

February 24, 2000

Richard R. Terzian, Chairman
Milton Marks "Little Hoover" Commission
on California State Government Organization
and Economy

Dear Mr. Chairman:

A variety of individuals and organizations have studied and documented the State of California's difficulties with information technology. I have participated in and led audits of numerous information technology projects in California including the Statewide Automated Welfare System (SAWS), the Statewide Automated Child Support System (SACSS), and the Child Welfare Services Case Management System (CWS/CMS) among others. Based upon my experience evaluating these very large projects, I have concluded that the State is not struggling with information technology because of incompetent staff or because the technology is too complex. Rather, I believe that the State's problems with information technology are attributable to two major factors: (1) the State's poor project management practices and (2) the chaos created by "information politics." Project management is a discipline that uses a set of skills, tools, and techniques to define, plan, and manage projects. Information politics refers to the interaction between the people on information technology (IT) projects including legislative bodies, control agencies, technical staff, program managers, system users, vendors, and public interest groups. The State's inability to manage the projects or the people and entities involved with the IT projects contributed to the problems associated with many of its IT projects much more than the technology itself.

Tradition of poor project management

The State of California has a dismal record of performance with regard to project management. Examples of some of the State's past deficiencies in project management include, but are not limited to, the following:

- Poorly defined projects;
- No definition of the criteria for measuring the completion or success of a project;
- Vague and immeasurable goals and objectives;
- Inability to account for time and resources spent on a project;
- Inadequate quality control and change control procedures;
- Poorly developed procurement documents and contracts;
- Failure to enforce contract terms;
- Inability to accurately estimate the schedule, scope, and resources required for a project;
- Inadequate project plans;

- Lack of timely or meaningful progress reports;
- Failure to recognize changes in the environment that affect a project;
- Failure to heed the warning signs of a troubled project;
- Paying contractors for incomplete or non-existent deliverables;
- Poor or inadequate technical designs;
- Failure to involve the users in the development of the system;
- Inaccurate and misleading cost-benefit analyses;
- Failure to learn from either good practices or mistakes on other projects;
and
- Inadequate staffing for the project team and/or the project management function.

As demonstrated by the preceding list, project management encompasses all phases of an information technology project, from the very early stages of conceptual development through the project closeout. Project management is an iterative process of defining the scope of a project, developing plans to complete the project, managing the project team, measuring and evaluating progress and risks, and adjusting plans where appropriate. According to the Project Management Institute (PMI), having a rigorous set of processes to initiate, plan, execute, control, and closeout a project decreases the risk of operational failure and unexpected cost escalations.

Only within the last few years has the State recognized the importance of a formal project management methodology. To that end, the State has already taken some positive steps. For example, the Department of Information Technology (DOIT) issued a policy paper on project management and published a Project Management Methodology which provides some general guidelines for managing an IT project. DOIT also developed project management classes in conjunction with the UC Davis Extension program as a part of the university's project management certificate program. The program helps professionals prepare for the PMI Project Management Professional (PMP) certification exam. Nevertheless, much work remains before the State can claim victory over project management. Because the education and training programs endorsed by the State are just a few years old, only a small portion of the State's project managers have actually received formal project management training. Another obstacle is the perception that project management is just administrative overhead and, therefore, should be minimized to the greatest extent possible. Many department officials, control agency personnel, and even project managers themselves have yet to realize that project management is not a luxury but a necessity. No project should be approved or proceed until it has sufficient resources to provide robust project management. This important task does not come cheap however. Project management costs can easily comprise 10 to 25 percent of the total project costs.

Another common misconception among policy makers is that we should expect to have little or no project management expenses when we contract out system development to the private sector. To the contrary, contracts with the private sector require as much if not more project management resources than those developed in-house. History shows us that while government can delegate work to the private sector, it cannot delegate responsibility for the success of the project. If the project fails, the citizens will expect the state to be held

accountable for failing to properly oversee the contractor. The state must have its own rigorous project management infrastructure to manage contracted information technology development projects as well those developed internally.

To address poor project management, state leadership should vigorously pursue the improvement of the State's methodology for managing information technology projects and developing skilled project managers from within the ranks of state employees. Some specific areas of improvement include, but are not limited to, the following:

- Allocate sufficient resources for proper project management
The State should be prepared to budget up to 25 percent of total project costs for project management.
- Establish a project charter
Project charters serve as "contracts" between executive sponsors, project management, and other stakeholders and helps to manage expectations. A project charter defines a project's schedule, scope, goals, constraints, roles, responsibilities, and assumptions.
- Establish measurable goals and objectives
Project management cannot evaluate the success or failure of a project without establishing specific, measurable, aggressive, realistic, and time-bound (SMART) goals and objectives.
- Determine criteria for success
Before initiating a project, management should identify objective measures to determine a project's level of success or failure. As the project proceeds, management can take periodic readings to see whether the project is meeting its goals and to target problem areas that require corrective action. When the project is completed, management and stakeholders can use success criteria to determine whether the project met its original objectives.
- Break projects into small, manageable phases
Especially on large projects, the State should divide the project into a series of projects that last no longer than six months. At the end of each phase, the project should provide a tangible deliverable. Shorter project phases enable the State to identify problems early and, therefore, take corrective action sooner. At the end of each phase, the State can decide whether to stop, proceed, or change course before costing taxpayers exorbitant amounts of money.
- Develop a master plan and detailed project plans for each phase
Project management should develop a master plan that shows how all phases of the project link together, so they can see the bigger picture. In addition, each phase requires a detailed plan to guide the project team's efforts.
- Develop and utilize sound project management tools and techniques
Entire books are dedicated to the subject of project management. Therefore, I will not attempt to describe all of the tools and techniques that the State's project managers should be using. Instead, I have listed a few of the more significant tools and techniques commonly used by successful

project managers. These tools and techniques include, but are not limited to:

