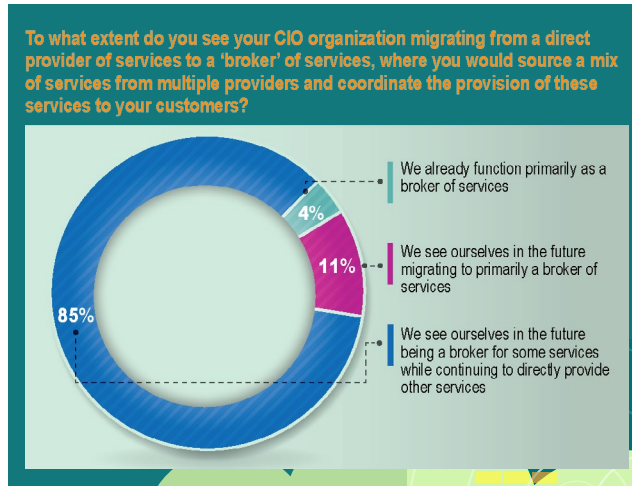
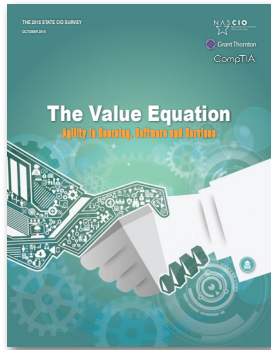


STATE CIO AS BROKER: A New Model



THE FORCES OF CHANGE: How the State CIO Creates and Manages a New Operating Model

In 2015 NASCIO's Annual CIO Survey found that 85% of state CIOs see themselves evolving to be a "broker" of services, delivering solutions that must integrate multiple offerings, platforms, suppliers and the CIO's own internal organization. In 2017, our annual survey presented the drivers for this new operating model and noted the need for CIOs to understand and deliver brokered services.

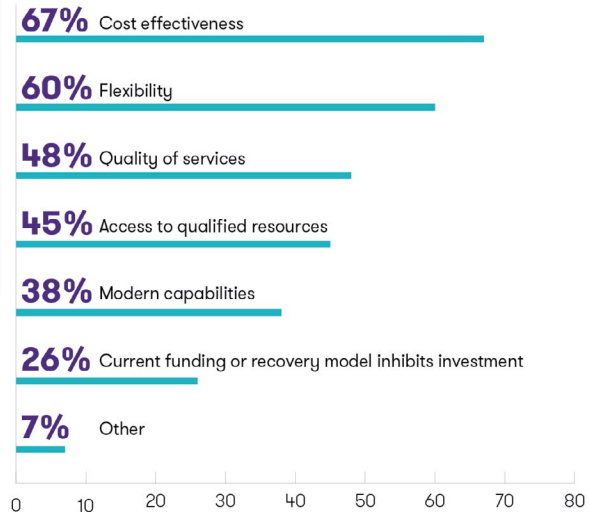


Seeing this trend, NASCIO is exploring how the CIO's role is changing, and how adapting a broker model and mindset could help a CIO become a more effective leader and influencer across an enterprise. This is a critical topic for CIOs and for NASCIO's mission of representing this nation's state CIOs. To build on our findings, NASCIO has initiated a project with Integris Applied titled *The CIO Operating System: Managing Complexity in a Sustainable Way*. This issue brief is a prologue to our project and is intended to frame the discussion for all of NASCIO's stakeholders.

To kick off this project, we presented our state CIOs with this same question in February of 2018. Relevant to any comparison of the 2015 and 2018 responses is the fact that since the question was first asked as part of the 2015 survey, there have been over thirty new CIOs. We have to consider the sample size when we evaluate and compare these responses so we present the number along with the percent on the table for 2018.



What are the top three strategic or operational issues that are driving the increase in the use of brokered services?

