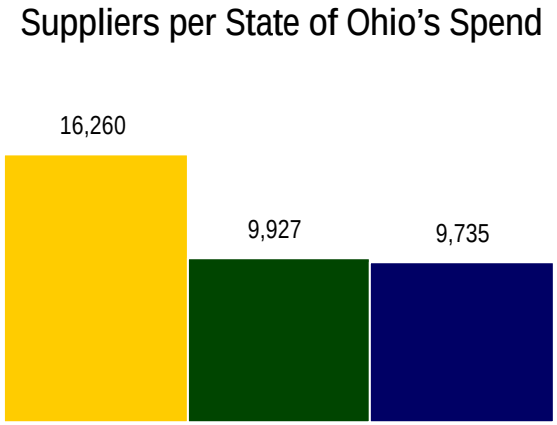






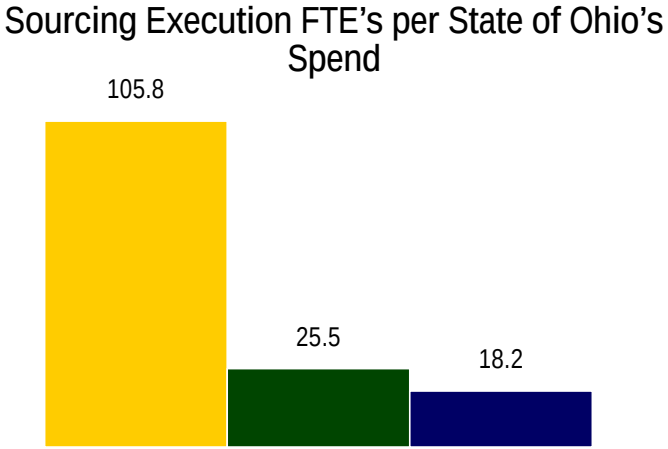
Return on Investment is Low Despite Higher Staffing within Sourcing Execution



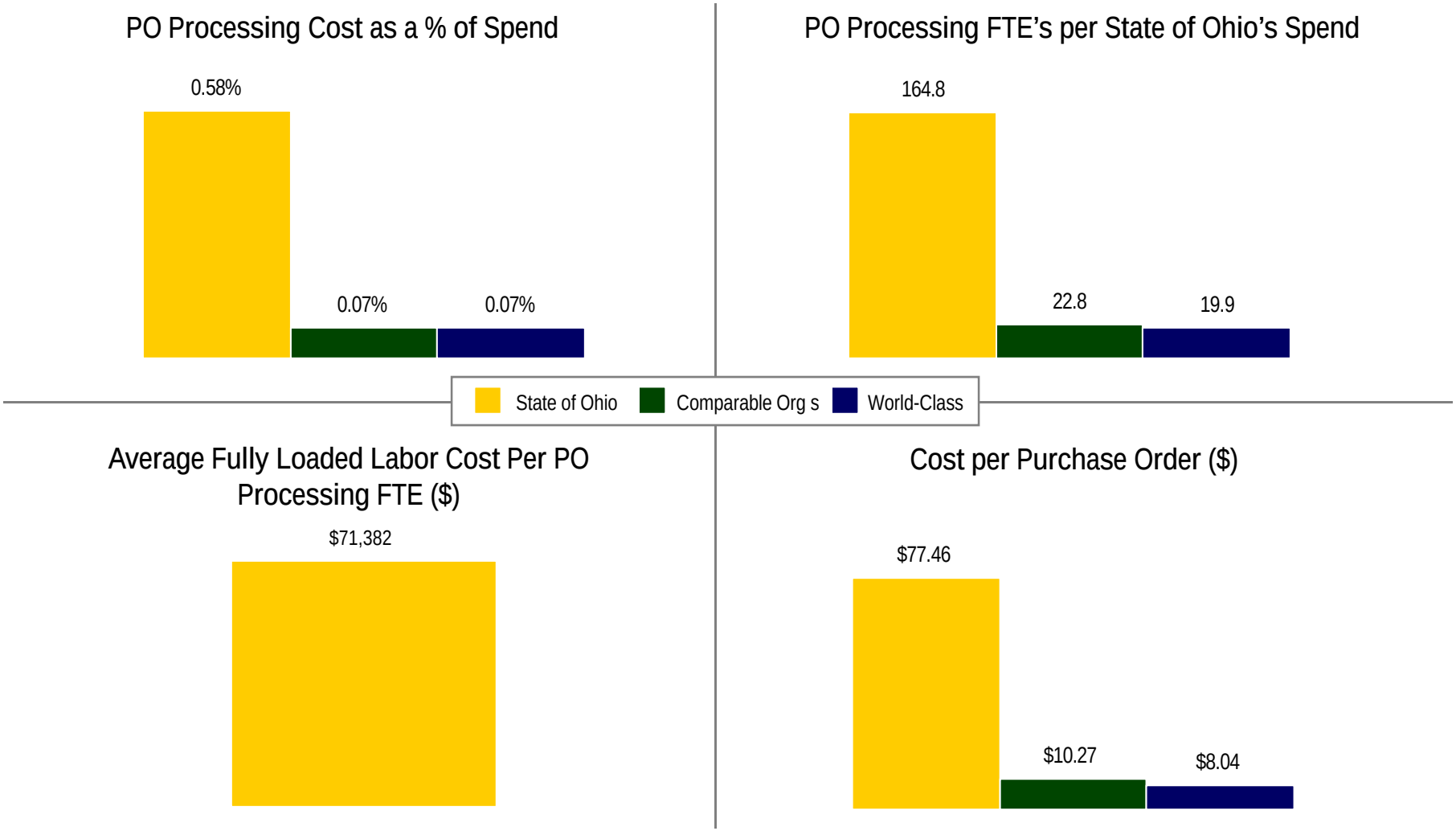


State of Ohio | Comparable Orgs | World-Class

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%



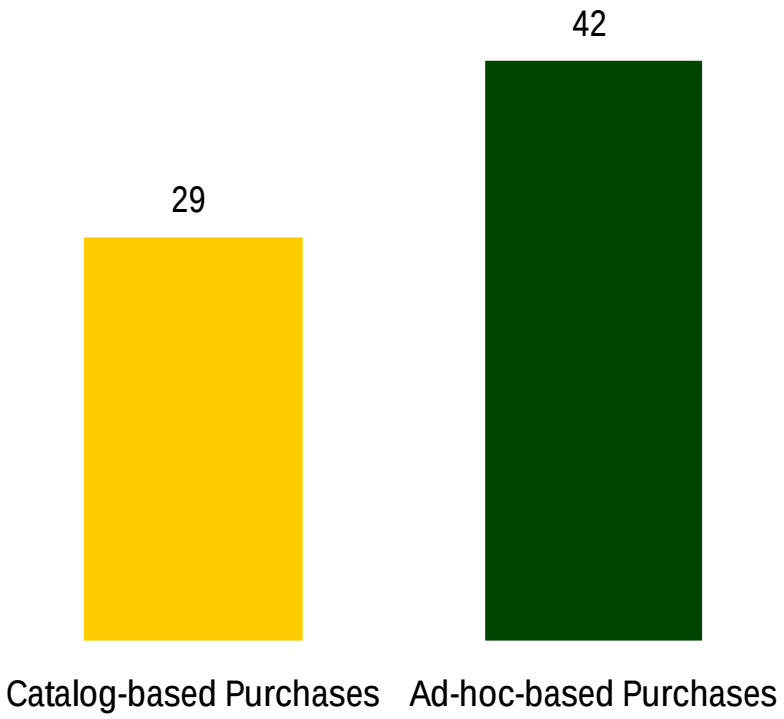
PO Processing Cost and Staffing



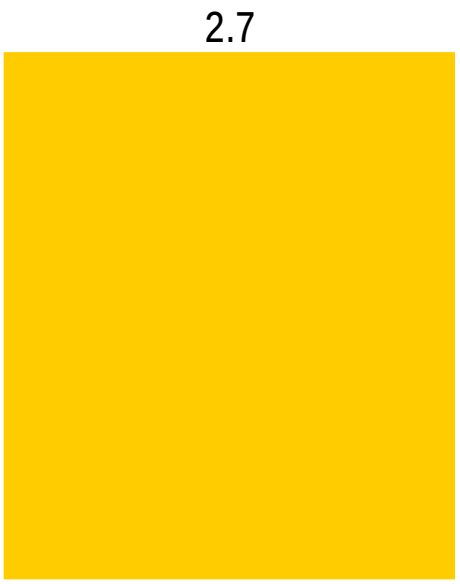
Requisition and Purchase Order Processing Practices

Average Ohio Cycle Time (Hours)

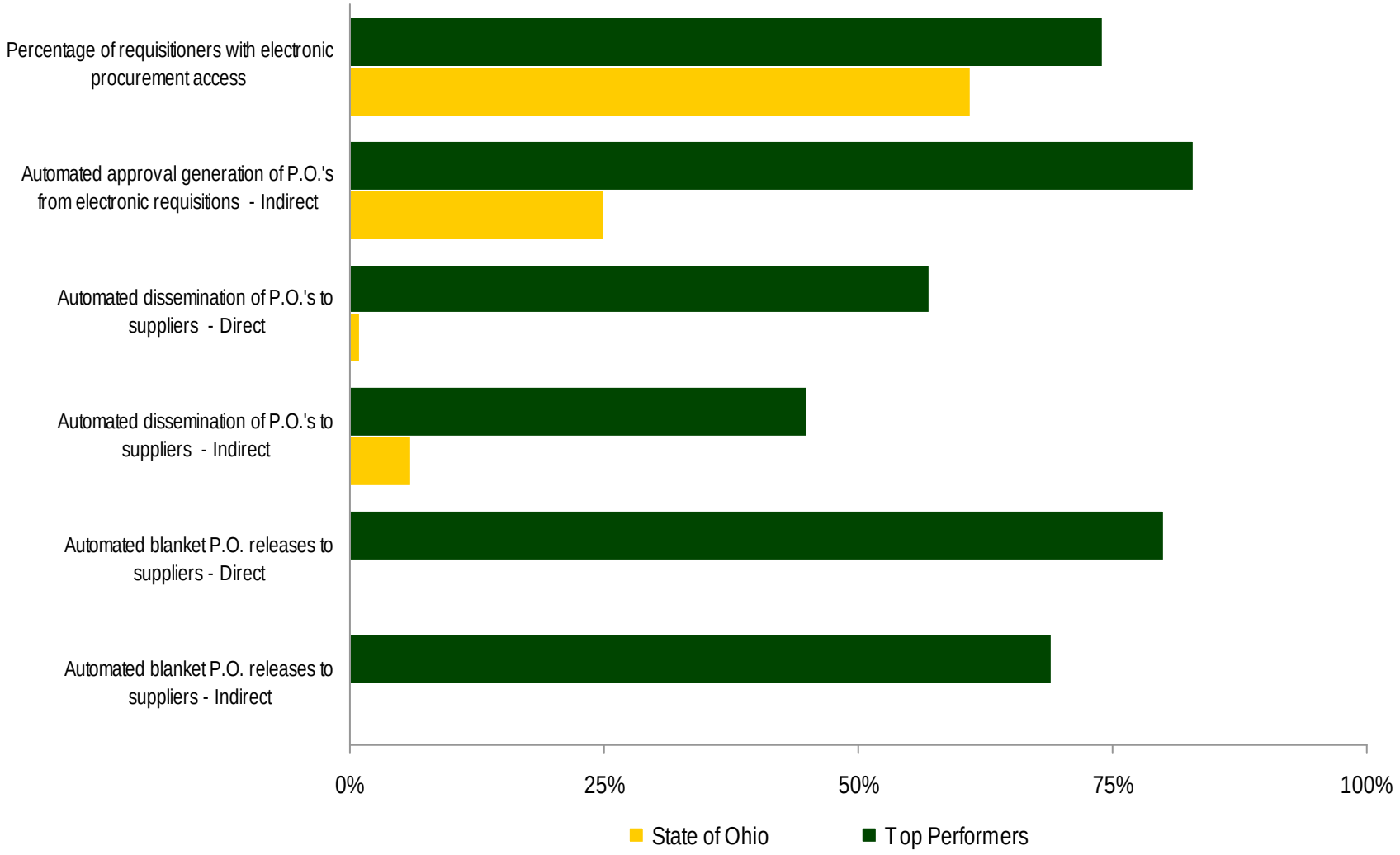
Comparisons not available



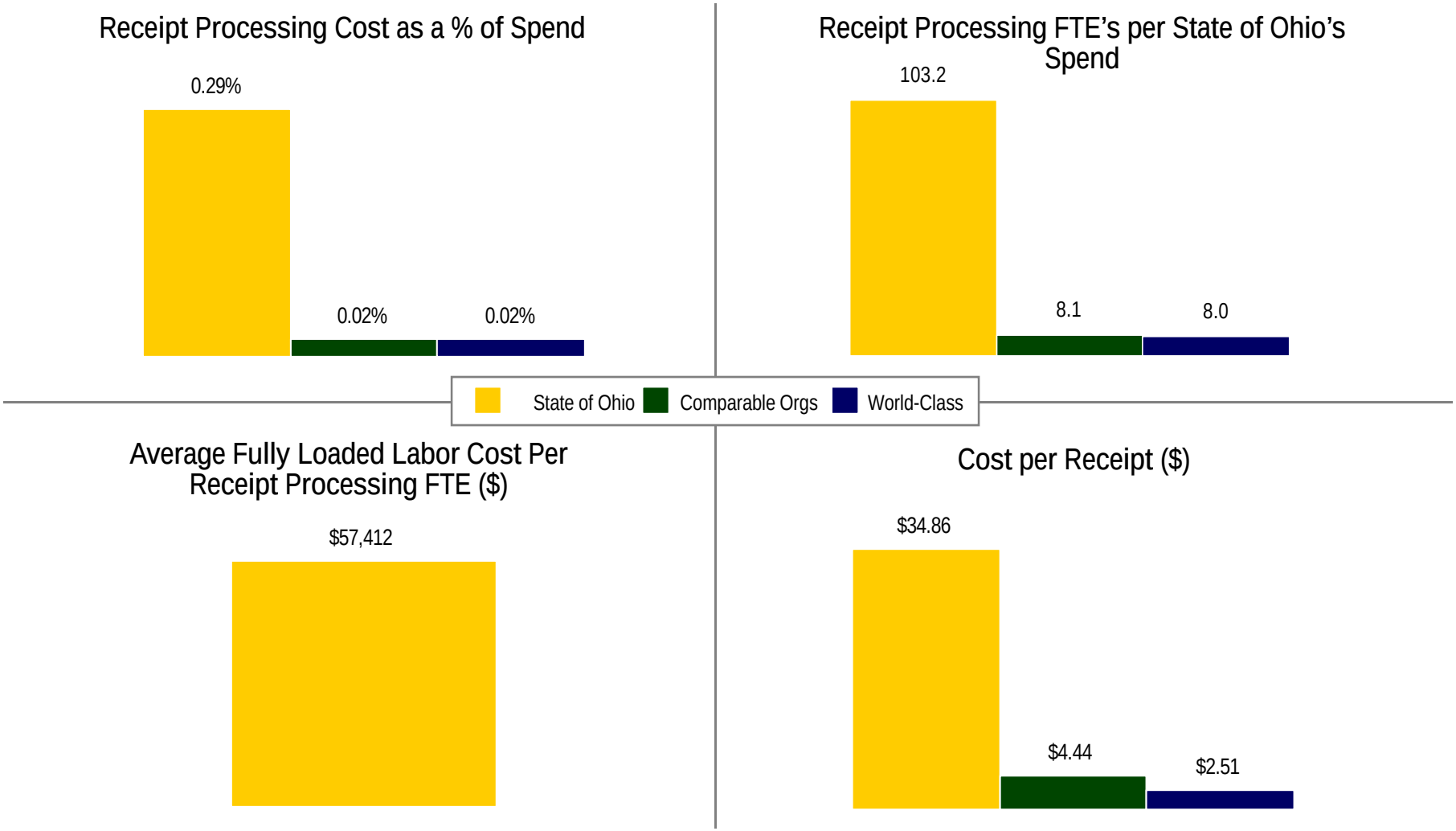
Average Line Items per Purchase Order



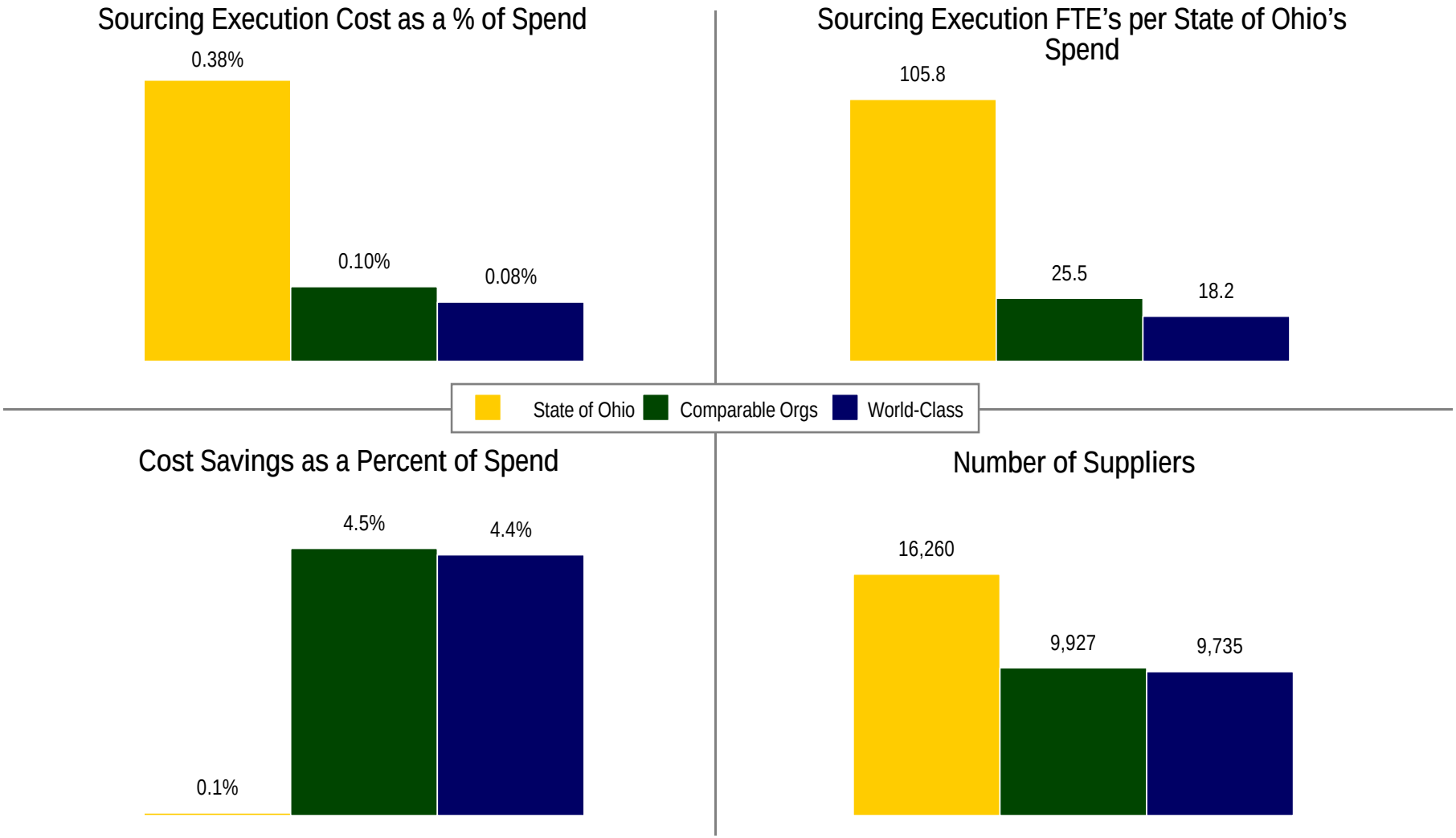
Requisition and Purchase Order Processing Practices (Cont'd)



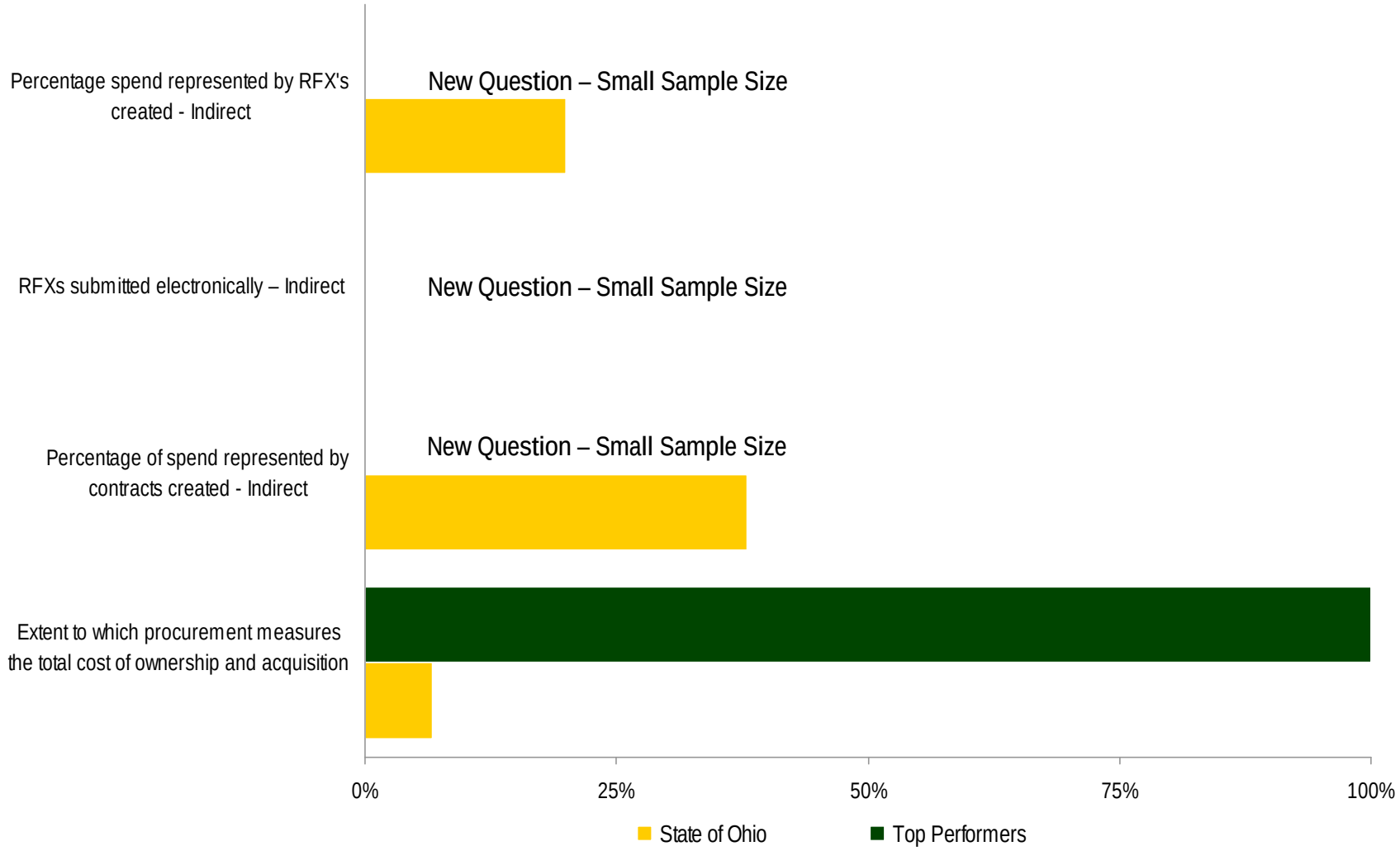
Receipt Processing Cost and Staffing



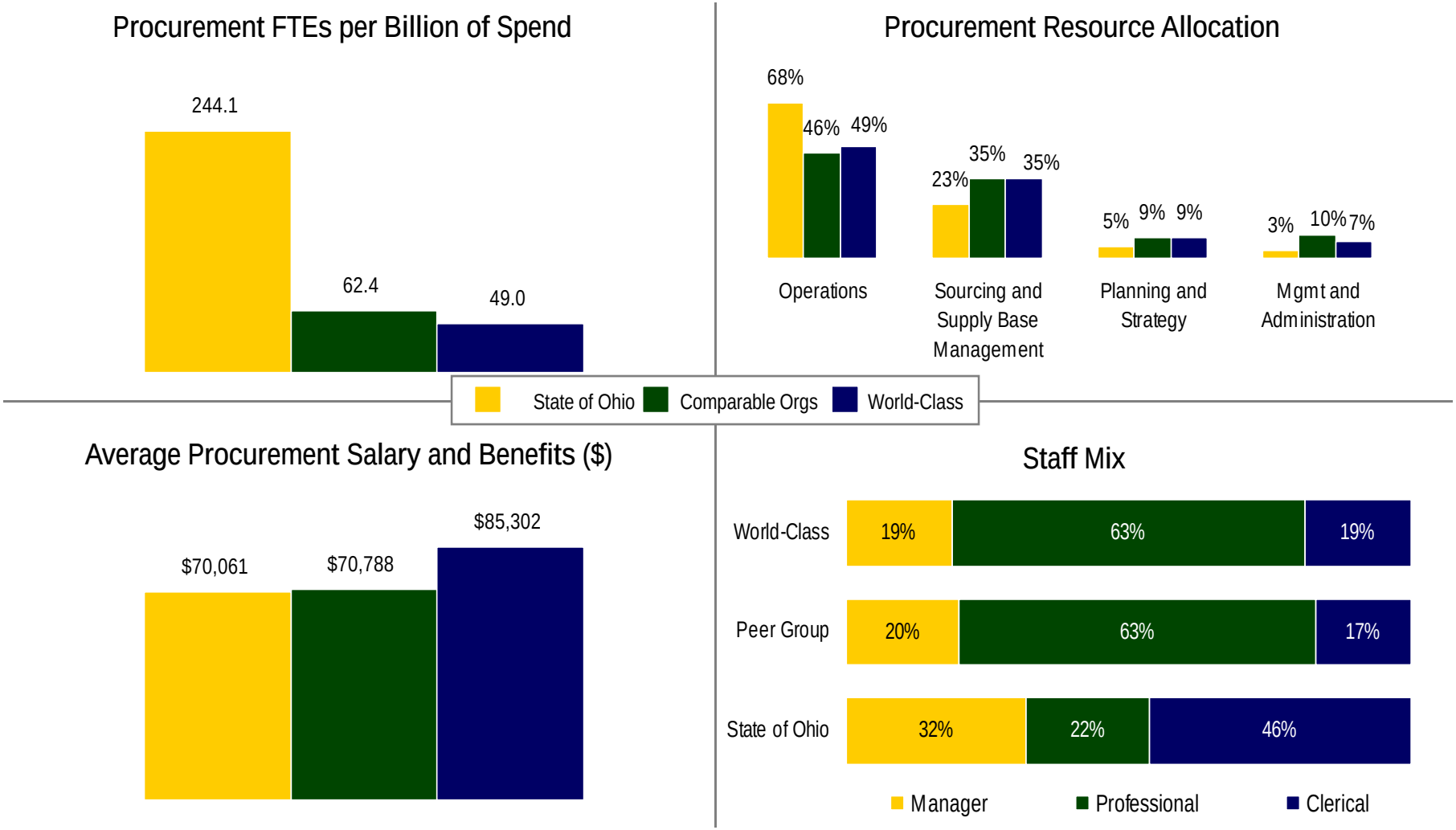
Sourcing Execution Cost and Staffing



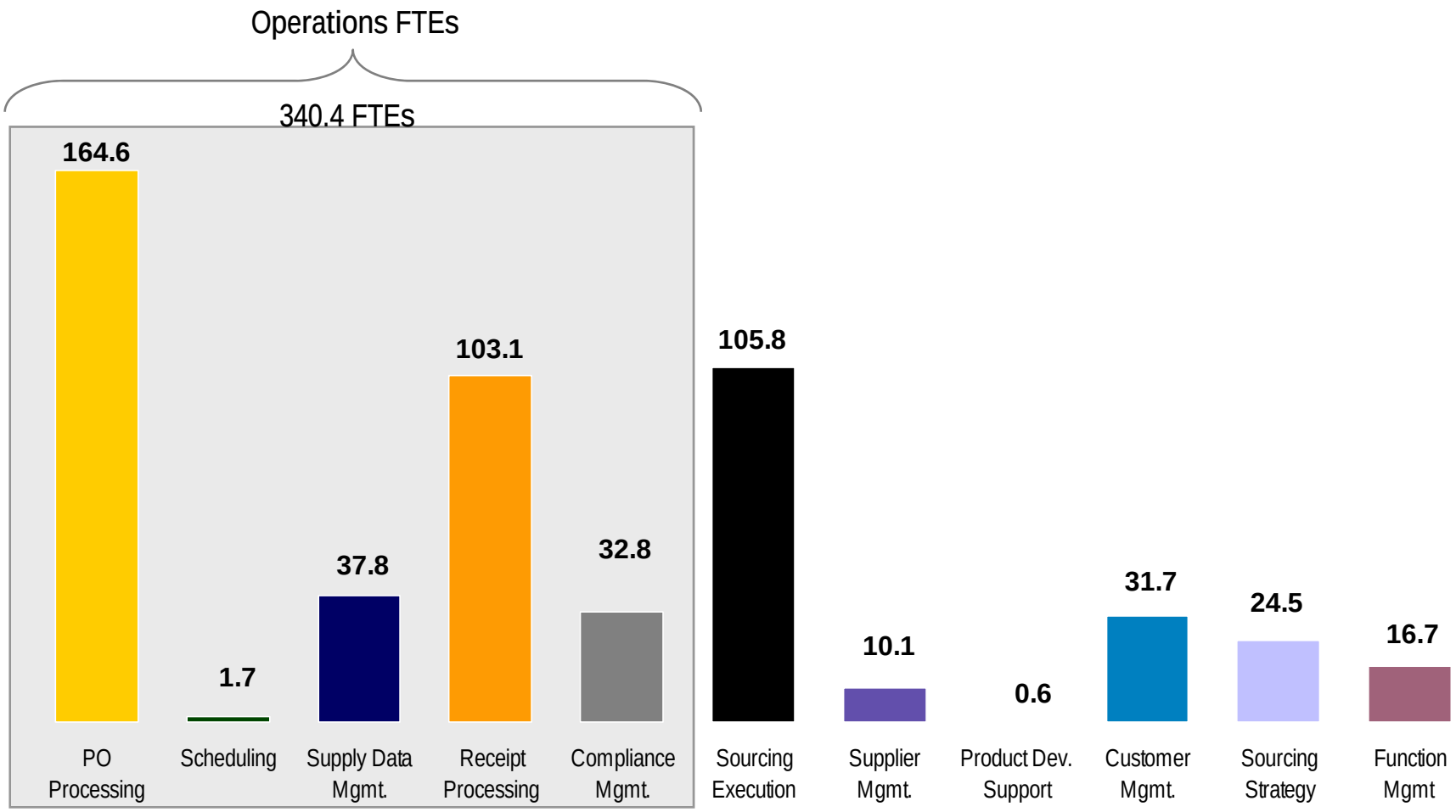
Sourcing Execution Practices



Procurement Cost And Allocation Summary

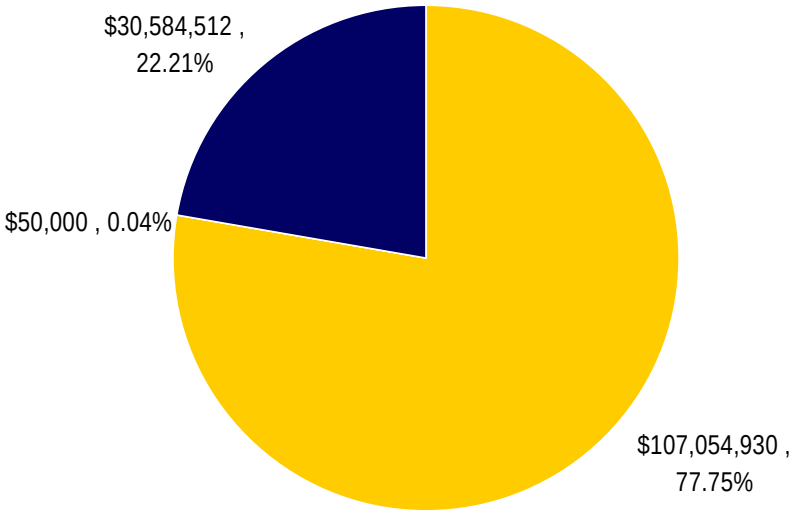


Procurement FTEs by Process



Direct and Indirect Spend Details

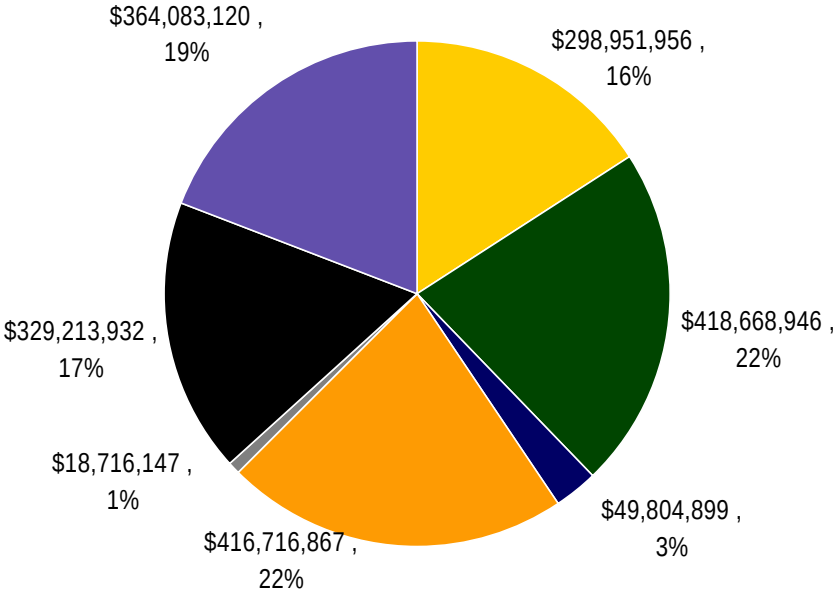
Total Direct Spend - $0.14 Billion



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

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

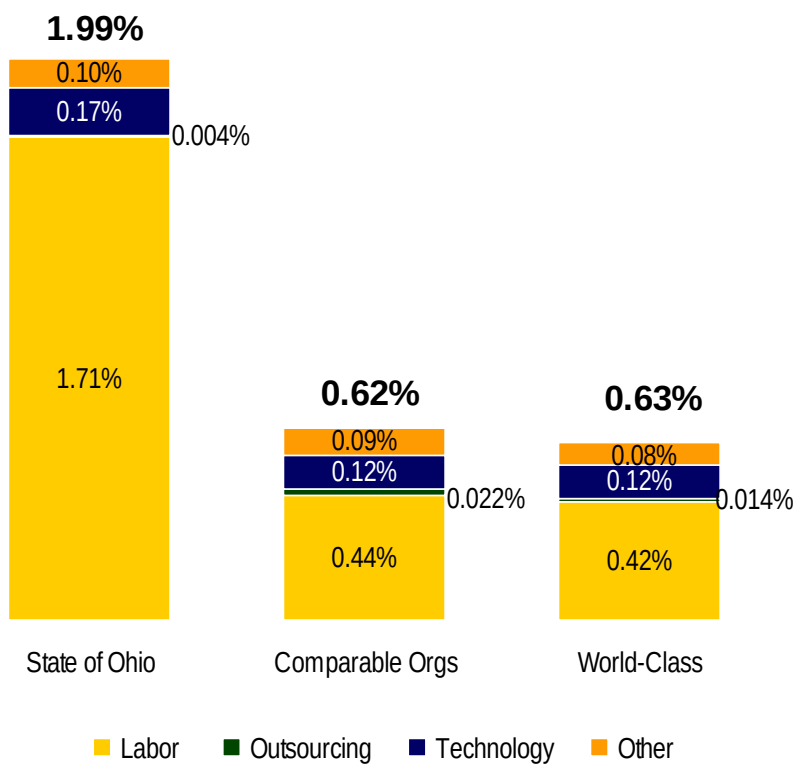
Total Indirect Spend - $1.9 Billion

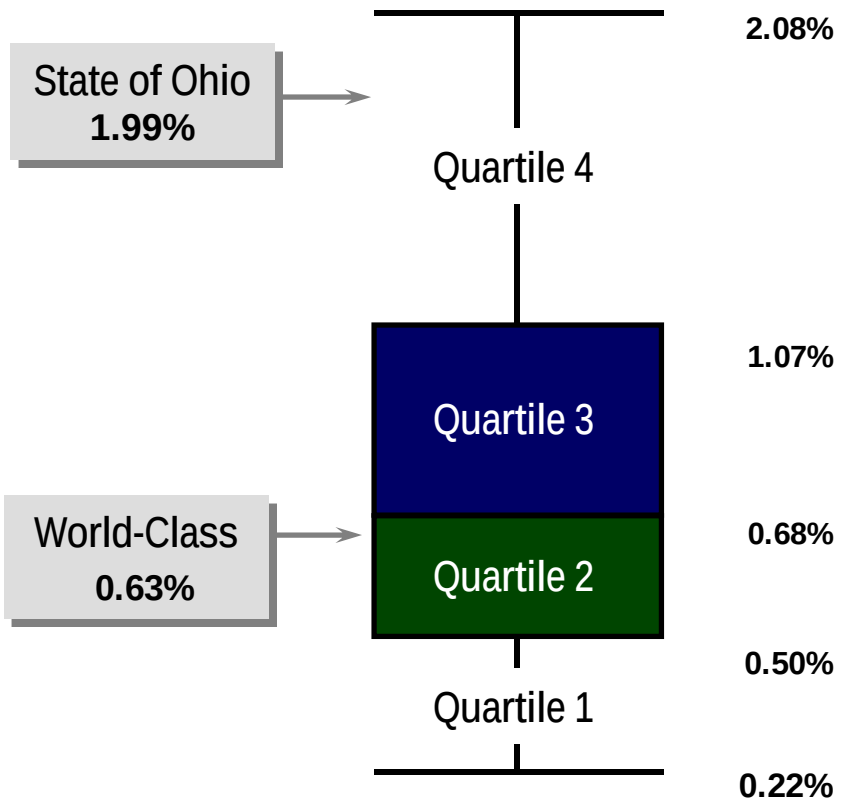


- Capital Equipment/Facilities Operations
- IT & Telecommunications
- Sales & Marketing Support
- General Equipment & Supplies
- Travel & Entertainment
- Human Resource Services
- Business & Administrative Services

Note: Spend does not include interaffiliate spend

Procurement Cost as a Percentage of Spend by Quartile





* 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.

