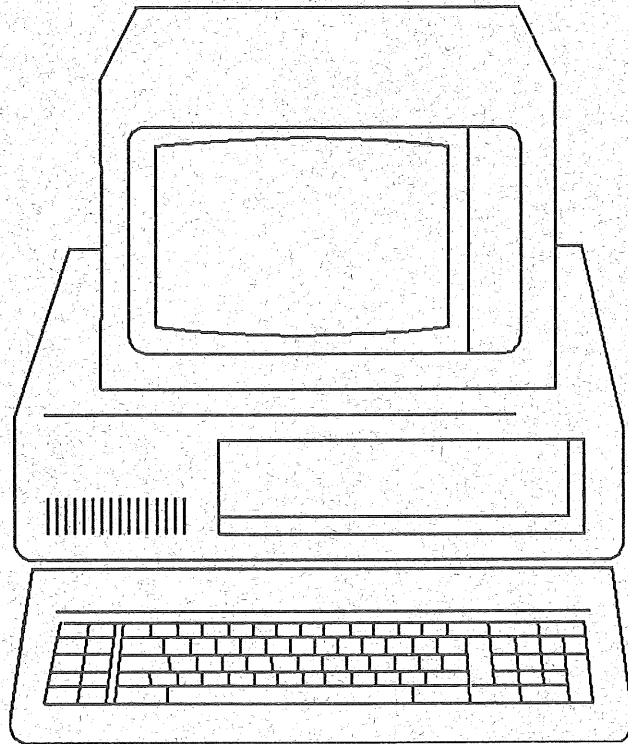


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A Report on
Information Technology Contracts



STATE OF MINNESOTA



**Department of
Administration**

Information Policy Office, January 1990

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An overview

Information Technology Contracts

The information systems marketplace is changing at an increasingly rapid pace. Manufacturers continue to produce faster, cheaper and better systems. Because Minnesota government invests more than \$200 million a year in technology, it's imperative that the state find ways to better respond to the changing environment and still meet the needs of agencies. The Minnesota Department of Administration is now developing methods to reduce the traditionally slow, inflexible and costly process of acquiring information systems. This report outlines those changes.

The Department of Administration -- the Information Policy Office, Materials Management Division, and InterTechnologies Group -- has developed goals and strategies for acquiring and managing information technology. The strategy is to 1) streamline the contract process for agencies and vendors, 2) establish consistent standards, and 3) provide greater flexibility and competition. Technology-related contracts will be negotiated according to the guidelines outlined in this report. Briefly, the results will be greater:

- Leadership**
Technology contracts will be based on a relationship established between the parties rather than absolute products, allowing the state of Minnesota to respond quickly to changes in the industry.
- Flexibility**
With recent changes in statutes and policies, agencies now have more than one choice to meet their diverse information systems needs.
- Accountability**
Vendors will be evaluated throughout the life of the contract on products and services as well as costs.
- Value**
Increased competition among vendors will ensure quality and service with attractive prices.

A Report on

Information Technology Contracts

Leadership

The Minnesota Department of Administration is carefully planning a strategy for managing and acquiring information systems for the future. Contracts will follow a pattern used by private sector companies emphasizing relationships with vendors. The strategy places the state of Minnesota in a leadership role by:

- Encouraging flexibility, innovation and creativity in the acquisition process;
- Giving agencies the freedom to make their own choices;
- Providing communications and training for informed decision-making;
- Helping managers succeed;
- Being committed to a strong client focus;
- Encouraging user participation;

This strategy allows the state of Minnesota to respond quickly to changes in the industry, accommodate future growth and position ourselves as a leader among other states in the acquisition of new technology. In fact, a number of states have already noticed Minnesota's unique approach and have begun to follow our model.

Flexibility

With recent changes in statute and policy it's now possible for **multiple quality choices** from different manufacturers to be on a single technology contract. Each agency will be accountable for the technology decisions it makes, and vendors will have to provide system solutions, not just stand-alone products.

With the new microcomputer contract now being developed, state agencies will be able to select the equipment they need from several brands of processors, printers, networks, and related products as well as software and training -- all on one contract. This will increase competition among vendors and ultimately keep prices low and service high.

Many contracts will be **non-exclusive**. Agencies may choose the products and services available on an existing contract, or if they prefer, they may develop specifications and go to bid to meet their unique needs. The traditional, exclusive contracts required agencies to purchase only those items identified on a contract unless granted a waiver. With the non-exclusive policy, agencies and vendors will be held more accountable for the technology choices they make.

Negotiated Contracts will mirror the process used by private industry, allowing new products and services to be available much more quickly. A negotiated contract defines the state's relationship with a vendor rather than identifying absolute products for the life of the contract.

