Repeating Lessons

Hello and welcome to The Infonomics Letter for November 2011.

The agenda for The Infonomics Letter is always dynamic. I maintain an ever-growing long list of topics that I would like to discuss, all pertaining more or less directly to effective governance of IT. Topics emerge from many sources, but the majority come from every-day press around the world. One that warrants attention is the demise, unsurprising to many, of the massive IT project at the UK National Health Service. Linked to this is the very interesting campaign (which Infonomics overtly supports) launched by the E-Health Insider for appointment of Chief Clinical Information Officers to provide clinical leadership on IT projects and use of information in UK National Health Service organisations.

Another is the announcement by the CIO at Australia's Department of Defence that the department will be changing tack from massive projects to small ones – typically costing around only a million dollars.

But these topics have all been pushed to the background again by emergence of yet another well written, hard hitting report on failures of IT in government in Australia. In *A State of IT Project Failure!*, we look at the observations and findings arising from a review of ten major IT projects in my home state of Victoria. If there is a problem with the report, it is that it once again confirms the same types of problems that have occurred many times before, and recommends improvements that have been recommended many times before. What it doesn't do is provide a new way for the lessons learned to be applied – indeed when one considers the responses from the most responsible agency, one wonders if there is any desire within the Victorian public service to actually do a better job with IT.

Presuming that there is an appetite somewhere for significant improvement, I take the discussion further – postulating that, as the report clearly defines a need for government agencies to improve their governance of IT, there is a need for an enabling agency that, instead of interfering in the IT decisions, helps agencies to put in place arrangements that assure them of good decisions on an ongoing basis.

It's a great pleasure to let my readers know also that this topic is of considerable interest to my friends at Affairs of State. There will be a short article in the forthcoming edition of Letter from Melbourne, summarising some of the key issues from the new Victorian Ombudsman's report.

I sincerely hope that you find this edition useful and look forward to your feedback.

Mark Toomey   29 November 2011

A State of IT Project Failure!

Neither George Brower, Ombudsman for the State of Victoria, nor Des Pearson, the state's Auditor General, are known for mincing words – especially when those words pertain to the state's ongoing problems with investment in IT enabled change.

In April 2011, the Ombudsman and the Auditor General agreed to collaborate in preparation of further guidance and recommendations for improved governance of major IT enabled change projects in Victoria. The result of that collaboration is the Own motion investigation into ICT-enabled projects, a 121 page document delivered on November 22. In their jointly signed foreword to the report, the authors lament:

> Over the last few years, in our respective roles as Auditor-General and Ombudsman, we have tabled in Parliament a number of reports relating to ICT-enabled projects. These reports have identified significant shortcomings in the public sector's management of such projects and have included numerous recommendations about how such management can be improved.

> Despite these reports, we see little sign of lessons learnt in the public sector. The evidence to date is that the public sector is not managing ICT-enabled projects effectively, as demonstrated by the current difficulties that Victoria is facing in this area and the increasingly adverse public comment about major ICT-enabled projects.

> Despite the extensive guidance and literature available, agencies are making the same mistakes around planning, governance, project management and procurement that our offices have observed and reported on for some years. This includes the lack of accountability of those responsible for these project failures, especially senior agency executives and the Department of Treasury and Finance

Drawing on analysis of ten major projects that are perceived as having experienced major trouble with timeliness, budget and achievement of objectives, the report presents a total of 58 recommendations for improvement. Some of the recommendations are specific to individual initiatives, while many relate to the common themes that emerge from the review.

The Findings - Reframed

While the report makes no reference to the international standard for Governance of IT (there seems to be a curious resistance to its use in this state), one needs only a cursory glance at the document to realise that here again we have a report

chronicling failure to observe the six principles for good governance of IT as defined in the standard.

Responsibility: Several of the projects reviewed carry diverse examples of failure to properly assign responsibility to individuals who are competent to discharge that responsibility. There are also examples of failure to hold individuals and organisations accountable for the responsibility they have. There are cases of what one might call "usurped responsibility", where those who should be specifying the business functionality of systems are kept at a distance by departmental bureaucrats who seem to hold a mistaken belief that they hold all the knowledge about business operations that is necessary to specify the IT functionality.

Strategy: IT is recognised as a key enabler of day by day activity in business and in government. IT not only offers better collection, retention, analysis and retrieval of information – these days it also offers profoundly new ways of organising and conducting the work of any organisation. Sadly, several of the cases studied for the report reflect a reluctance of government agencies to seize and exploit the capability in IT to greatly improve the design and operation of their businesses. Although not strongly addressed in the report, there is indication of a need to further develop the strategic planning perspective in agencies, so that their higher level business planning is informed by the potential constraints and opportunities in information technology, and that the business plans they adopt define the context and intent for use of IT.

One potentially sensitive point that the report tackles head on is the propensity of politicians to make grand pronouncements, with attached budgets, on the flimsiest of preliminary business cases, and with seemingly little care for the consequences of those announcements. Some of the cases examined foundered because, among other reasons, they were force-fitted to a politically expedient budget that bore no resemblance to the real cost. There can be no doubt that a better way is needed to manage the transition of major investments from initial concept to delivered reality, without the process being hamstrung by poorly-developed preliminary cost estimates.