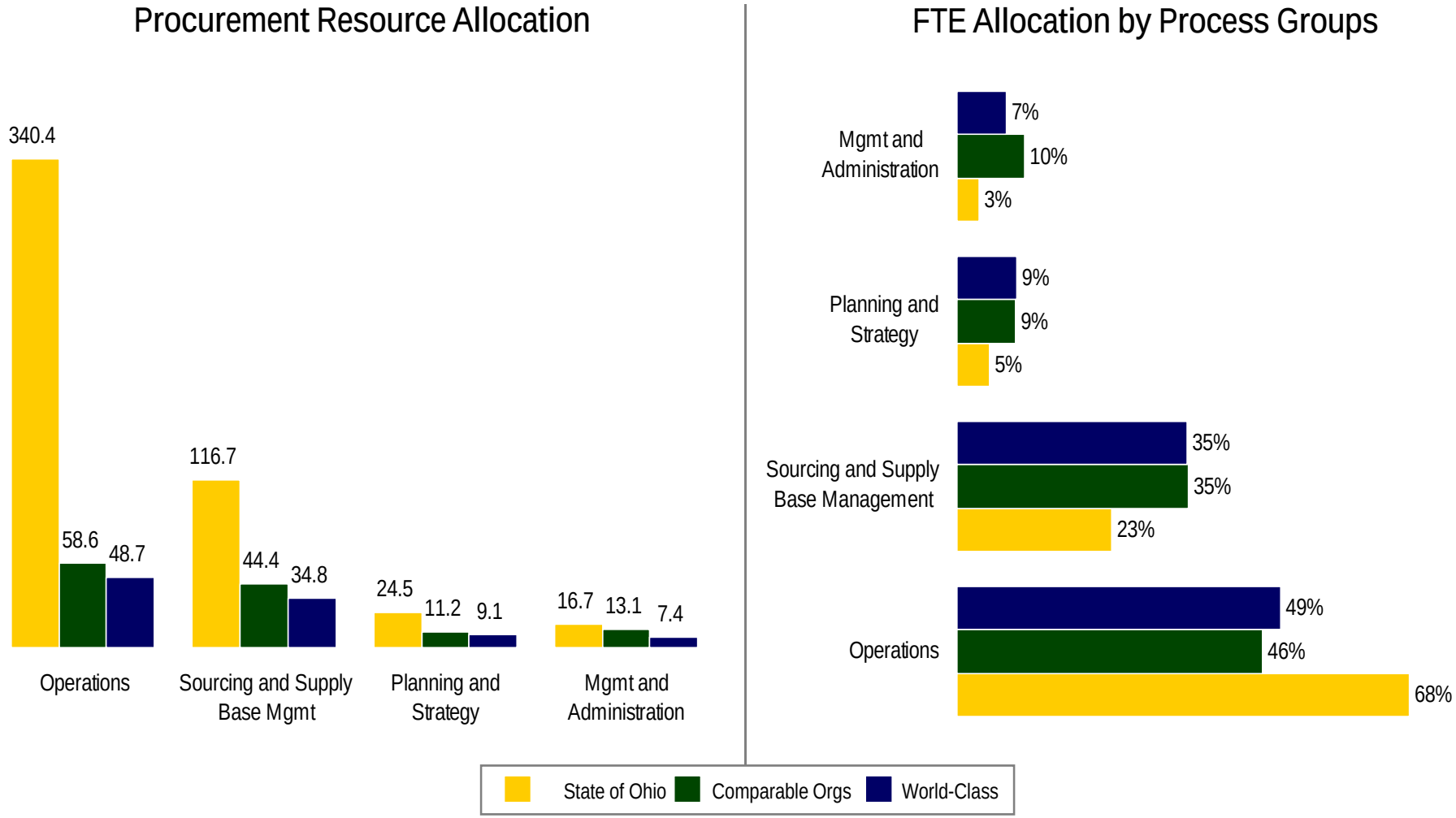
State of Ohio's Procurement Cost Differences To Comparable Org and World-Class

Procurement Cost Differences (in $)

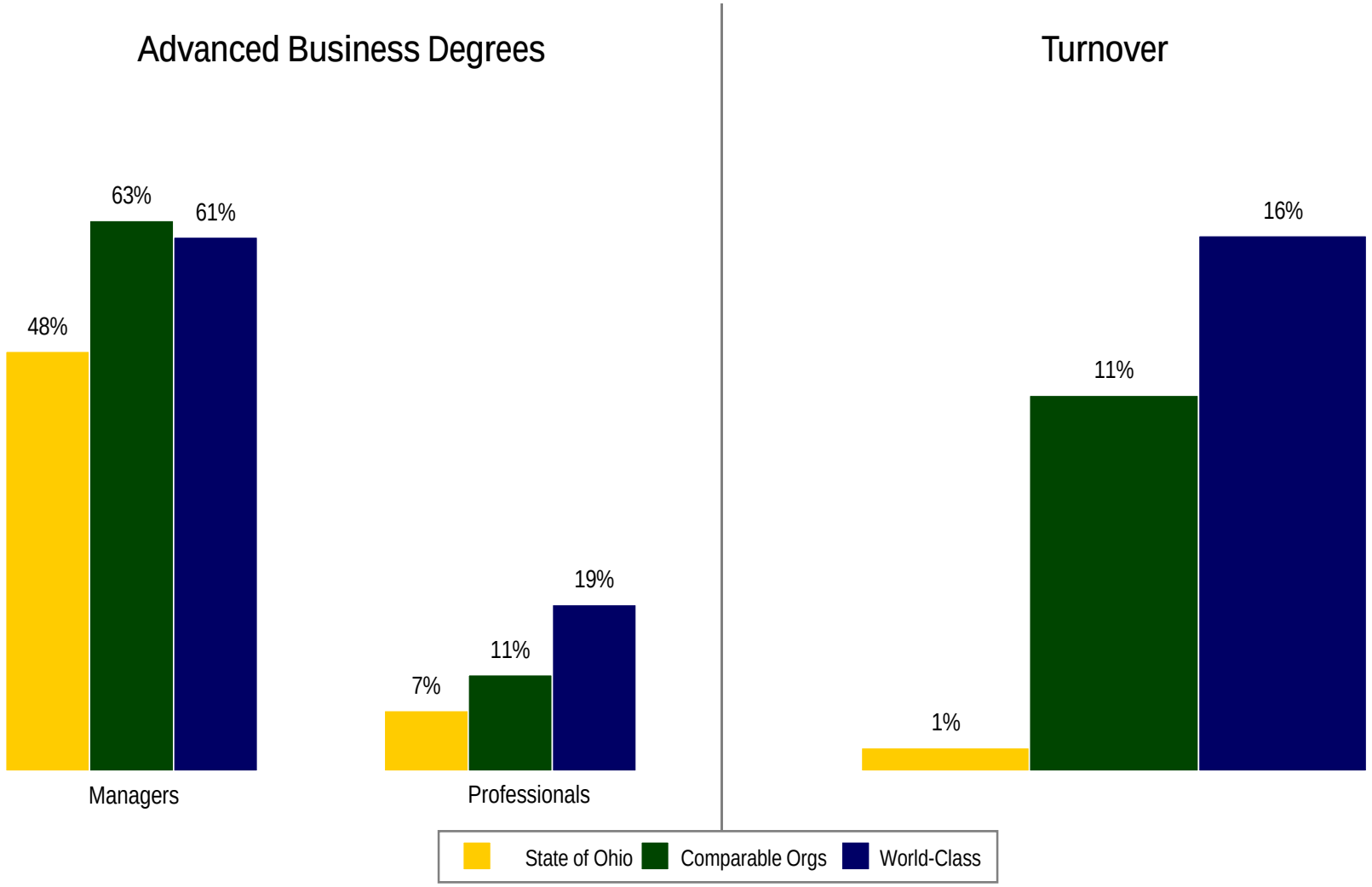
Procurement Processes	State of Ohio's Costs (in Millions)	State of OH's Gap to Comparable Orgs (in Millions)	State of Ohio's Gap to World-Class (in Millions)
Supply Data Management	2.7	2.3	2.4
Requisition and PO Processing	11.8	10.4	10.3
Supplier Scheduling	0.1	(0.4)	(0.2)
Receipt Processing	5.9	5.6	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
Total Process Costs	37.5	25.5	26.2
Technology Cost	3.5	1.0	1.0
Other Cost	2.1	0.2	0.5
Total Procurement Cost	43.1	26.7	27.7

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.

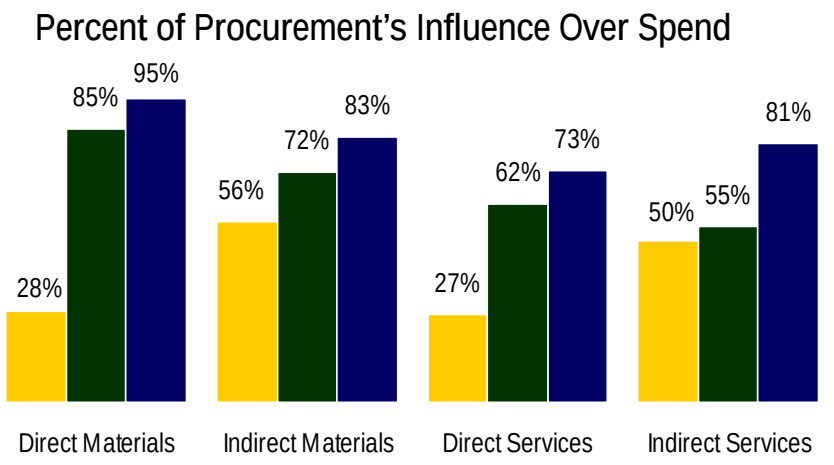
Procurement Resource Allocation

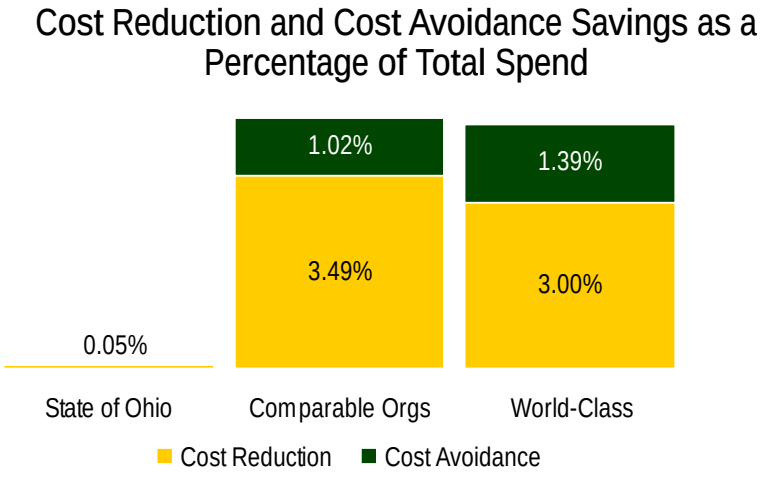


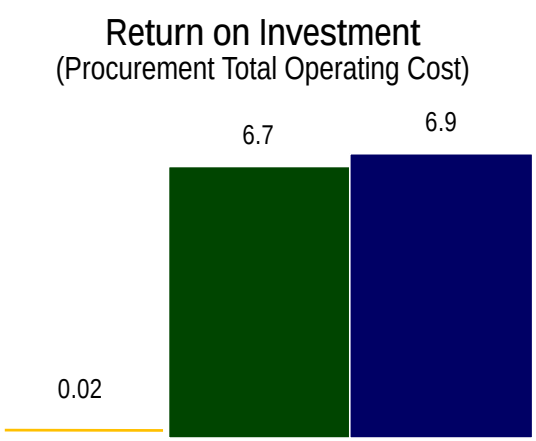
Formal Business Experience and Turnover of the Procurement Staff

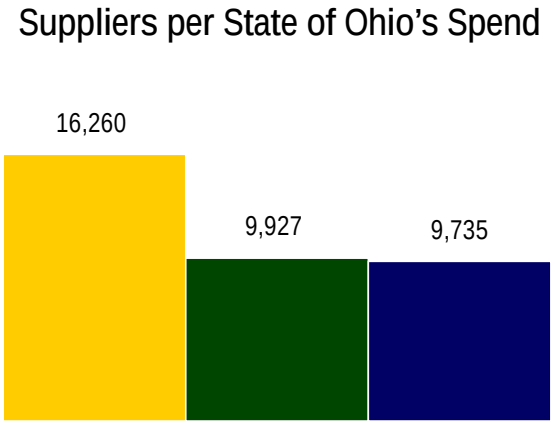


Overall Spend Management Metrics



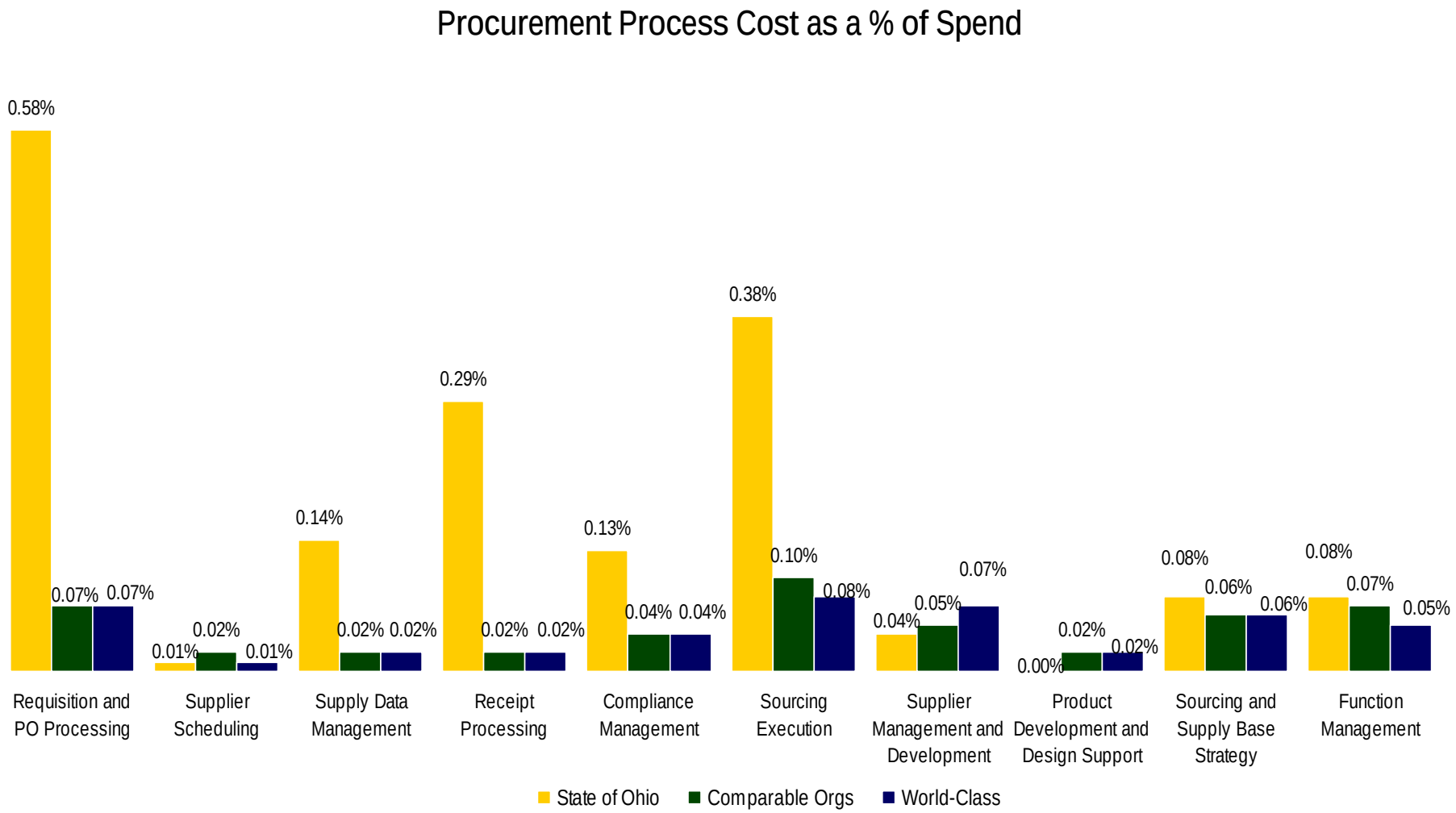




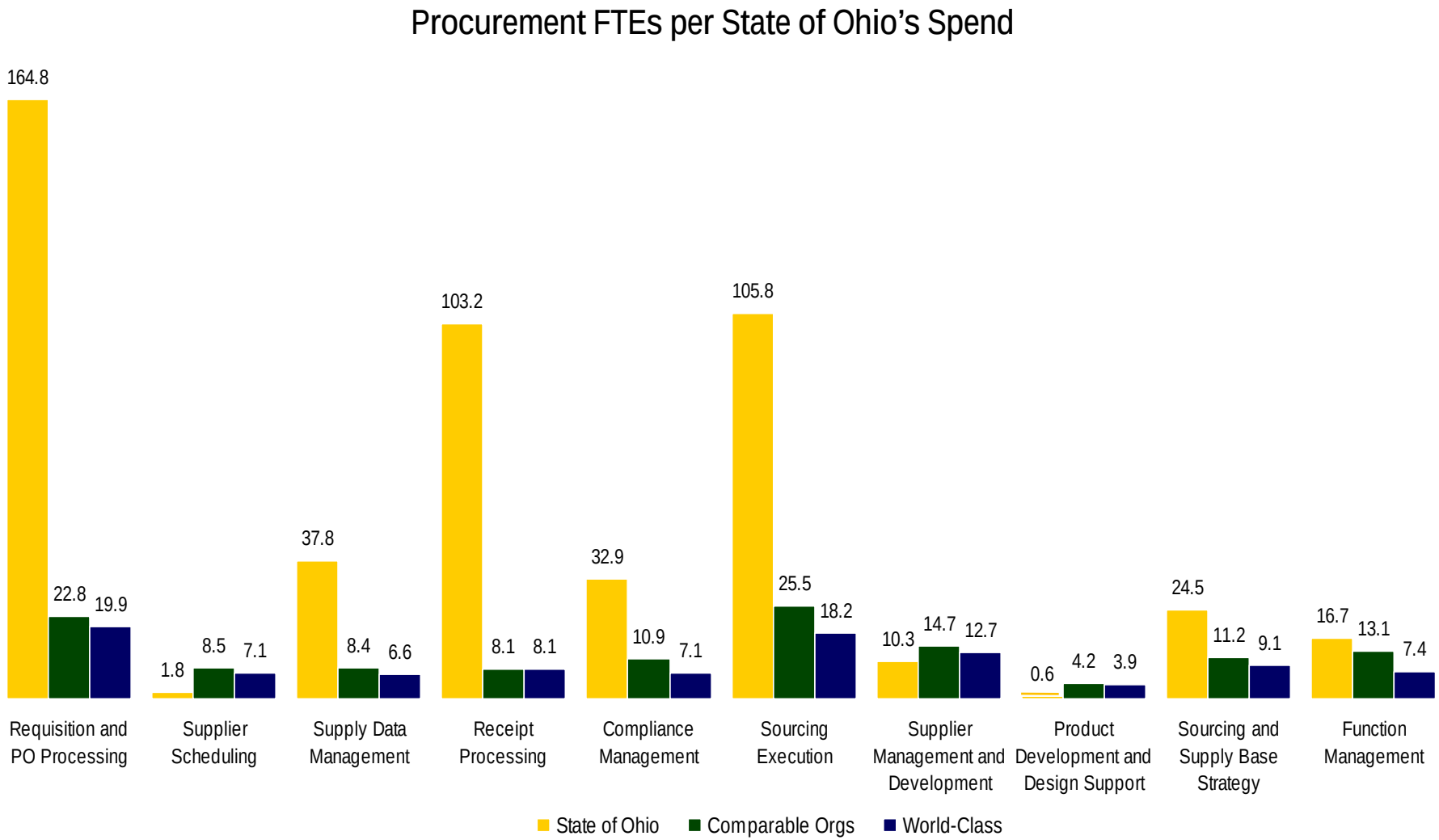


State of Ohio | Comparable Orgs | World-Class

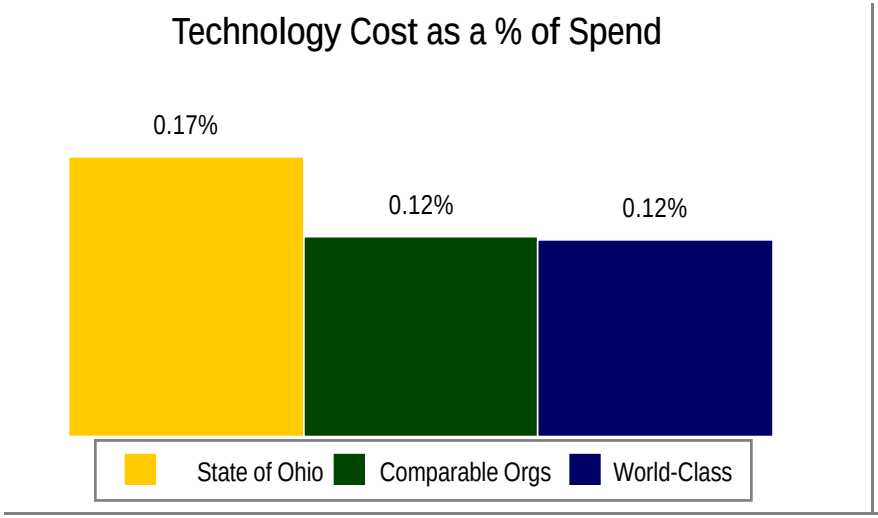
Cost as a Percentage of Spend by Process

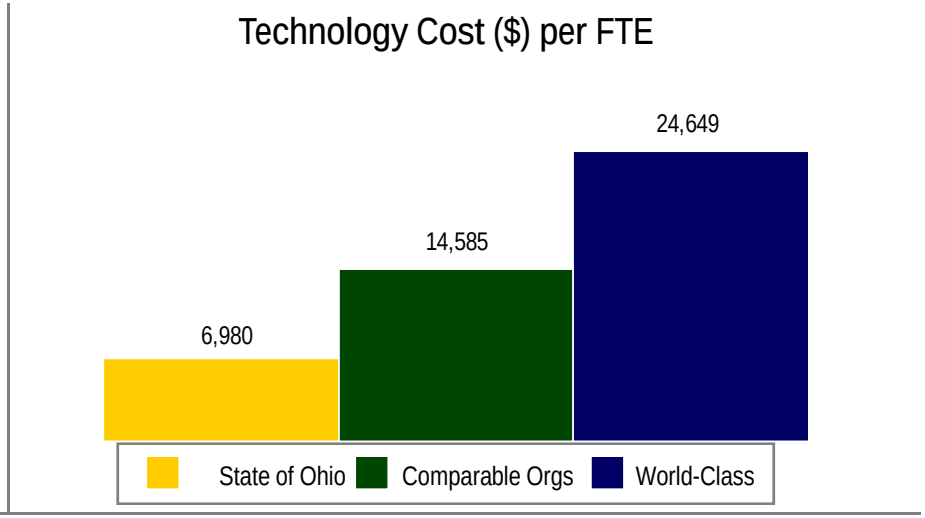


Staffing Comparisons



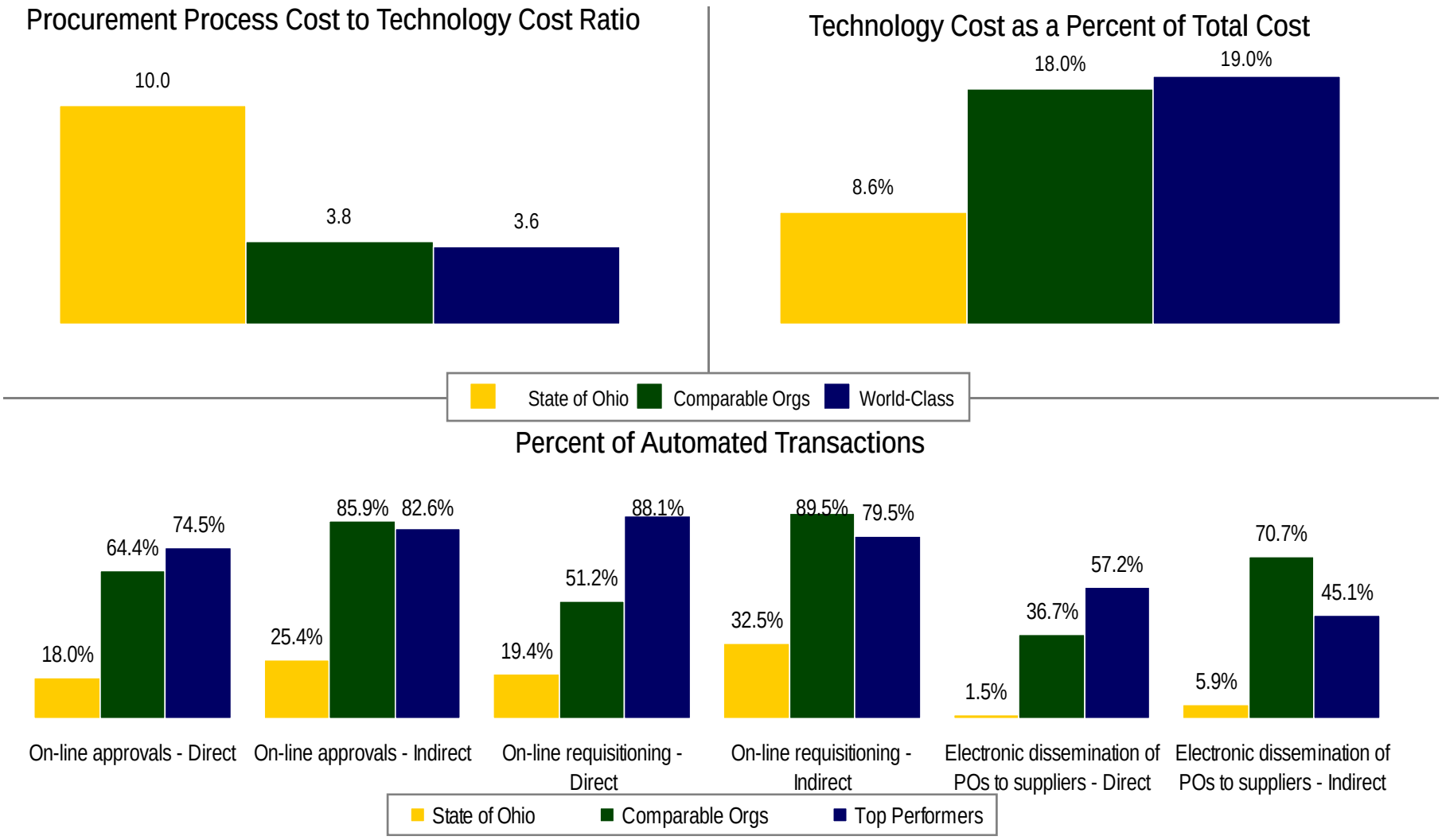
Procurement Technology Cost as a Percentage of Spend and Technology Cost per FTE





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.

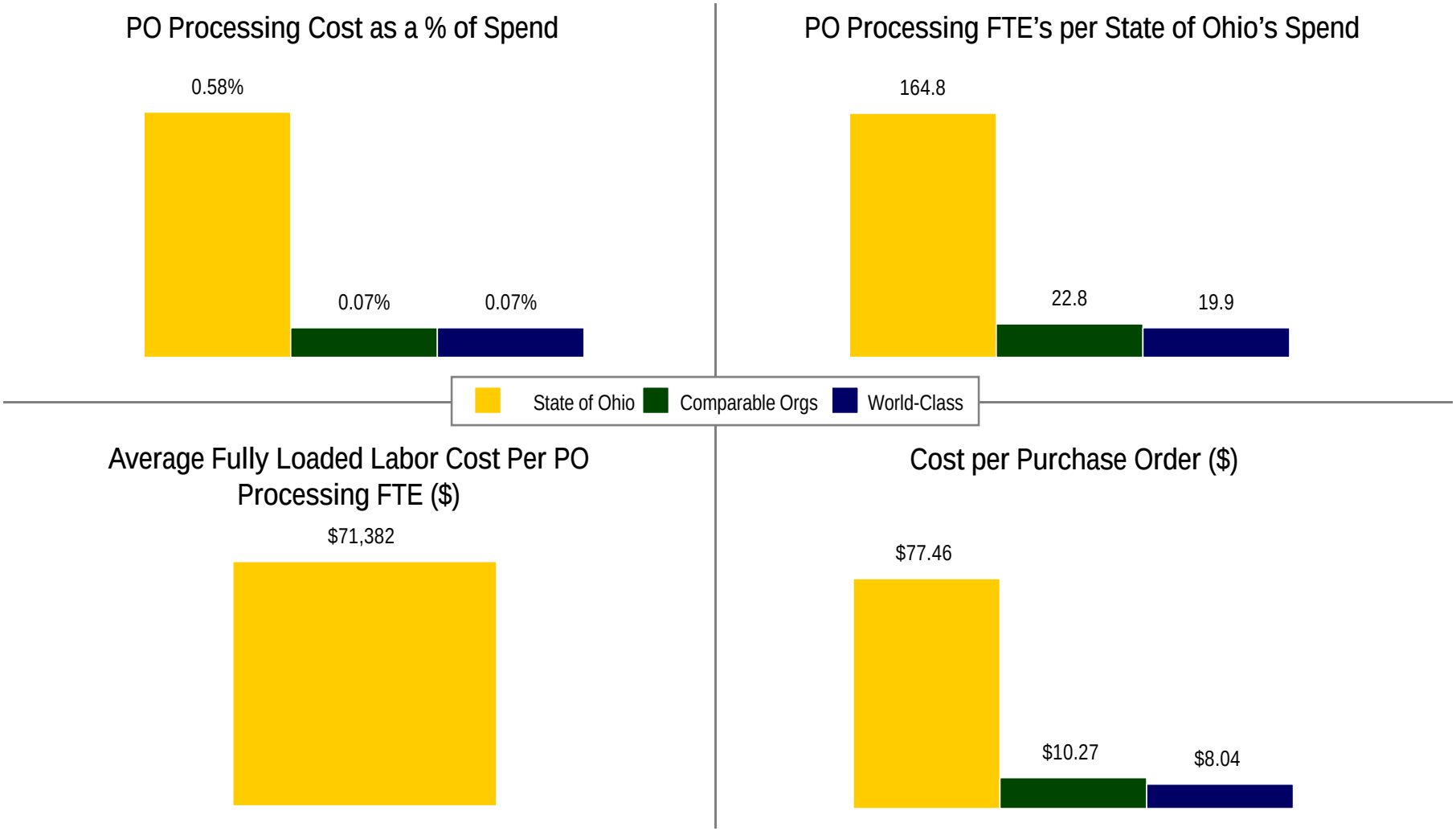
Transaction Automation



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

Procurement Processes	State of Ohio's FTEs	State of Ohio's FTEs at Peer Group	State of Ohio's FTEs at World-
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
Total Procurement FTEs	529.2	143.7	120.1

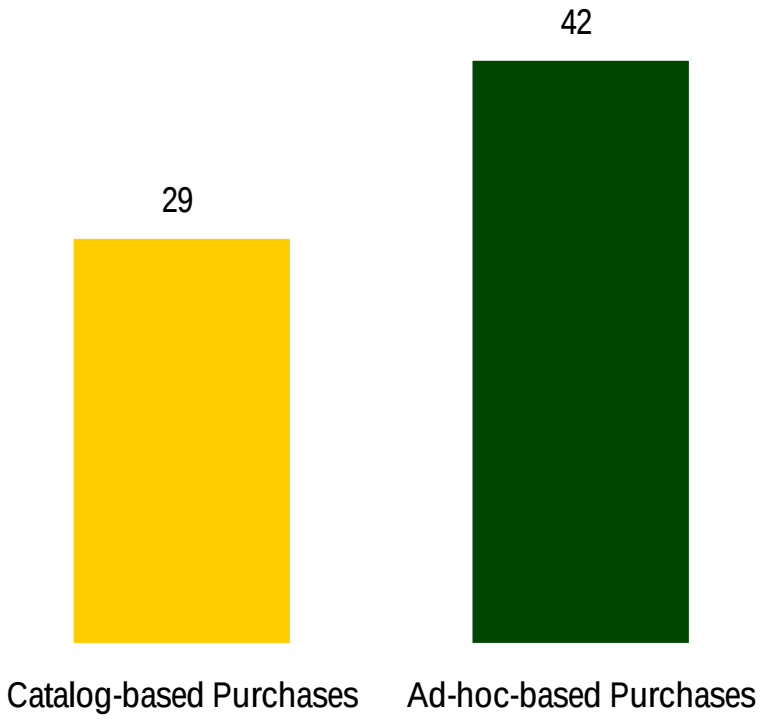
PO Processing Cost and Staffing



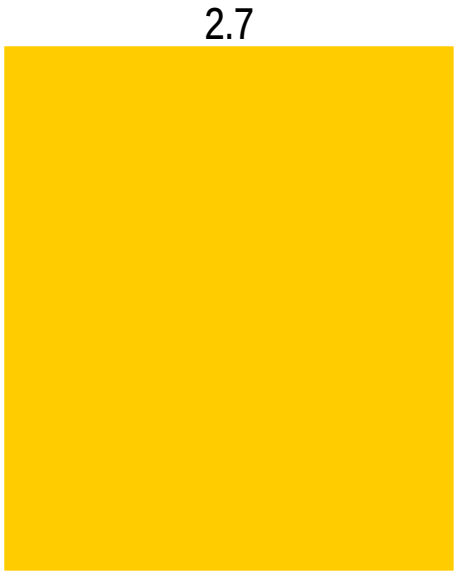
Requisition and Purchase Order Processing Practices

Cycle Time (Hours)

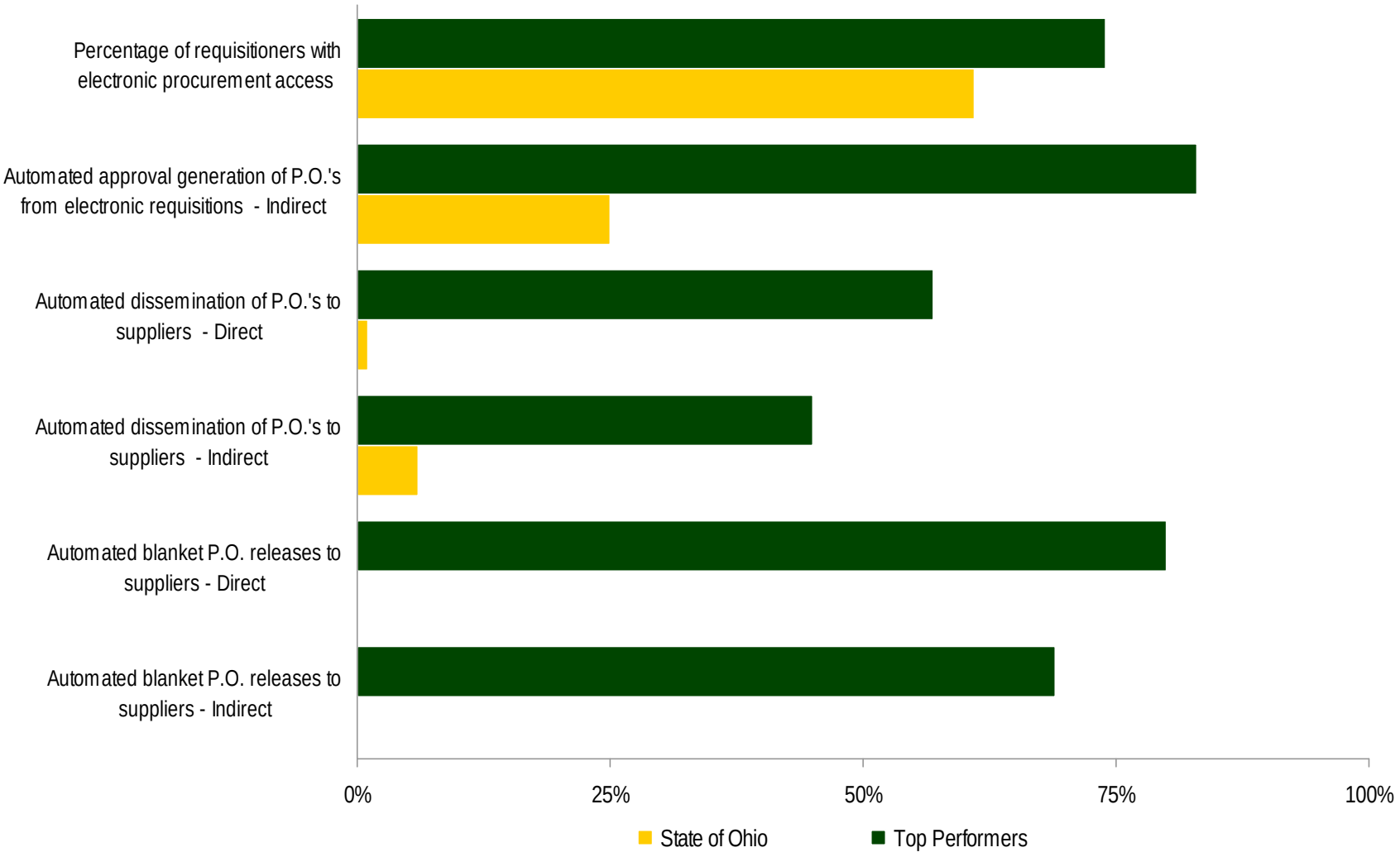
Comparisons not available



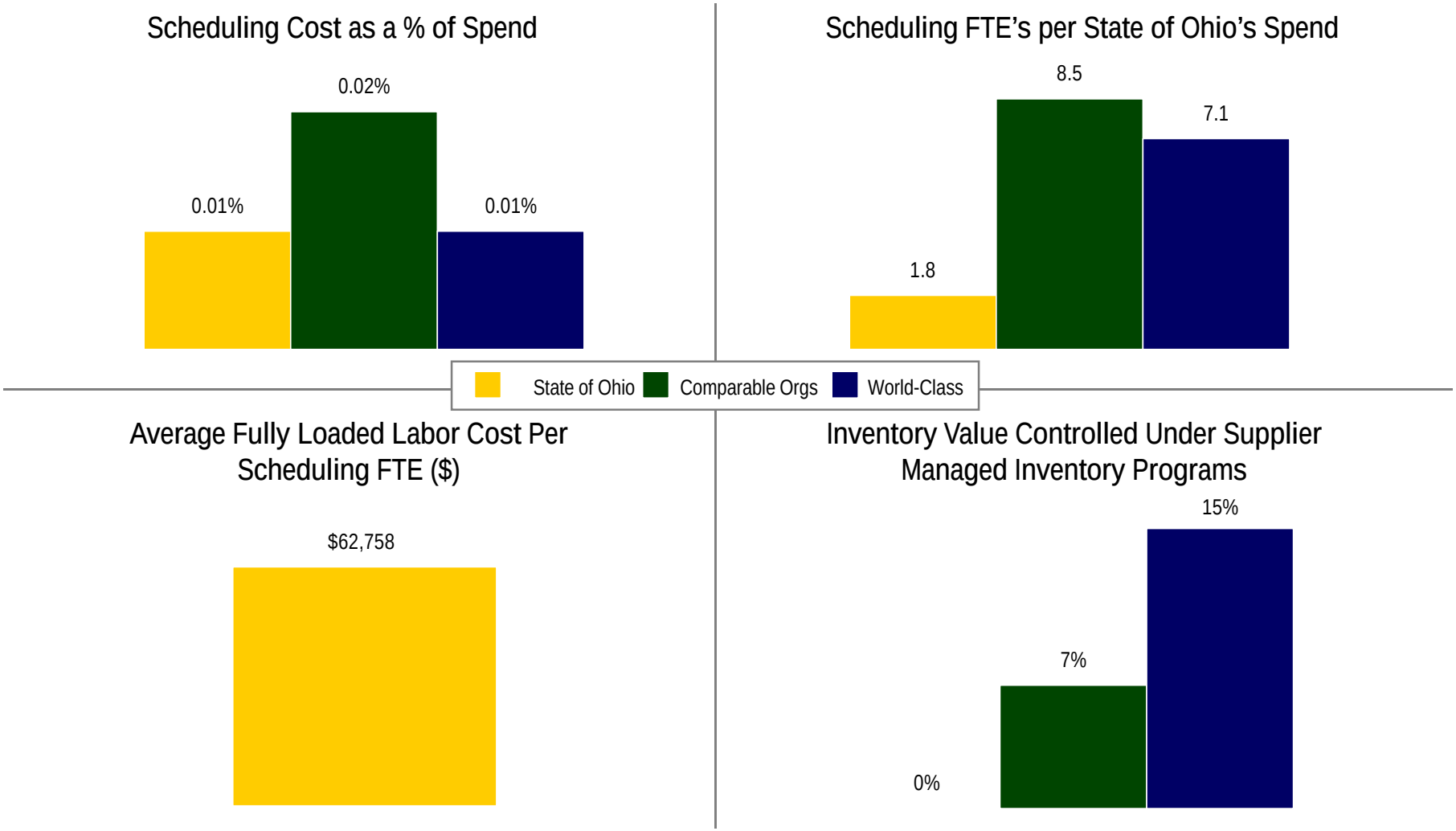
Average Line Items per Purchase Order



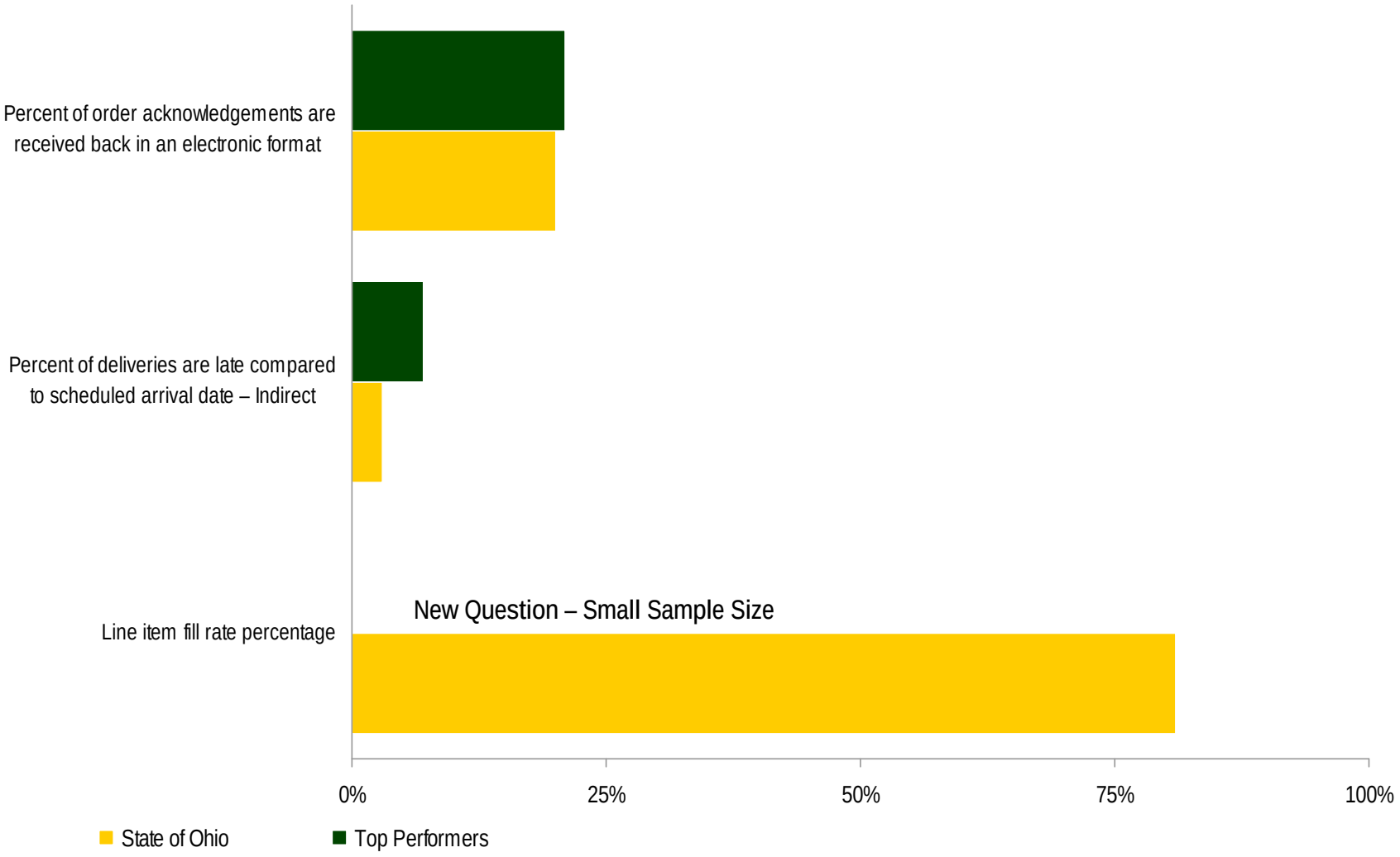
Requisition and Purchase Order Processing Practices (Cont'd)