- timekeeping;
 - cost accounting;
 - change management;
 - issue management;
 - risk management;
 - progress monitoring and reporting; and
 - quality control.
- *Give project managers permission to fail*
In an environment that does not permit failure, project managers have little choice but to try to rescue a project even after the project is beyond help. In many instances, project leaders will continue to “throw good money after bad” in futile attempts to salvage a project. To prevent failed projects from continuing and to encourage project managers to recognize challenges and suggest changes, the State needs to let project managers know that they can make appropriate decisions that will not jeopardize their futures.

Chaos created by “information politics”

Information politics refers to the interaction between the people, groups, and organizations on IT projects including legislative bodies, control agencies, technical staff, program managers, system users, vendors, and public interest groups. Several of the State’s more significant IT failures can be linked to the inability or unwillingness to create a governance structure to manage these often opposing forces.

The Statewide Automated Child Support System (SACSS) illustrates the dynamics of information politics. In this case, project managers were in the untenable situation of trying to appease a variety of interests that often had conflicting priorities. The opposing forces included:

- Congress and the federal government, which imposed unrealistic deadlines and threatened large financial penalties if the State didn’t produce a system that met their criteria within their time frames.
- The Legislature and the Department of Finance, which were interested in obtaining as much federal funding as possible.
- County district attorneys, the 58 powerful, connected, and aggressive elected officials who wanted to maintain local control over their programs and in many cases were unwilling to change their business practices.
- The prime contract vendor who could not deliver what had been promised.
- The Department of Social Services, which wanted to bring more standardization and state control to child support enforcement programs.
- Public interest groups, which acted as advocates for the children, and custodial parents, who were to be served by the child support enforcement program.

All of these entities directly or indirectly influenced the decisions the project managers made as the project progressed. However, there was no formal structure to bring all of the parties together at one table to hash out conflicting priorities and directions. Some of the entities that exerted influence over the direction of the project did not have to pay for or live with the consequences of their demands. For example, some counties insisted on changes to the system to meet their unique business practices. However, these counties did not have to pay for the changes to the system. Moreover, they did not need to concern themselves with the fact that their changes would increase the risks of failure because they were not accountable for the success or failure of the project. Therefore, the project managers made decisions that were necessary to appease one interest group or another. Because the project managers had to fend for themselves in a sea of competing and conflicting interests, they sometimes were forced to make decisions or take actions that were not in the best interests of the taxpayers. In this case, no one with sufficient political clout and rank stepped forward to bring all the parties together to make important policy decisions about the project.

To make important policy decisions and set strategic direction, successful projects require a governance structure. According to the GartnerGroup, a leading IT think tank, a governance structure provides the framework for defining who is responsible for what and how decisions will be made. In the case of SACSS, a governance council might have helped the project managers by creating a forum where the key stakeholders met to discuss their priorities and set the strategic direction for the project as a group rather than individuals lobbying for their position alone.

No single solution to managing information politics exists. Each situation is unique and may require a different approach. For example, some large, complex, statewide projects such as SACSS could have benefited from a governance council that included high level officials of the State including the Governor, district attorneys, and directors from the Department of Social Services and the Health and Welfare Data Center. Other projects may only require the attention of an agency director and the executive management team; other small projects may only require a governance council comprised of mid-level managers within one department or division. The common thread among the various levels of governance structures is that the council is composed of those individuals who have the clout and authority to make decisions and commit resources.

Conclusion

State officials and citizens bemoan the fact that while California is the center of the information technology revolution, the State has experienced several high profile and costly information technology project failures. The solution most often heard is that the State needs to operate more like the information technology businesses located in California. However, state government is not the same as private sector enterprises. The state's mission and obligations are much more complex than to show a profit in a specific commercial venture. The State of California cannot and will not operate like a business. However, the State should operate in a businesslike manner.

I believe that there is no reason why the State cannot be as good if not better than private enterprise in project management. The quality of the State's project management capabilities is completely within the control of the State's policy makers and management. A first step is to begin a systematic education program that exposes the State's leaders to the fundamental concepts and principles of project management theory and practice.

The problem of "information politics" is not unique to government. Our colleagues in the private sector experience similar difficulties. The difference is that the information politics in

government are much more complex and much more difficult to manage. The state does not have a CEO or a Board of Directors who can establish a goal and direct everyone in the organization to work towards that goal. Therefore, the policy makers and the project managers must work to build consensus among the competing interests and agendas. Obviously, there is no silver bullet solution to this problem. At a minimum, the State must understand and acknowledge how information politics affects an information technology project and work to minimize any negative effect.

The only way to improve the State's project management practices and effectively manage information politics is through consistent and strong leadership from the Governor's Office down through agency secretaries and department directors to program management and project directors. The State's leaders must recognize when their leadership is needed to ensure that individual projects are managed in a manner that is in the best interests of the taxpayers.

Thank you for the opportunity to speak to you today. If you or any members of the commission or your staff have any questions, please call me at (916) 443-3411 or via e-mail at fforrer@mgtamer.com.

Sincerely,

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