The ISO 38500 Strategy Principle has a wide scope – covering the full spectrum of planning an organisation's use of IT. When IT enabled change is contemplated, the strategy and planning processes must ensure that there is an adequate supply of appropriately skilled personnel. Again the report is clear and blunt – after many years of relentless outsourcing, many government agencies are now seriously under-equipped in respect of people who can plan and oversee the delivery of major IT initiatives. The report makes it clear that a reliance on contractors is insufficient, because contractors tend to lack the context knowledge required for a successful plan.

Understanding how the business works is surely a pre-requisite for planning change in the business. However, as more and more business rules become embedded in IT systems, many organisations discover that they have lost critical knowledge. Some of the projects reviewed experienced problems because there is no accessible knowledge of how old systems work, why data is collected, and how the data is used.

Acquisition: Decisions to invest financial and human resources on IT enabled change tend to hinge on a formal business case. The report is clear that a business case should be a rigorous and comprehensive document, setting out all of the work required to attain the intended outcome, and subject to regular review to revalidate the project as it and the context to which it applies both evolve. However, in several cases, the business cases are neither comprehensive nor complete, and several were clearly never reviewed after the funding was allocated.

All too frequently, one finds that projects lack a clearly defined objective, purpose, or goal. Without the definite anchor that a clearly defined objective provides, it is difficult to imagine how anybody can plan the required work with any certainty, and the examples presented in the report confirm that, where intended outcomes are unclear, detailed requirements become a vague guess and projects devolve into interminable arguments about what is and is not included in quotes, with inevitable consequences for timeliness and budget.

Risk assessment is a key requirement for any sound business case, but we should have matured by now well beyond the stage where we think that risk management is a one-time event, to be considered only in the early development of the business case. The report details cases where risk management has been left behind as the project gets under way. In one case, the preliminary analysis of risk is ignored and one of the most significant initial downside risks is fully realised as the project gets under way, with no evidence of effort to neutralise or treat the risk. Indeed, one can only conclude from the report that although the risk was identified in the business case development, there was no capability in the project governance (steering committee) or management structure to recognise that the risk had materialised. It is perhaps unsurprising that the report also makes it clear that in this project, most of the people appointed to governance and project management roles were seriously deficient in the requisite capability – they had been made responsible without having the wherewithal to discharge that responsibility and were doomed to fail from the outset.

Performance: When objectives are unclear, it can be extremely challenging to understand both what completion looks like, and how much more work is required to achieve success. When such circumstances are combined with an approach that

keeps the real business users of a new IT system at arm's length, it should be unsurprising that the delivered product is considered sub-standard, if not entirely useless, by those who would be using it on a day by day basis. However, at least two of the ten projects reviewed exhibit such a combination of characteristic.

With most organisations having deployed IT systems across most aspects of their business in the past, one of the initial drivers for new investment can be simply the advisability of replacing outdated technology. However, such replacement projects surely should look to achieve more than just a replacement of the underlying technology with a same-for-same approach to the actual business functionality. Not so in at least one case, where the agency worked assiduously to eliminate the impact of business process change on its staff, by modifying the preferred package to make it operate just like the old system. Imagine that – spending millions on a new system and making it look like not a penny has been spent! Clearly, there need to be objectives for improved business capability and performance that become part of the key driver for the investment in change.

Conformance: Some years ago, the Victorian Government developed a tool called the Investment Logic Map. According to the government web site, an ILM is:

> *A single-page depiction of the logic that underpins an investment. It represents an 'agreed investment story' that is created in an informed discussion. It is written in plain English in a way that will allow a layperson to understand the language and the concepts. It provides the core focus of an investment and is modified to reflect changes to the logic throughout its lifecycle.*

It's a little difficult to see, at a glance on the Victorian Government Department of Treasury and Finance website either whether an ILM is now mandatory before funding is approved, or whether ILM came into existence before any of the ten projects reviewed. One does however wonder if, had these projects been subject to the ILM rigour, they would have developed into the state that made them candidates for review.

The Gateway review process, developed by the UK Government Office of Government Computing, has also been a feature of the management regime for IT projects in Victoria for a considerable time. However, while the review notes that several of the projects discussed have been subject to Gateway reviews, it also notes that even negative reviews have failed to head off the failures that ensued. It is clear from the discussion in the report that gateway reviews have not had the desired effect in many cases. Factors identified include the optional nature of some reviews and the failure of the system to properly engage those at the top of the organisation with a sufficiently

clear message about the gravity of the review outcome.

Human Behaviour: Several of the initiatives reviewed involve business redesign – some of it on a substantial scale. As we are all aware, simply "parachuting" new technology into an established business environment does not deliver dividends, and often serves to defeat what might otherwise have been a very successful investment. Despite such obvious matters, the report still identifies cases where there has been a serious shortage in the effort and funding allocated to planning and rolling out the business change. On the other hand, there are also cases cited where the change has been rolled out too far in advance of the actual system, leading to a need to redo training.