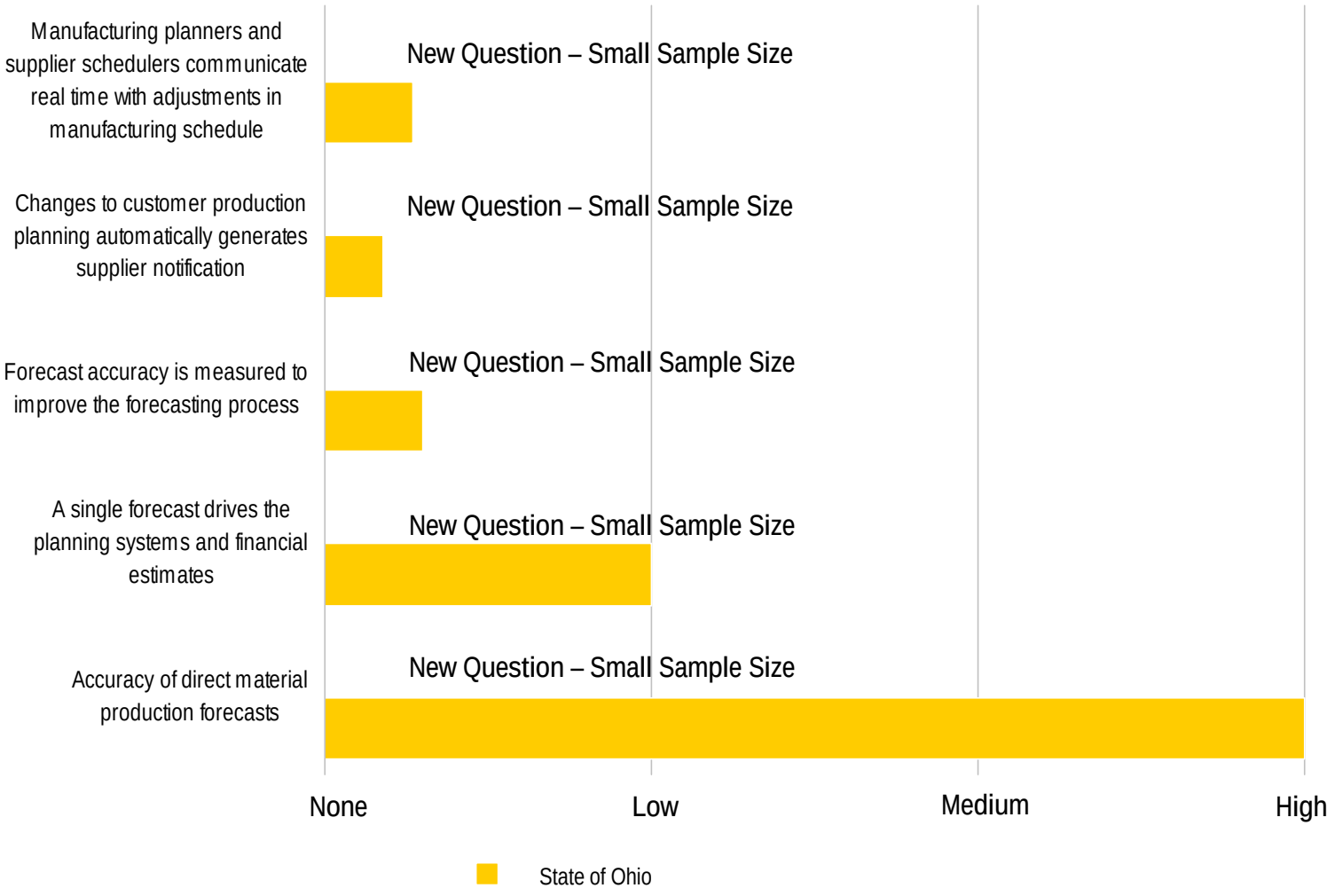
Scheduling Cost And Staffing



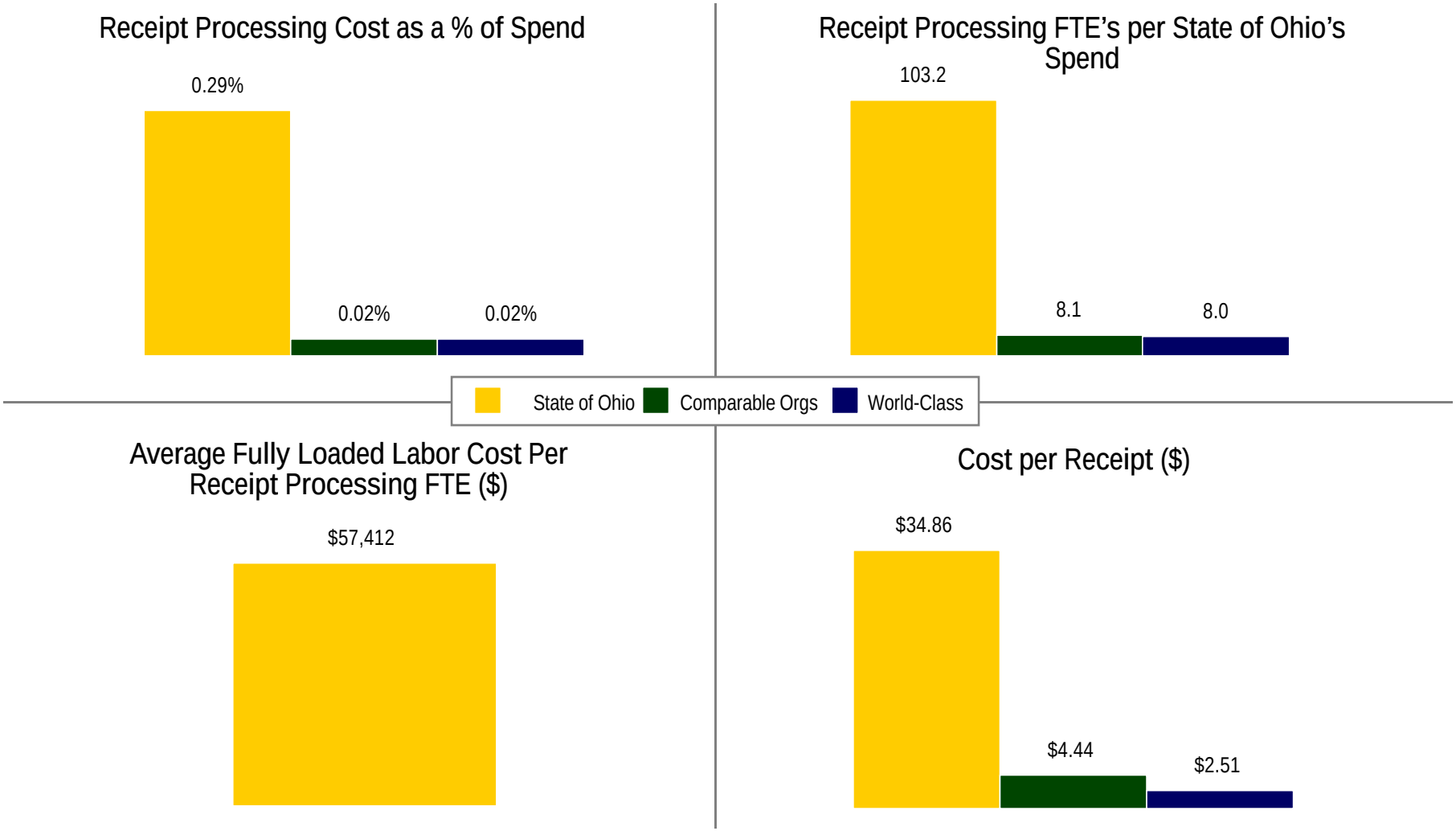
Supplier Scheduling Practices



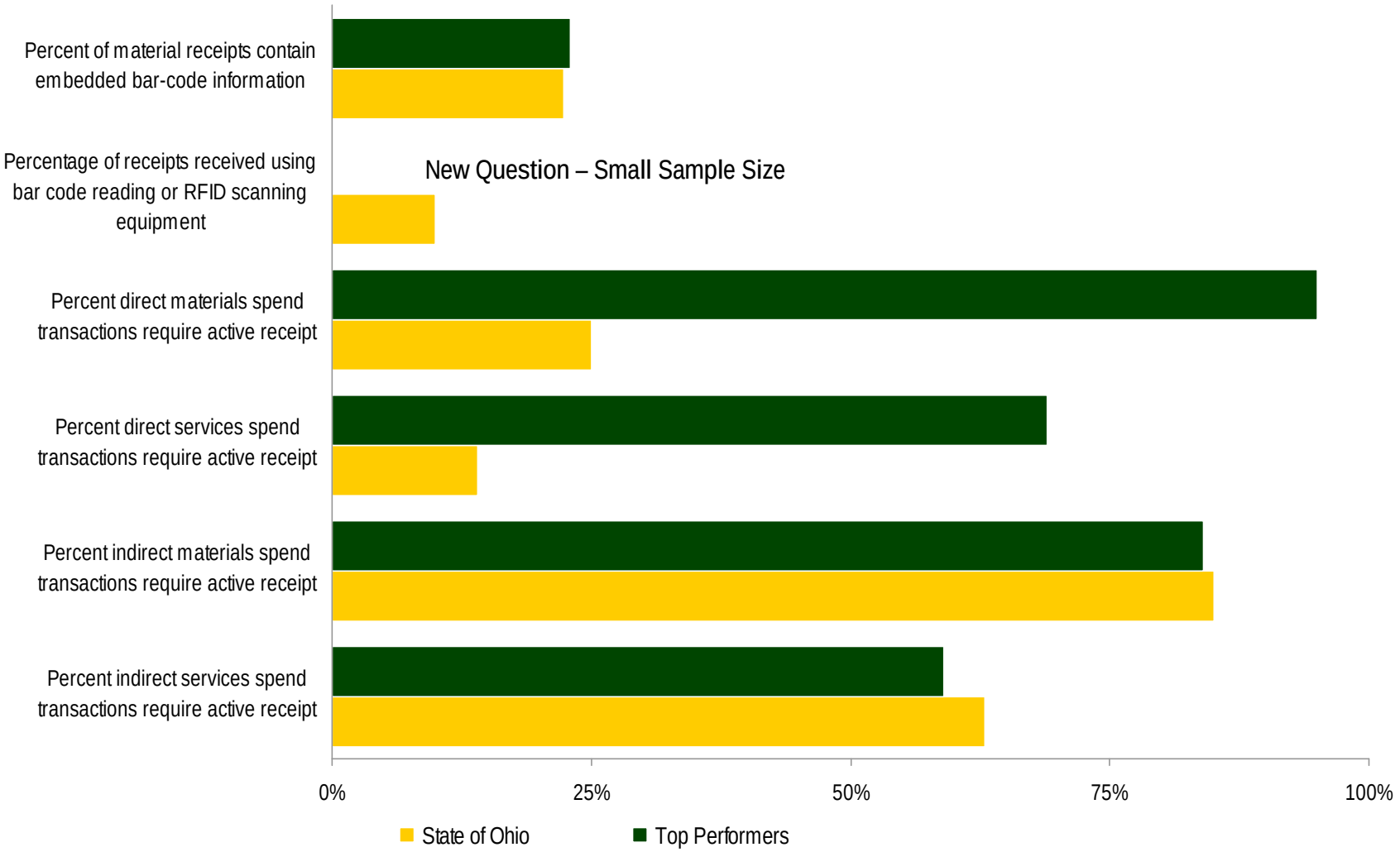
Supplier Scheduling Practices (Cont'd)



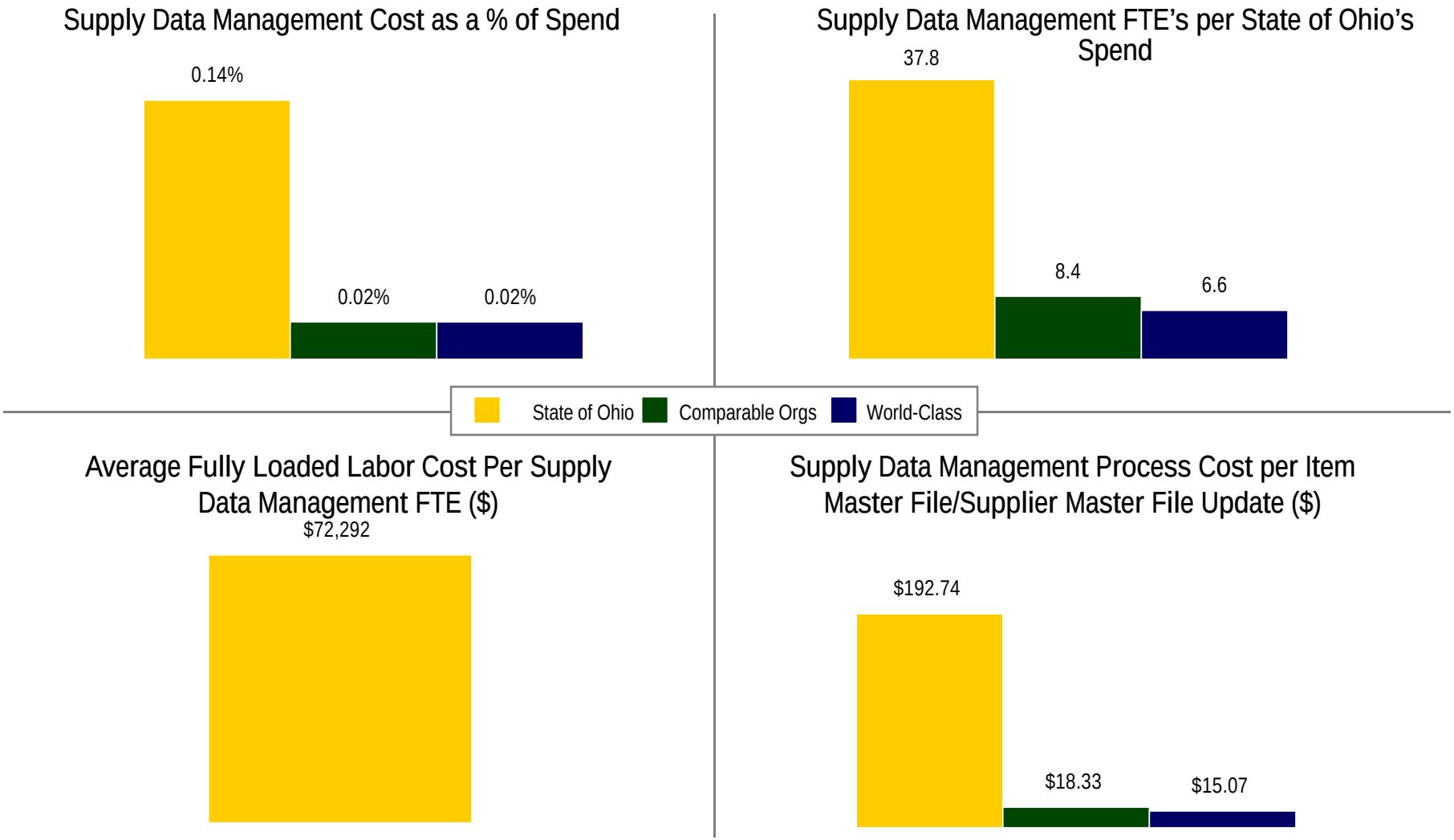
Receipt Processing Cost and Staffing



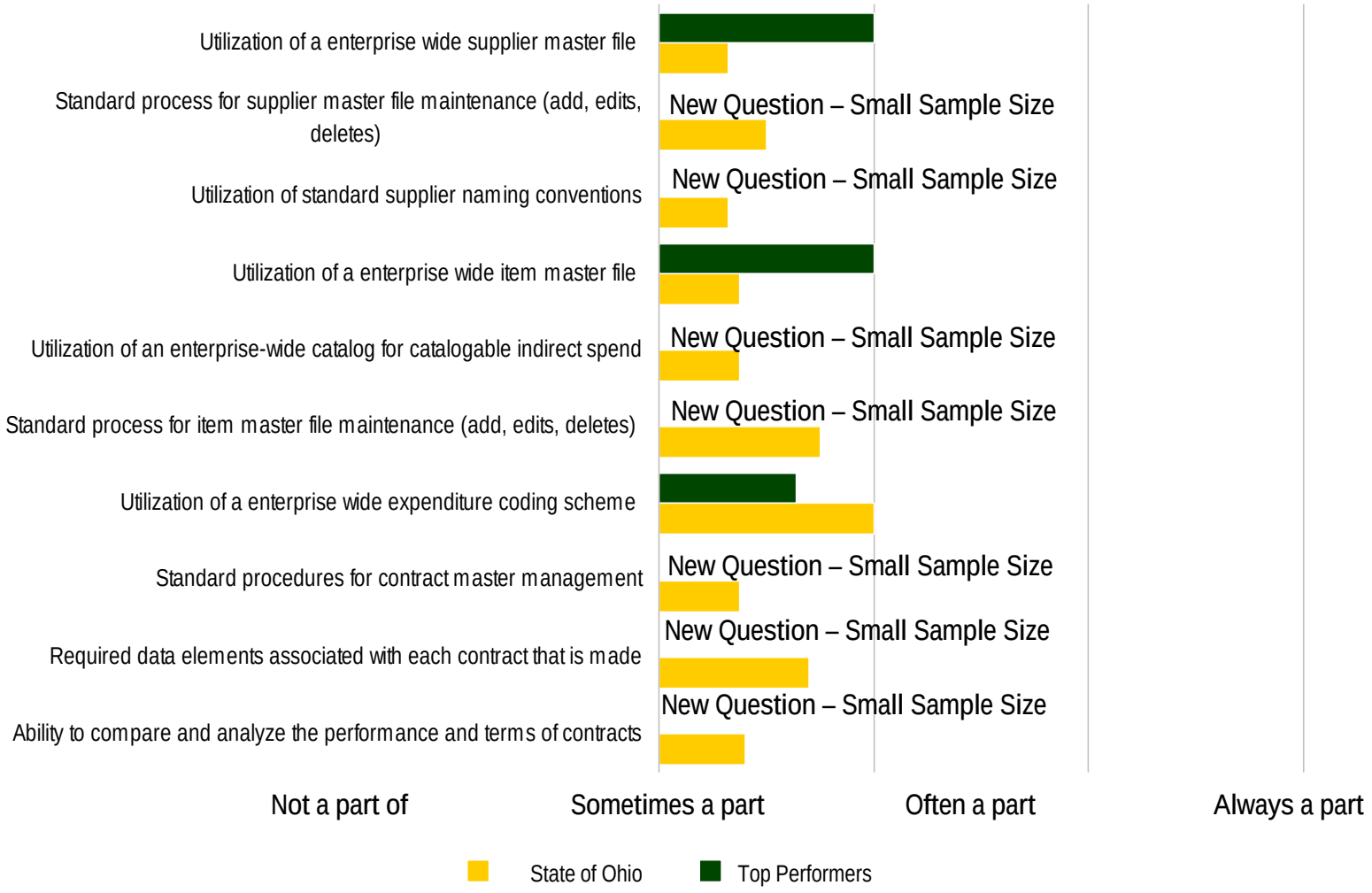
Receipt Processing Practices



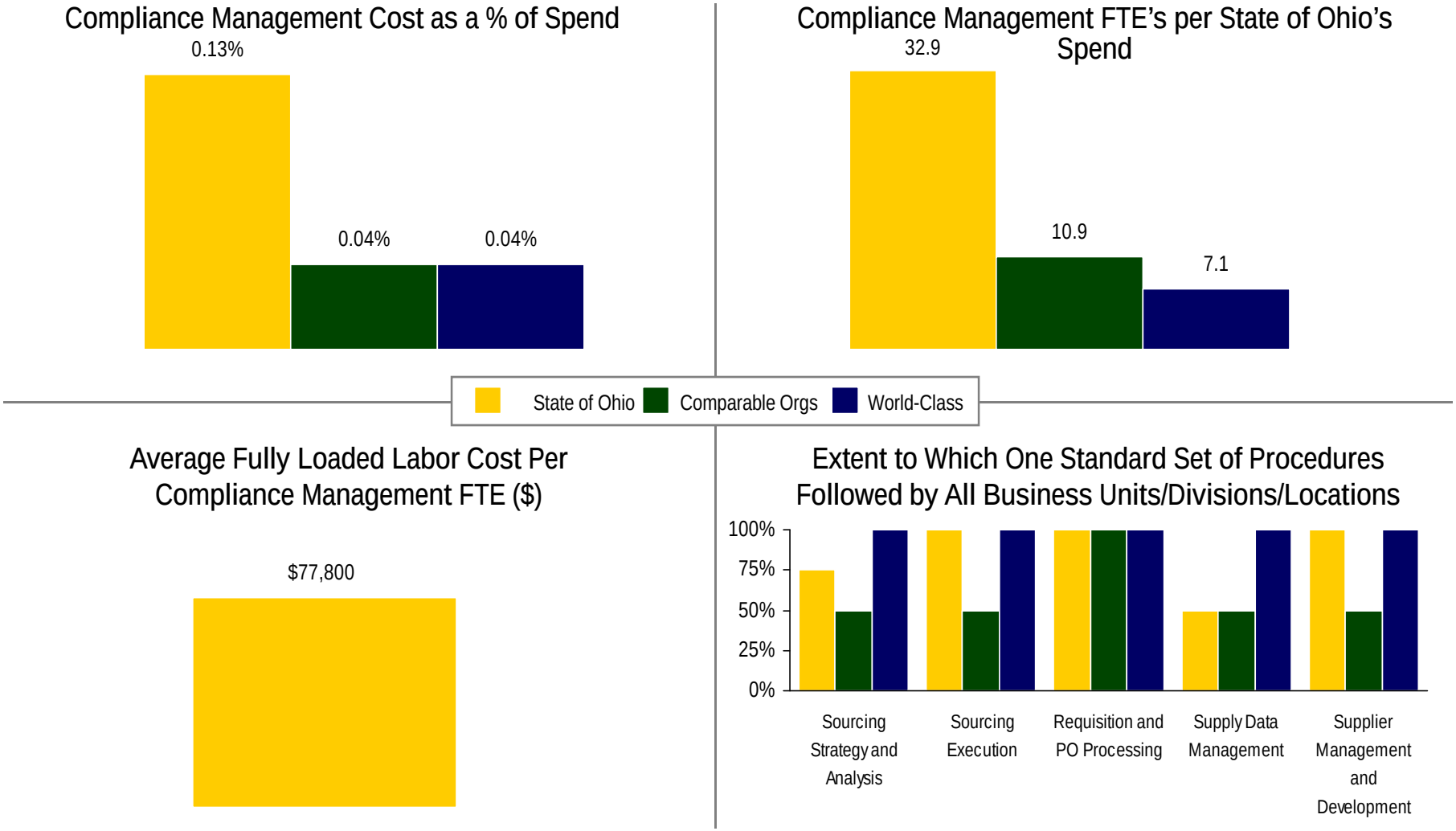
Supply Data Management Cost and Staffing



