

Governance: The Value of a Custom Fit

Reduce costs, increase transparency and improve service quality: these goals are on the minds of chief information officers (CIOs) everywhere. Consolidation, centralization, and integration are recognized as strategies for achieving these goals, but these strategies require new information technology (IT) governance capability for making state-wide coordinated information technology decisions.

A governance structure answers the following questions: what decisions must be made; who should make these decisions; how will decisions be made; and how do you monitor results to make sure you are achieving your goals? While these questions seem relatively straight forward, ensuring effective use of technology across state government has proven to be a formidable challenge for most states. Advice is abundant, but finding the right fit takes time and often requires a custom approach.

IT governance in state government, according to the National Association of State Chief Information Officers (NASCIO), should not only ensure effective use of information technology to increase interorganizational interoperability, but also minimize redundant investments within the limitations imposed by existing statutory constraints.

PULLING TOGETHER USEFUL IDEAS

In their efforts to design appropriate IT governance structures, many state CIOs have drawn on well-known governance frameworks such as COBIT2 and ITIL3, as well as the experiences of other public and private sector organizations. Throughout this process, they have discovered that private sector IT governance practices and frameworks are not directly applicable to the context of state government. These frameworks, according to a number of CIOs, emphasize functions, such as what structures should be in place, without indicating how to make them functional or offering a how-to guide for building effective IT governance within a particular set of organizational features or a specific cultural context.

These CIOs have also found that the experiences of other states have limited value beyond identifying some potentially useful ideas. By observing the efforts of others, CIOs are benefiting from insights about what works and why in certain conditions. However, it has become increasingly clear that no single state or other governmental entity can simply adopt the structure of another state. The combination of conditions that make a particular IT governance design work in one state can rarely be found in another. Differences such as the size of government, institutional structures, and political priorities impact the form of enterprise IT governance that is appropriate for each state. In other words, what matters is not so much the governance design itself, but rather how well any specific design fits with the relevant aspects of the environment. For example, a highly centralized IT governance design where most decisions are made by the central IT office on behalf of state agencies might work well in a small state with a relatively homogenous political structure. That same design might be highly problematic in a large state with heterogeneous political institutions and decentralized power bases. Thus, while states are benefitting from ideas and design characteristics found in other places, those having success in their efforts are investing in customized designs that reflect well understood characteristics of their environment.

CHANGE: CHALLENGE AND OPPORTUNITY

To a casual observer, government policy priorities and operations change slowly. Often this slow rate of change is considered a good thing. CIOs seem to agree, for example, that designing and building IT governance structures takes time and requires a consistent long-term vision. Sometimes, much to the chagrin of CIOs, government does not seem to change slowly enough. Regular turnover in elected and appointed officials and constantly shifting policy frameworks and associated business processes—whether triggered by new economic realities, technological innovations, or political priorities—challenge CIO efforts to create consistent and reliable information technology governance structures. CIOs and others face three parallel challenges: making statewide IT investment decisions, redesigning the existing structures to ensure that those decisions are in line with the strategic priorities of decision makers, and trying to depoliticize the IT investment process.

Navigating through these challenges requires good management choices, but also sound support systems. In CTG's recent project on IT governance, state CIOs identified four actions as critical to their efforts to leverage changes in governance into new opportunities for the state: 1) choosing the right governance implementation strategy to ensure buy in from your customers, 2) securing strong support for creating new governance capability from your governor, 3) motivating staff, in the CIOs office and program areas through the transition period, and 4) building and maintaining trust with stakeholders, whether in the legislature, in the individual agencies, or elsewhere in government.

BUILDING A BUSINESS CASE FOR CHANGE The current intense focus on IT governance makes it seem like a new idea, but in reality states have been governing IT resources for many years. What's new is the explicit recognition that IT governance has a powerful impact on the state's overall operational capability and needs to be designed in a comprehensive and well-grounded way. Although CIOs often describe themselves as the primary facilitator for this process, the most successful initiatives focus on the importance of bringing together a broad set of government stakeholders to design a framework that supports policy and programmatic priorities.

In 2008, CTG carried out an IT governance project that focused on how enhanced IT governance could bring additional value to the State of New York (see sidebox for more details about the project). The focus on value creation in this effort distinguishes the CTG approach from many existing IT governance development efforts. This approach rests in CTG's public value framework. In this framework, public return on investment (ROI) is defined as a measure of the delivery of specific value to key stakeholders and the improvement of the value of government as a public asset. The framework identifies five types of public value: financial, political, social, strategic, ideological, and stewardship. For each type of value, there are three possible value-generating mechanisms: increases in efficiency and/or effectiveness, enabling of otherwise infeasible but desirable activities, and intrinsic enhancements to the stakeholders, such as improved transparency.

The benefit of building a governance framework around a clear set of value propositions is that you can choose structures that align with your goals and values. For example, a governance framework built to achieve greater citizen participation might include an external committee with community representatives, while another framework with the goal of better business-to-government interactions might rely on a private sector advisory board.

Before state governments begin reconsidering how IT decisions occur, they need to know why they are changing current practices—what is the desired outcome. In describing the IT governance design process, one state CIO affirmed, "It was the value propositions that enabled us to judge our IT decision-making needs. Then we were able to design a framework that ensures we're using technology to drive the service objective of state government." IT governance frameworks allow technology and public programs to converge so that government delivers on its promise to efficiently and effectively serve the public—an invaluable outcome.

CASE STUDY: A FOCUS ON VALUE CREATION FOR NEW YORK STATE In 2008-09, New York State (NYS) officials began to ask questions about the state's existing enterprise IT governance capabilities and to consider what additional value could be created through enhancements to these capabilities. CTG facilitated a collaborative and consensus-driven process to help NYS identify value propositions for an enhanced enterprise IT governance structure and characteristics of a governance design that achieve the state's objective of an "inclusive and collaborative decision-making process for future IT investments." Participants in this process included CIOs and technology staff from state agencies, public authorities, local governments, control agencies and the NYS Legislature. Three questions were posed throughout this project:

1. What value must be created to make the enhancement of enterprise IT governance in New York State worthwhile?
2. What changes have to occur for that value to be created?
3. Does New York State have the capability to make and sustain the necessary changes?

The CTG team returned to these questions repeatedly throughout the project to ensure that our attention would remain on value creation. The focus on value also helped maintain awareness of the technical and political context of IT governance and avoid simplistic generic strategies that did not take the New York State context into account. Drawing on the principles of the public value framework, a set of five value propositions for enhanced enterprise IT governance emerged:

1. Reduce redundancy and establish prioritization mechanisms.
2. Reduce political directions and swings.
3. Establish standards.
4. Foster sharing of services and information through agency collaboration.
5. Align IT with the business of the state government.

Together the value propositions provided the rationale for pursuing enhanced enterprise IT governance in NYS and the basis for evaluating any enterprise IT governance strategy the state pursues. To view the complete report and the recommendations put forth to NYS by CTG, go to: http://www.ctg.albany.edu/publications/reports/itgov_recommendations

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