Several other aspects of human behaviour are highlighted in the report. Some are positive, like the propensity of people who are dedicated to achieving a goal to put in a herculean effort, while others are negative – such as the practice of taking shortcuts in order to reach an end-point. All too often, as happened in at least one case, the shortcut is taken with testing, and an unreliable system is installed, severely limiting the potential for it to be accepted and successful.

Recommendations – Repeated

While the report, like so many before it, reads like the script for a horror movie as it chronicles the poor choices made in respect of projects, its key purpose is to provide guidance on achieving better results in the government's use of IT.

Thus, it presents a total of 58 recommendations – some focused on the projects that were reviewed, and others aimed at all government agencies.

The treatment of the recommendations is going to be interesting. Victoria does not at present have a government Chief Information Officer – the role having been abolished several years ago. A limited set of IT oversight activities is retained in the Department of Treasury and Finance (DTF), which administers the government's Investment Management Standard and Gateway Reviews, and which is the channel through which submissions for funding are presented to Cabinet.

None of the recommendations represent breakthrough thinking on governance of IT. That should not be taken as diminishing their importance – rather it should be taken as a statement that, in 2011, the practices embodied in the recommendations should be standard and automatic in any organisation that is investing in IT enabled change. That they are not standard and automatic is a matter for considerable concern, yet anecdotal evidence makes it clear that these same practices are absent to varying degrees in government, industry, business and every other field in which IT is pervasive, all over the world.

Where the report does cause a raised eyebrow and concern is the response to the recommendations from DTF. The Secretary of DTF has responded to thirty-four of the broader (not project specific) recommendations. Some are accepted unconditionally, while several are accepted on a limited or qualified basis, and others are specifically rejected.

What some may find disturbing in the DTF response to the recommendations is the way it appears to avoid any concept of DTF taking on any significant burden of responsibility or controlling oversight. One gets the impression that DTF is operating in a context where it offers a great deal of advice, but does not accept any accountability for ensuring that agencies observe good practice in their IT initiatives, especially after the funding has been granted.

An Alternative Approach

The bottom line in the Ombudsman's report is that Victorian Government agencies have weak governance of IT – a condition also identified by Sir Peter Gershon at the federal level when he delivered his report on the Australian Government's use of IT in 2008. Because the agencies have weak governance, they make basic mistakes in setting up new projects and continuing established ones.

Organisations that have weak governance of IT typically fail to clearly and appropriately assign responsibility, particularly at the very senior level in the organisation where people should be accountable for success; they are frequently at risk because the planning they should have done is inadequate – whether it be for driving IT plans from business strategy or having the skilled resources on hand that are necessary to deliver the work or for maintaining an adequate working knowledge across the organisation of just how the organisation operates; they make poor and premature choices and commitments on spending for new initiatives, before they have properly defined the objectives or understood the necessary approach; they have insufficient capability to understand how well their projects are progressing toward achievement of the goal and whether or not the intended benefits are being realised; they lack appropriate rules and fail to enforce the rules they have in respect of setting up and running IT enabled change projects; and, finally, they neglect the reality that the biggest challenge in any IT enabled change is the people who are involved and affected.

Many of the comments presented by the Ombudsman will be best addressed by the agencies developing and improving their governance arrangements. But this is not a once-off exercise. Agencies must maintain an effective long term capability to govern IT, because the extent, complexity and frequency of IT enabled change is never going to diminish.

Building a consistent, effective approach to agency level governance should be facilitated – so that across agencies, there are consistent arrangements that maximise transparency and mobility. Helping agencies develop and maintain an effective approach to their governance of IT is an ideal context for a new generation, small and focused central agency that should operate at the highest possible level.

It would be unwise to refer to the proposed agency as a Government CIO. That title is tainted with past inappropriate efforts to interfere in and control the IT agenda within individual agencies. Indeed, at this stage of development, there is not even a place for a government CIO that would look to orchestrating government-wide change – such a task being more properly the domain of the agency heads.

The State Office for Governance of IT (or SOGIT, for want of a better name) should operate to help agencies develop and maintain effective governance arrangements. It should, working closely with agencies, develop, enhance and evolve a model for governance of IT in agencies that is informed by and focused on the principles in ISO 38500. It should provide education, coaching and other support to agencies to help them come to grips with what is required in effective governance of IT, and to develop their individual capabilities accordingly.

Augmenting this core role, SOGIT might provide certain facilitation services, such as helping agencies to establish the most appropriate composition for their steering committees. SOGIT could provide, either directly or by engaging appropriate specialists, reviews and assessments of governance arrangements overall, and for initiatives being conducted by the agency, to inform the agency leaders of how effectively they are controlling their situation. Finally, SOGIT might, under very strictly defined and controlled conditions, be the channel through which the very important cabinet subcommittee, as recommended by the Ombudsman, obtains a clear and unbiased view of the governance arrangements and current projects being conducted across agencies.

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Infonomics Education Program

I've just agreed dates with the team at Expitris Worldwide for another ISO 38500 Foundation Class, to be held in Kuala Lumpur on January 16 and 17, 2012. This should be the start of a very active year for education in ISO 38500 as interest continues to grow on a global basis.

Full details will shortly be available in the Events Schedule.

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