

# Effective IT Governance White Paper: Understanding IT Governance and Why it Often Fails

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## Summary

This paper is about effective Information Technology (IT) Governance and practical tips for the Federal Government. IT Governance helps Federal agencies align their IT investment planning and implementation to strategic priorities and business needs, while helping to ensure efficiency, decreased costs and more productive use of IT to achieve their mission.

## Understanding IT Governance and Challenges

### Defining IT Governance and its alignment to IT investments

#### *What is IT Governance?*

In today's world, IT Governance can mean many things and refer to various IT frameworks. In many cases, IT Governance is confused with simply implementing standards to report results and compliance. According to the IT Governance Institute,

“IT Governance is the responsibility of executives and the board of directors, and consists of leadership, organizational structures and processes that ensure that the enterprise's IT sustains and extends the organization's strategies and objectives.”

What does this mean in the Federal arena? Fundamentally, governance is about establishing policy. It's about implementing structure around how the agencies align their IT strategy with their business strategy, to ensure that they stay on track to achieve their strategic goals, and implement effective ways to measure the agencies' IT performance. Agencies' Chief Information Officer (CIO), IT Federal Managers and Project Managers have the responsibility to implement mandates and internal policies to ensure that all stakeholders' interests are taken into account and that they provide measurable results.

#### *Why is governance important?*

The importance of IT Governance is that it achieves desired outcomes and behavior. The relationship between IT Governance and effective value creation of IT investments has long been recognized and is sighted as the reason for achieving excellence in the management of IT. It provides a focus on cost and allows effective communication between the customers and providers by establishing joint accountability for IT investments. Enforcing the governance processes is articulated by IT portfolio management and is used by IT leaders to manage their agencies' IT investments, projects and resources in an effort to review opportunities, reduce redundancy across the IT environment and drive cost savings. Governance offers a formula for success and allows leaders within federal agencies to be active in the strategic management of IT and make sure the following basic elements are in place.

- Alignment and responsiveness – Governance works hand in hand with IT portfolio management to align IT investments with agency objectives, enabling federal managers to improve responsiveness to challenges and manage current and future IT investments. It provides transparency to agency IT investments and ensures taxpayer money is spent in accordance with the agency’s mission.
- Objective decision-making - Governance allows leadership to actively commit to improving the management and control of IT activities in the agency.
- Resource balancing – Proper management of critical resource enables control in planning and organizing IT initiatives. This allows federal managers the ability to ensure adequate IT support is available for current and future IT investments.
- Organizational Risk Management – Proactive risk management ensures that IT federal managers and leadership are aware of the risk associated with the IT initiatives and provides the basis to implement risk mitigation strategies.
- Execution and enforcement - Governance provides federal managers the framework to manage all IT initiatives and demands, through a single point where they are prioritized and fulfilled. It allows standardizing technology platforms and allows them to make informed decisions on IT initiatives.
- Accountability – Effective governance is about accountability. This enables federal managers to enforce the responsibilities that relate to IT program management.

IT Governance cannot exist in isolation and is a process by which decisions are made around enterprise IT investments and projects. By rolling up all investments and projects into the agency’s IT portfolio, a complete and comprehensive view of the entire IT portfolio emerges. This enables leadership to make better strategic decisions and proactively manage and evaluate future investment as a group. IT portfolio management also provides the mechanism for effective IT Governance and reporting of Office of Management and Budget’s (OMB’s) Oversight and Government Reform.

## Ineffective Governance and Complexities of Governance Techniques

### *Top 10 reasons for ineffective governance*

Establishing IT Governance is not a one-time implementation or achieved by a mandate, it requires commitment from the federal leadership. IT Governance is an activity that requires continuous improvement, and the challenges faced by CIOs are numerous and complex.

Over the past few years, federal agencies have worked diligently to establish effective IT Governance. This has helped federal agency IT managers prioritize and optimize the IT investments decision-making process. At the same time, budget constraints have become the operating norm. Recent legislature had a 7% across the board cut among several agencies. This shrinking budget and increased scrutiny of federal initiatives has become the greatest concern for IT leadership at all levels of government.

Top 10 reasons for Ineffective Governance
1. Authority not properly delegated
2. No budget control authority
3. Infrequent meetings
4. Compliance vs. Strategic focus
5. Poorly structured boards
6. Policy without surveillance/penalty
7. Poor quality of data to support decision-making
8. Unbalanced division of authority
9. Lack of timely decision-making
10. Lack of organizational buy-in

The report GAO-12-461 dated April 2012, warned the administration is at risk of losing momentum of fully completing the key action items in the Office of Management and Budget's 25-Point Plan to Reform Federal Information Technology. Section D of this plan consists of three key actions needed to strengthen IT Governance: 1) Reform and strengthen Investment Review Boards, 2) Redefine role of Agency CIOs and Federal CIO Council and 3) Rollout "TechStat" model at bureau-level.

NetImpact Strategies experience supporting numerous Federal clients has enabled us to identify and recognize the reasons for the absence of good governance. Generally speaking, the following 10 reasons are the most common factors for ineffective IT Governance at federal agencies.

IT Governance spans the agency policy and practices that provide for IT management. Federal managers face continuous scrutiny over investment management and performance. In most federal agencies, it is not an isolated activity and CIOs and IT Governance boards often face challenges including: lack of effective communication, lack of reliable data, lack of interest/clarity, having no accountability, certain decisions are not respected, having ineffective processes, having forced participation, lack of follow-through, too much bureaucratic "red tape" and benefits which are not clearly articulated.

## Conclusion

IT Governance is important and will ensure the effective and efficient use of IT to achieve agency goals. Per Peter Weill, Chairman of Center for Information Systems Research, Massachusetts Institute of Technology:

*"If I was to choose one factor that most contributed to the success of IT, it is IT Governance."*

Each agency is unique and their approach to executing governance may vary with the culture and organizational structure. Implementing good IT Governance requires a framework based on three major elements: effective structure, effective process and effective communication. To achieve maturity ensures that IT is working as effectively as possible to maximize cost savings and the benefits of each IT investment, ensuring that the investments are consistent with the organization's business strategy.