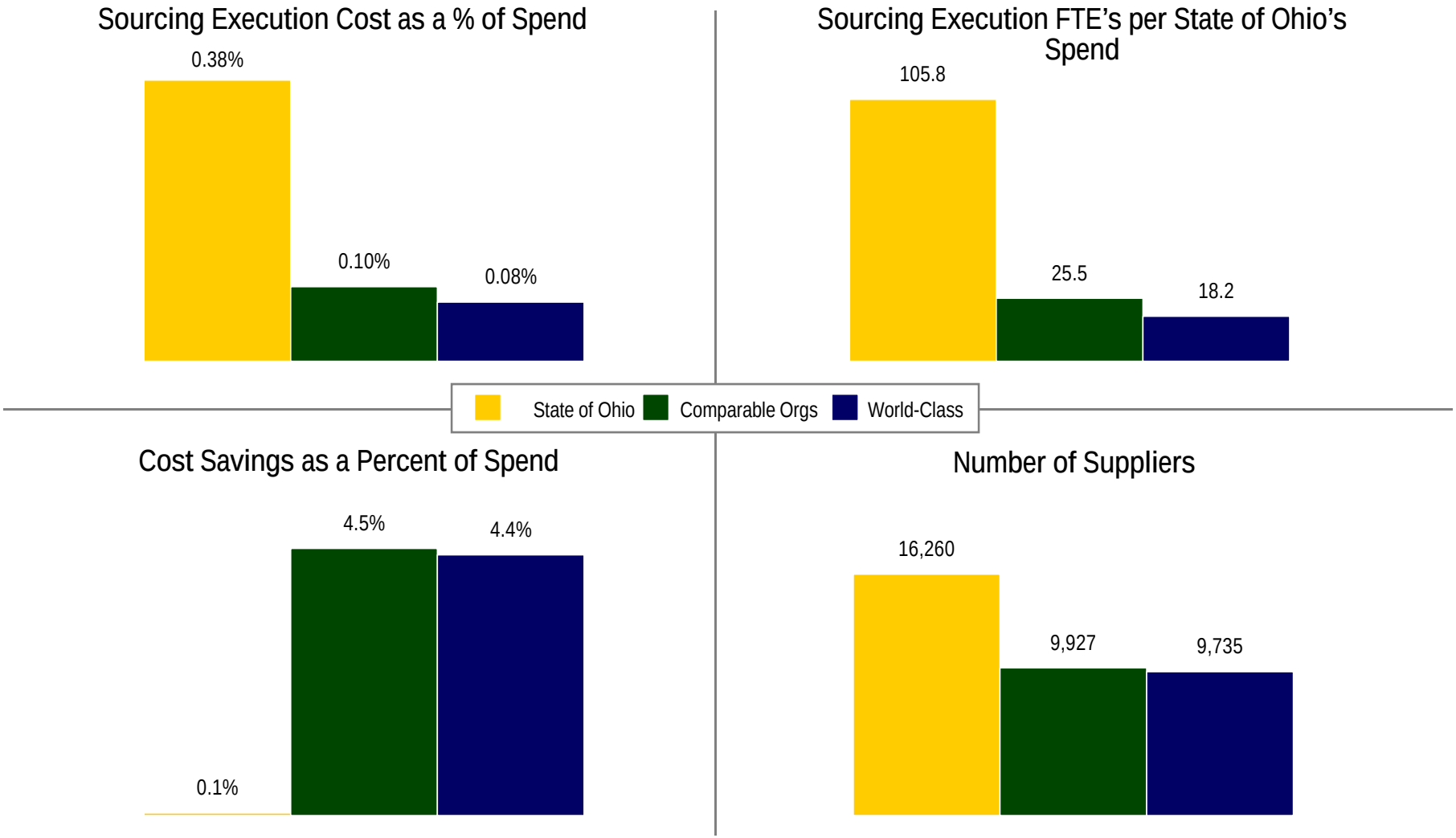
Supply Data Management Practices



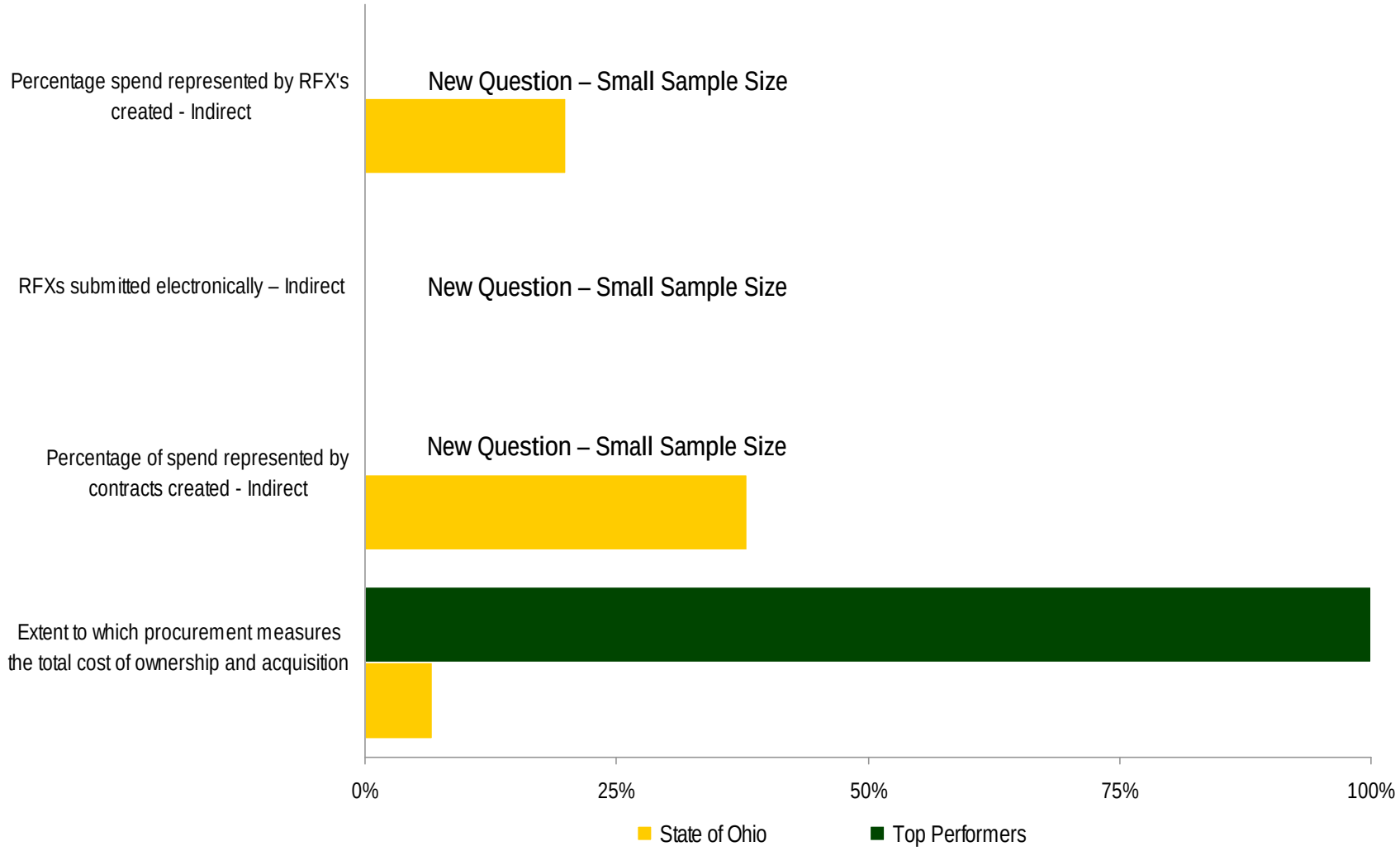
Compliance Management Cost and Staffing



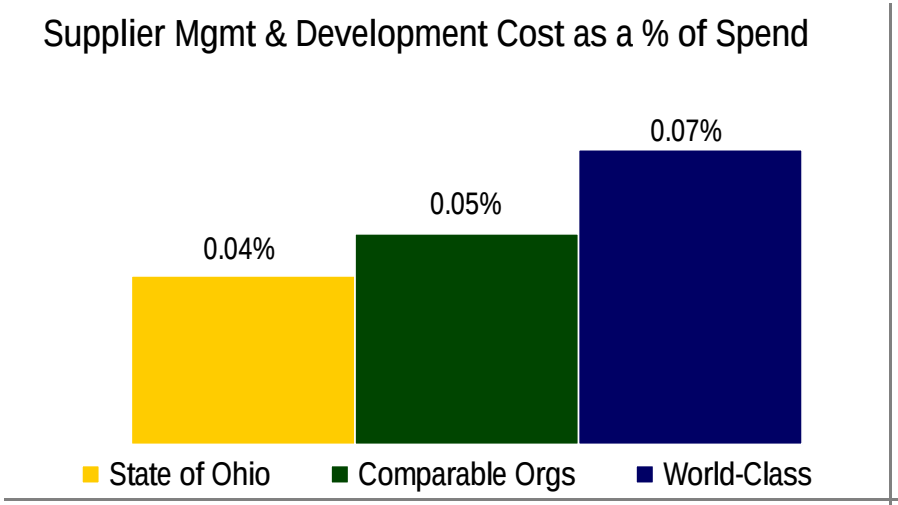
Sourcing Execution Cost and Staffing

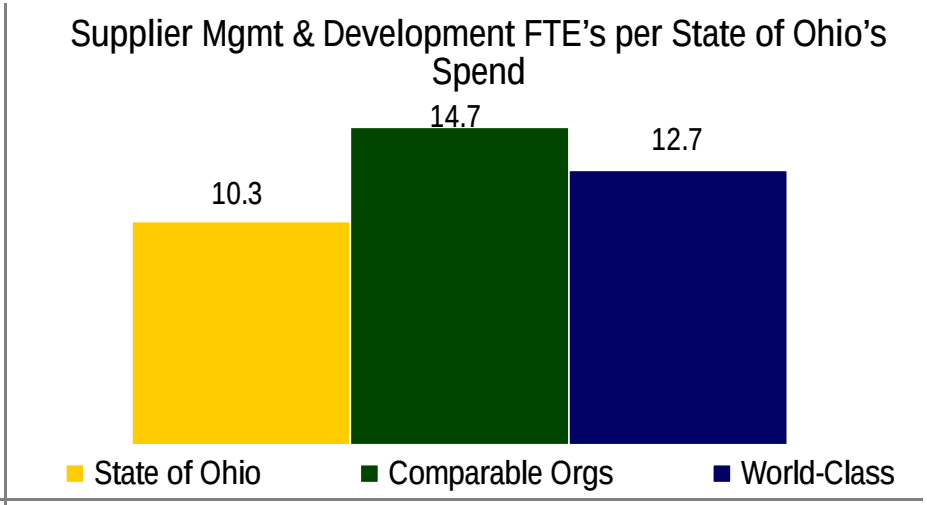


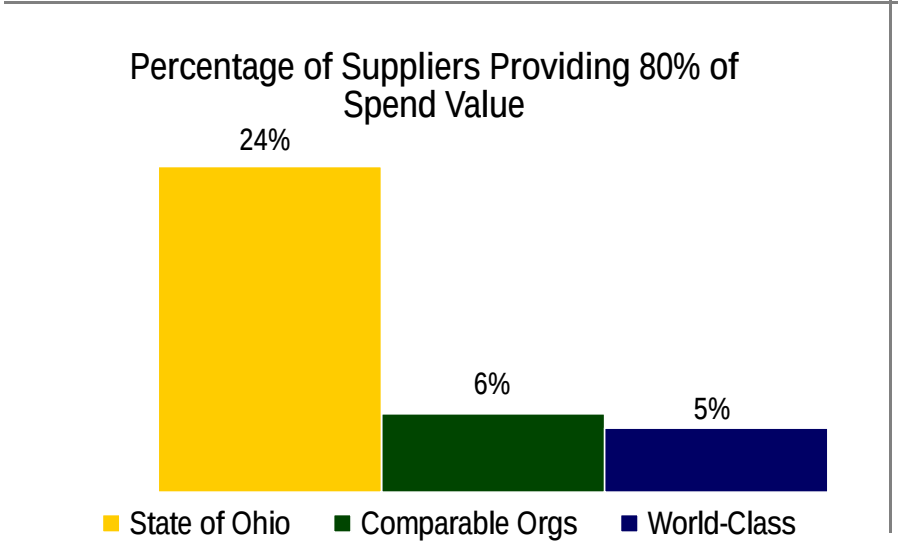
Sourcing Execution Practices

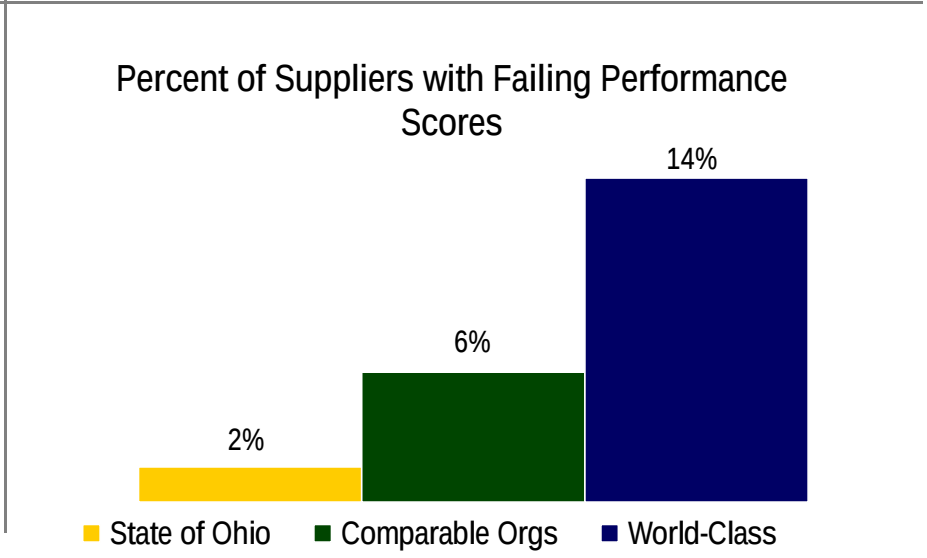


Supplier Mgmt. & Development Cost and Staffing

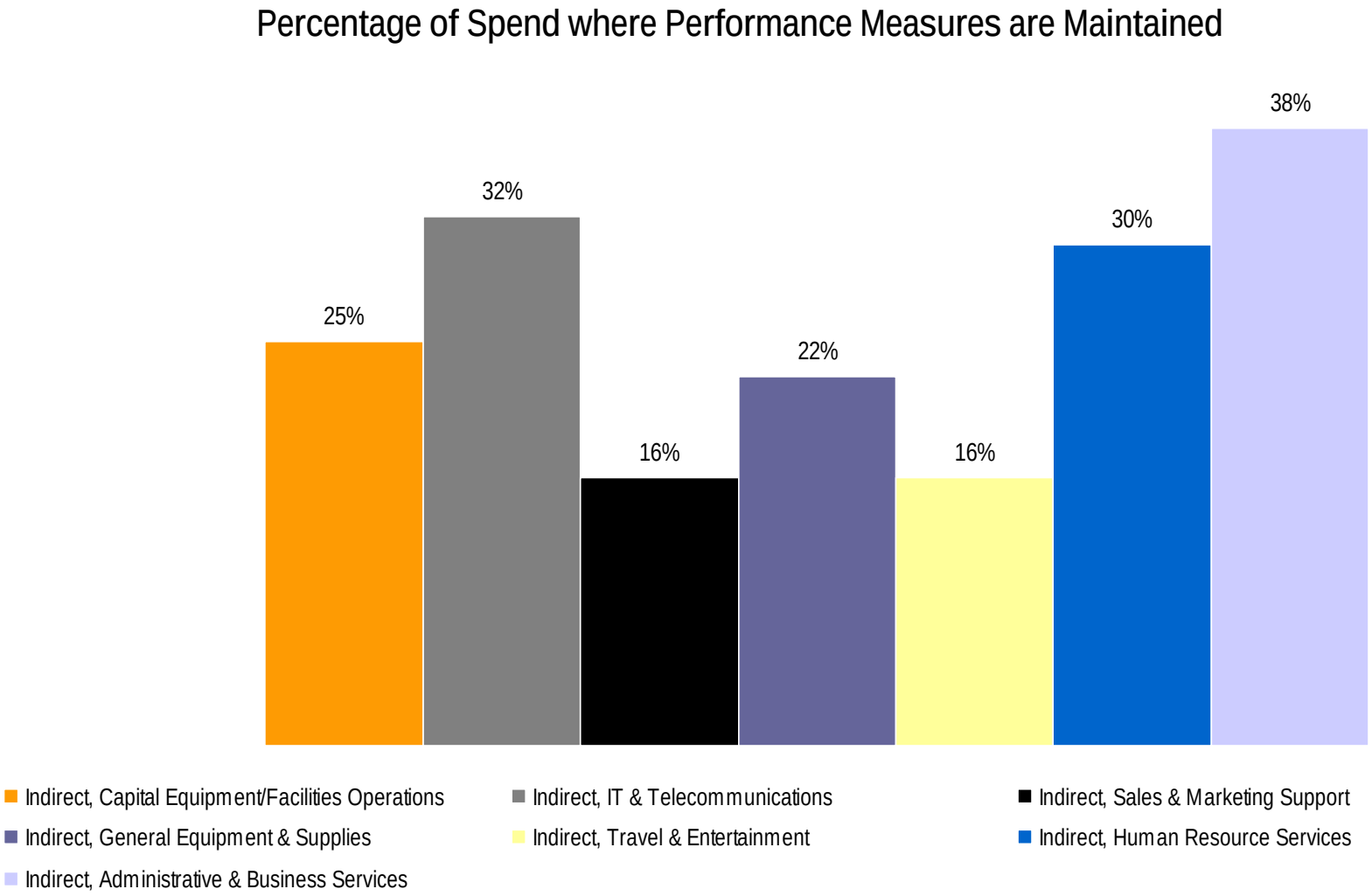




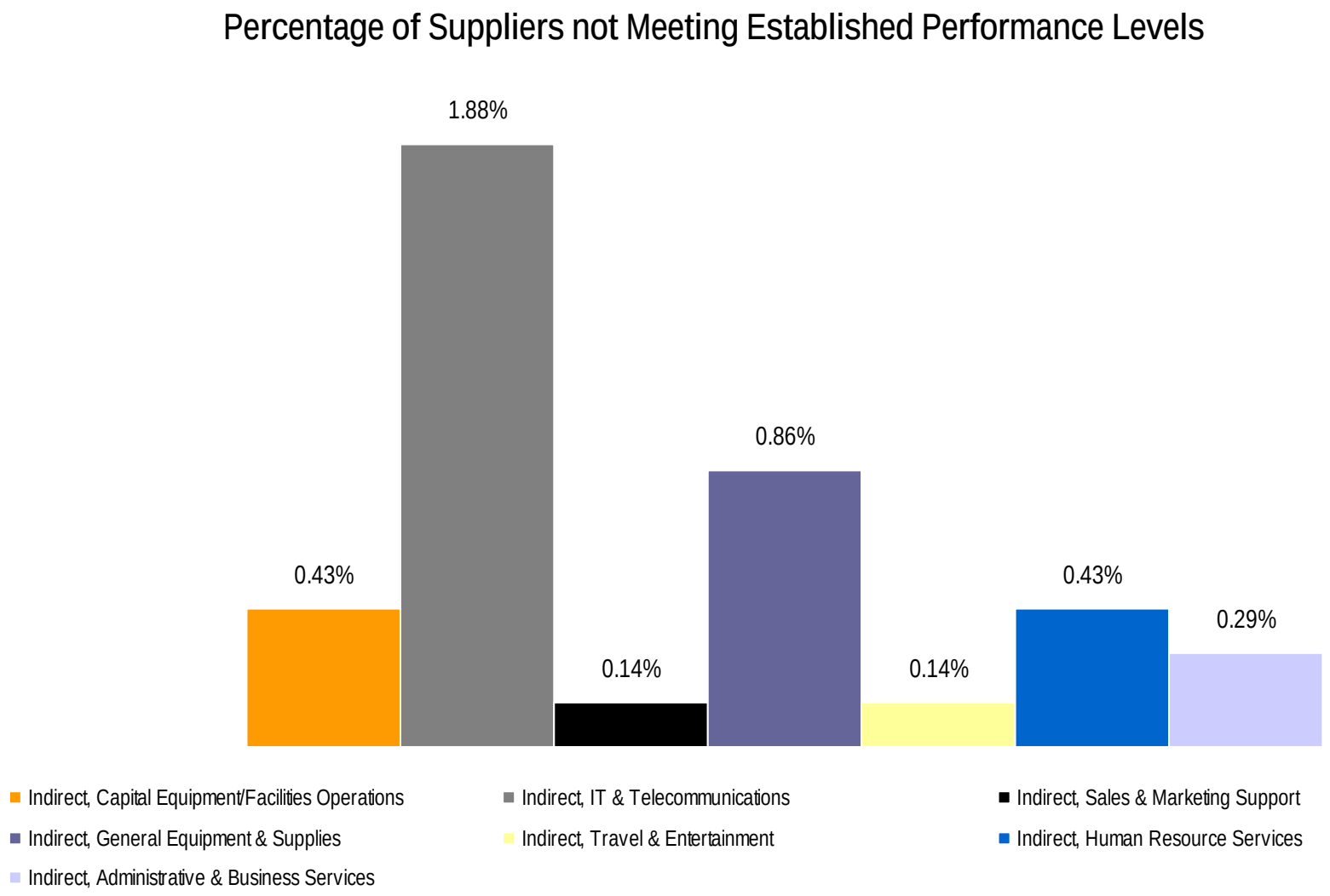




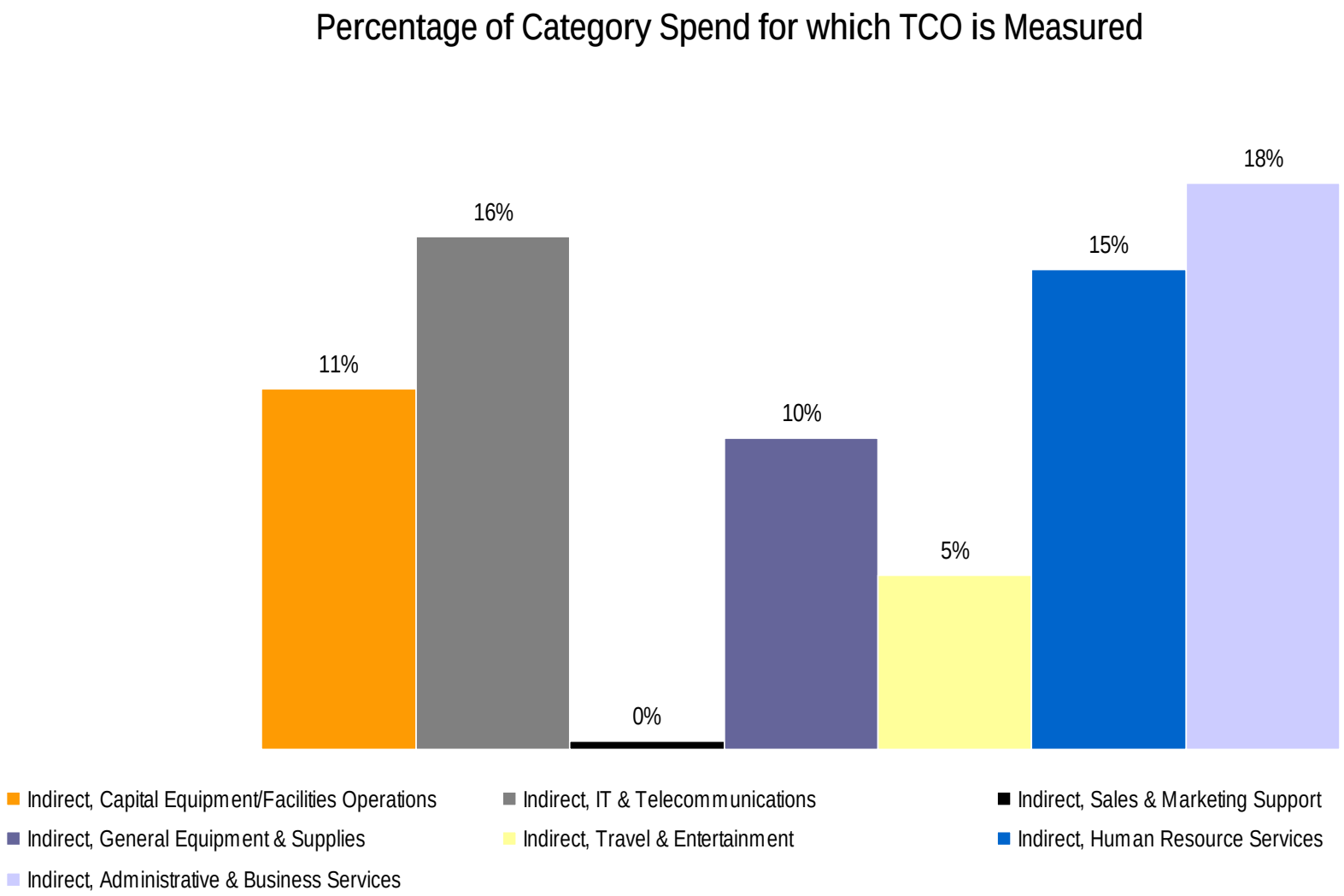
Performance Measurement



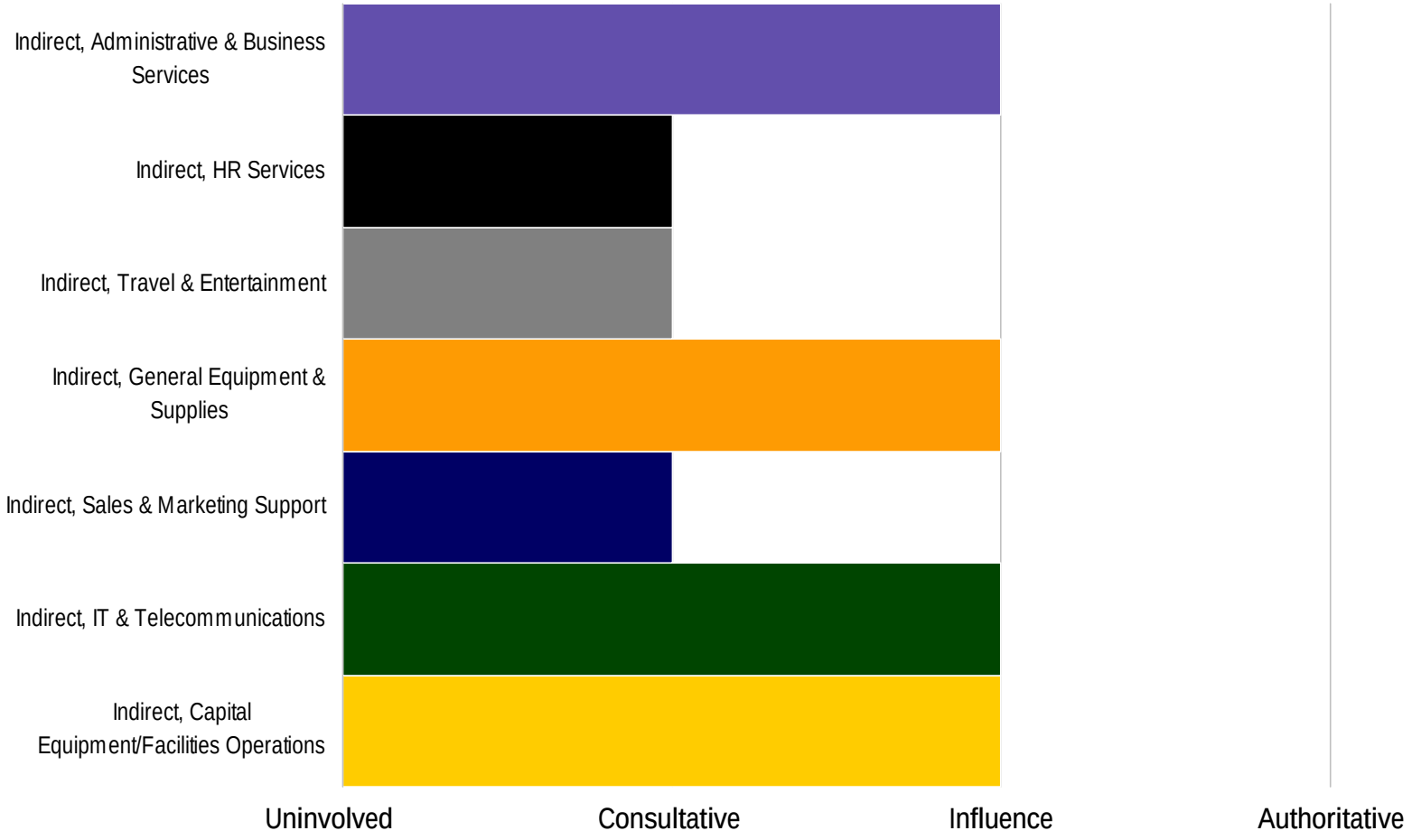
Percentage of Suppliers not Meeting Performance Levels



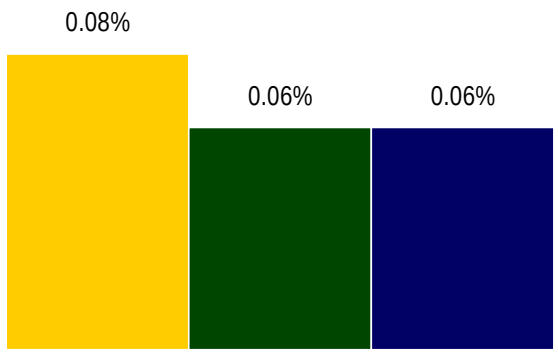
Total Cost of Ownership

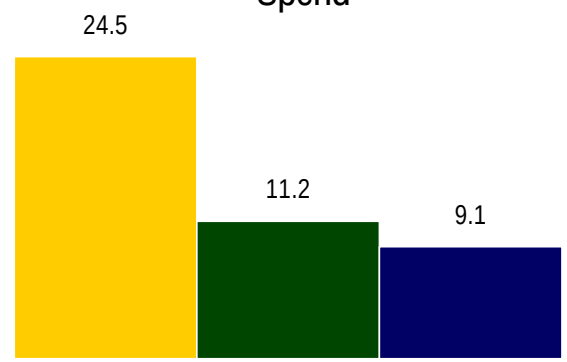


Procurement Involvement in Supplier Management

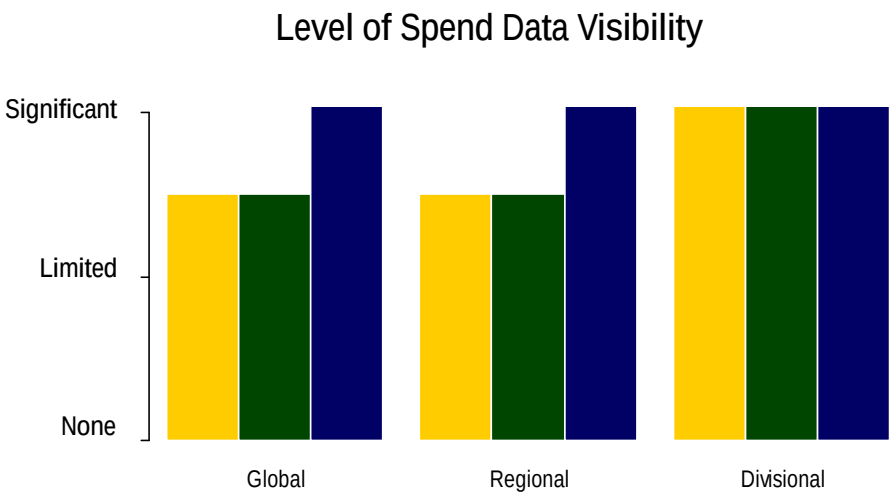


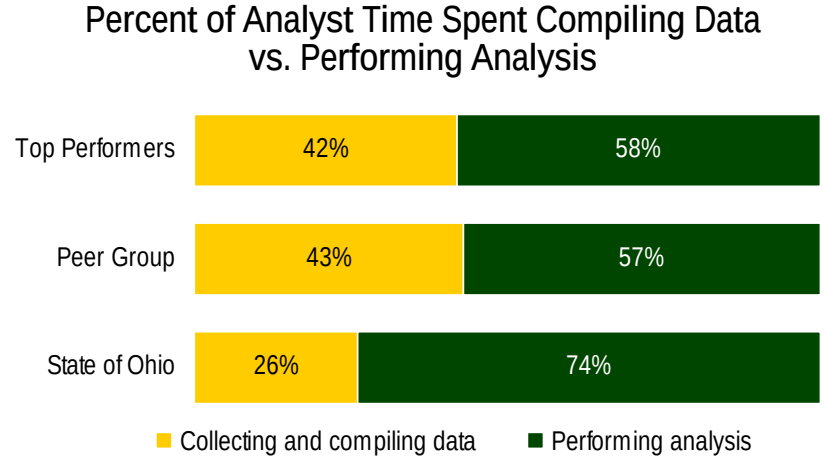
Sourcing Strategy Cost and Staffing



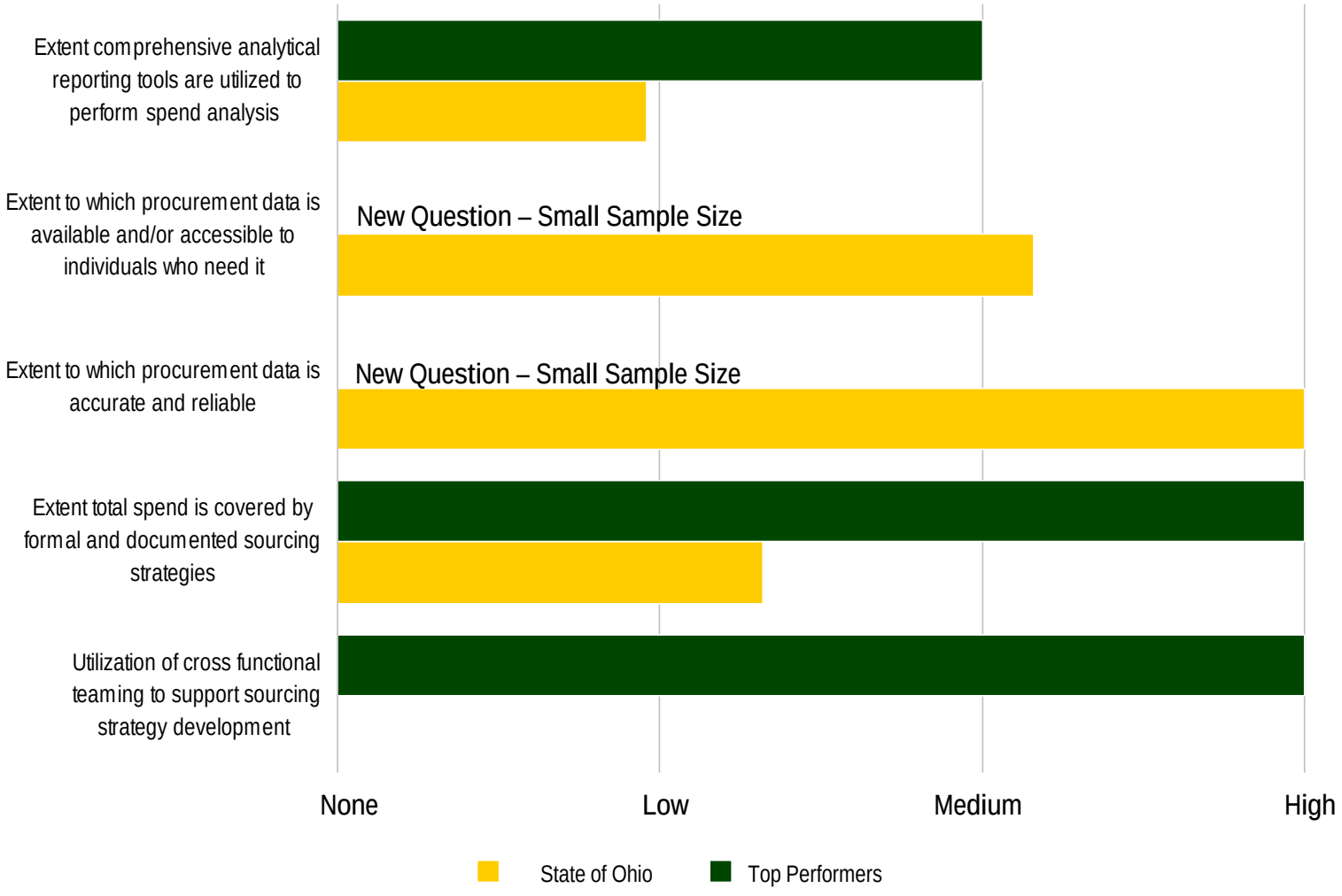


State of Ohio | Comparable Orgs | World-Class

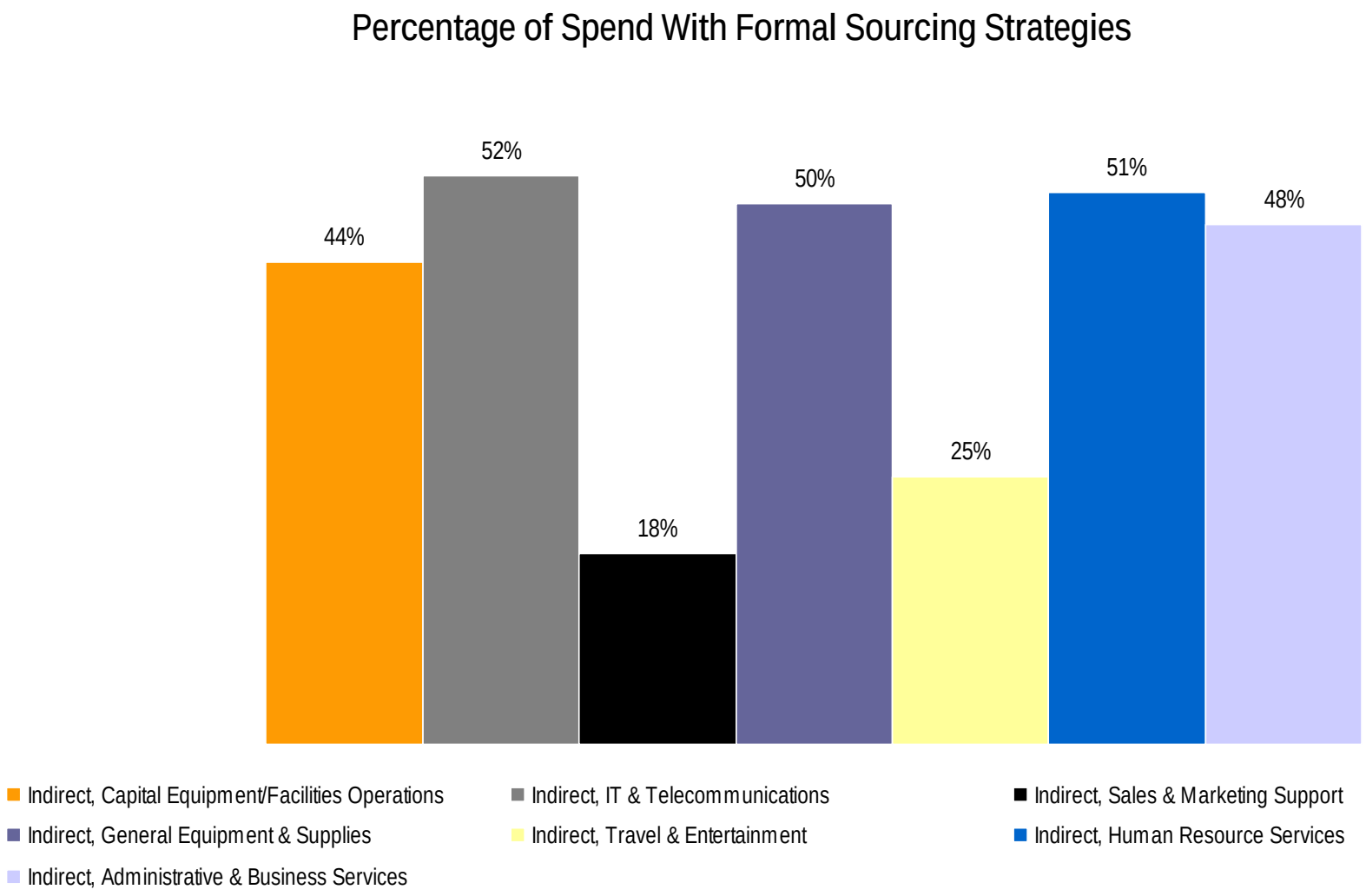




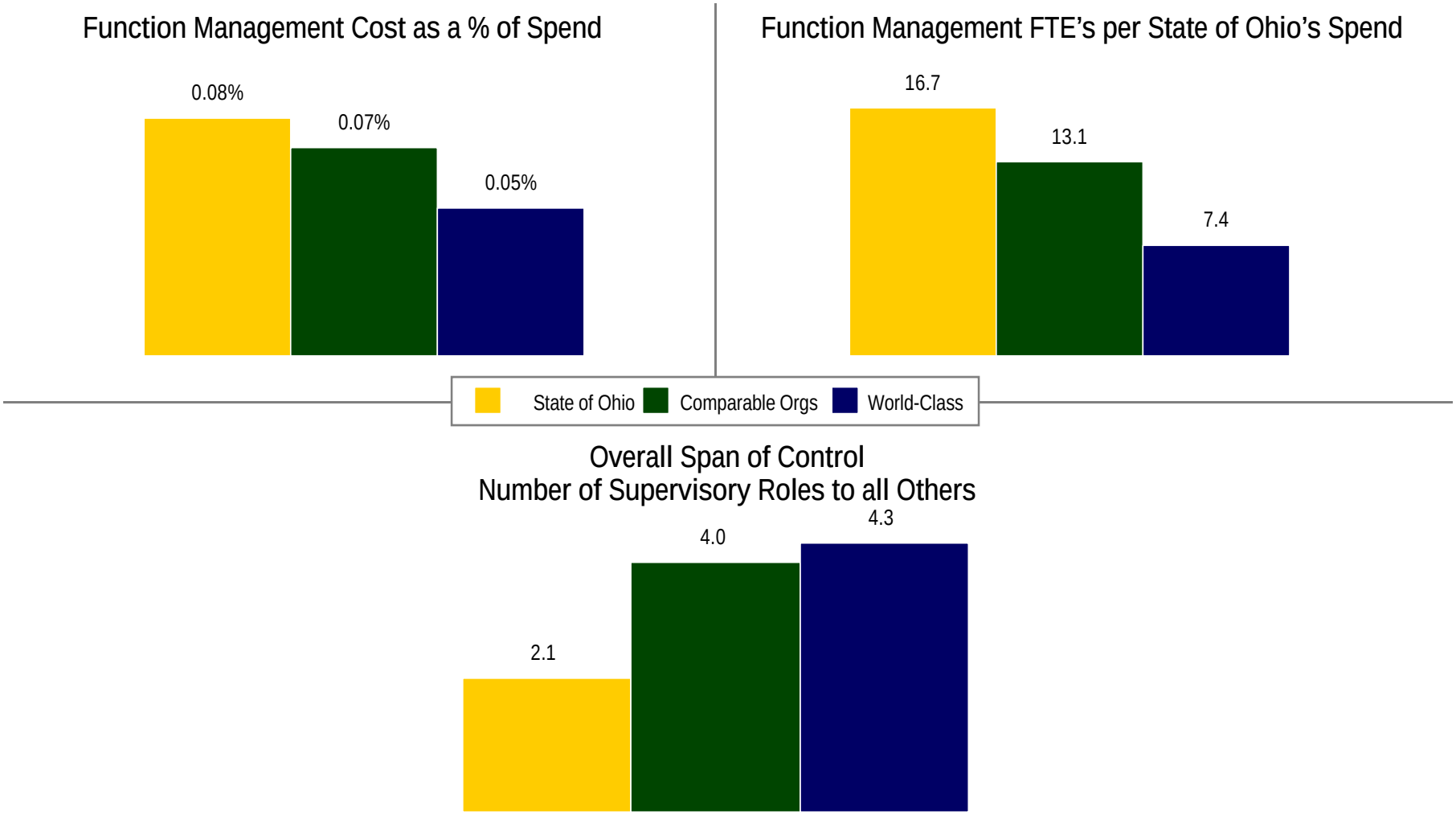
Sourcing Strategy and Analysis Best Practices



Percentage of Spend with Formal / Documented Sourcing Strategies



Function Management Cost and Staffing



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The Hackett Group
World-Class Defined

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Cash Flow Delivered

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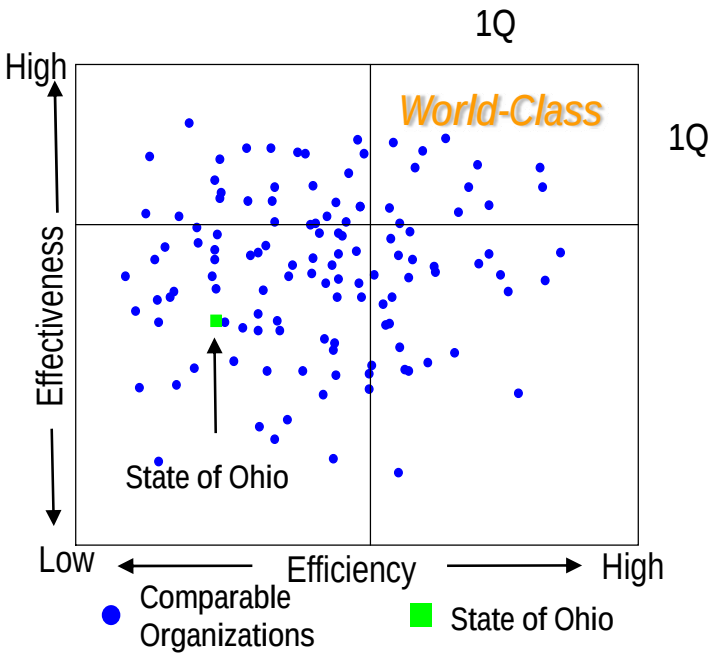
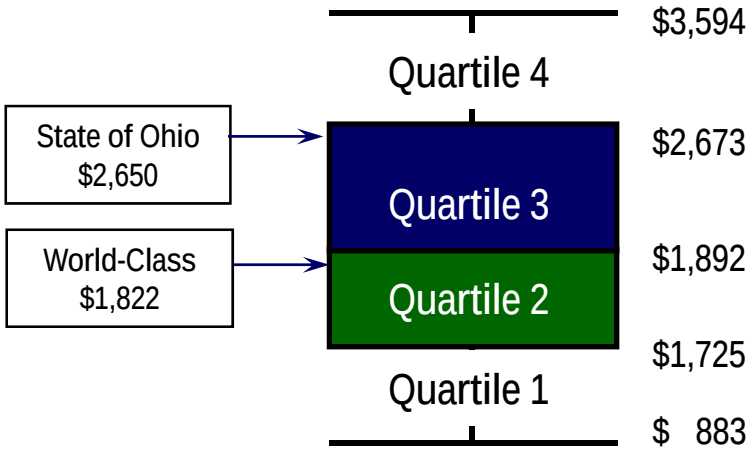
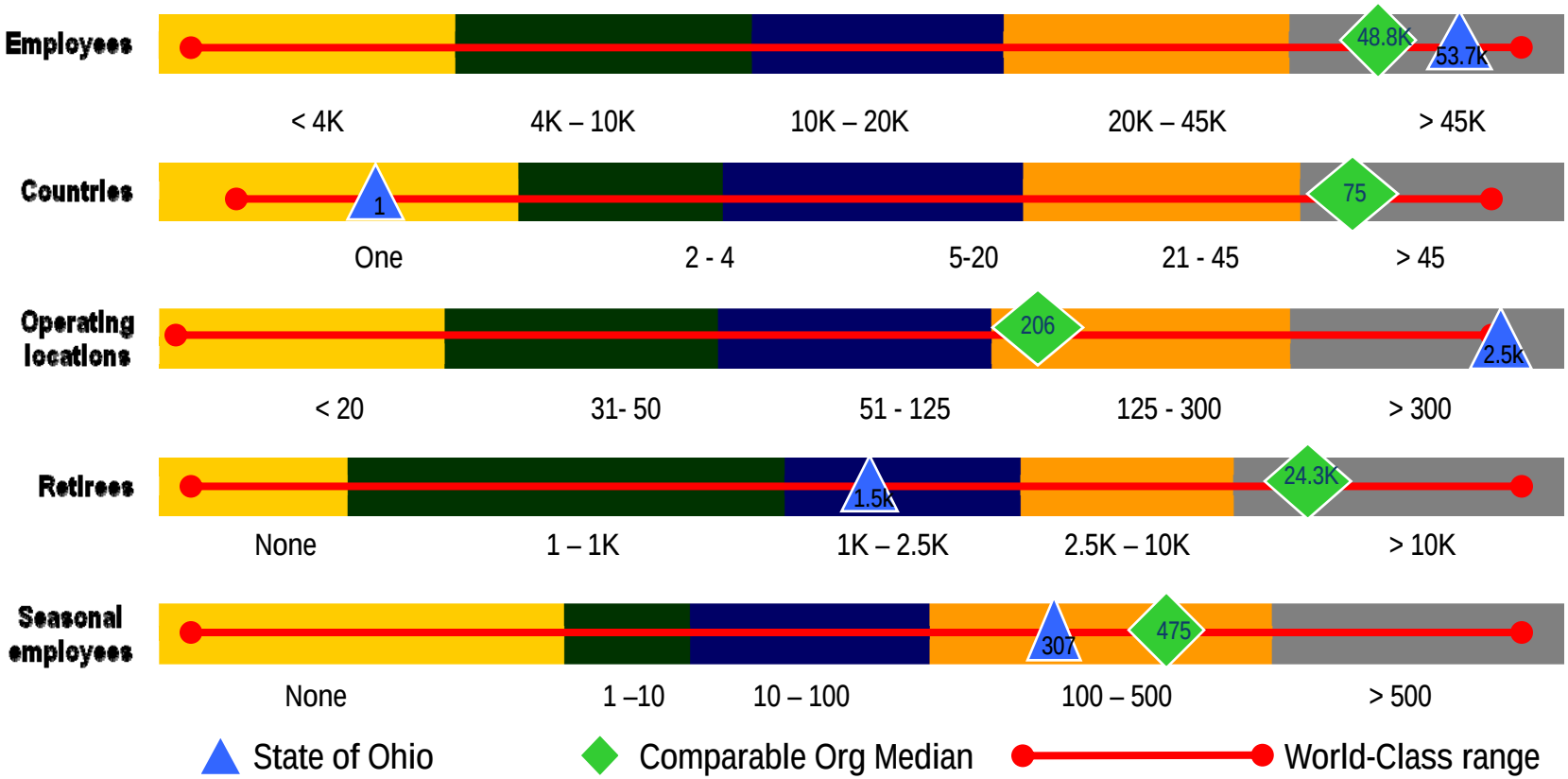
Efficiency and Effectiveness Ranking as Calculated by The Hackett Group's Human Resources Value Grid

- 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 (3rd 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

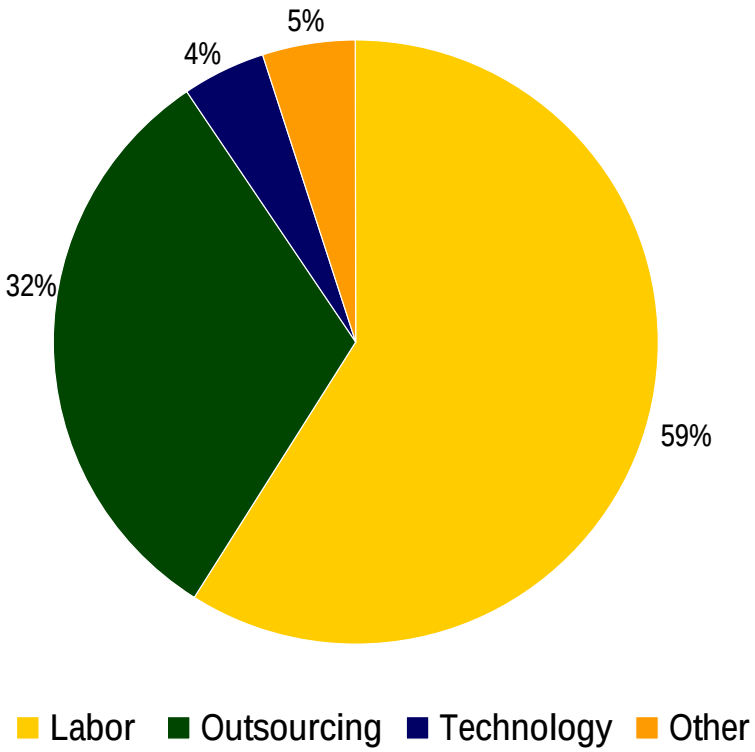
Data was Collected in Accordance With Hackett's Human Resources Taxonomy

Transactional	Employee Life Cycle	Planning and Strategy	Management and Administration
▪ Total Rewards Administration – Health & Welfare Administration – Pension & Savings Administration – Compensation Administration ▪ Payroll Administration ▪ Time & Attendance ▪ Data Management, Reporting & Compliance – Employee Data Management and HR Reporting – Compliance Management	▪ Staffing Services – Recruiting and Staffing – Exit Process ▪ Workforce Development Services ▪ Organizational Effectiveness Services – Labor Relations – Organization Design and Development – Employee Relations	▪ Total Rewards Planning ▪ Strategic Workforce Planning	▪ Function Management

State of Ohio's Baseline Human Resources Cost

Total Human Resources Cost

$142.4 Million



Total employees = 53,751

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

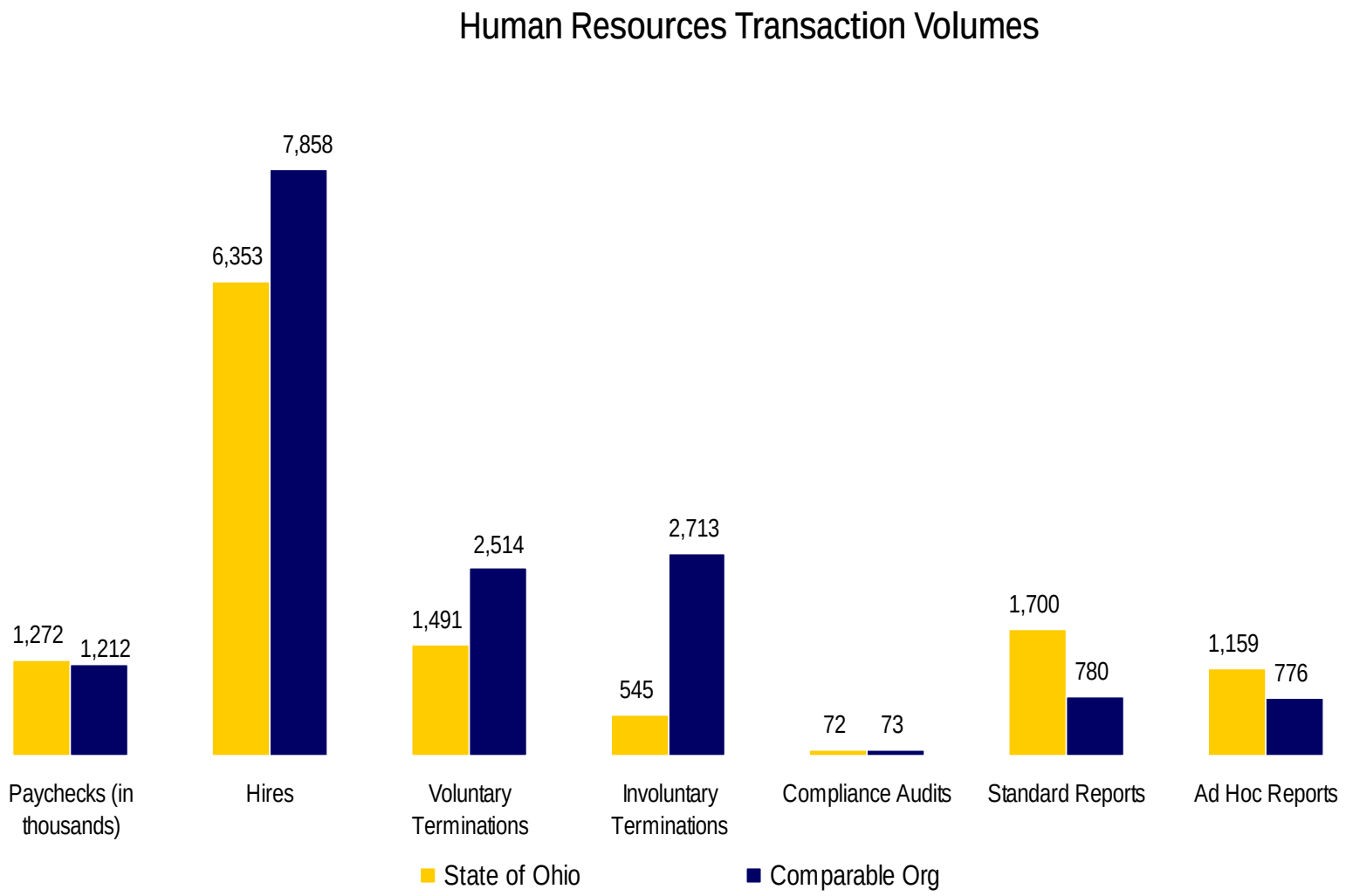
- Outside services

Labor cost -- $ 84 Million

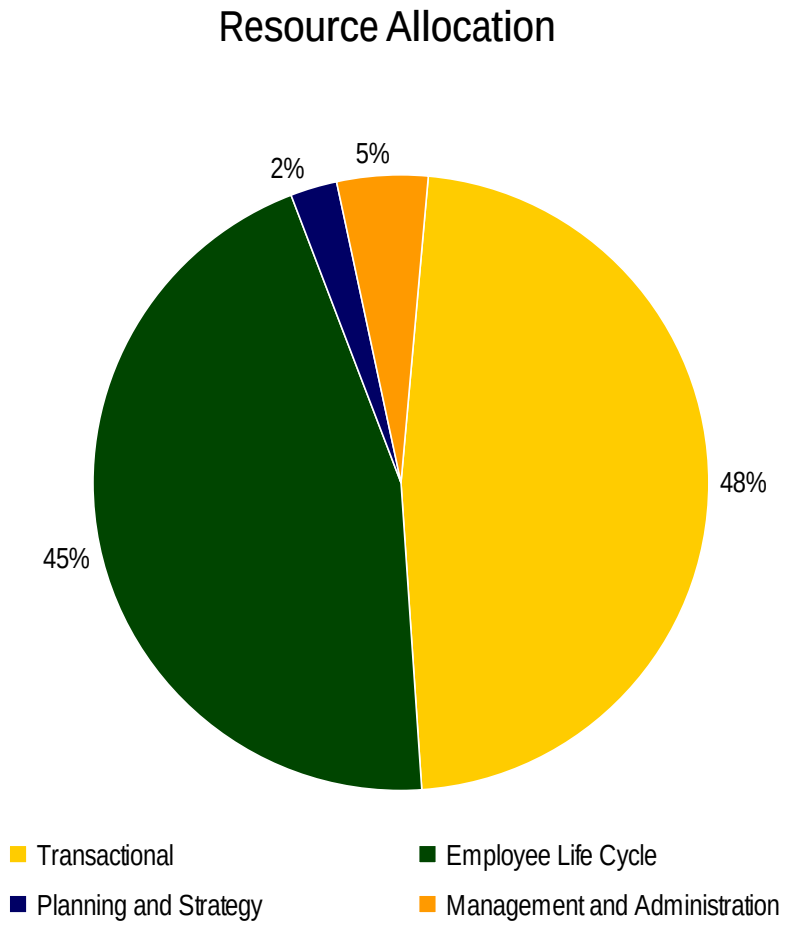
- Wages (full-time and part-time)
- Overtime and bonuses
- Taxes and fringe benefits

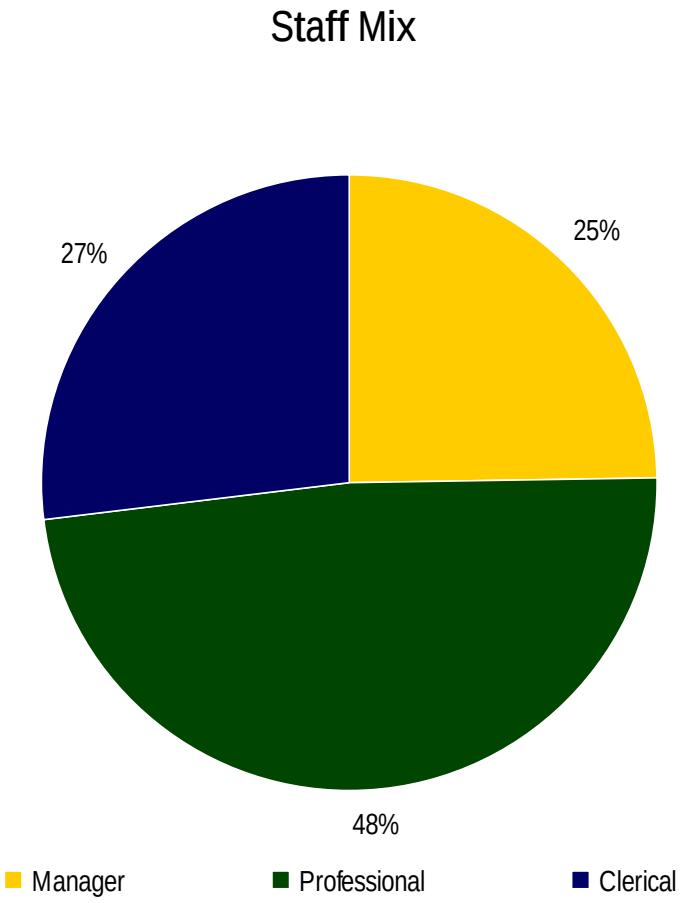
Process cost
$ 129 Million

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



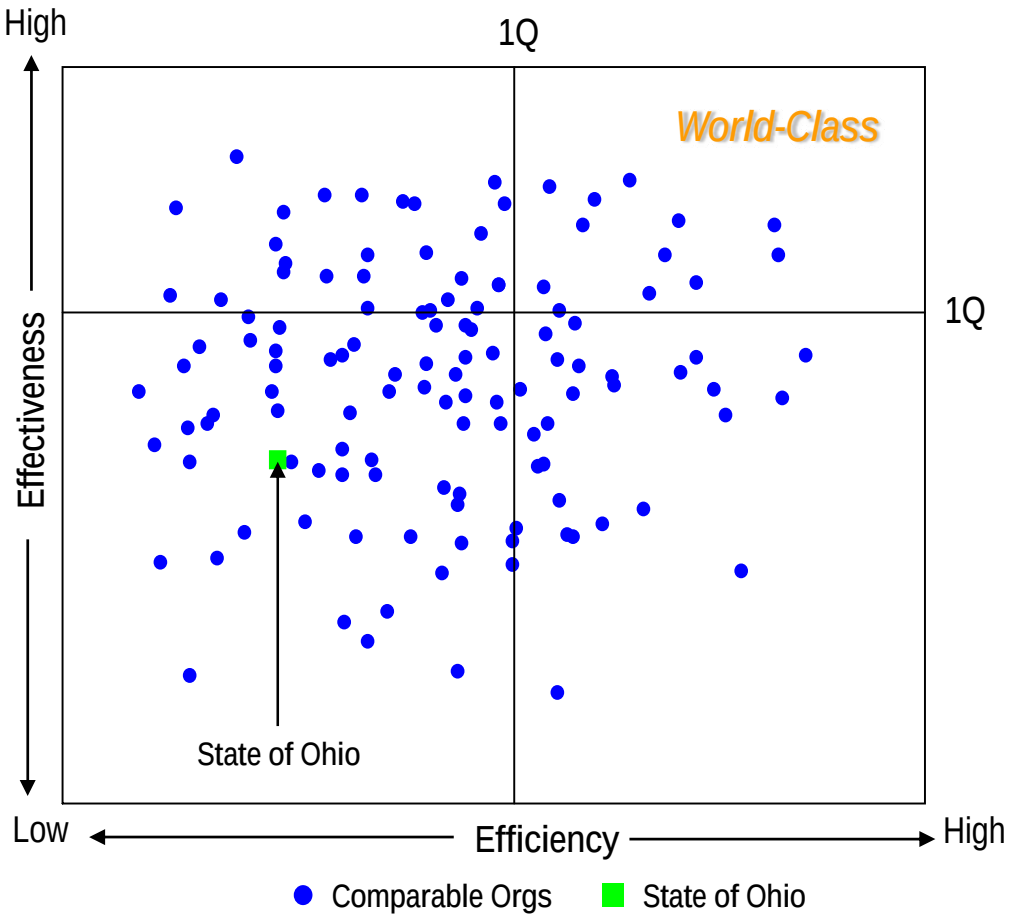
Resource Allocation and Staff Mix





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.



