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Public Accounts Committee
Legislative Assembly
Parliament House
PERTH WA 6000
Via email: lapac@parliament.wa.gov.au

Subject: Submission in response to the Inquiry into Information and Communications Technology (ICT) Procurement and Contract Management

Following is the Submission by Value Management Consulting to your Inquiry.

This Submission reflects the experiences of Peter Harrison in addressing the issues of governing ICT for the delivery of business value in the public sector.

Our key message is that successful management of ICT is beyond the issues of contracting and procurement – it is about the successful business governance of ICT that focuses on business outcomes and value. To successfully do this requires significant cultural change away from focus on the technology to the delivery of business value. And also required are guideposts of good practice and common sense available in Frameworks such as COBIT 5 and Val IT.

This Submission complements the Submission provided by ISACA Perth Chapter to which Peter Harrison was a contributor.

I trust that this Submission will add value to your Inquiry.
Yours sincerely

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This Submission contains:

- Paragraphs 1 to 6 outlining our response
- Paragraph 7 is a summary as to how these Paragraphs answer the Inquiry questions
- Appendices 1 and 2 containing additional reading and reference material

1. Why Value Management Consulting and Peter Harrison have a voice on the better governance and management of IT.

Peter Harrison, currently as the Principal of Value Management Consulting Pty Ltd, and previously for 20 years with DMR Consulting, Fujitsu Consulting and IBM, has consulted extensively with both private and public sector organisations to address the challenges identified by your Inquiry.

Peter has assisted organisations realise the successful delivery of business value from ICT services and investments across all levels of government, including in the last 10 years:

- At Commonwealth level : Australian Taxation Office, Australian Bureau of Statistics, Department of Veterans Affairs, Department of Health and Ageing
- At state government level : NSW Government CIO, NSW Police, NSW Health, Railcorp
- At WA State Government level : Landgate, Dept of Agriculture, Fremantle Ports Authority, WA Police (the subject of an ISACA Val IT Case Study)

Peter has applied his experiences for the advancement of his profession with:

- contribution to the leading book on this subject, *The Information Paradox* by DMR and John Thorp
- membership of teams for the development of global frameworks with ISACA including:
 - o Val IT Framework 2.0 – Enterprise Value: Governance of IT Investments (2006-2010)
 - o COBIT 5 - A Framework for the Governance and Management of Enterprise IT (2010-13)

2. There are several common fundamental issues facing every organisation (including governments at all levels) in the better governance and management of enterprise IT.

Just about every organisation today is facing what might be termed the “perfect storm” of the *digital tsunami*. IT is about the technology and its capability - what we deliver - with the focus changing from the delivery of the “T” to the use of the “I”. Digital is about how we use technology - the client experience, the business process and operations. This is necessitating a fundamentally rethink of how we govern and manage “IT-enabled investments”. These digital tsunami forces include:

- The nature of work and how we manage it! (e.g the delivery of services to citizens)
- The Agile and Lean necessity and explosion in their adoption
- The digital enterprise:
 - o The cloud (the “information utility”) and the virtualised use of technology

- The data explosion (“big data”) and business analytics (increasingly “real-time”)
- Mobility, consumerisation, “byod”, the “internet of things”, social media/networking, everyone is connected, everything as a service
- The failure of business leadership to handle all of the above
- However...the “success” rate of “IT projects” continues to hover around 30%...

Underpinning this perfect storm of issues are the key points that:

- The nature and purpose of IT has changed.....IT is now just the enabler and shaper of the “digital enterprise”
- The focus has moved beyond just the delivery of IT to the delivery of business value from IT

More on these key points follows.

3. Supporting this shift is the evidence as to the common problems witnessed in public sector IT in the governance and management of enterprise IT.