In some situations the Department of Administration will select a **prime contractor** to offer a wide variety of products. This contract method is most appropriate when a number of products from various manufacturers need to be combined to create a system. Under the prime contractor concept, a single provider will be responsible for the entire system made up of products from several providers including: hardware, software, training and maintenance. Hybrid systems such as local area networks will benefit most from this type of contract where no single manufacturer can provide a total cost-effective and efficient solution.

Accountability

As contracts are developed and negotiated, the Department of Administration will keep vendors informed of the state's expectations for service, delivery of products, support and other factors. Vendors will have to maintain competitive costs for the duration of the contract, and they must continue to provide the high level of service to which they committed when they were being considered for the contract award. Past performance will be a factor in future bid awards.

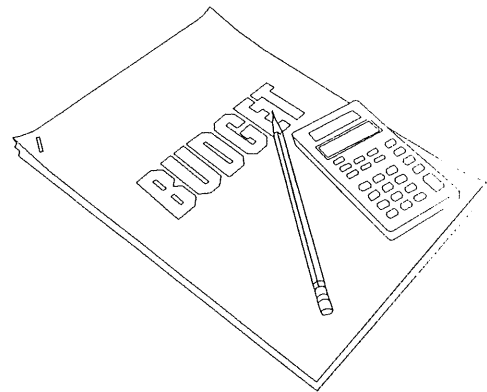
The Department of Administration and the Information Policy Council are actively pursuing a set of **standards** for all state government. Several international organizations are also developing uniform standards. Most major manufacturers are represented in those organizations and work jointly on standards development.

Before standards can be adopted and put into place, they must be tested to verify conformance to the established profile of the standard. When the testing phase is complete, technicians begin the final phase: interoperability testing. In other words, testers will have to check out the applications on all manufacturers' equipment, making sure that the various products comply and work together.

As standards profiles develop further the state will play a more active role in implementing products which conform. Developing standards is a lengthy process. It requires the consensus of large, diverse and geographically remote work groups.

Value

Industry estimates suggest that hardware accounts for only 15% of total technology expenditures. Another 45% is spent on personnel and management of systems. The remaining 40% is spent on software, maintenance, training, supplies, utilities, financing, furniture and space. These investments will become more obvious as agencies adopt methods to predict total costs over the expected life-cycle of each system.



The Department of Administration estimates that the state of Minnesota spends more than \$200 million per year on information systems and related technology. This is similar to or slightly less than what other states spend and considerably less than what the private sector spends. Leading technology companies invest a much larger percentage of their revenue in strategic information systems than the state of Minnesota.

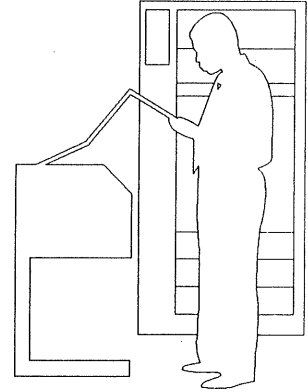
In evaluating contract bids, the Department of Administration will place greater emphasis on products and services rather than cost. This will result in higher quality services instead of simply the lowest bid. The Department of Administration is currently evaluating products based on need, quality of service, responsiveness and user satisfaction in addition to cost.

In the future

Future contracts must be able to accommodate the rapidly changing technology industry or the state will fall behind in its effort to serve citizens. What follows is a summary of some of the trends in the information systems industry:

- Many functions will be decentralized, including those with large database systems;

- Systems will become much more powerful. Already personal computers possess the processing power of the largest mainframes of eight to ten years ago;
- New programming tools and fourth generation languages will allow new systems to be developed faster;
- The cost of technology is dropping;
- New user interfaces will provide a similar look to all programs, allowing a much shorter learning curve for users;
- Systems are becoming much more complex, requiring more highly skilled technicians;
- Training of information systems professionals is becoming increasingly critical;
- Standards will play a very prominent role in installations, and systems will begin to interoperate rather than stand-alone;
- Some systems will become obsolete in as little as 4-5 years.



Technology such as electronic data interchange (EDI), geographic information systems (GIS), and optical disk are now available and could save Minnesota government millions of dollars. As the state begins to implement these technologies, older systems will need to be replaced. This strategy would provide uniform systems with a common interface and interoperability to meet the increasingly complex tasks of the future. New strategic statewide systems could reduce the cost of doing business, retrain and redistribute employees when appropriate and provide actual information for legislative review rather than estimates.

Accomplishing these monumental tasks will require considerable planning, commitment, time, human resources and dollars. But the end result will be better information, better management of resources, better information systems and better service to Minnesota citizens.