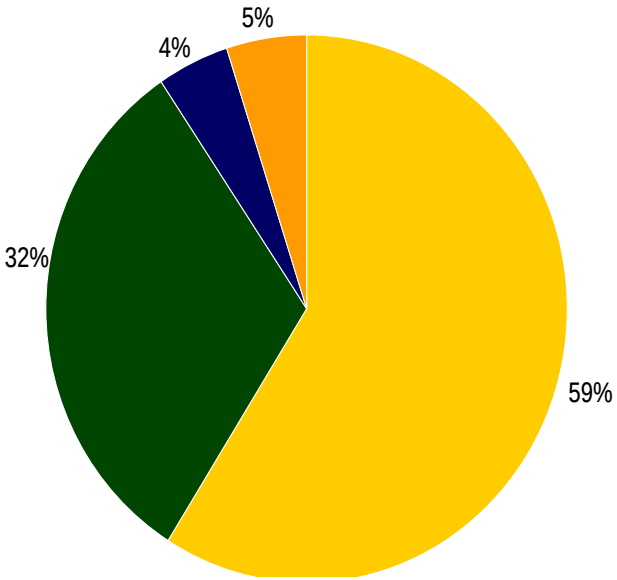
	Key Human Resources Drivers	State of Ohio
Efficiency	Total cost	🔴
	Transaction Processing Cost	🔴
	FTEs & Productivity	🔴
	Cycle Time	🔴
	Technology Leverage	🟡
Effectiveness	Role of HR	🔴
	Talent Management	🟡
	Value of Analysis	🟢
	Quality	🔴
	Economic Return	🟢
	Organizational Talent management	🔴

🟢 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

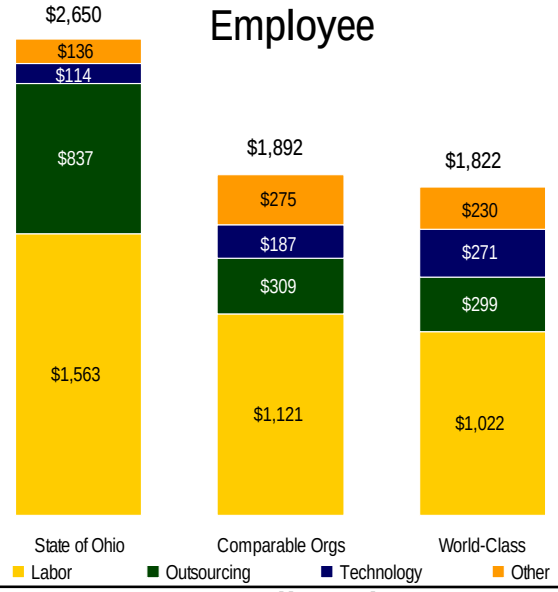
$142.4 Million



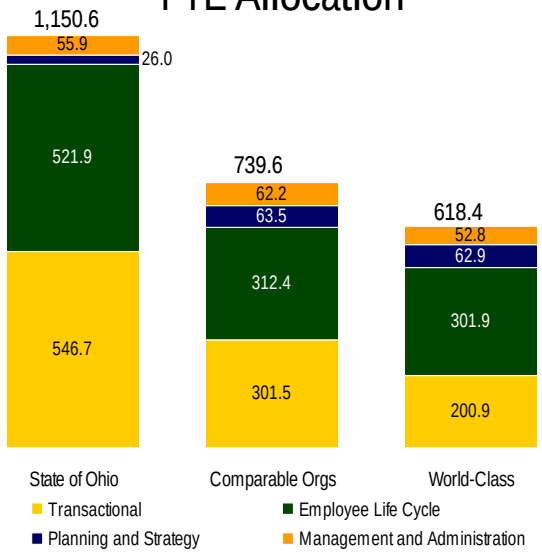
Labor ■ Outsourcing ■ Technology ■ Other

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

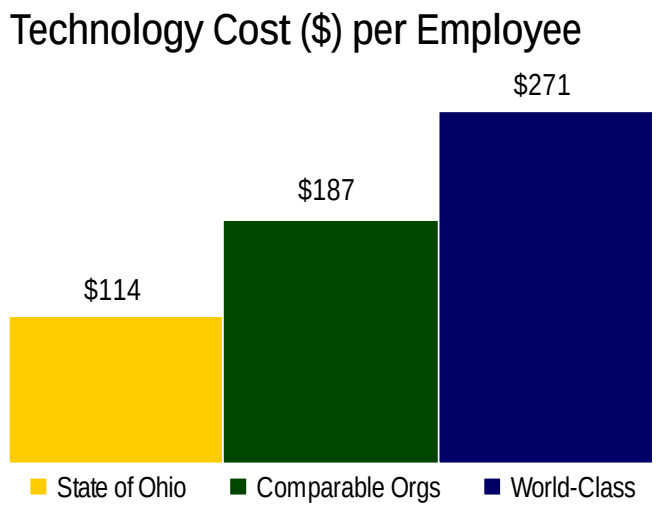
Human Resources Cost ($) per Employee

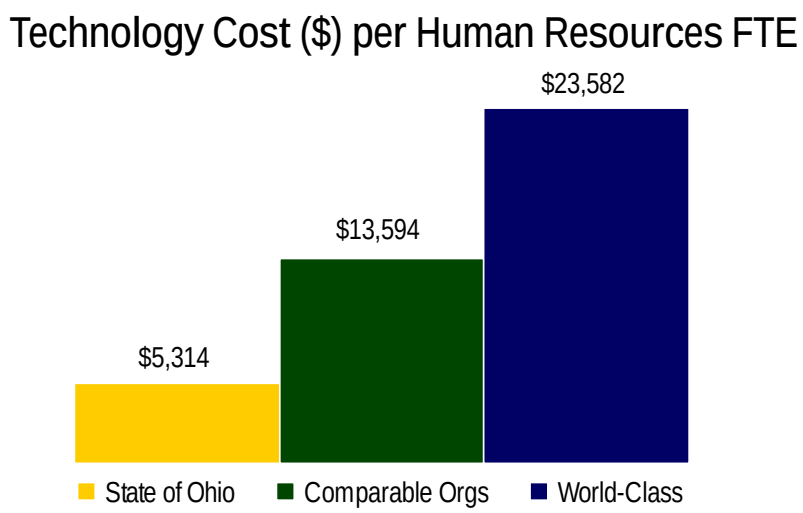


FTE Allocation

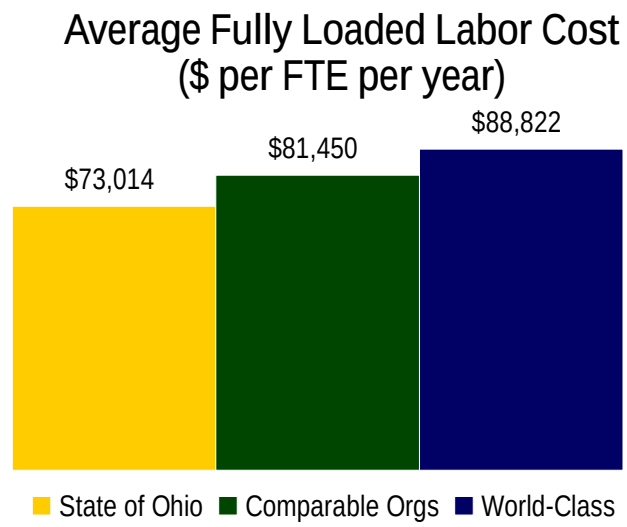


Overall Costs are Higher Despite Lower Investment in Technology and Employee Compensation





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%



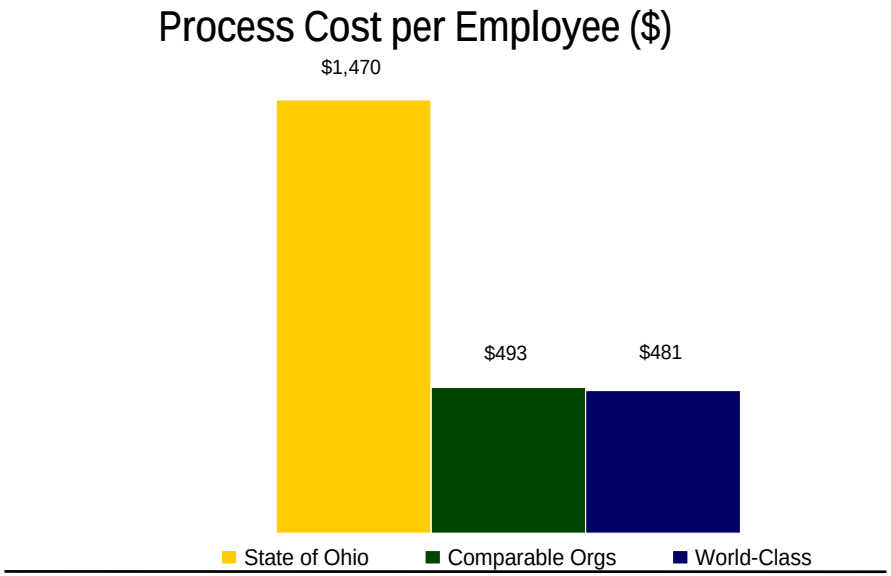
Human Resources Cost Differences to Comparable Orgs and to World-Class

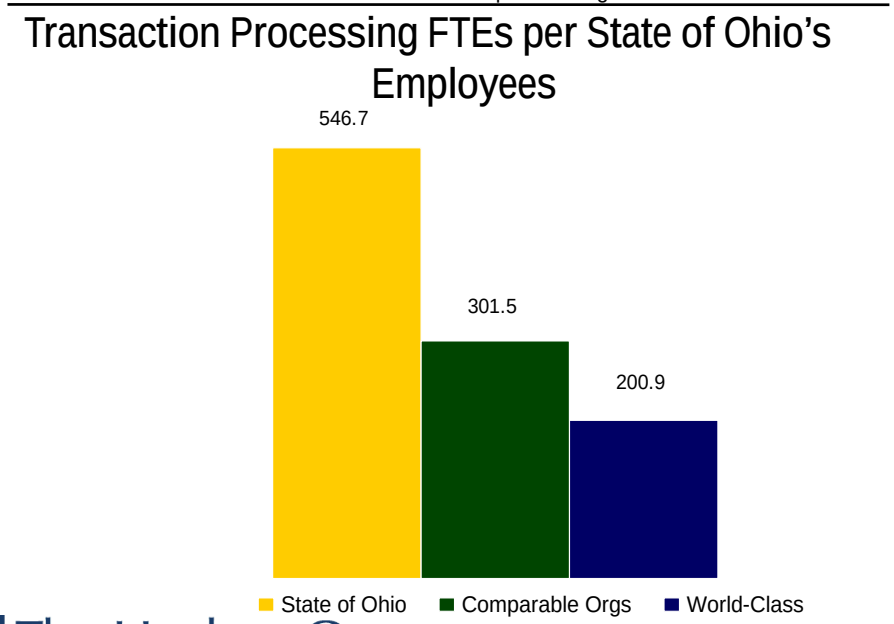
Human Resources Cost Differences (in $)

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
Labor Relations	10.2	5.9	8.3
Organizational Effectiveness	7.2	(2.3)	(1.7)
Total Rewards Planning	0.7	(3.5)	(2.9)
Strategic Workforce Planning	1.7	(1.9)	(2.9)
Function Management	4.9	(2.6)	(1.6)
Total Process Costs	129.0	52.1	58.0
Technology Cost	6.1	(3.9)	(8.5)
Other Cost	7.3	(7.5)	(5.0)
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

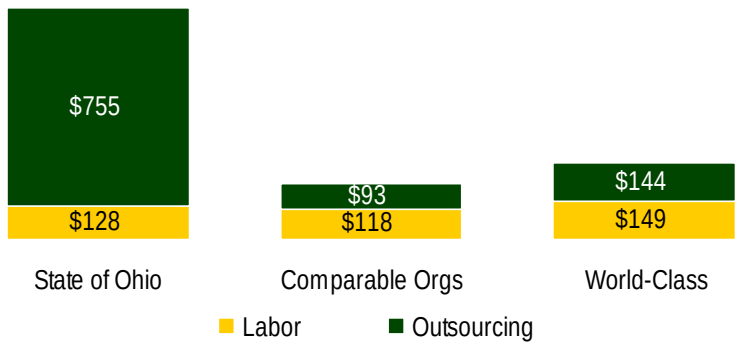




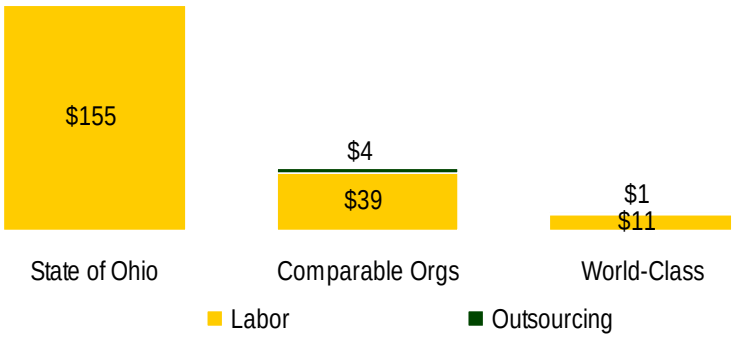
- Total Rewards Administration
  - Health & Welfare Administration
  - Pension & Savings Administration
  - Compensation Administration
- Payroll Administration
- Time & Attendance
- Data Management, Reporting & Compliance
  - Employee Data Management and Human Resources Reporting
  - Compliance Management

Cost per Transaction Process

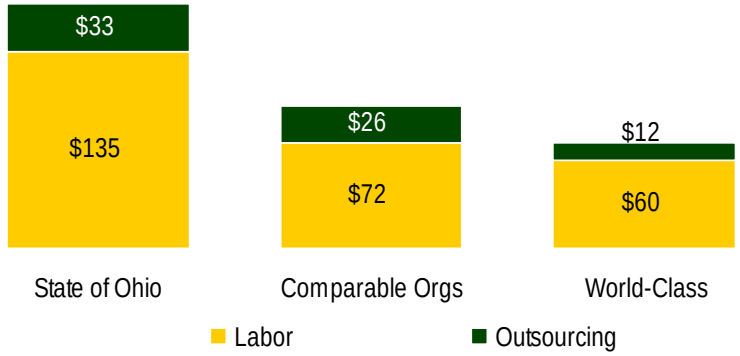
Total Rewards Administration Cost ($) per Employee



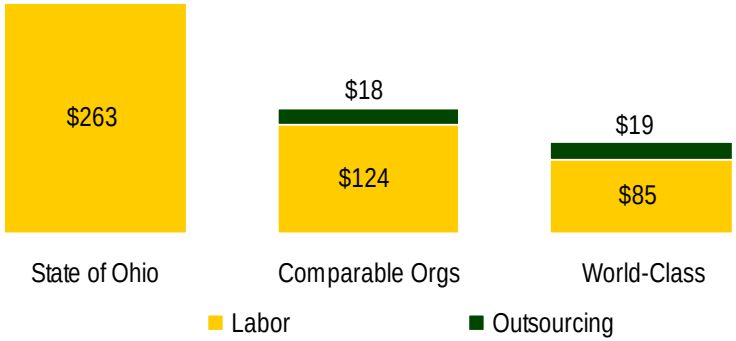
Time & Attendance Cost ($) per Employee



Payroll Administration Cost ($) per Employee

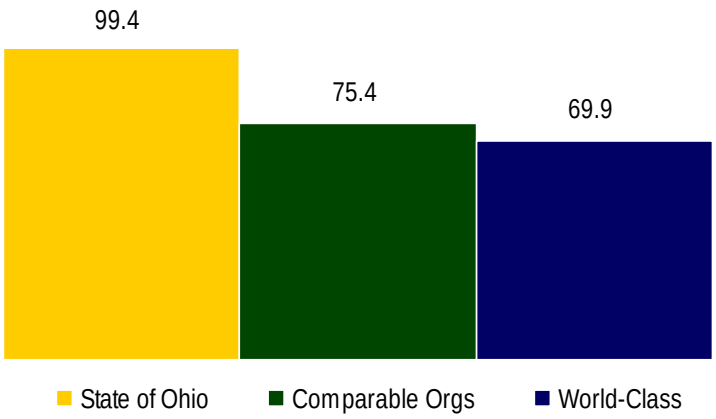


Data Mgmt, Reporting & Compliance Cost ($) per Employee

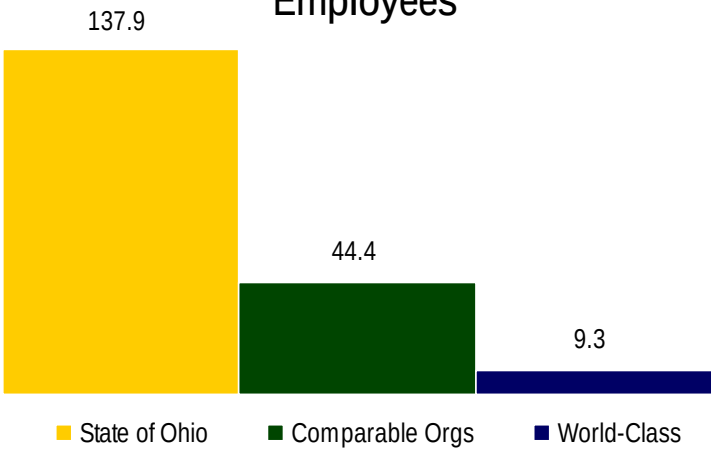


Staffing per Transaction Process

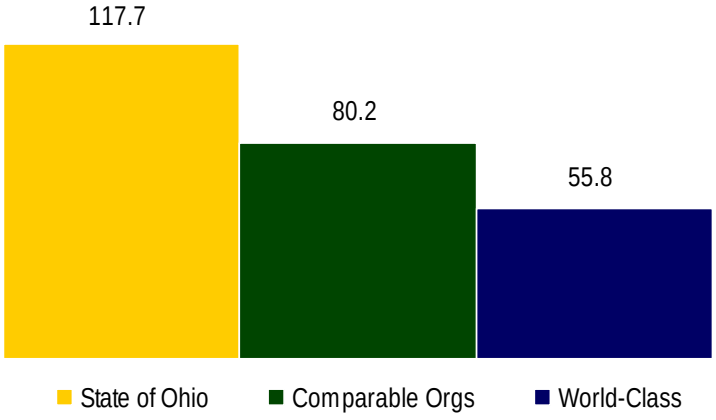
Total Rewards Administration FTEs per State of Ohio's Employees



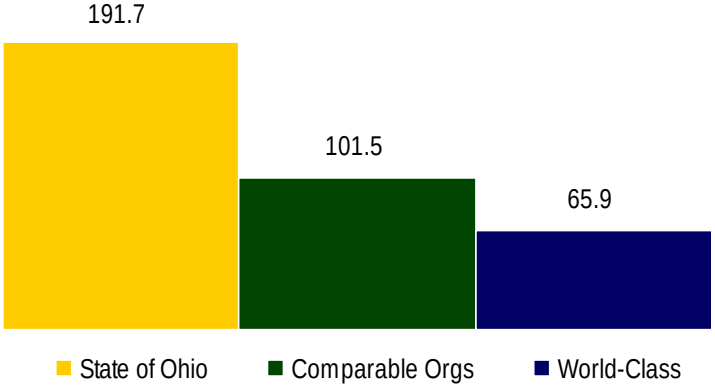
Time & Attendance FTEs per State of Ohio's Employees



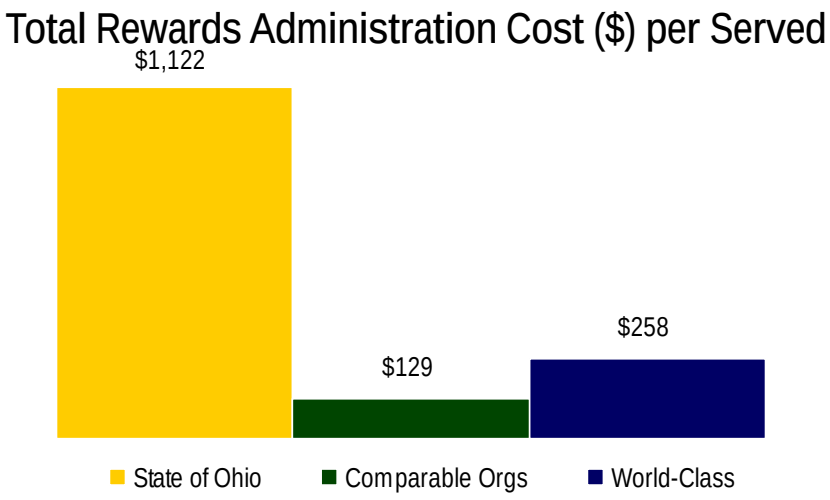
Payroll Administration FTEs per State of Ohio's Employees



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



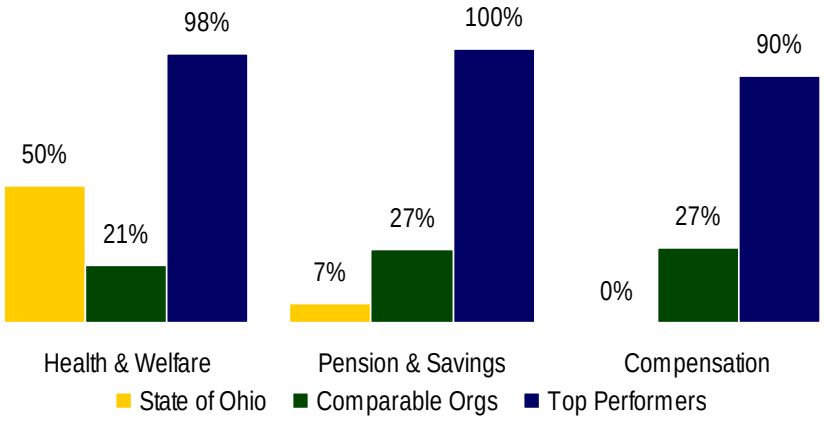
Total Rewards Administration Process Summary



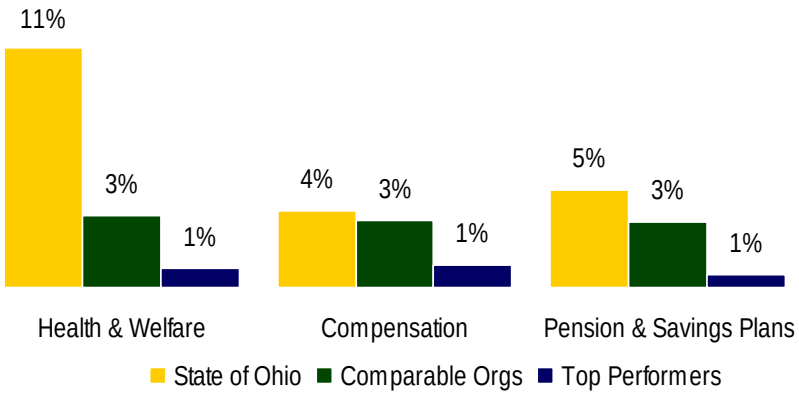
Plans per Thousand Employees/Retirees	State of Ohio	Comparable Organizations	World-Class
Health & Welfare	0.3	1.9	2.0
Pension & Savings	0.1	1.1	0.5
Compensation	0.3	3.9	0.8

Transaction Process Automation and Error Rates

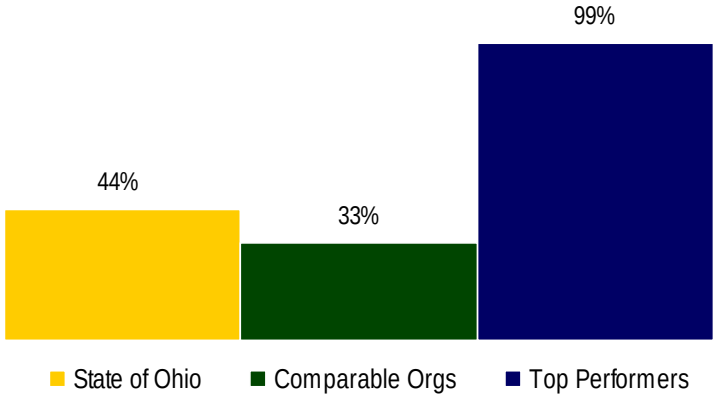
Total Rewards Administration Automation



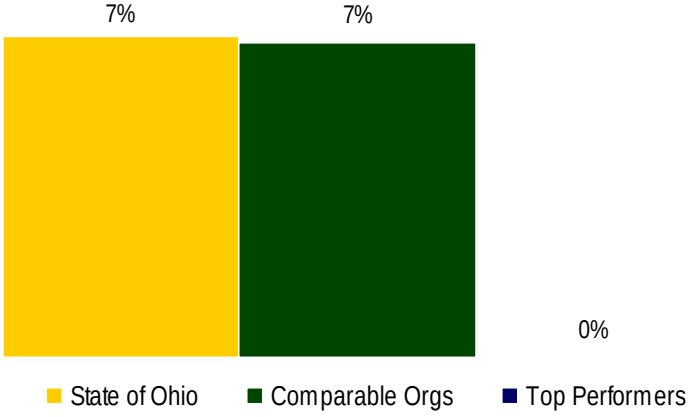
Error Rates for Transactions



Time & Attendance Automation

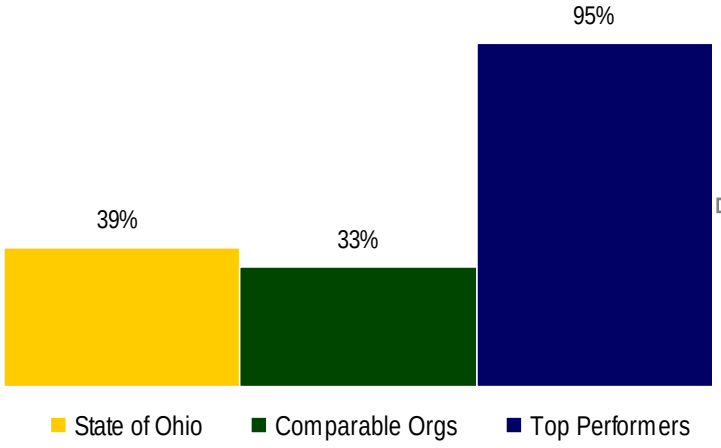


Time & Attendance Error Rate

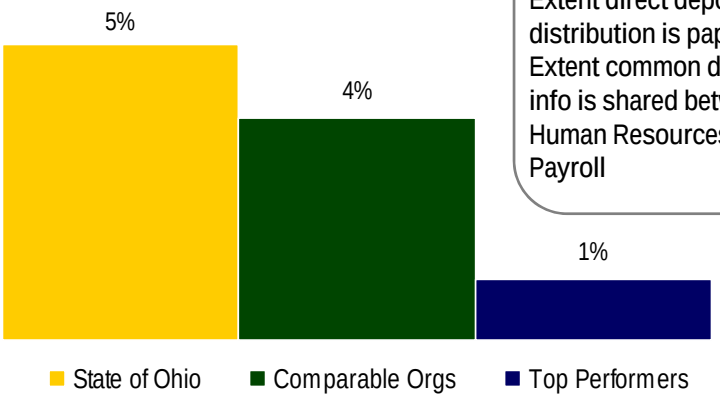


Transaction Process Automation and Error Rates Cont'd

Payroll Administration Automation

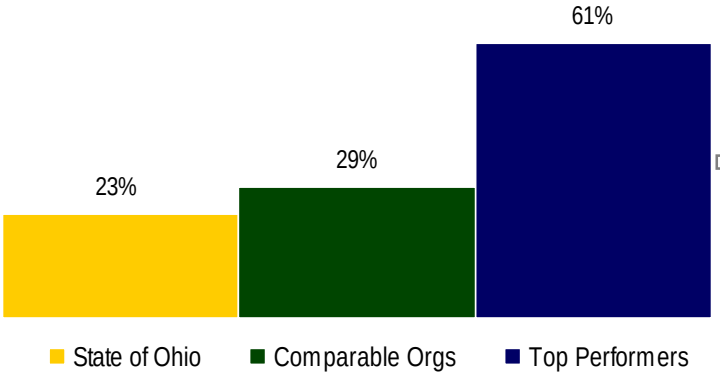


Payroll Administration Error Rate

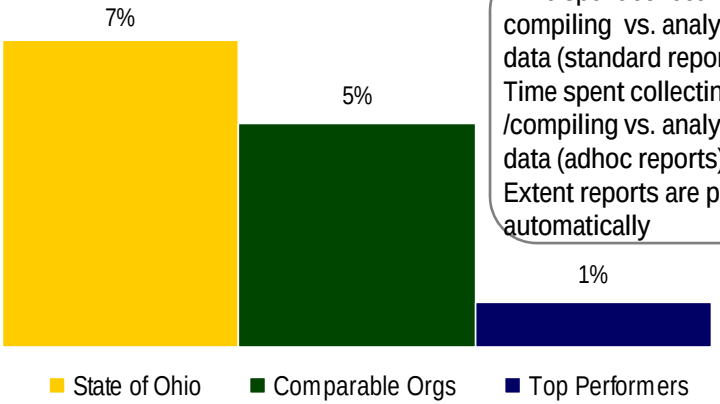


Pay Adjustment Per Employee	0.6
Extent direct deposit distribution is paperless	High
Extent common database info is shared between Human Resources and Payroll	Medium

Data Management Automation



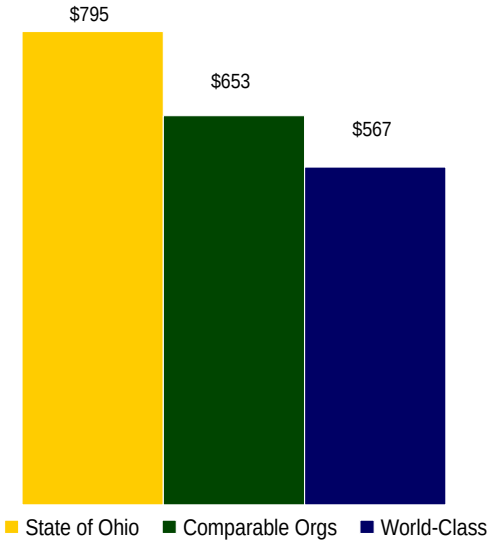
Data Management Error Rate



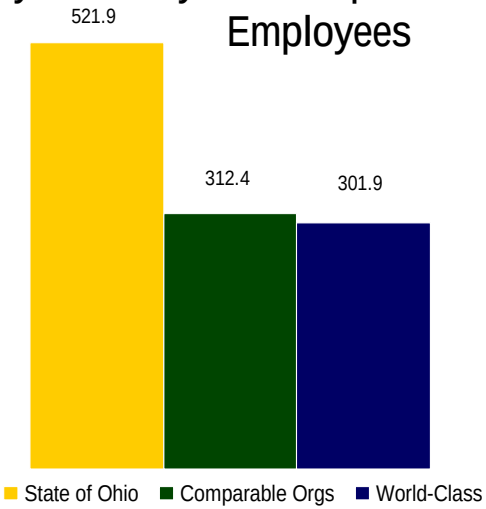
Time spent collecting/ compiling vs. analyzing data (standard reports)	Low/Med
Time spent collecting /compiling vs. analyzing data (adhoc reports)	Low/Med
Extent reports are produced automatically	Low

Employee Life Cycle Costs and Staffing Levels

Process Cost per Employee ($)



Employee Life Cycle FTEs per State of Ohio's Employees

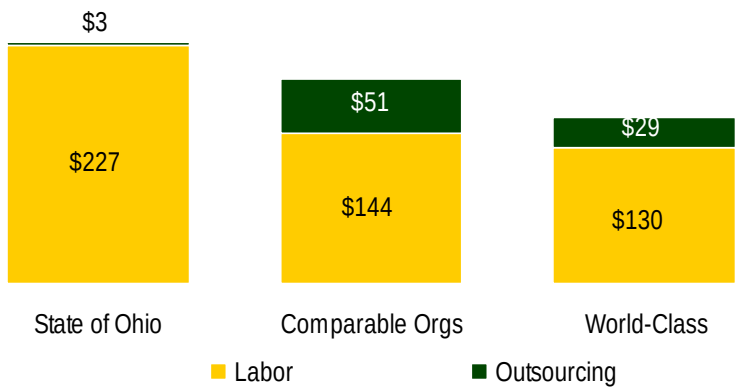


- Staffing Services
  - Recruiting and Staffing
  - Exit Process
- Workforce Development Services*
- Organizational Effectiveness Services
  - Labor Relations
  - Organization Design and Development
  - Employee Relations

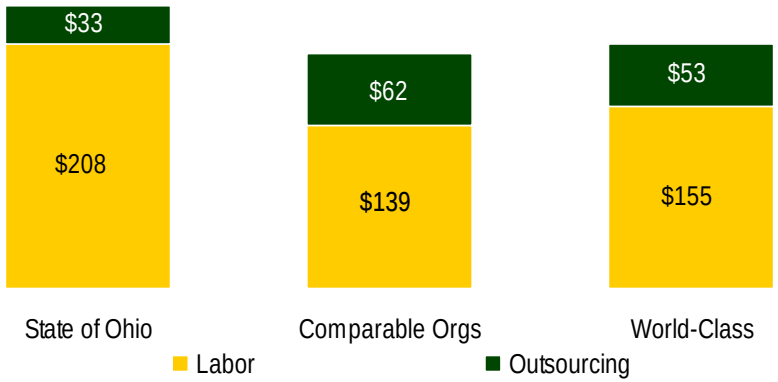
*Transferable training only

Cost per Employee Life Cycle Process

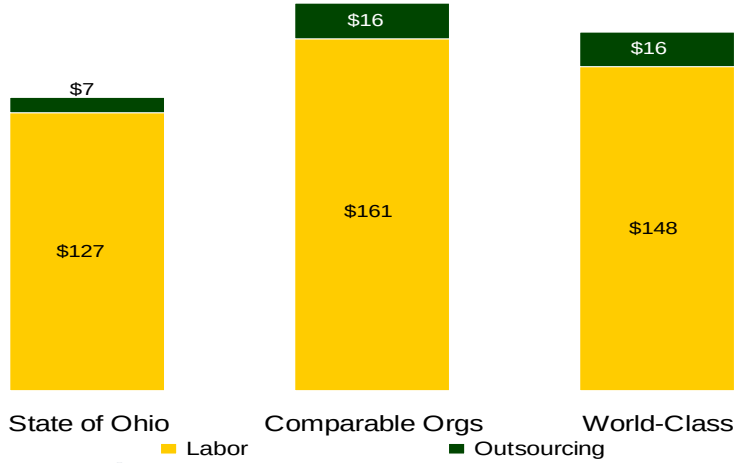
Staffing Services Cost ($) per Employee



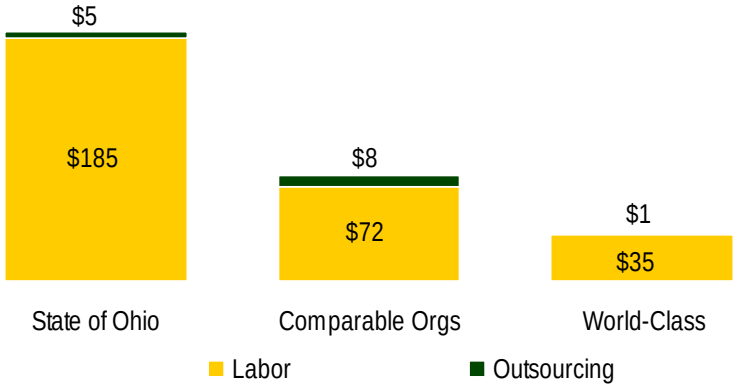
Workforce Development Cost ($) per Employee



Organizational Effectiveness Cost ($) per Employee

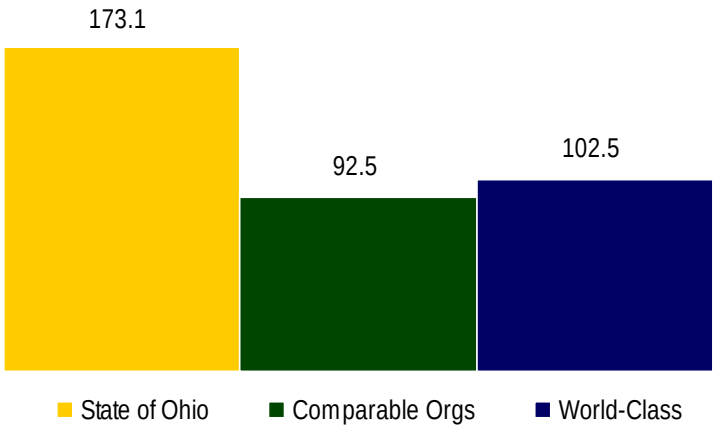


Labor Relations Cost ($) per Employee

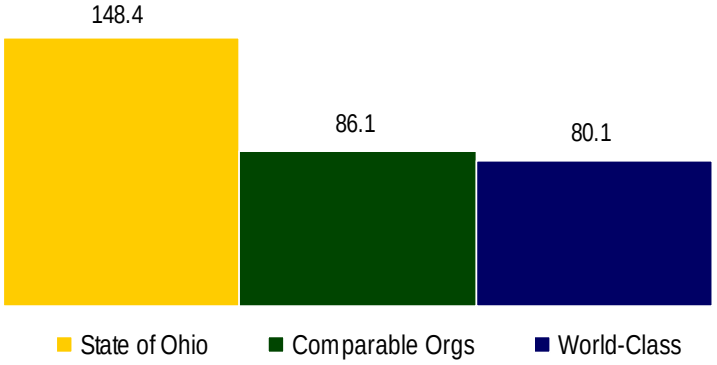


Staffing per Employee Life Cycle Process

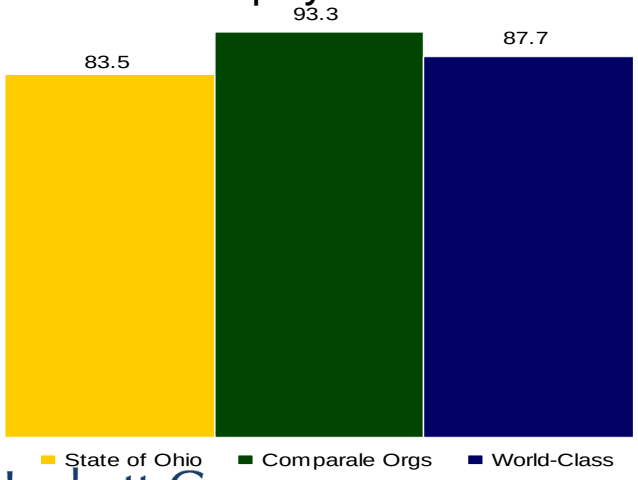
Staffing Services FTEs per State of Ohio's Employees