Research and statistics abound as to the symptoms and causes as to the common problems today with ICT delivery. To sample a few:

- a) Standish Group and their Chaos Report have for 30 years identified that consistently about 2/3rds of all IT projects fail or are challenged in delivery on-time, on-budget. This translates into a huge loss of business value.
- b) Capability Management and the CIO Council in 2010¹ reported from their survey of organisations:
 - 20 years of improving project practices and standards have not led to improved value delivery
 - 82% of business cases are designed to deliver IT assets only
 - Almost half the organisations (46%) consider their current business case a ‘destroyer’ of value
 - 82% of organisations do not have a formal process to govern benefits realisation
- c) The Office of Government Commerce in the UK in 2005 identified the top reasons why public sector projects fail²:
 - Lack of clear links between the project and the organisation's key strategic priorities, including agreed measures of success.
 - Lack of clear senior management and Ministerial ownership and leadership.
 - Lack of effective engagement with stakeholders.
 - Lack of skills and proven approach to project management and risk management.
 - Too little attention to breaking development and implementation into manageable steps.
 - Evaluation of proposals driven by initial price rather than long-term value for money (especially securing delivery of business benefits).
 - Lack of understanding of, and contact with the supply industry at senior levels in the organisation.

¹ Shifting Focus Shifting Results, Joint Research initiative by CIO Executive Council and Capability Management – September 2010

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/62076/PPM-Common-Causes-of-Failure.doc.

- Lack of effective project team integration between clients, the supplier team and the supply chain.

Note that the top 3 reasons are to do with strategic alignment, outcomes, defining success, sponsorship and stakeholder engagement - the factors of delivery and contracting are at the bottom of the list.

- d) John Thorp (author of The information Paradox and former chair of the Val IT Steering Committee) in his research and blogs³ has identified several common problems found in all organisations re the governance and management of IT:
- An all too often blind focus on the technology itself, rather than the business change – increasingly significant and complex change – that technology both enables and shapes
 - The unwillingness of business leaders to get engaged in, and take ownership of this change – preferring to abdicate their accountability to the IT function
 - Failure to involve the stakeholders affected by the change, without whose knowledge, understanding and “buy-in” failure is pretty much a forgone conclusion
 - A lack of rigour at the front end of the investment, including, what is an almost a totally ineffective business case process
 - Not actively managing the value

All the above points consistently to the need to do things differently to what may have worked in the past. IT is no longer about implementing technology, it is about unlocking IT-enabled organisational change. ICT in the last 50 years has moved through the automation era, to the information era, to supporting the transformation era, to now enabling the “exploration era”. In that time, the degree of business complexity has exponentially risen – we have moved simple businesses to complicated, to complex to chaotic. The traditional management and governance structures and disciplines are not coping at all! We need to move beyond just managing IT procurement and contracts to ensuring we have the right business governance of IT in place, with a focus on business value.

4. Defining success for ICT delivery is about delivery of business value.

The major shift that is occurring in defining success for ICT delivery is the moving away from just recognising on-time, on-budget delivery of ICT projects and services, to defining success as the actual delivery of business value from those ICT projects and services.

This moving from a delivery centric culture to one that is value centric is a business imperative. ICT exists to enable business change and support the delivery of services (in the case of government, the delivery of services to citizens).

This shift is fundamental. This changes the dynamic of governance and management of IT. IT should not be governed by IT but by the business it serves.

³ <http://www.thorpnets.com/>

5. A summary of changes needed to move to more successful governance and management of IT.

The following table captures the key points of change we would submit are necessary to move ICT in WA to more valuable governance and management arrangements. This should be the key role of the recently appointed Government CIO.

Moving away from...	...moving towards (and why?)
The label of "IT Governance"the Business Governance of IT – IT is an enabler of business change and needs to be owned by business executives
Managing IT for the technology (procurement and contracting)...	..managing of IT for information – for the digital impact on the organisation, and how that can drive government service delivery and policy outcomes
Focus on delivery of projectsto a business value centric culture – focusing on IT enabled investment portfolio health and achieving the business outcomes
Agency centric view and priorityto having an All of Government and at the same time a Citizen centric view and priority
Poor budgetary control and little benefits realisation.....	..to proactive and stronger budgetary control and rigorous benefits realisation
Business cases have narrow applicability (focus on the how ,and mainly about IT)to Business Cases undertaken with much more business change focus, more rigour, especially on the outcomes/benefits (and it is kept alive)
Focusing ICT processes just on procurement, contracting and the project management and service management aspects of IT...	..to adopting recognised Frameworks that encompass all aspects of the governance and management of enterprise IT – in an integrated way

6. To successfully raise the quality of governance and management of IT, robust and practical frameworks can help.

To significantly expedite the introduction and adoption of good practice business governance of IT, the use of well-known and used frameworks should be considered.

Peter Harrison in his involvement with ISACA, was a member of the team that developed Val IT and later with the integration of Val IT into COBIT. These frameworks are global leaders in the management and governance of IT.

Val IT 2.0⁴, published in 2008, is an Enterprise Governance Framework developed by the IT Governance Institute and ISACA that provides to boards and executive management teams with practical guidance in managing the realisation of business value from investments. Val IT has recently been integrated with ISACA's COBIT 5 Framework.

A Brief Definition

The Val IT framework is a comprehensive and pragmatic organising framework that enables the creation of business value from investments (both IT and other transformation initiatives). Designed to align with and complement COBIT, Val IT integrates a set of practical and proven governance principles, processes, practices and supporting guidelines that help boards, executive management teams and other enterprise leaders optimise the realisation of value from investments. The "IT" in the name is misleading – the principles can apply (and indeed have been successfully applied) to all types of investments, services and assets.

Val IT provides direct support to executives at all management levels across both business and IT organisations—from the CEO and other leaders within the C-suite, to managers and administrators directly involved in the selection, procurement, development, implementation, deployment and benefits realisation processes.

Val IT Principles

Val IT consists of a set of guiding principles and a number of processes conforming to those principles.

[IT-enabled] investments will:

- Be managed as a portfolio of investments
- Include the full scope of activities required to achieve business value
- Be managed through their full economic life cycle

Value delivery practices will:

⁴ Source: *Enterprise Value: Governance of IT Investments: The Val IT Framework 2.0 ITGI 2008*

- Recognise there are different categories of investments that will be evaluated and managed differently
- Define and monitor key metrics and respond quickly to any changes or deviations
- Engage all stakeholders and assign appropriate accountability for the delivery of capabilities and the realisation of business benefits
- Be continually monitored, evaluated and improved

Val IT Domains: Where the Principles Are Applied

To fulfil the Val IT value management goal of enabling the enterprise to realise optimal value at an affordable cost with an acceptable level of risk from investments, the Val IT principles need to be applied within three domains:

Value Governance

The goal of value governance (VG) is to ensure that value management practices are embedded in the enterprise, enabling it to secure optimal value from its IT-enabled investments throughout their full economic life cycle. An executive commitment to value governance helps enterprises:

- o Establish the governance framework for value management in a manner that is fully integrated with overall enterprise governance
- o Provide strategic direction for the investment decisions
- o Define the characteristics of portfolios required to support new investments and resulting IT services, assets and other resources
- o Improve value management on a continual basis, based on lessons learned

Portfolio Management

The goal of portfolio management (PM)—within the context of the Val IT framework—is to ensure that an enterprise secures optimal value across its portfolio of IT-enabled investments. An executive commitment to portfolio management helps enterprises:

- o Establish and manage resource profiles
- o Define investment thresholds
- o Evaluate, prioritise, and select, defer, or reject new investments
- o Manage and optimise the overall investment portfolio
- o Monitor and report on portfolio performance

Investment Management

The goal of investment management (IM) is to ensure that the enterprise's individual IT-enabled investments contribute to optimal value. When organisational leaders commit to investment management they improve their ability to:

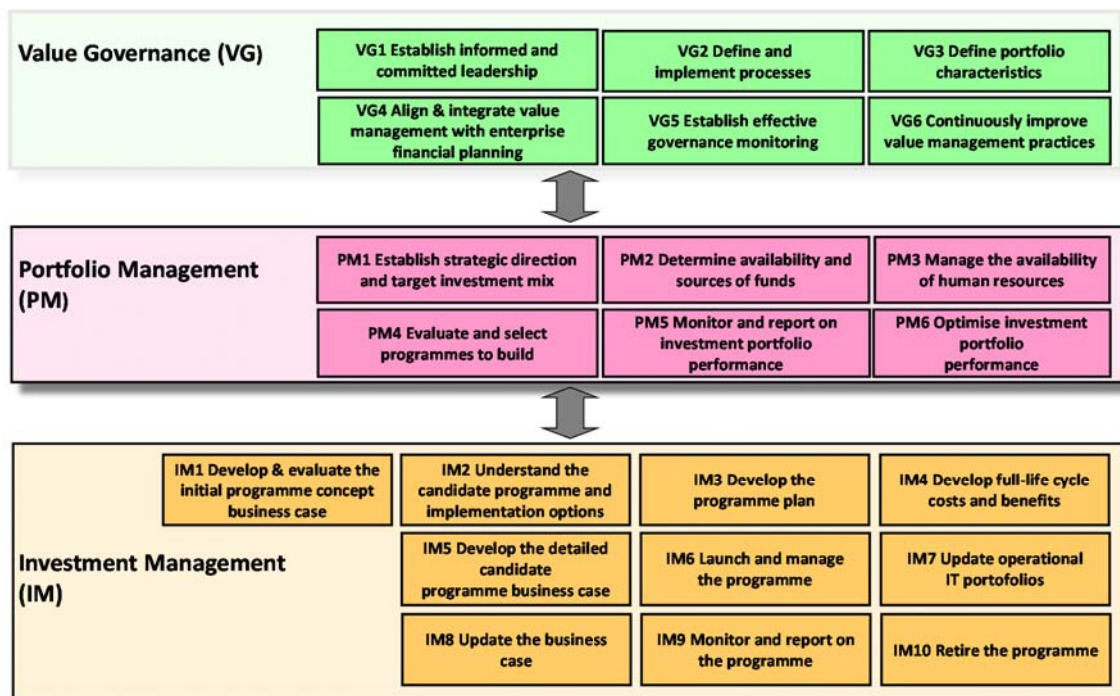
- o Identify business requirements
- o Develop a clear understanding of candidate investment programmes
- o Analyse alternative approaches to implementing the programmes
- o Define each programme and document, and maintain a detailed business case for it, including the benefits' details, throughout the full economic life cycle of the investment
- o Assign clear accountability and ownership, including those for benefits realisation
- o Manage each programme through its full economic life cycle, including retirement
- o Monitor and report on each programme's performance

Key Components that support Investment Management

There are three key components of investment management.

1. The first is the **business case**, which is essential to selecting the right investment programmes and managing them during their execution.
2. The second is **programme management**, which governs all processes that support execution of the programmes.
3. The third is **benefits realisation**—the set of tasks required to actively manage the realisation of programme benefits. Each of these components is described in greater detail in the following sections.

Val IT Domains and their Processes.



Related Val IT Documents:

- *Enterprise Value: Governance of IT Investments: Getting Started with Value Management. An executive primer Based on the Val IT Framework 2.0 ITGI 2008*
- *The Business Case Guide: Using Val IT 2.0 ISACA 2010*
- *Val IT Special Compilation on Value Management by Sarah Harries and Peter Harrison. ISACA 2009*