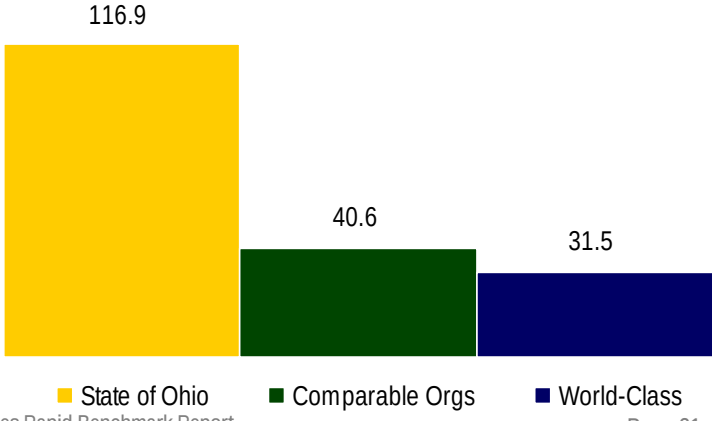
Workforce Development FTEs per State of Ohio's Employees



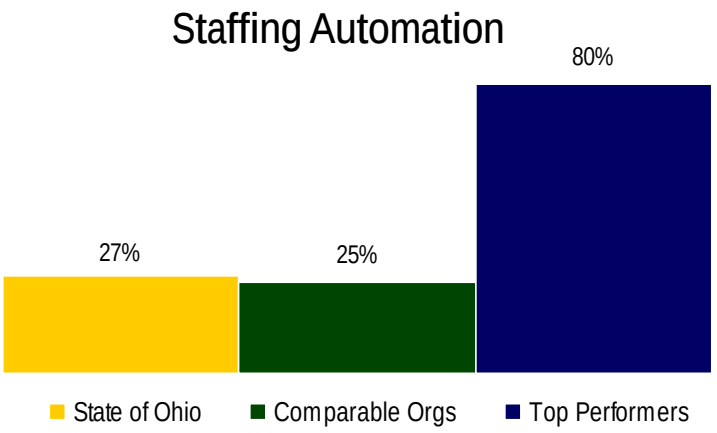
Organizational Effectiveness FTEs per State of Ohio's Employees

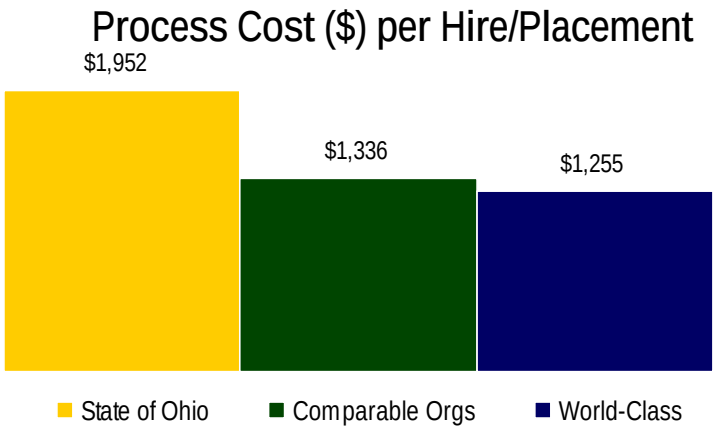


Labor Relations FTEs per State of Ohio's Employees



Automation



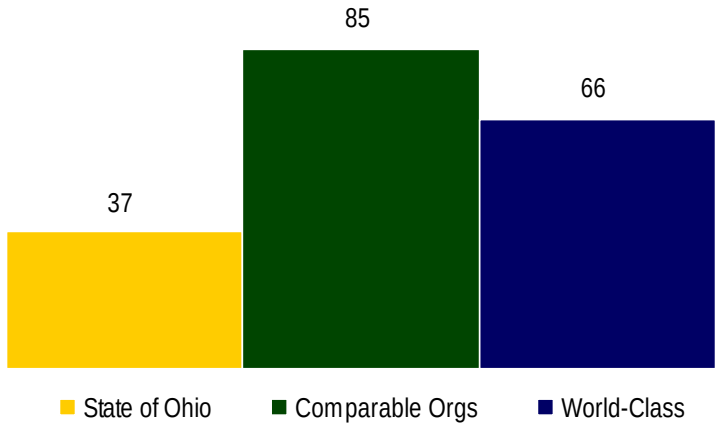


Staffing Automation	State of Ohio	Top Performers
Extent new hire activities are automated	Low	Medium
Percent of time competency profiles utilized	Med/High	High

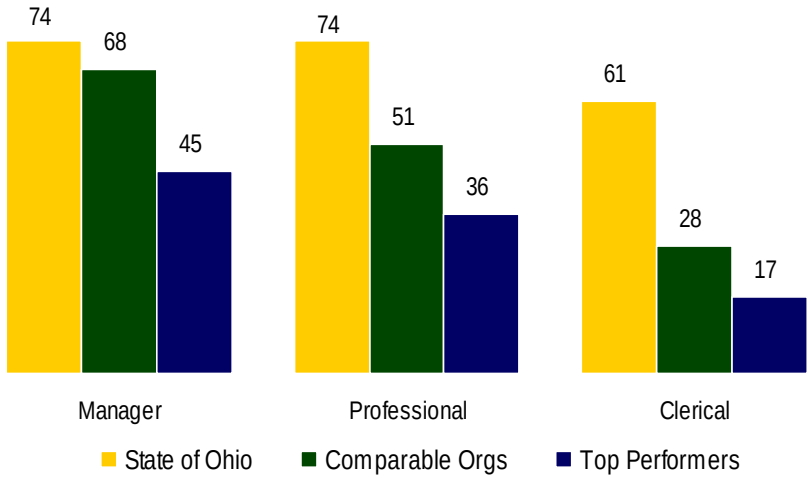
Workforce Development	State of Ohio	Top Performers
Extent new skill mentoring and coaching takes place	Low/Medium	Medium
Extent external training is offered for new skills	Medium	High
Extent job rotation is used to increase knowledge	None/Low	Medium

Staffing Services Process Statistics

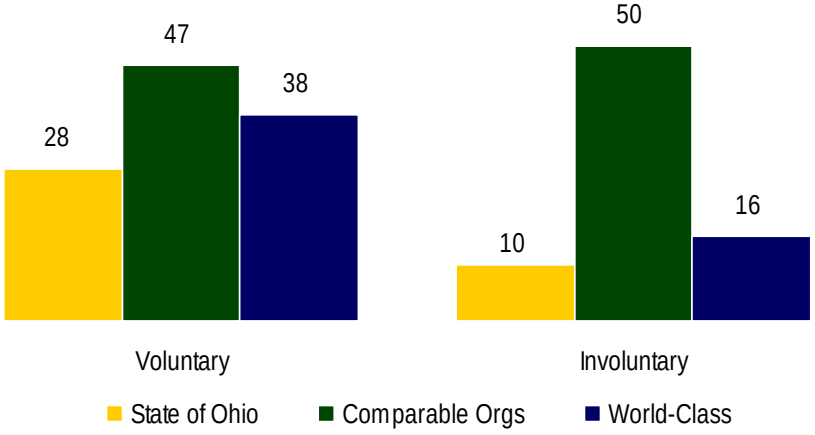
Total Placements/Hires per Staffing FTE



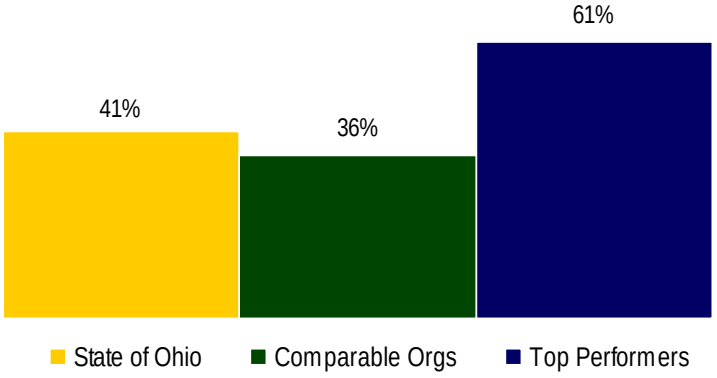
Days to Fill Open Positions



Terminations per Thousand Employees

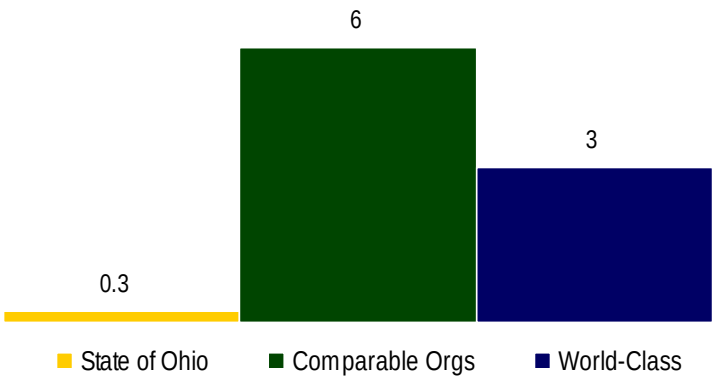


Internal Placements versus External Hires

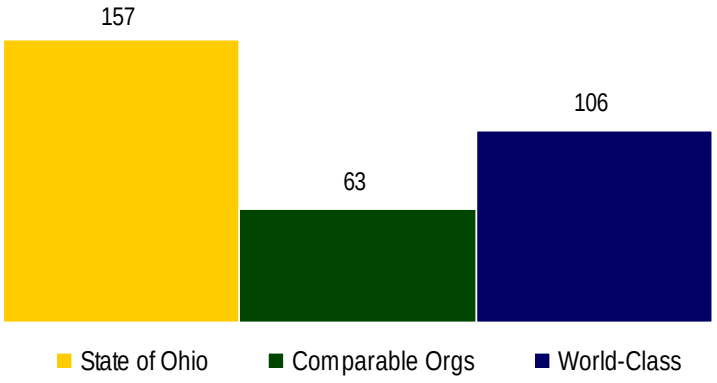


Labor Relations Process

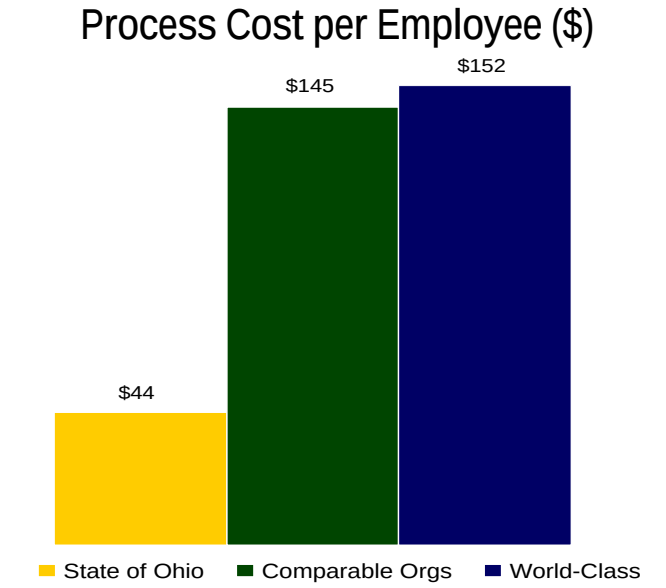
Unions per Thousand Unionized Employees

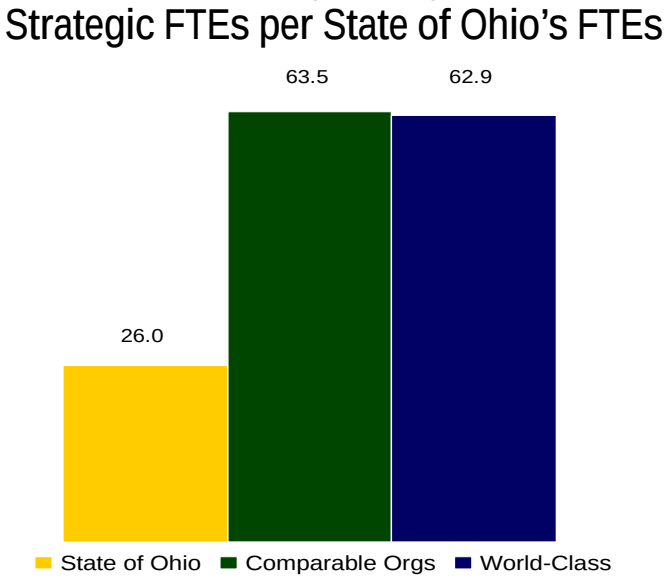


Grievances per Thousand Unionized Employees



Strategic Costs and Staffing Levels

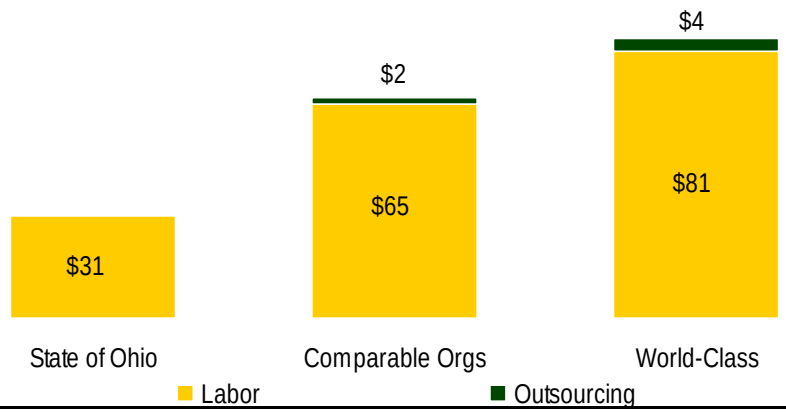




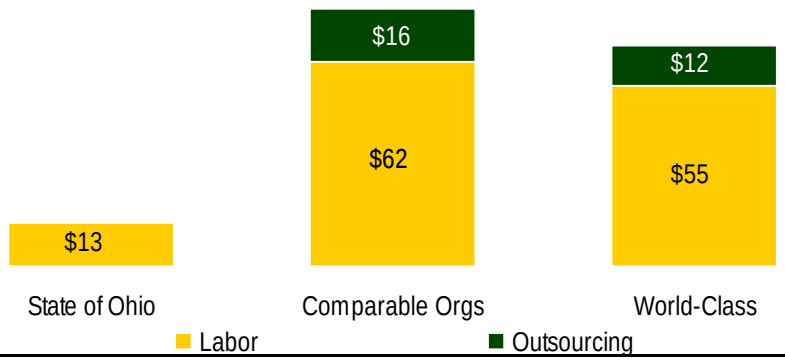
- Strategic Workforce Planning
- Total Rewards Planning

Costs per Strategic Process

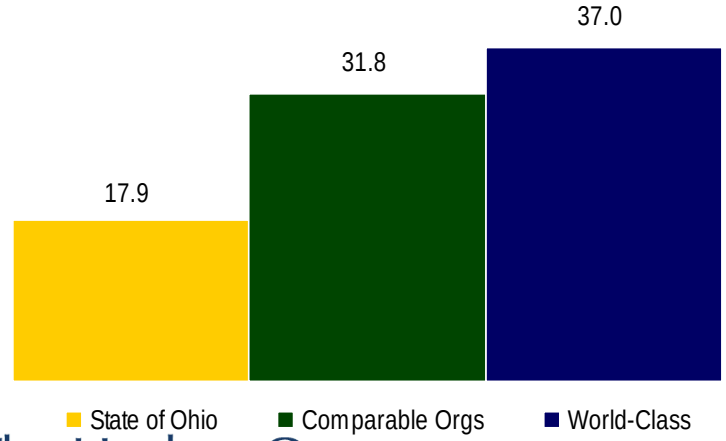
Strategic Workforce Planning Cost ($) per Employee



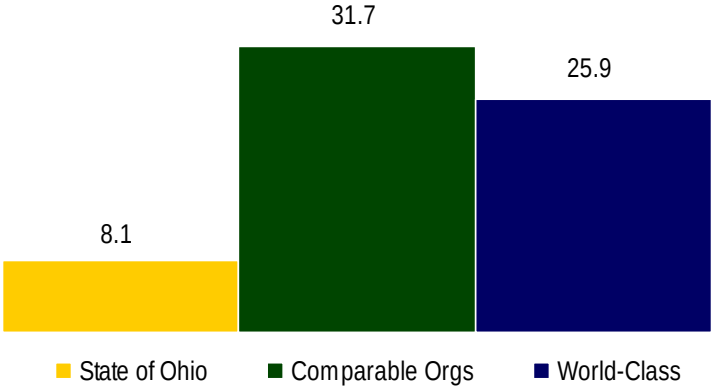
Total Rewards Planning Cost ($) per Employee



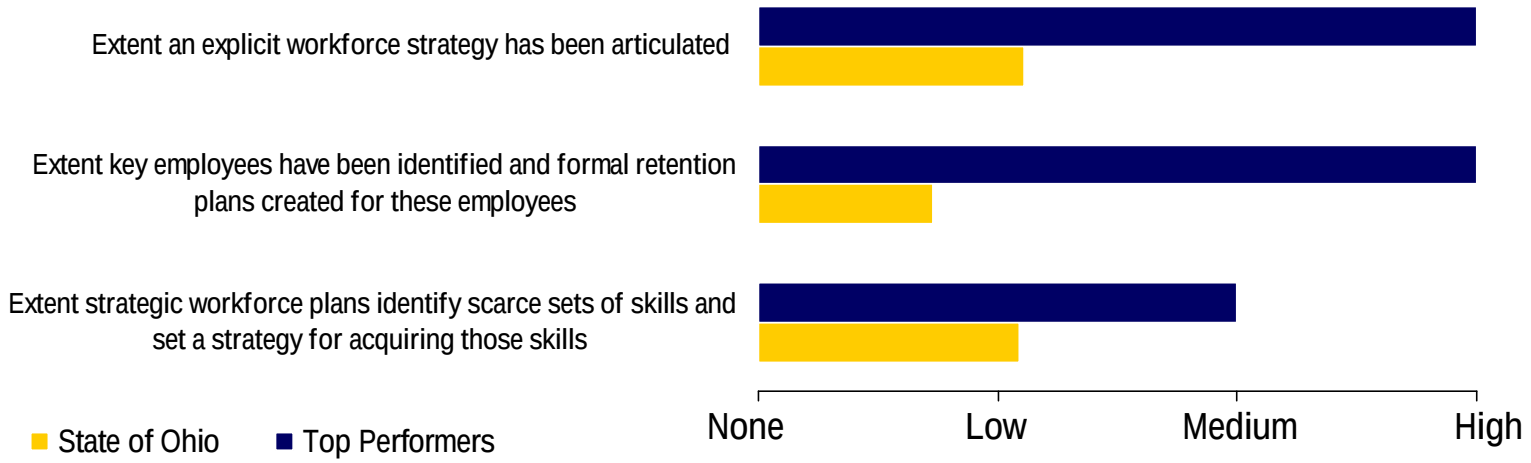
Strategic Workforce Planning FTEs per State of Ohio's Employees



Total Rewards Planning FTEs per State of Ohio's Employees

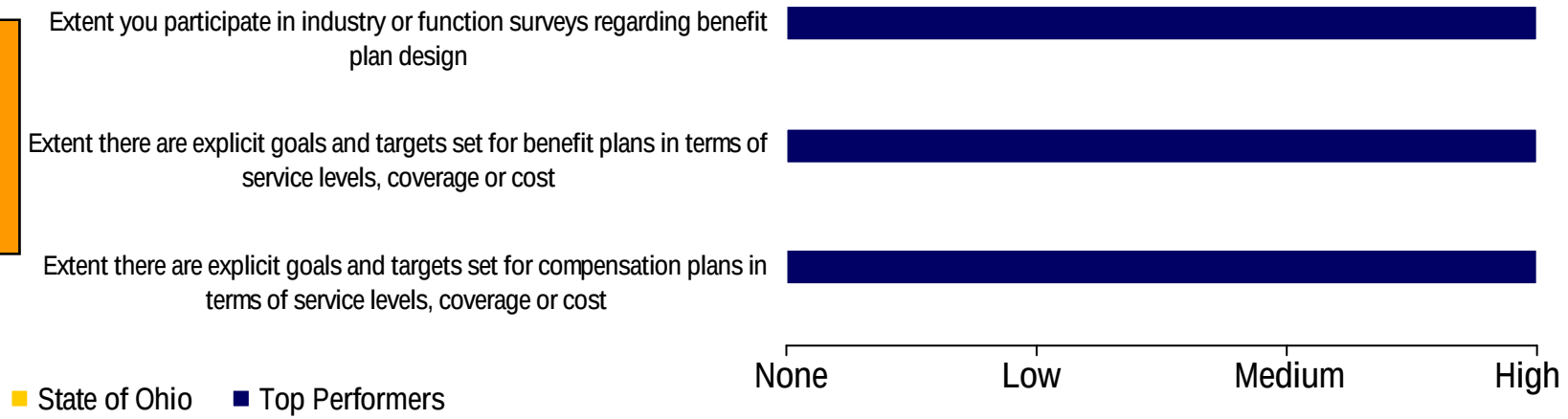


Key Best Practice Utilization Comparisons



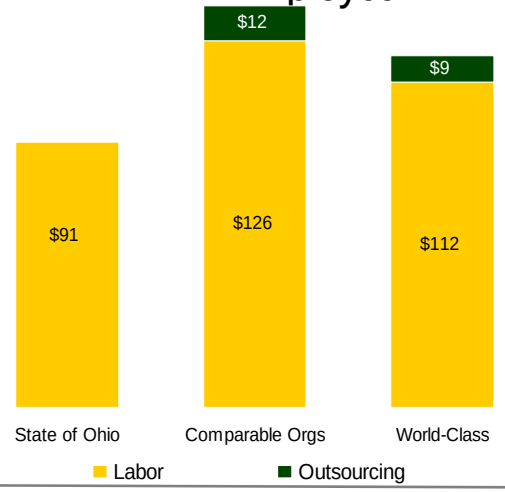
Key Best Practice Utilization Comparisons

Not Applicable to State of Ohio

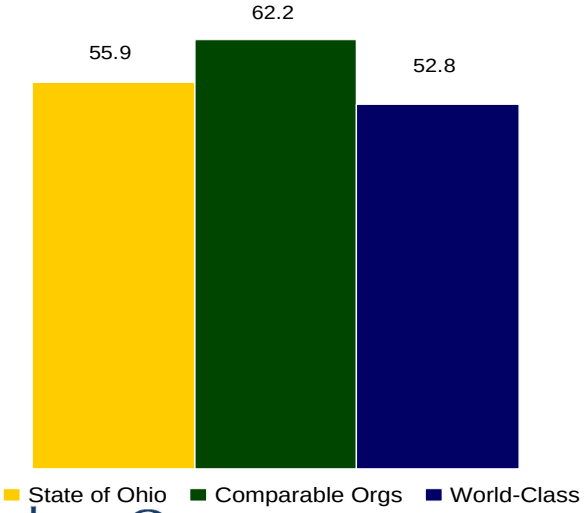


Human Resources Function Management Process

Human Resources Function Management Cost ($) per Employee

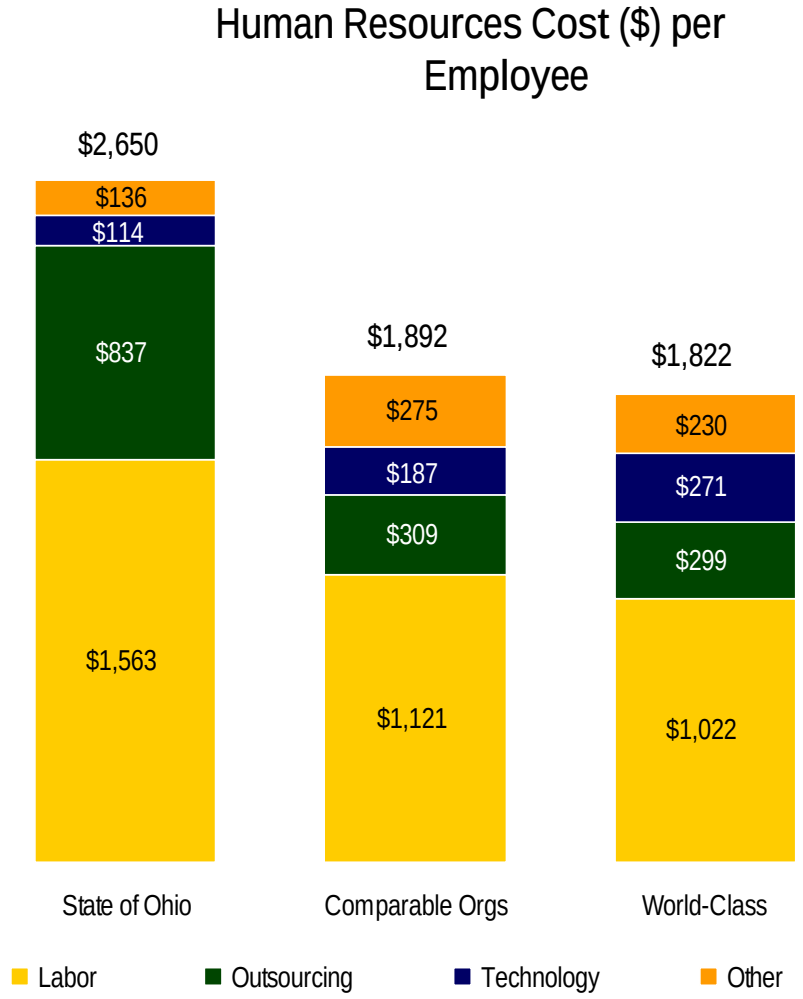


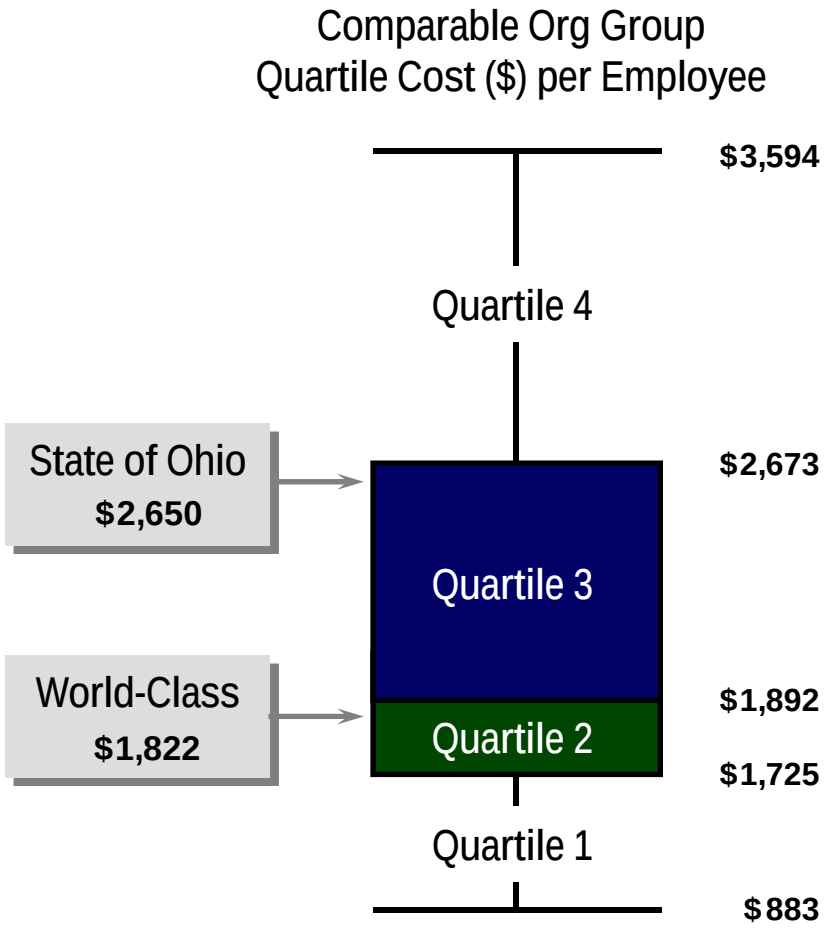
Human Resources Function Management FTEs per State of Ohio's Employees



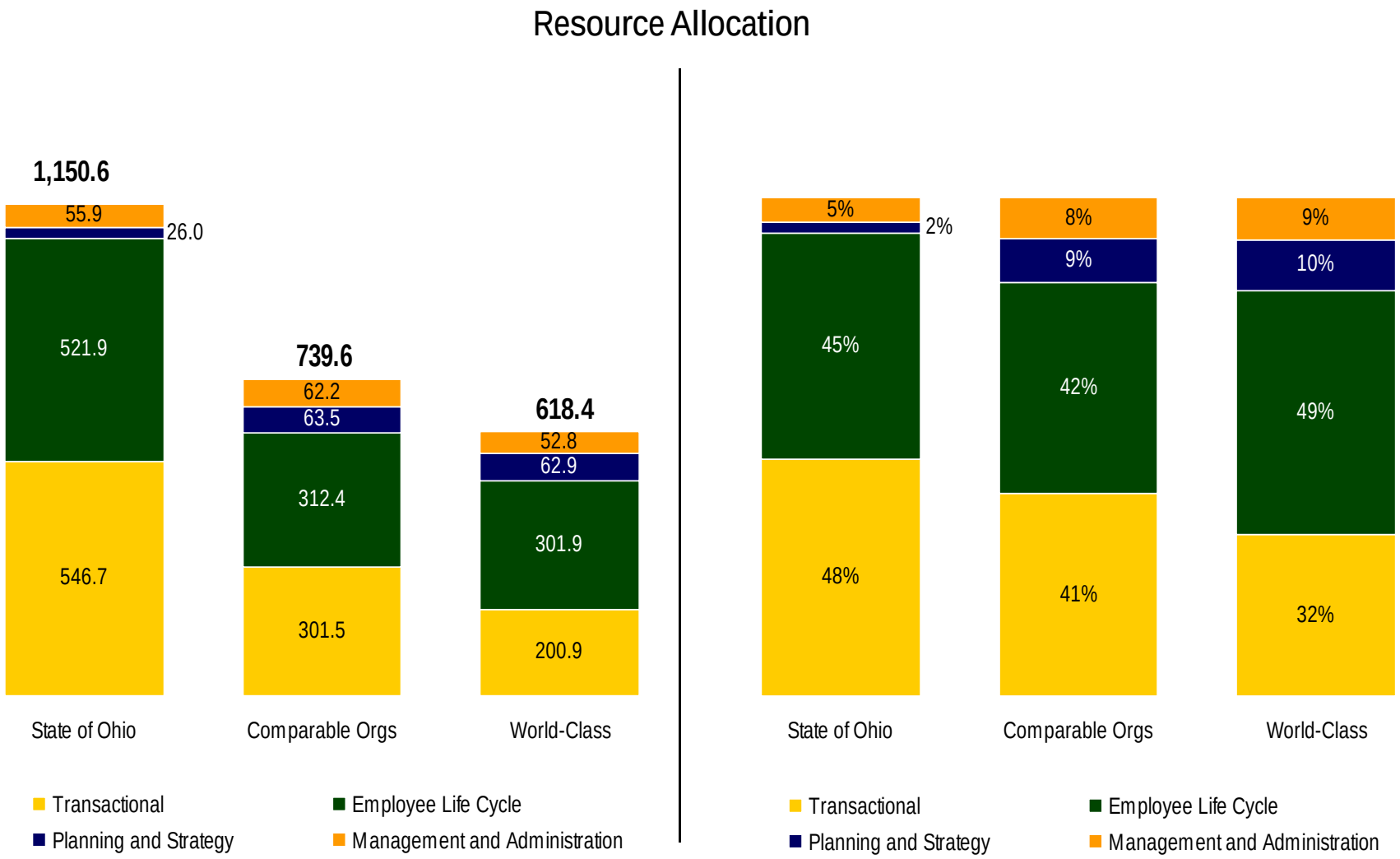
- Function Management

Human Resources Cost per Employee

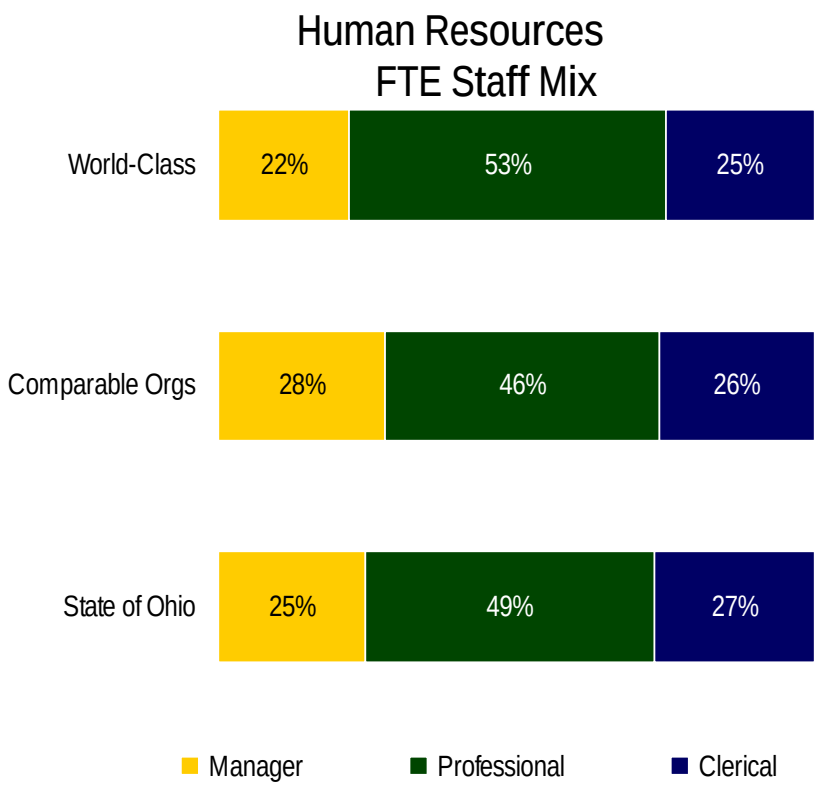


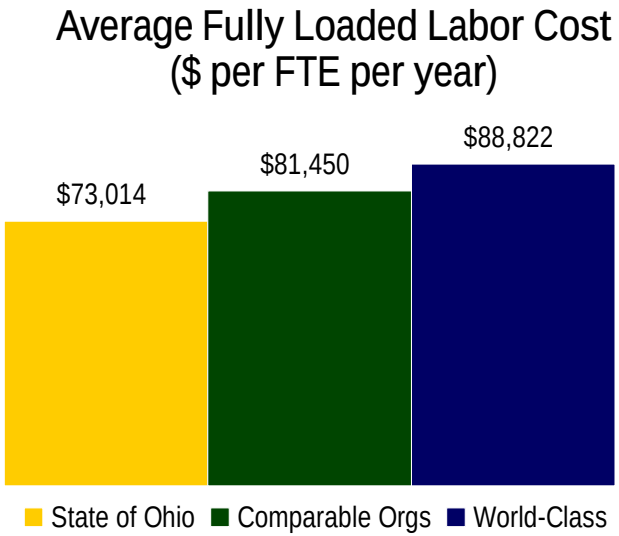


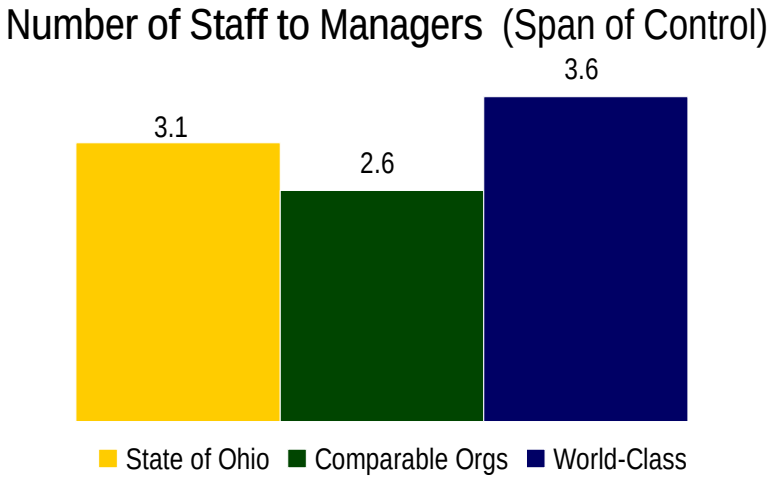
Human Resources Staffing and Resource Allocation



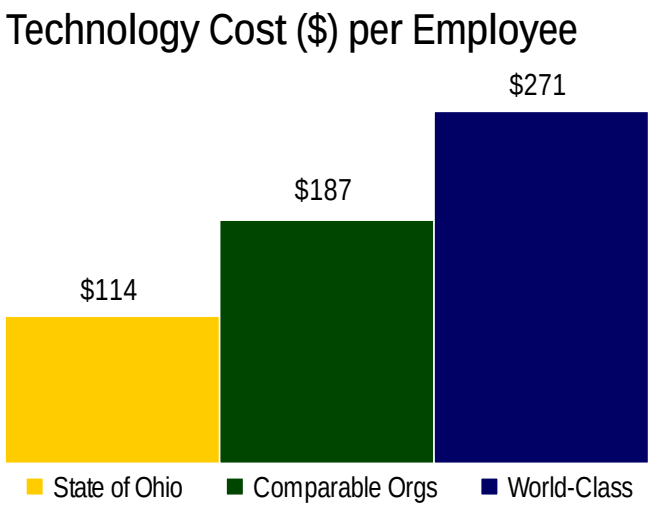
Staff Mix, Labor Rates and Spans of Control

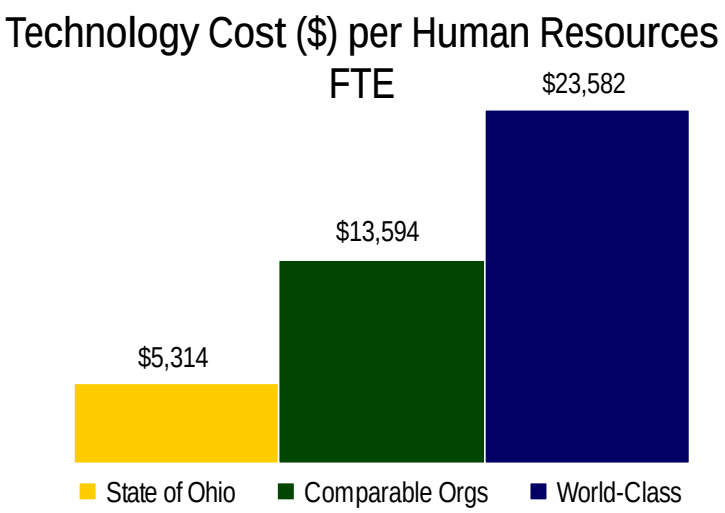






Technology Cost per Employee and Cost per Human Resources FTE





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.

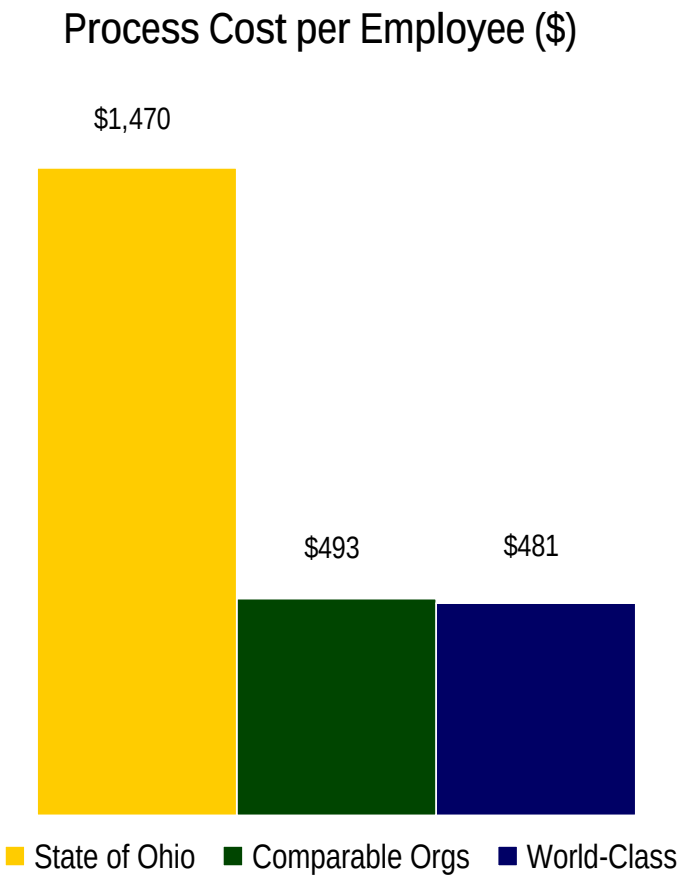
Human Resources Cost Differences to Comparable Org and to World-Class

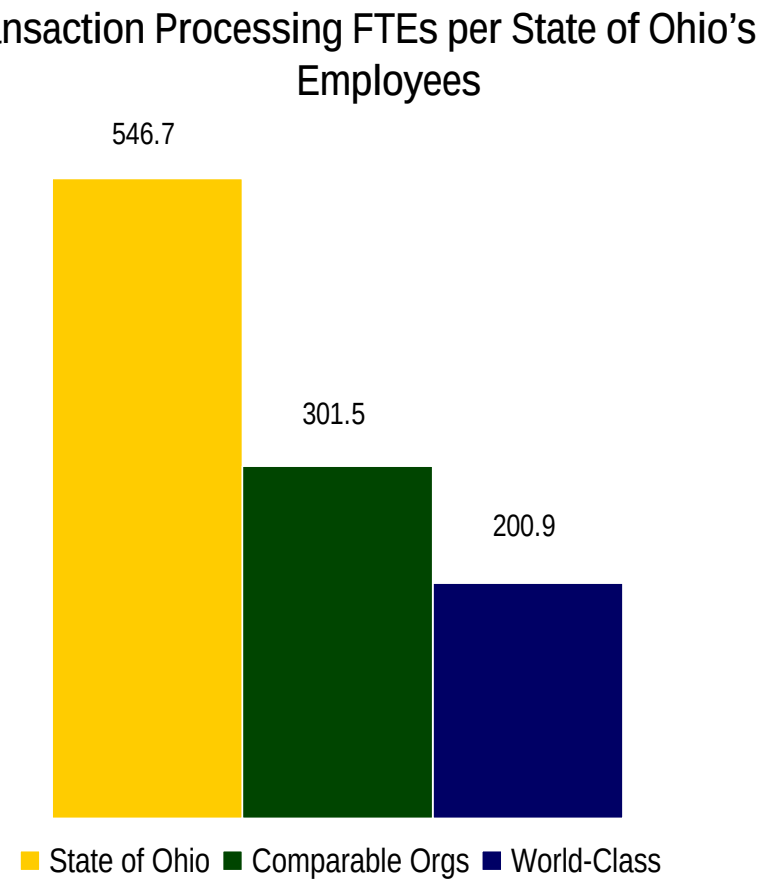
Human Resources Cost Differences (in $)

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
Labor Relations	10.2	5.9	8.3
Organizational Effectiveness	7.2	(2.3)	(1.7)
Total Rewards Planning	0.7	(3.5)	(2.9)
Strategic Workforce Planning	1.7	(1.9)	(2.9)
Function Management	4.9	(2.6)	(1.6)
Total Process Costs	129.0	52.1	58.0
Technology Cost	6.1	(3.9)	(8.5)
Other Cost	7.3	(7.5)	(5.0)
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.