7. As a summary, the following table relates this submission to your submission questions:

Your Questions	Reference to our submission paragraph above	More detail is provided
Q1: What are the common problems witnessed in public sector delivery of ICT goods and services?	Refer Paragraphs 2 and 3 above	Refer Val IT Framework and The Information Paradox
Q2: What elements represent best practice in ICT delivery? ICT delivery includes: Project Planning, Contract Management, Project Management, Project Status Reporting and Reviews.	Refer Paragraph 5 above	Refer COBIT 5 Framework
Q3: How do we best measure or define success in ICT delivery?	Refer Paragraph 4 above.	Refer the recommended resources in Appendix 2
Q4: What are the latest developments (domestic and/or international), in the area of government ICT systems?	Refer Paragraphs 2 and 6 above.	Refer Gershon report
Q5: What jurisdictions (domestic and/or international) have adopted the latest developments in government ICT systems that have demonstrably reduced the cost, and improved the delivery, of government services? Could such systems be incorporated into Western Australia? If so, what factors need to be taken into account to ensure successful implementation?	Refer Paragraphs 1 and 5 above	Val IT Case Study : Police Agency

Appendix 1: List of recommended resources to assist with your Inquiries research on best practice:

Recommended Resources	Reason we are recommending this resource	Availability
COBIT 5 – A Framework for the Governance and Management of Enterprise IT	COBIT 5 is the leading global framework for addressing the management and governance of ICT	http://www.isaca.org/cobit/pages/cobit-5-framework-product-page.aspx
VAL IT 2.0 – The Val IT Framework 2.0 – Enterprise Value: Governance of IT Investments	Complementary to COBIT 5 in detailing the specifics of practices of Value Governance and Management	http://www.isaca.org/Knowledge-Center/Val-IT-IT-Value-Delivery-/Pages/Val-IT-Publications.aspx
Gershon Report – Review of Australian Government Use of ICT	An exhaustive review of the Commonwealths ICT with strong relevance to the WA Inquiry	http://www.finance.gov.au/files/2012/04/Review-of-the-Australian-Governments-Use-of-Information-and-Communication-Technology.pdf
The Information Paradox – Realising the Business Benefits of Information Technology John Thorp and DMR/Fujitsu Consulting	This book is the seminal globally recognised text on the understanding and realising of value from IT enabled investments.	Soft copy attached to this Submission
Shifting Focus Shifting Results.	Provides evidence based research on the role and focus on IT	Soft copy attached to this Submission
Val IT Case Study: Value Governance – Police Case Study	A case study relevant to illustrating the importance and relevance of COBIT 5 and Val IT thinking to a state agency	http://www.isaca.org/Knowledge-Center/cobit/Pages/Val-IT-Case-Study-Value-Governance-Police-Case-Study.aspx

Appendix 2 : The UK Parliament's Public Accounts Committee has recently investigated 2 major "IT Project failures" that illustrate very similar challenges to those your Inquiry is studying. These PAC sessions identified a lack of focus on governance, business outcomes and value, and an over focus on just managing contracts and procurement.

These PAC Inquires were televised, and are available for download:

National Program for NHS IT:

<http://www.parliamentlive.tv/Event/Index/4408002e-9daf-4def-a49f-867107134fb4>

UK Fire Service:

<http://www.parliamentlive.tv/Event/Index/b9b47c24-427e-44dd-87ba-30056d18d95d>

Of particular interest to your Inquiry should be the PAC Inquiry into the National Program for National Health Service IT. It concluded:

- Re Approach and Governance:
 - o Clinician engagement was 5 years too late
 - o Conversations were on the how (eg the IT), not the outcomes
 - o SRO could not articulate how much he spent per week on governance for the programme. SRO Deputy chaired the Programme Board
- Re Benefits:
 - o There was little outcomes/benefits discussion: failed to produce a benefits statement, and when it was produced it was a year out of date
 - o "We are thinking about how we measure and report the benefits"
 - o Didn't know what impact scope changes (deletions) had on the benefits
- With key quotes:
 - o "It is not a software issue but a management issue"
 - o "How long do we go before we call time?"
 - o "Worst example of value for money for taxpayer"