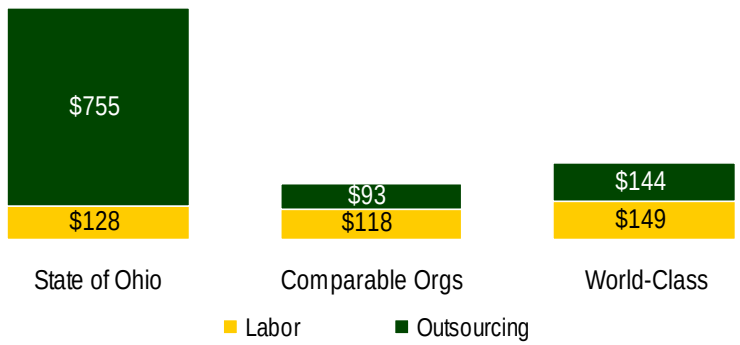
Transaction Processing Costs and Staffing Levels



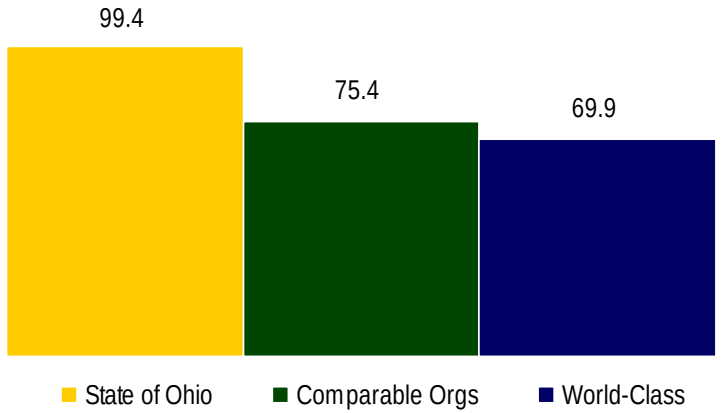


Total Rewards Administration Process

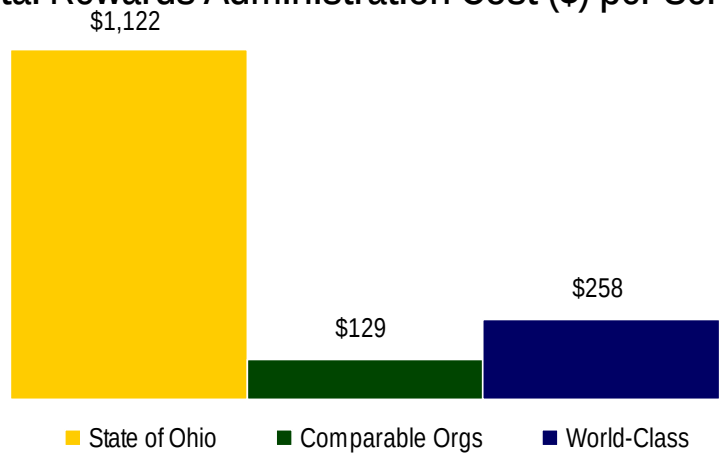
Total Rewards Administration Cost ($) per Employee



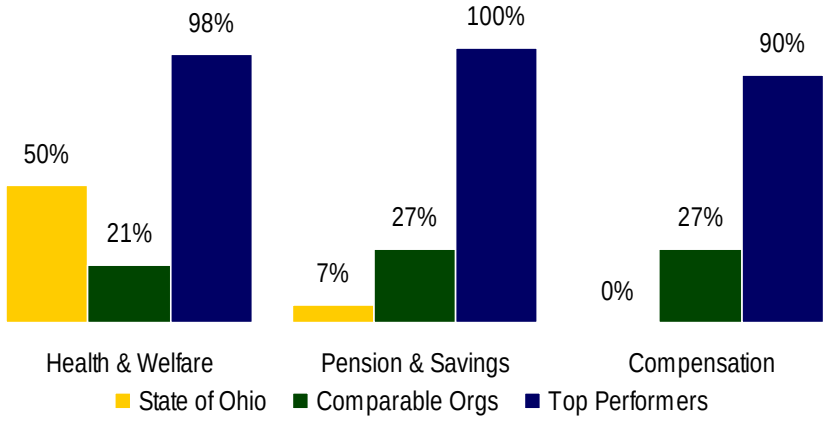
Total Rewards Administration FTEs per State of Ohio's Employees



Total Rewards Administration Cost ($) per Served

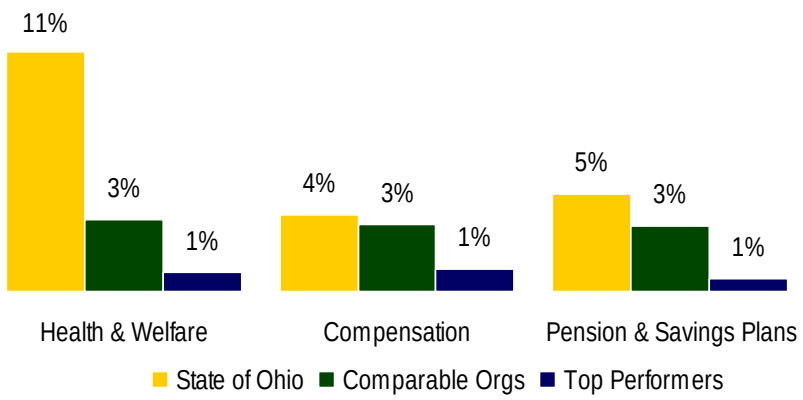


Total Rewards Administration Automation

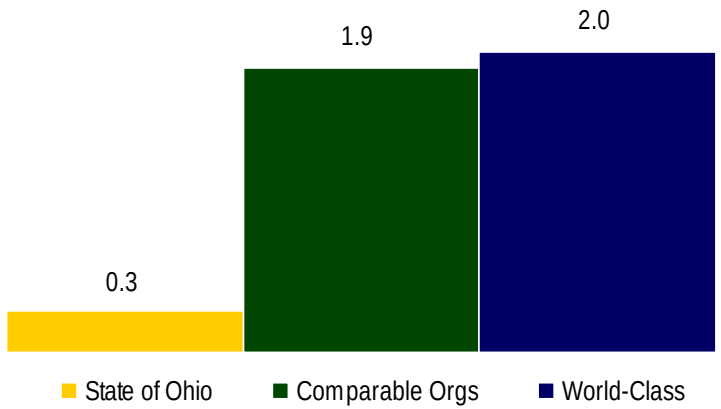


Total Rewards Administration Process (Cont'd)

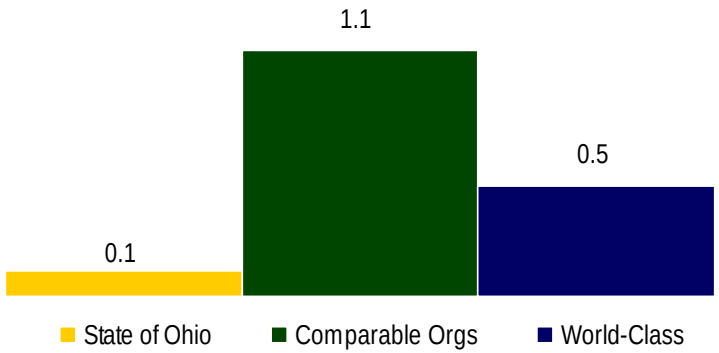
Error Rates for Transactions



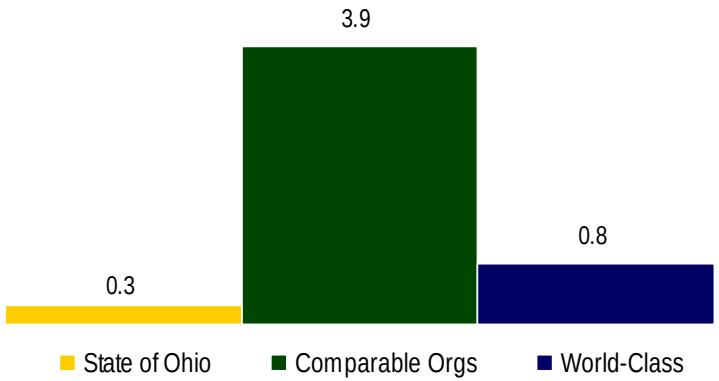
Health & Welfare Plans per Thousand Enrolled Employees/Retirees



Pension & Savings Plans per Thousand Enrolled Employees/Retirees

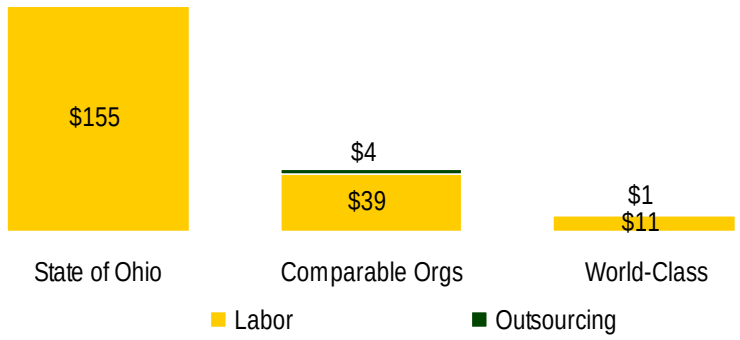


Compensation Plans per Thousand Employees

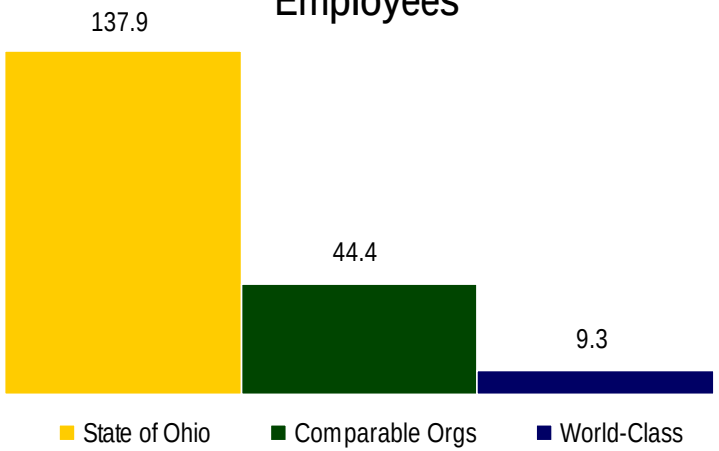


Time & Attendance Process

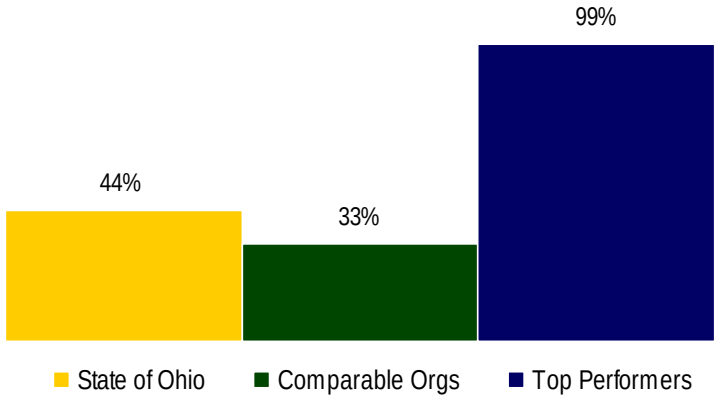
Time & Attendance Cost ($) per Employee



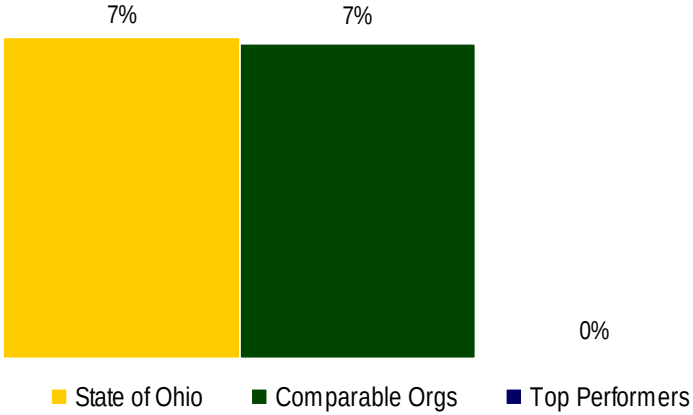
Time & Attendance FTEs per State of Ohio's Employees



Time & Attendance Automation

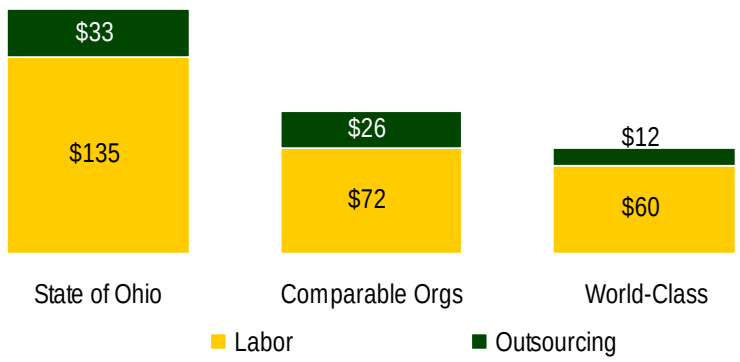


Time & Attendance Error Rate

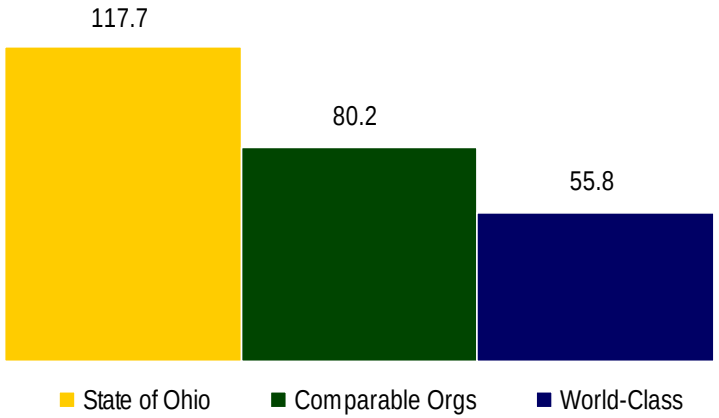


Payroll Administration Process

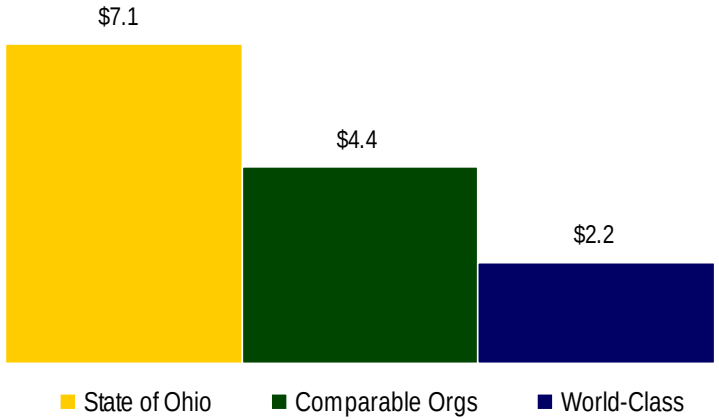
Payroll Administration Cost ($) per Employee



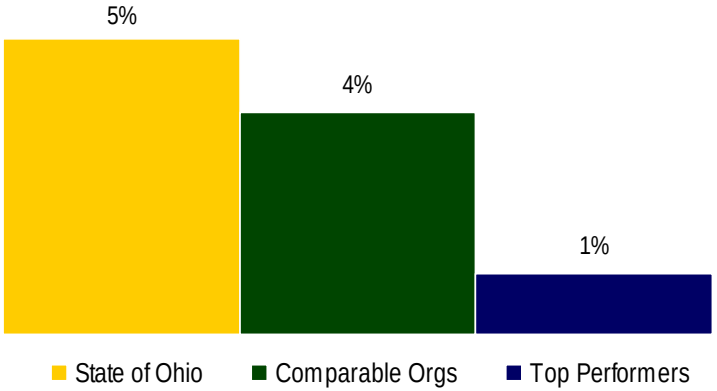
Payroll Administration FTEs per State of Ohio's Employees



Payroll Administration Cost ($) per Paycheck

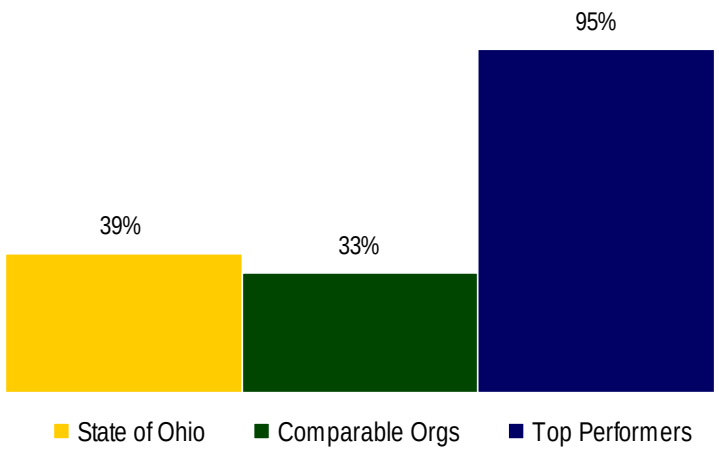


Payroll Administration Error Rate

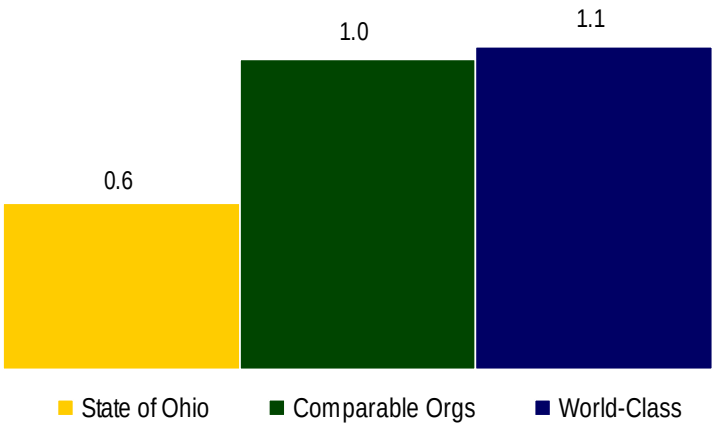


Payroll Administration Process (Cont'd)

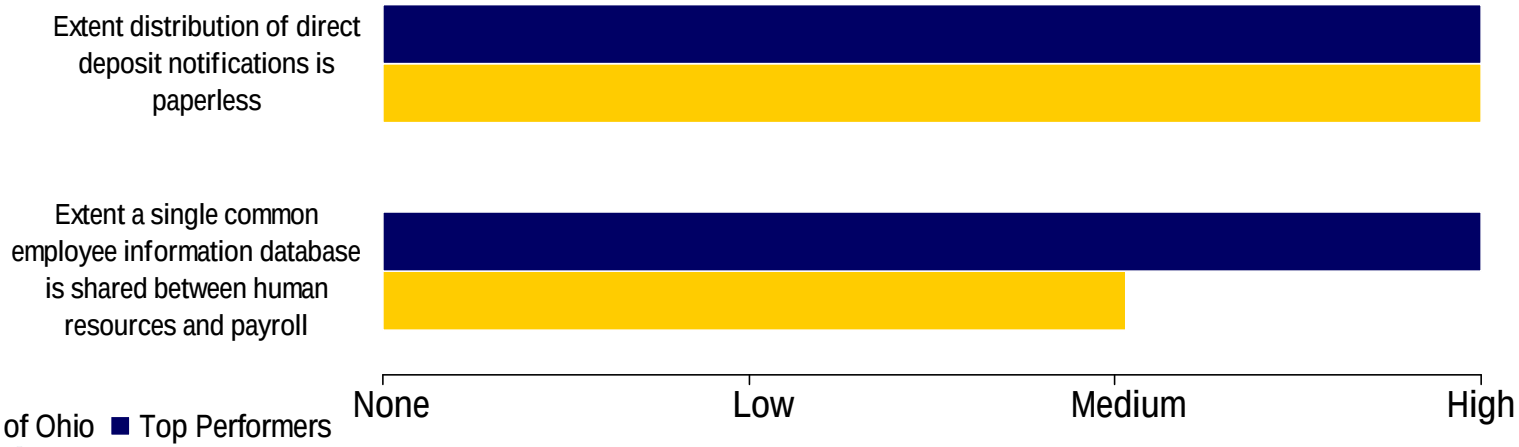
Payroll Administration Automation



Pay Adjustments per Employee

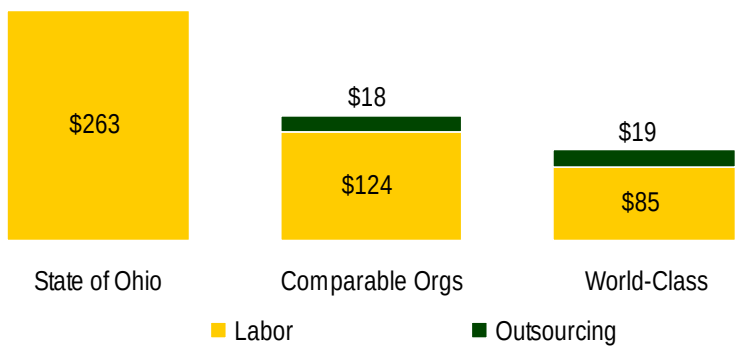


Payroll Administration Best Practices

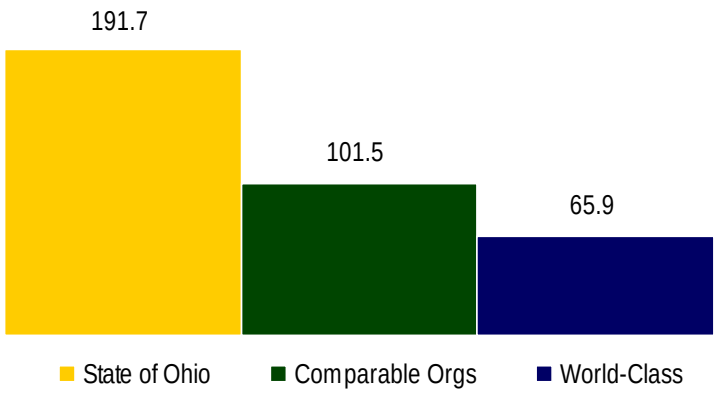


Data Management, Reporting & Compliance Process

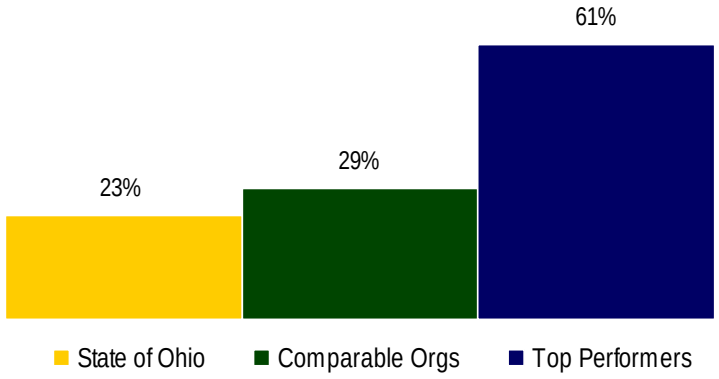
Data Mgmt, Reporting & Compliance Cost ($) per Employee



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



Data Management Automation



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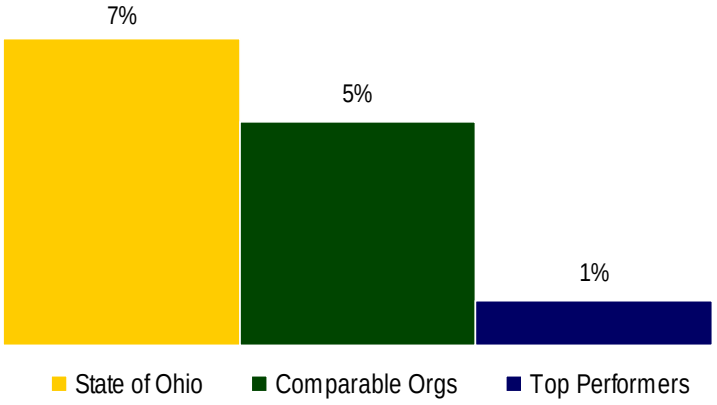
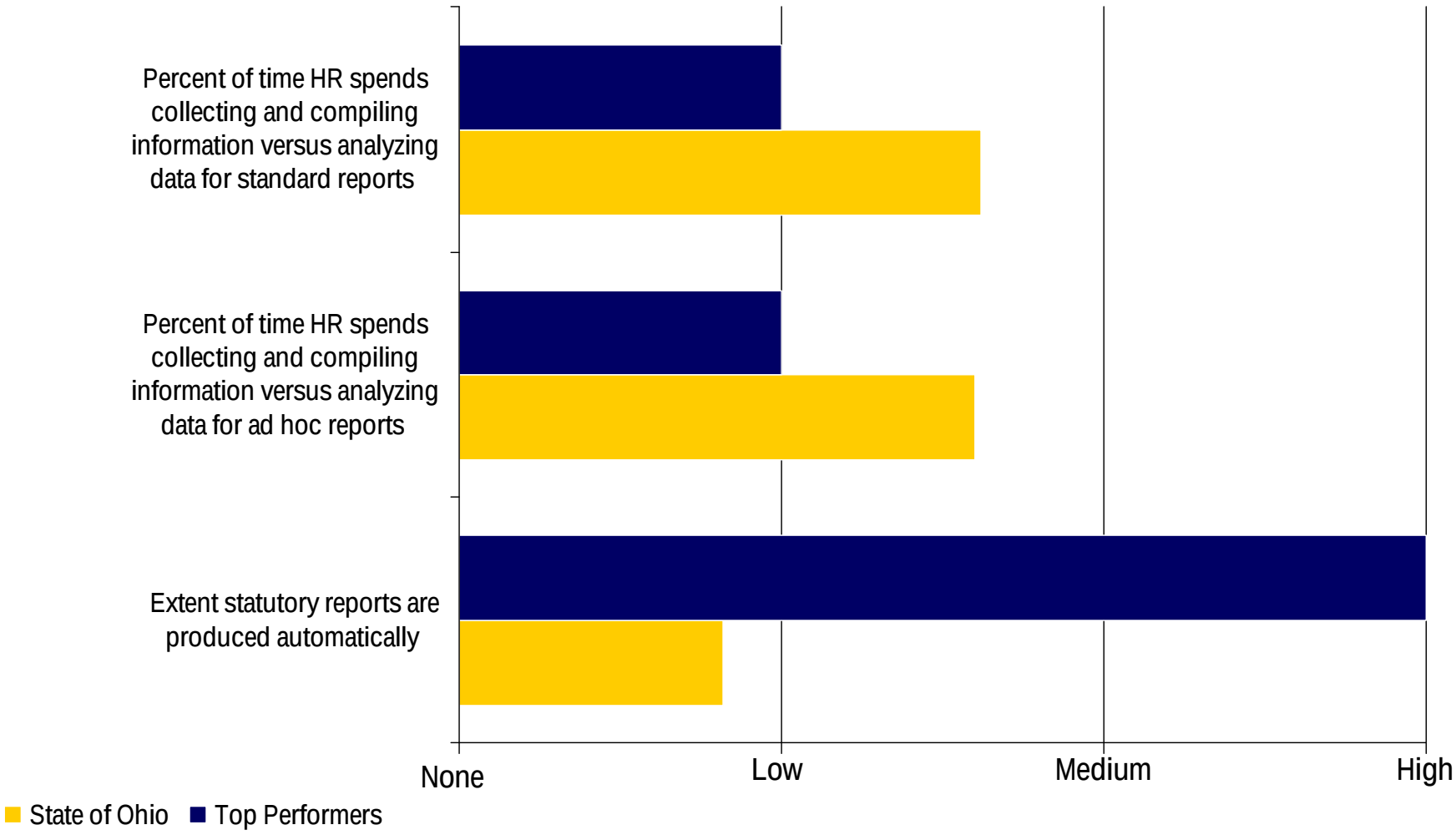
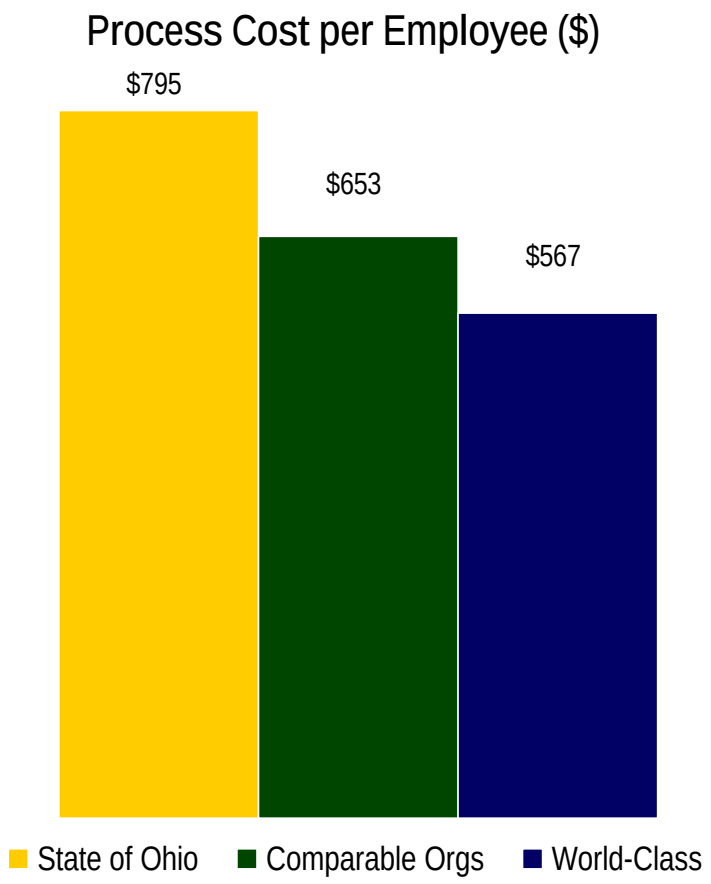
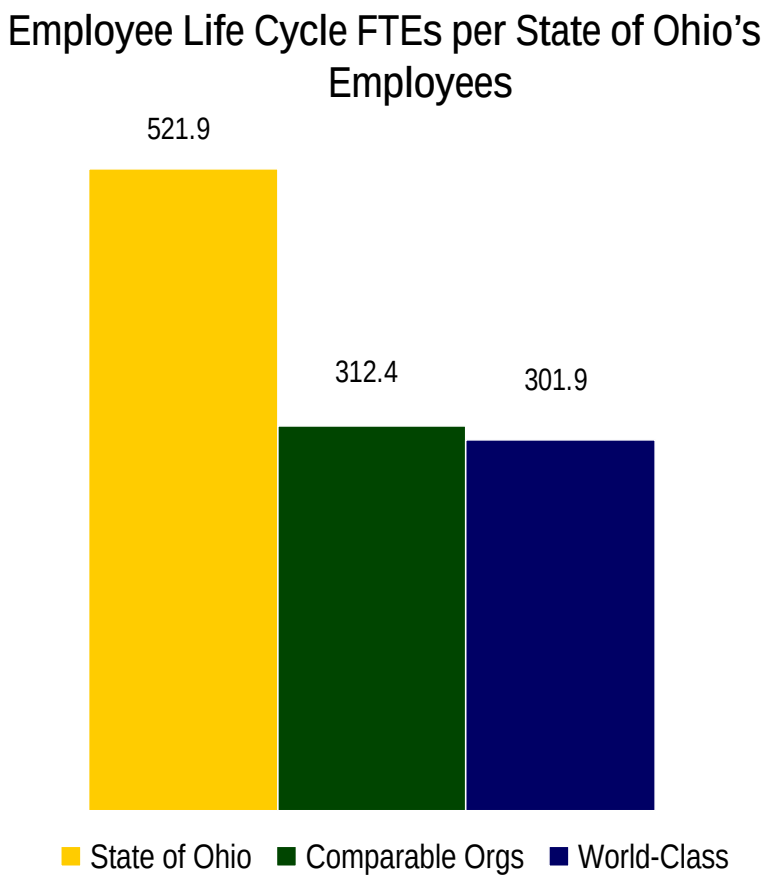


Data Management, Reporting & Compliance Best Practices



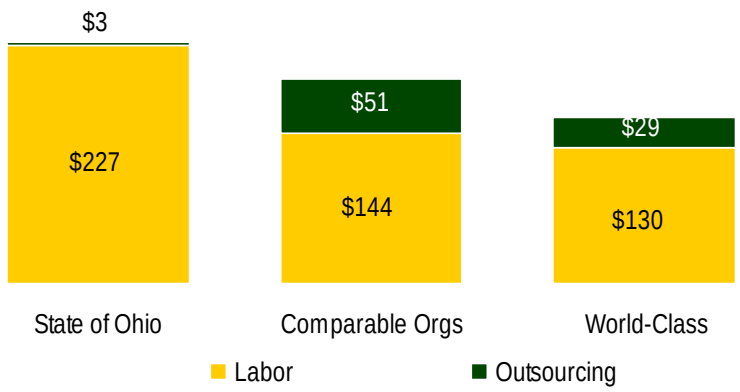
Employee Life Cycle Costs and Staffing Levels



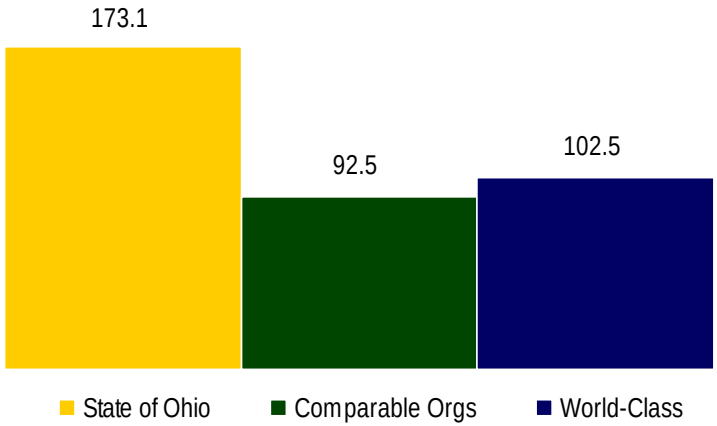


Staffing Services Process

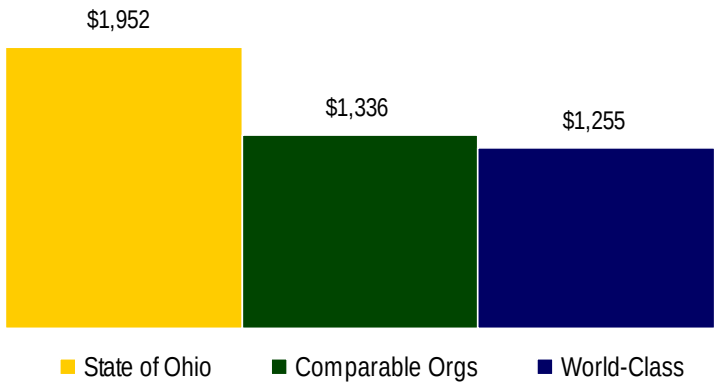
Staffing Services Cost ($) per Employee



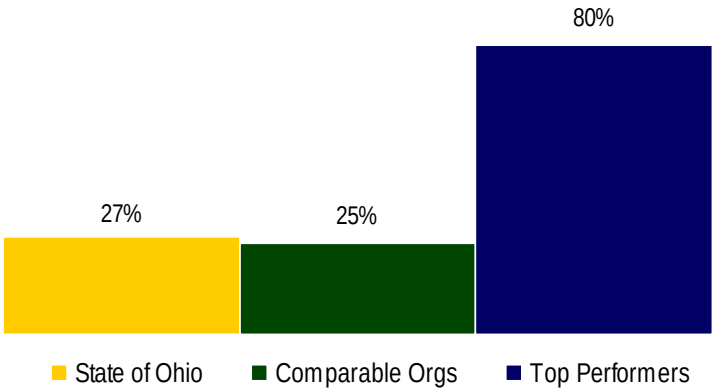
Staffing Services FTEs per State of Ohio's Employees



Process Cost ($) per Hire/Placement

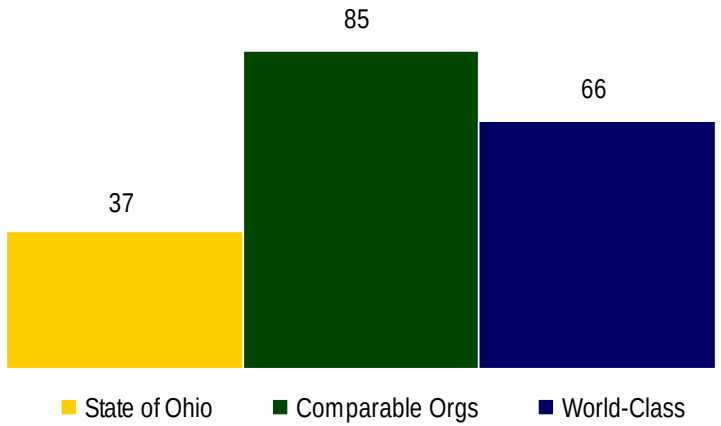


Staffing Automation

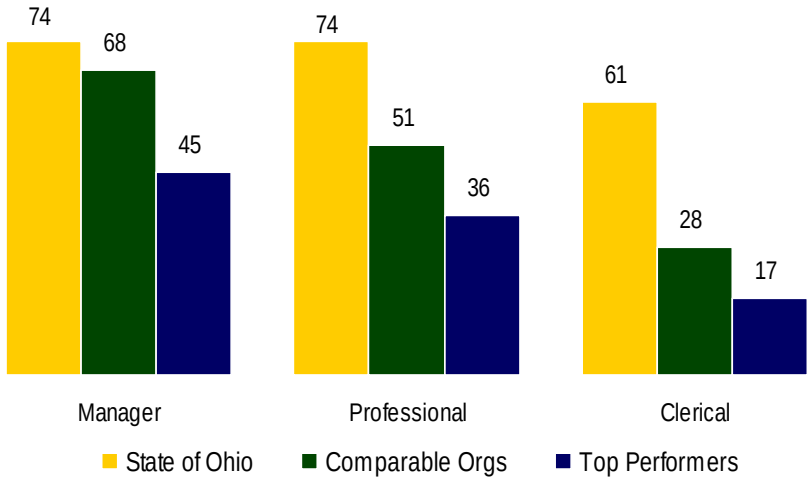


Staffing Services Process (Cont'd)

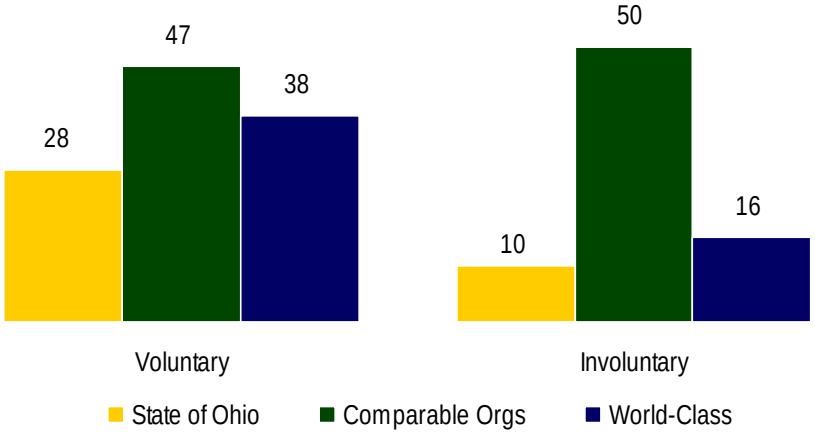
Total Placements/Hires per Staffing FTE



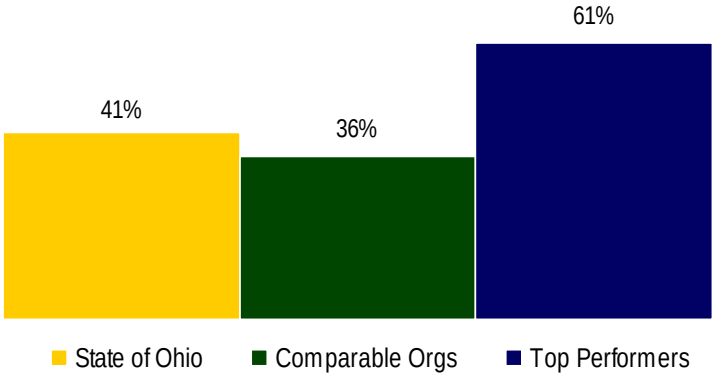
Days to Fill Open Positions



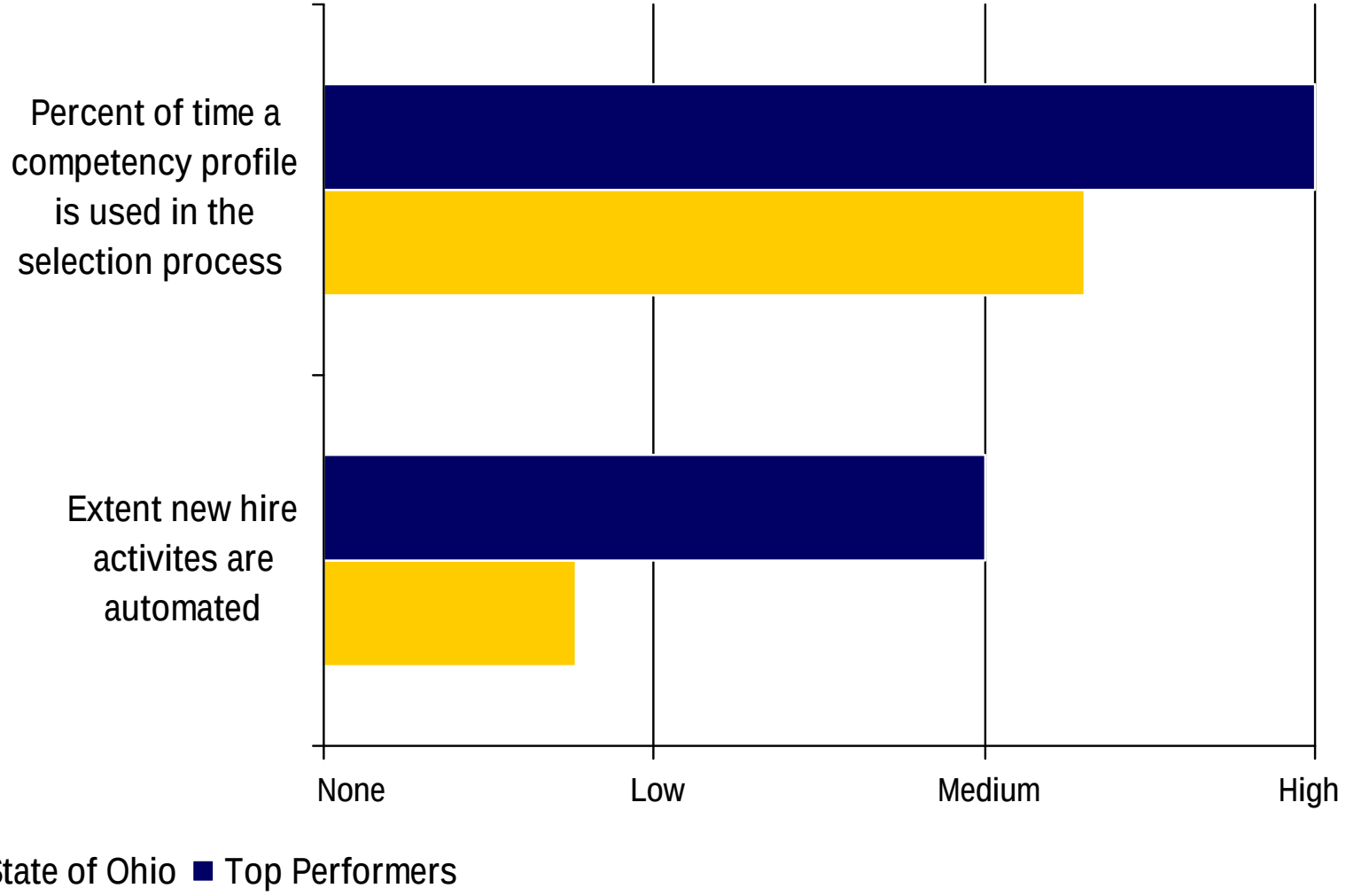
Terminations per Thousand Employees



Internal Placements versus External Hires

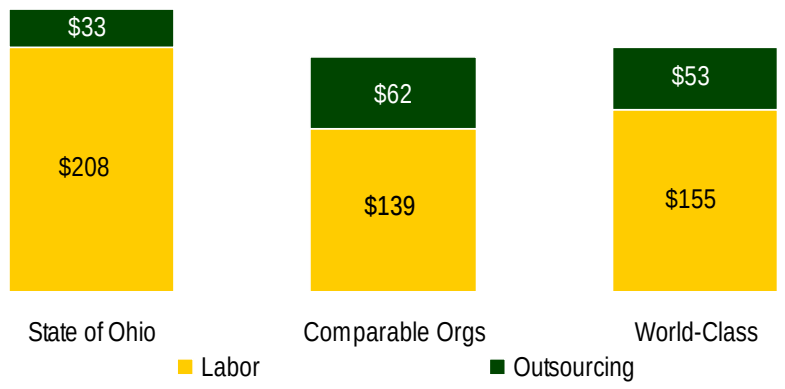


Staffing Services Best Practices

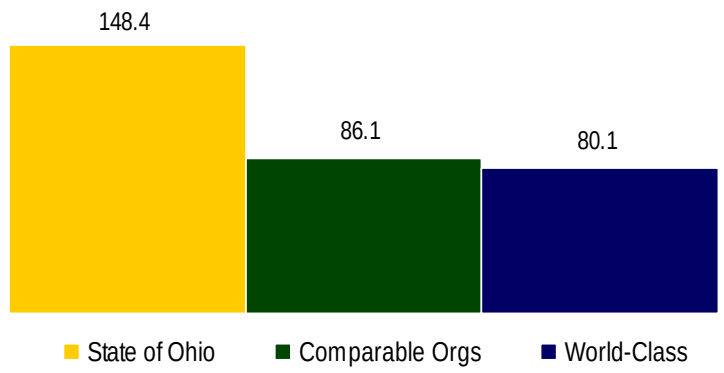


Workforce Development Process

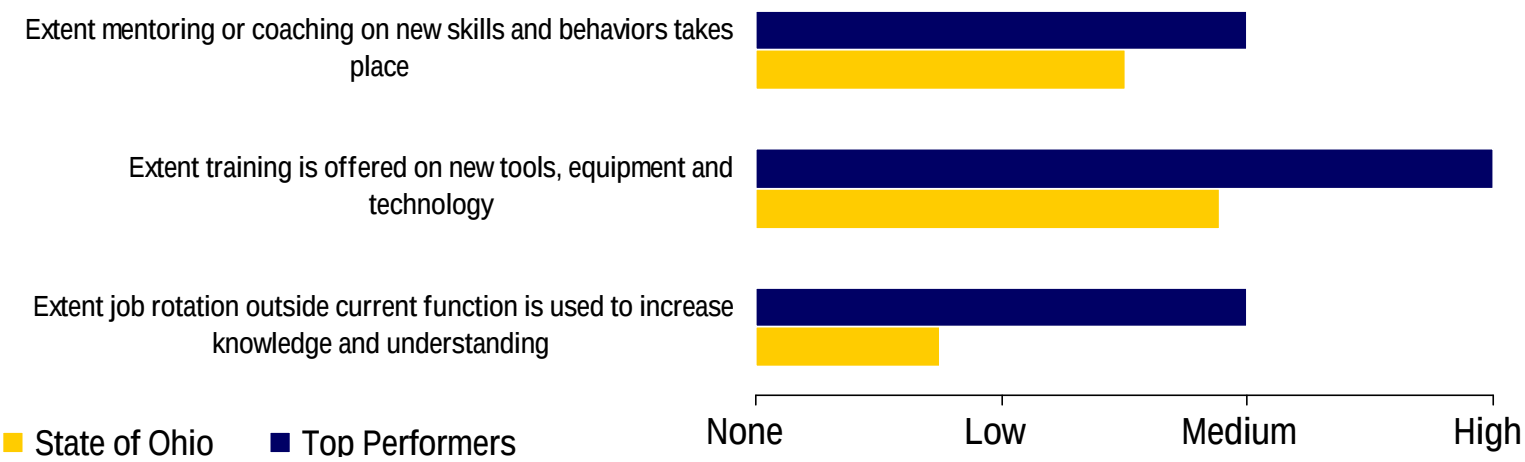
Workforce Development Cost ($) per Employee



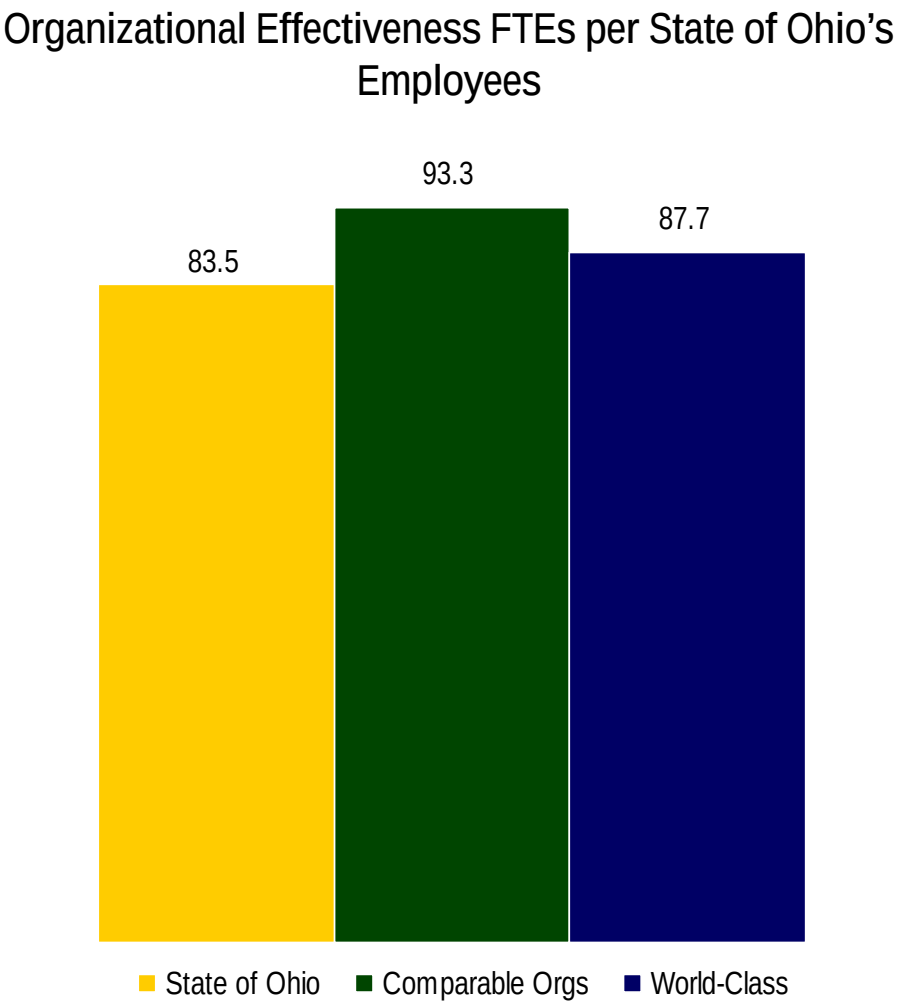
Workforce Development FTEs per State of Ohio's Employees



Key Best Practice Utilization Comparisons

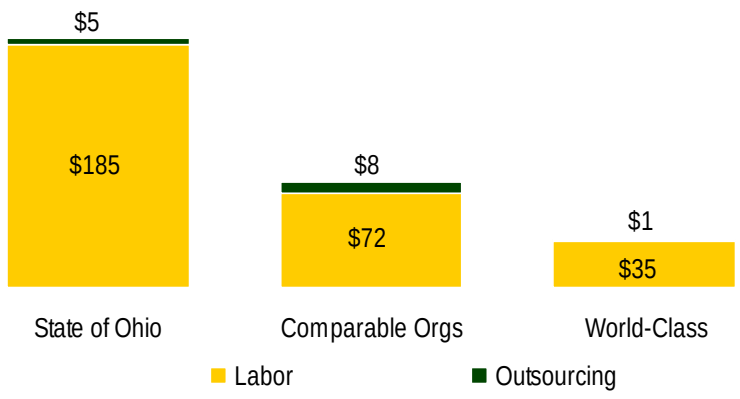


Organizational Effectiveness Process

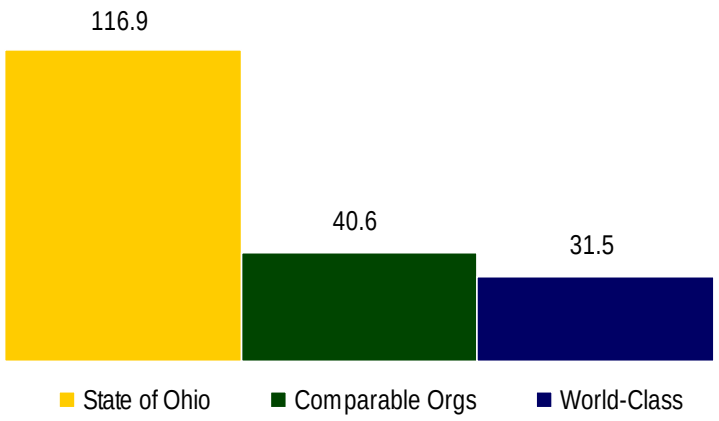


Labor Relations Process

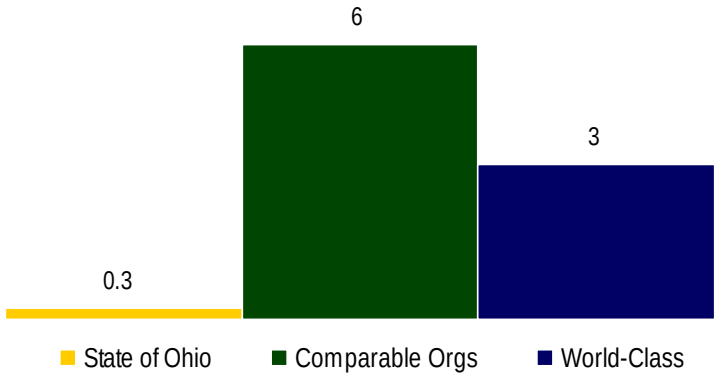
Labor Relations Cost ($) per Employee



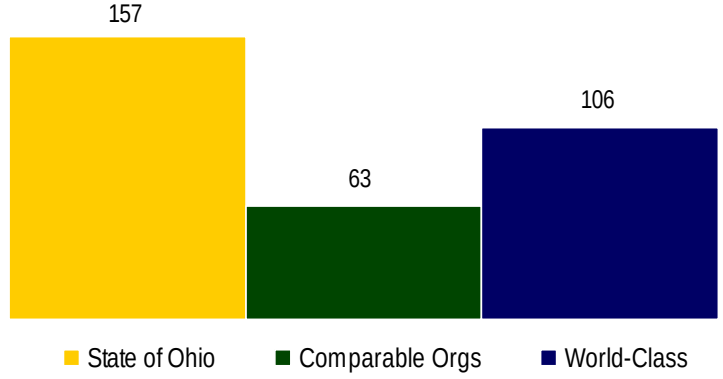
Labor Relations FTEs per State of Ohio's Employees



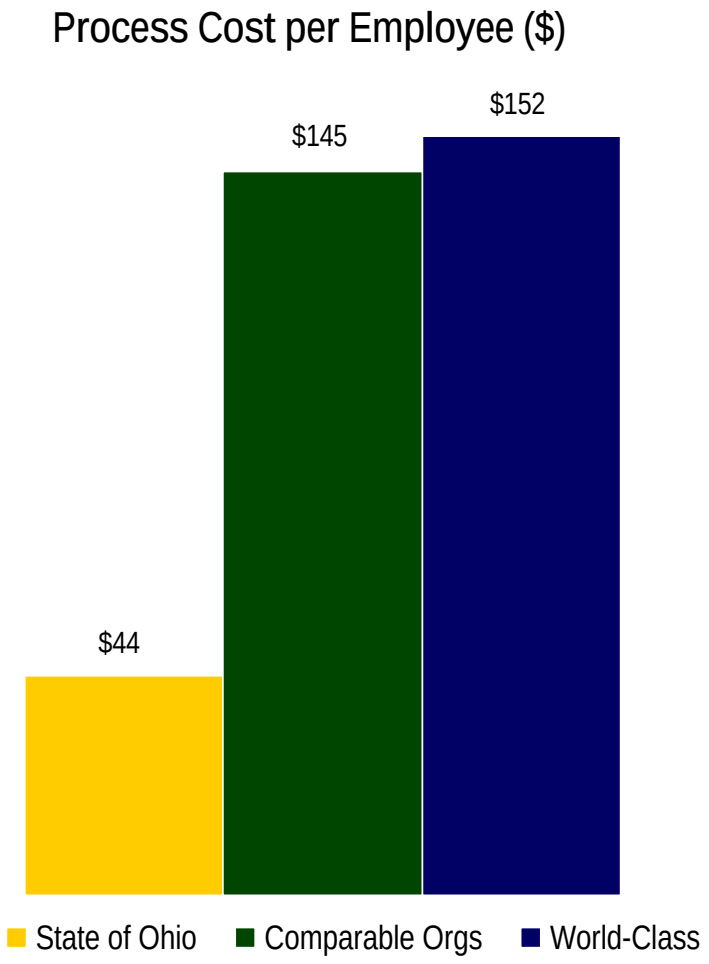
Unions per Thousand Unionized Employees

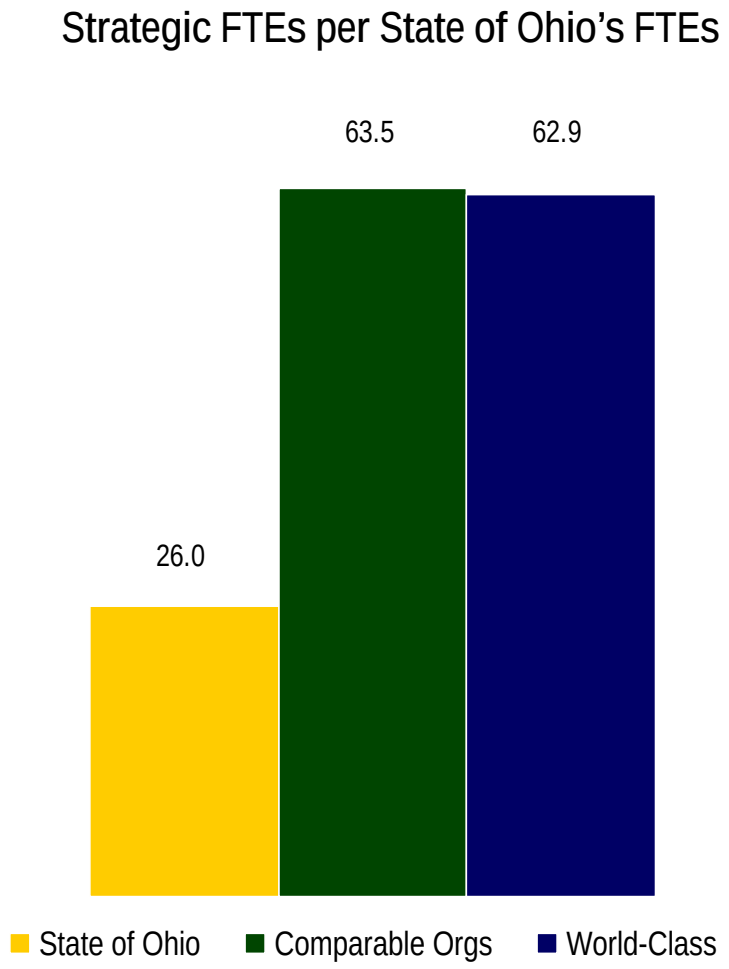


Grievances per Thousand Unionized Employees



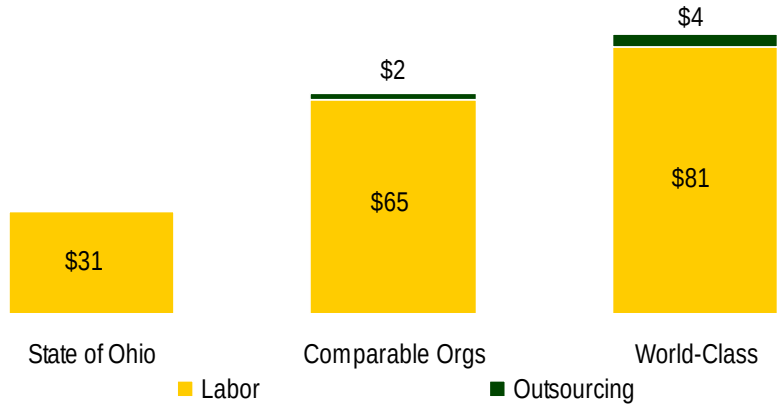
Strategic Costs and Staffing Levels



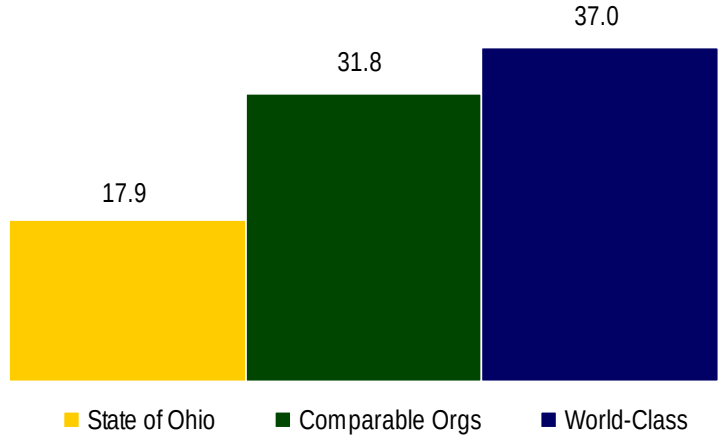


Strategic Workforce Planning Process

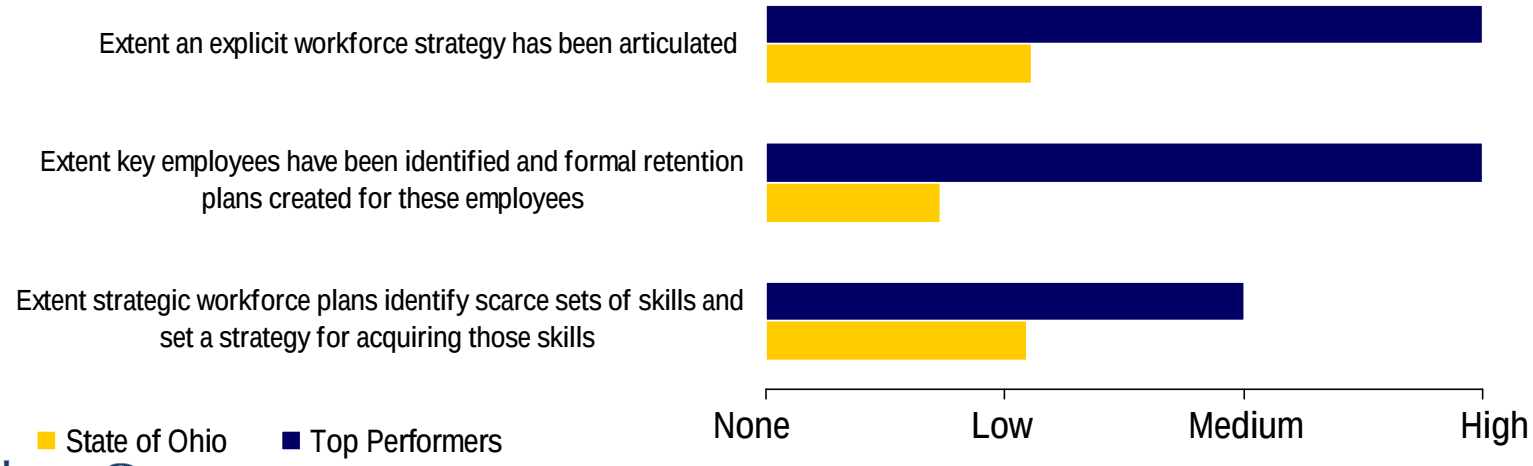
Strategic Workforce Planning Cost ($) per Employee



Strategic Workforce Planning FTEs per State of Ohio's Employees

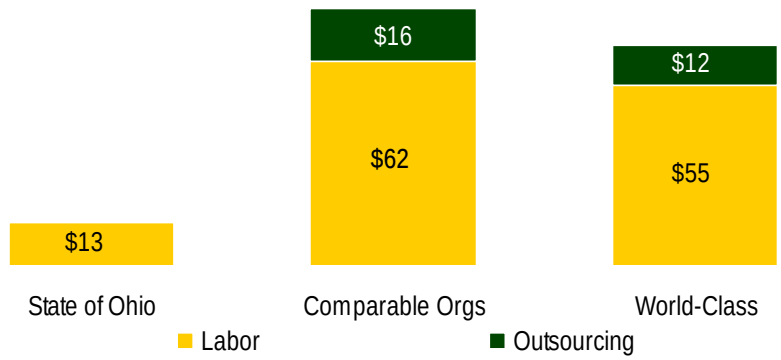


Key Best Practice Utilization Comparisons

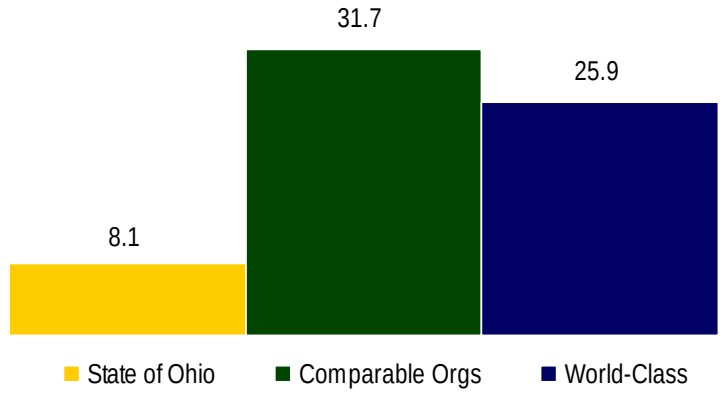


Total Rewards Planning Process

Total Rewards Planning Cost ($) per Employee

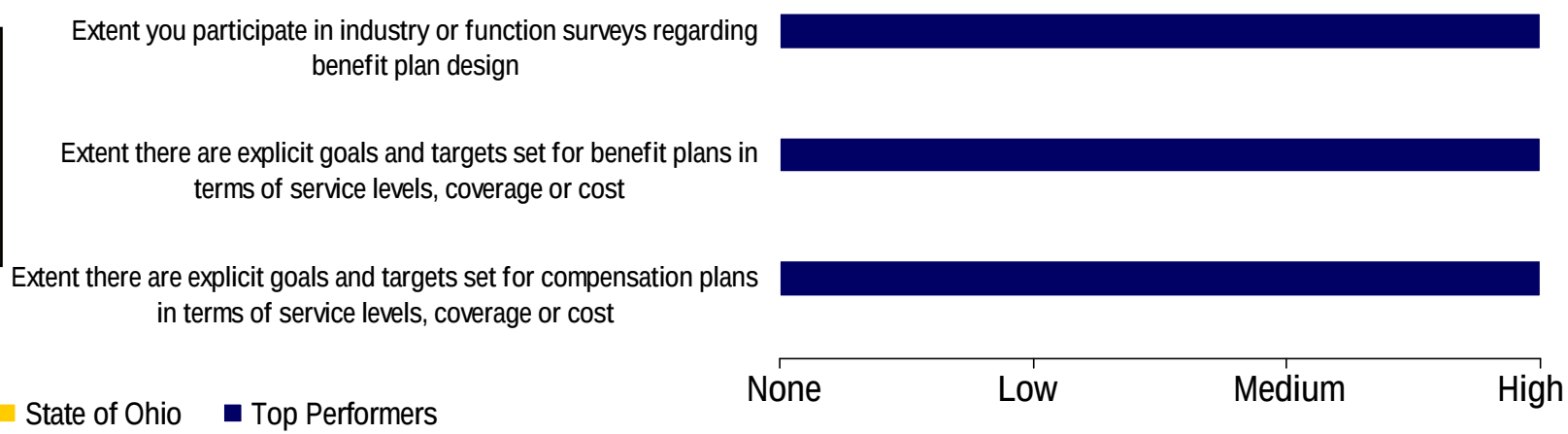


Total Rewards Planning FTEs per State of Ohio's Employees



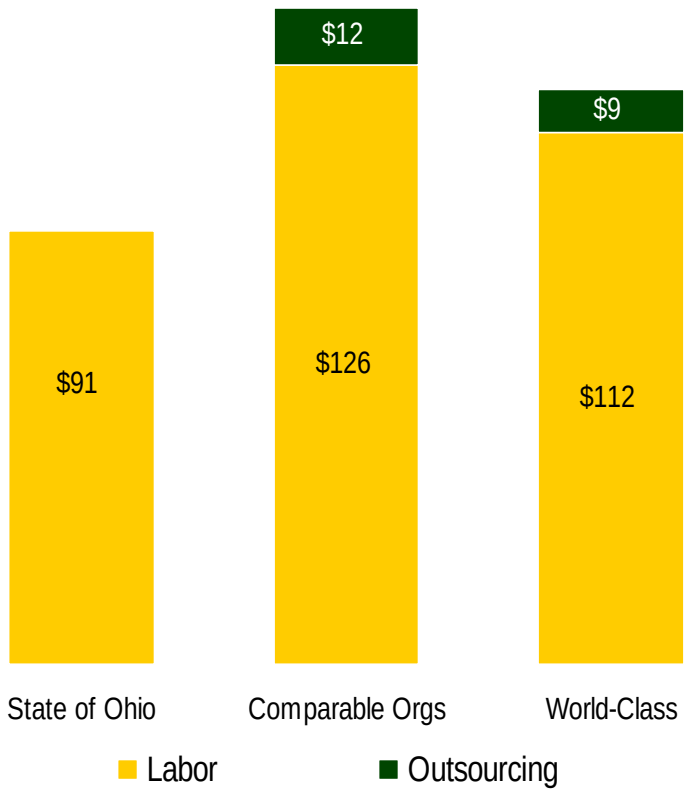
Key Best Practice Utilization Comparisons

Not Applicable to State of Ohio

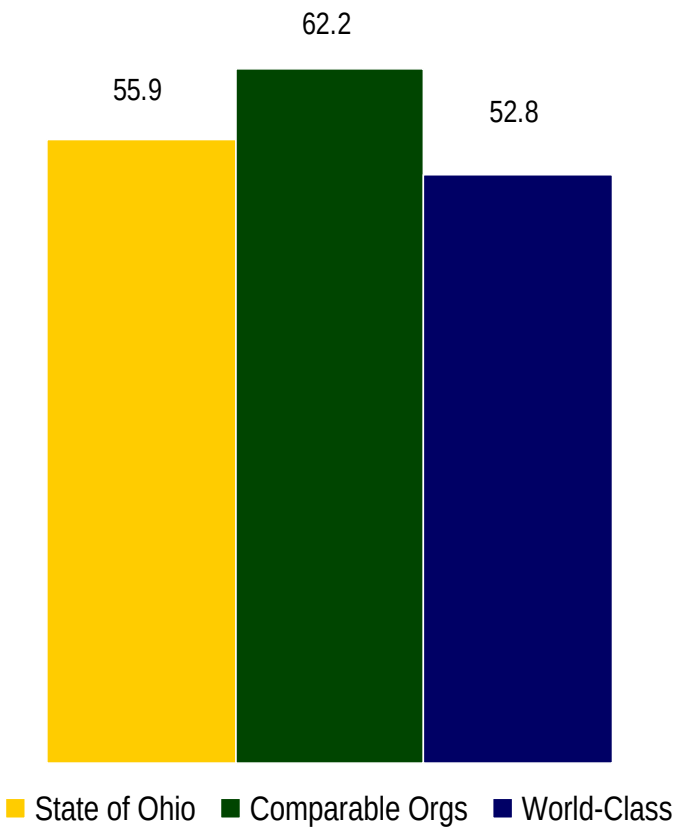


Human Resources Function Management Process

Human Resources Function Management Cost ($) per Employee



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



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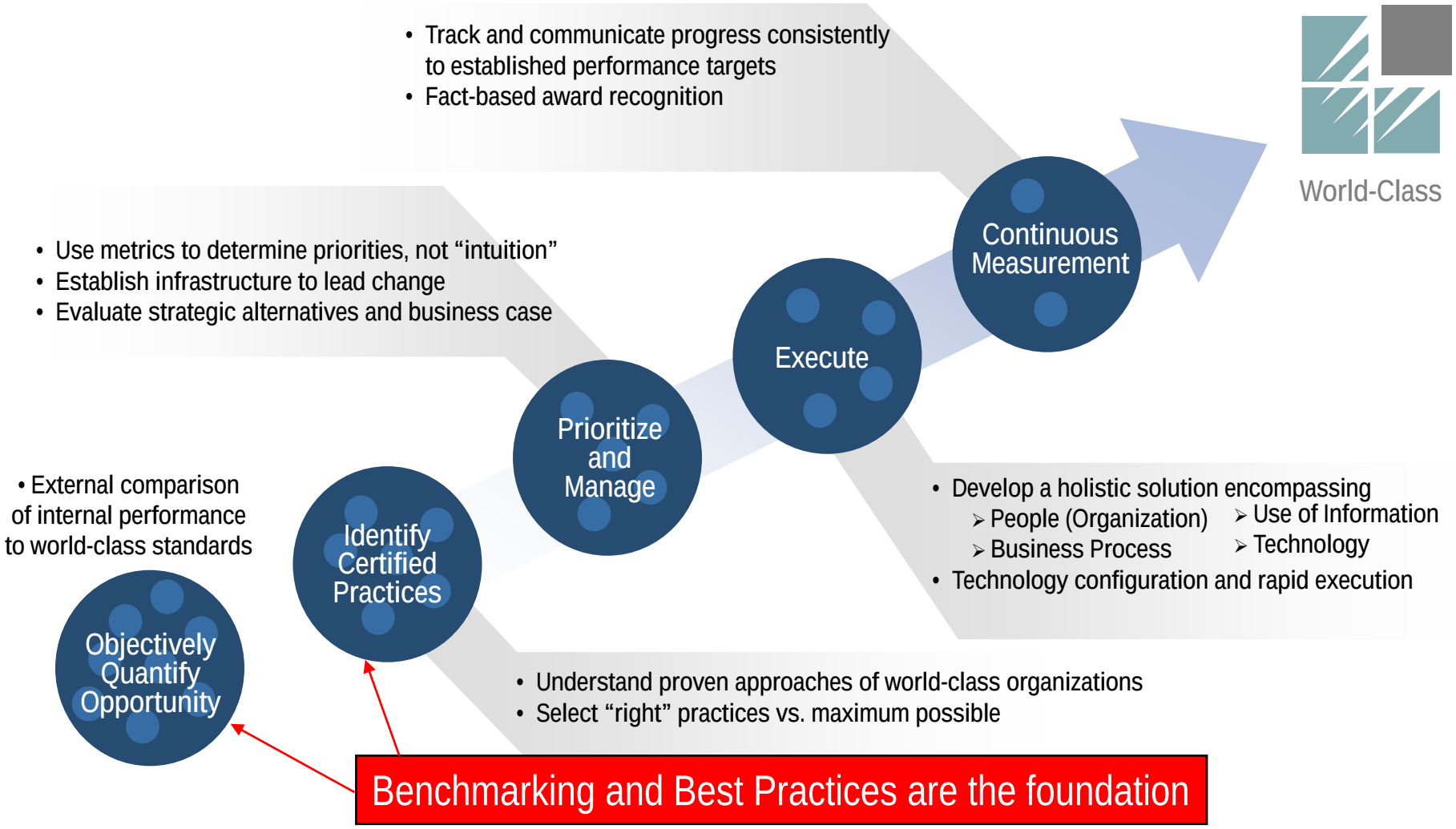
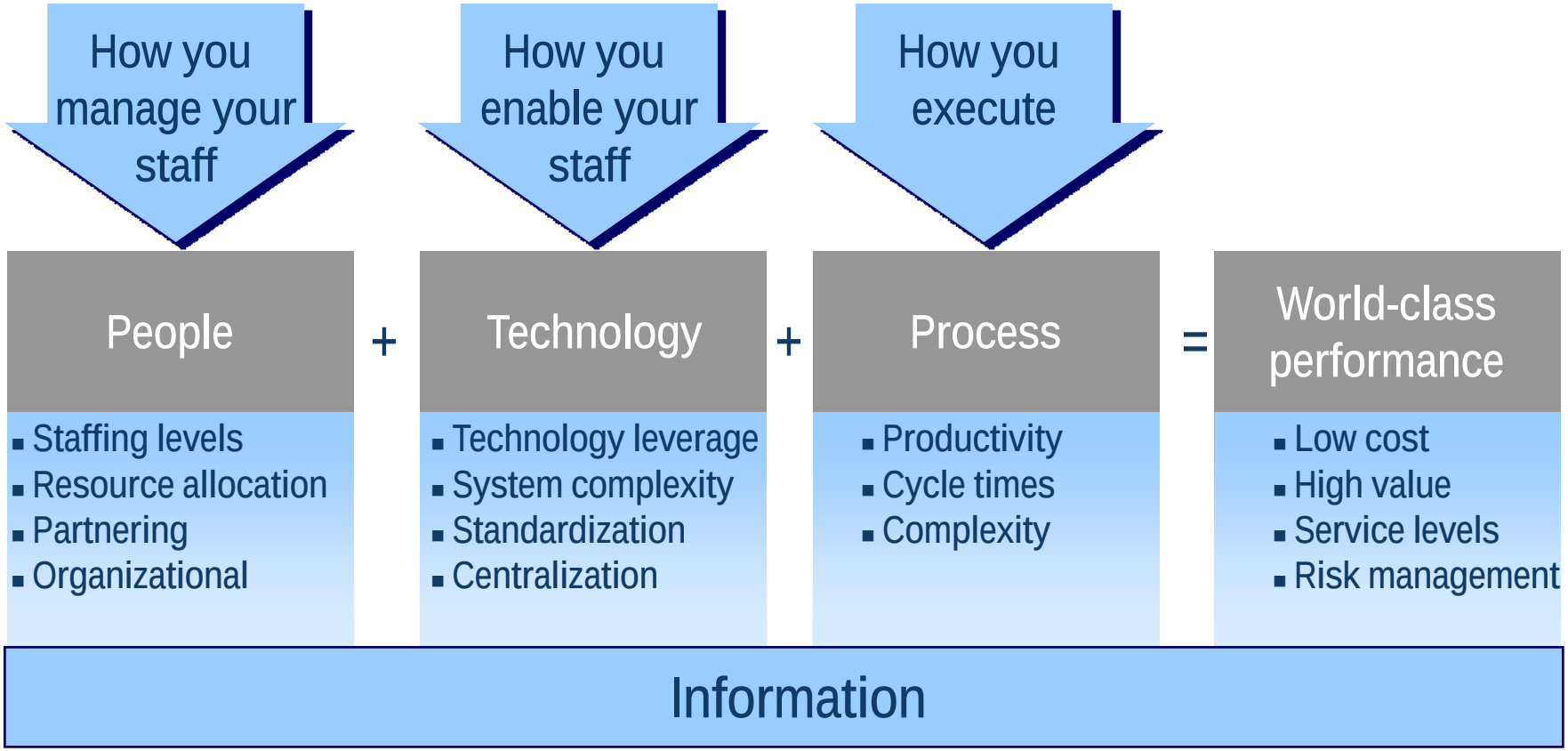
What Does it Take to Achieve World-Class Performance?



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



- Performance measurement
- Access/availability
- Data vs. intelligence
- Actionable

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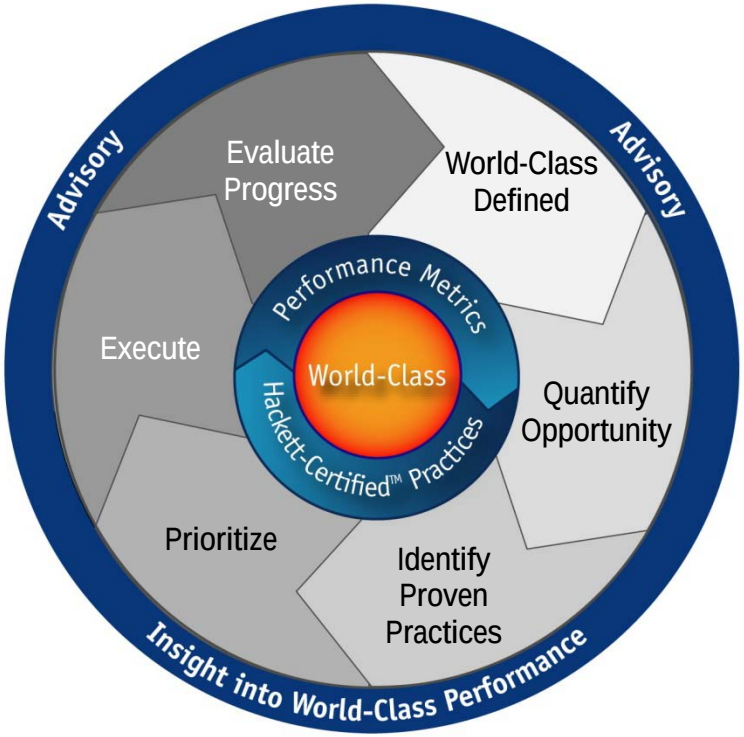
The Hackett Group defines world-class performance

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

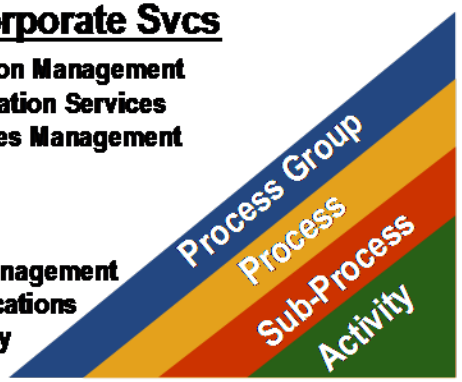
- Order and Contract Management
- Service Execution
- Service Operations
- Planning and strategy
- Function Management

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*