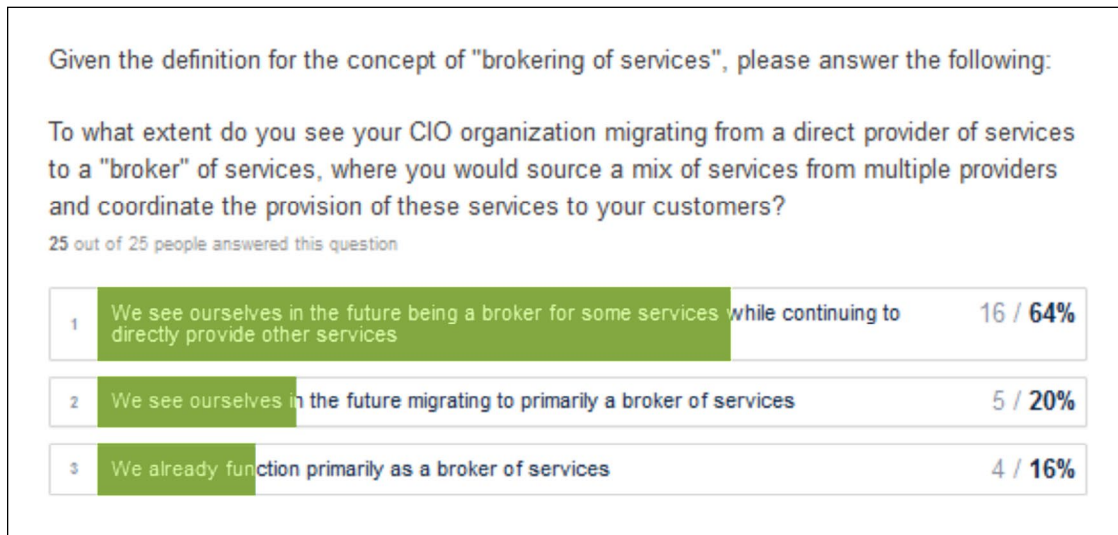


THE STATE CIO AS BROKER



In today's multi-vendor marketplace for IT services, the CIO Broker functions as an intermediary who arranges, organizes and orchestrates service fulfillment between many different IT service providers. The CIO is a market maker for the exchange of collaborative and diverse IT Services into a complete business solution. The CIO Broker also oversees the operation of a marketplace for government customers and warrants performance and compliance. As a broker, the CIO is enabling engagement with customers, technology markets and government stakeholders to improve service delivery for citizen.

Sixty-four percent (64%) of respondents were still looking ahead to eventually adopting this model. Interestingly, 20% anticipate the predominant model will be a broker of services model. And, 16% are already acting as a broker (n=25).



Results of 2018 Survey of State CIOs

According to the most recent question, four states are operating using the broker of services model. In 2015, two states would have submitted that response. According to the most recent question five states anticipate employing the broker of services model as the primary model for delivering services in the future. In 2015, five states would have submitted that response. So, possibly no change there.

Finally, 16 states anticipate moving to the broker of services model in future as compared to 40 states with the same response in 2015. Though it is difficult to compare these two surveys due to the response rate, it is safe to conclude most states have not adopted the broker of services model as of yet. However, all states see multisourcing as the operating model of the future. Thus, the need to address this new operating model and provide guidance on how to successfully operate as a *broker of services*.

Going back to the fact that there are more than 30 new CIOs since this question was posed in 2015, there is an important consistency to note with these two cohorts of state CIOs. Eleven of these new CIOs responded to this question. We can conclude with a fair degree of confidence that the responses from 2015 and 2018 present a consistent message; states are moving toward multisourcing as the operating model and we need to help prepare them for that with standards and best practices for governance and operations.

But what does all of this mean? Why is this brokerage concept so important? To answer these questions we would like to present a framework to guide our thinking.

A FRAMEWORK FOR CHANGE: A Necessary State CIO Tool

Benjamin Franklin, one of the great minds who shaped our nation's governance, wrote in 1789 that the then newly formed Constitution, "...has an appearance that promises permanency; but in this world nothing can be said to be certain, except death and taxes." The first, none of us can avoid, and the latter is avoidable at our peril - but both are certain. Had he not been helping build a nation, perhaps Mr. Franklin would have added "change" to his list of things permanent. And had he been a state CIO he surely would have!

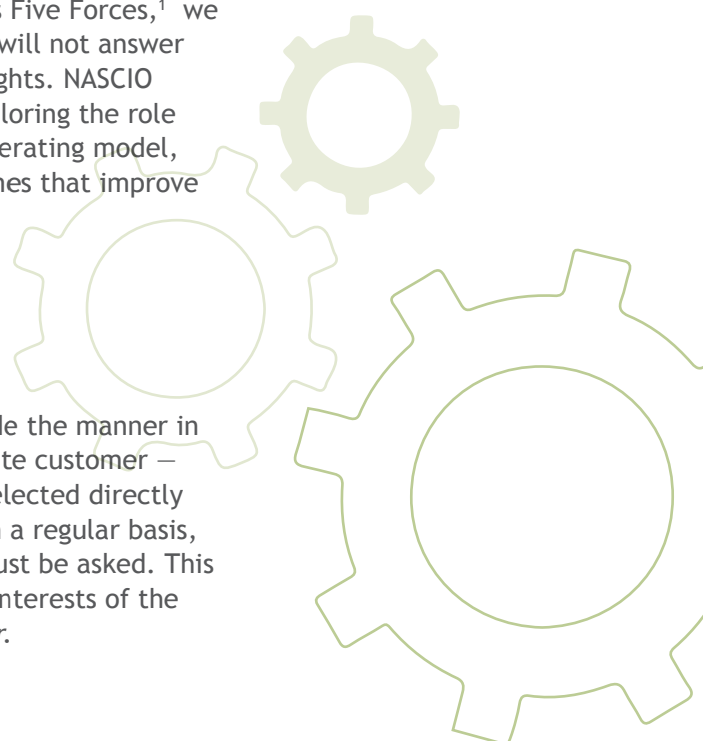
Our form of government was designed with checks and balances to protect our rights as citizens. As practitioners in the state government space we can often wonder what checks and balances protect our rights. The average tenure of a state CIO is 31.1 months, barely enough time to find the bathroom. Technology changes our lives, and the lives of government's customers, on a daily basis. Elected officials run campaigns with cool new technologies and they expect government to apply the same solutions. Government does not move as quickly as technology, yet expectations are that it should. We are all looking at the world through a touch screen. What is a state CIO to do? How should elected officials and other government stakeholders think of the state CIO role? How can government adapt to change and how can a CIO help influence that adaptation?

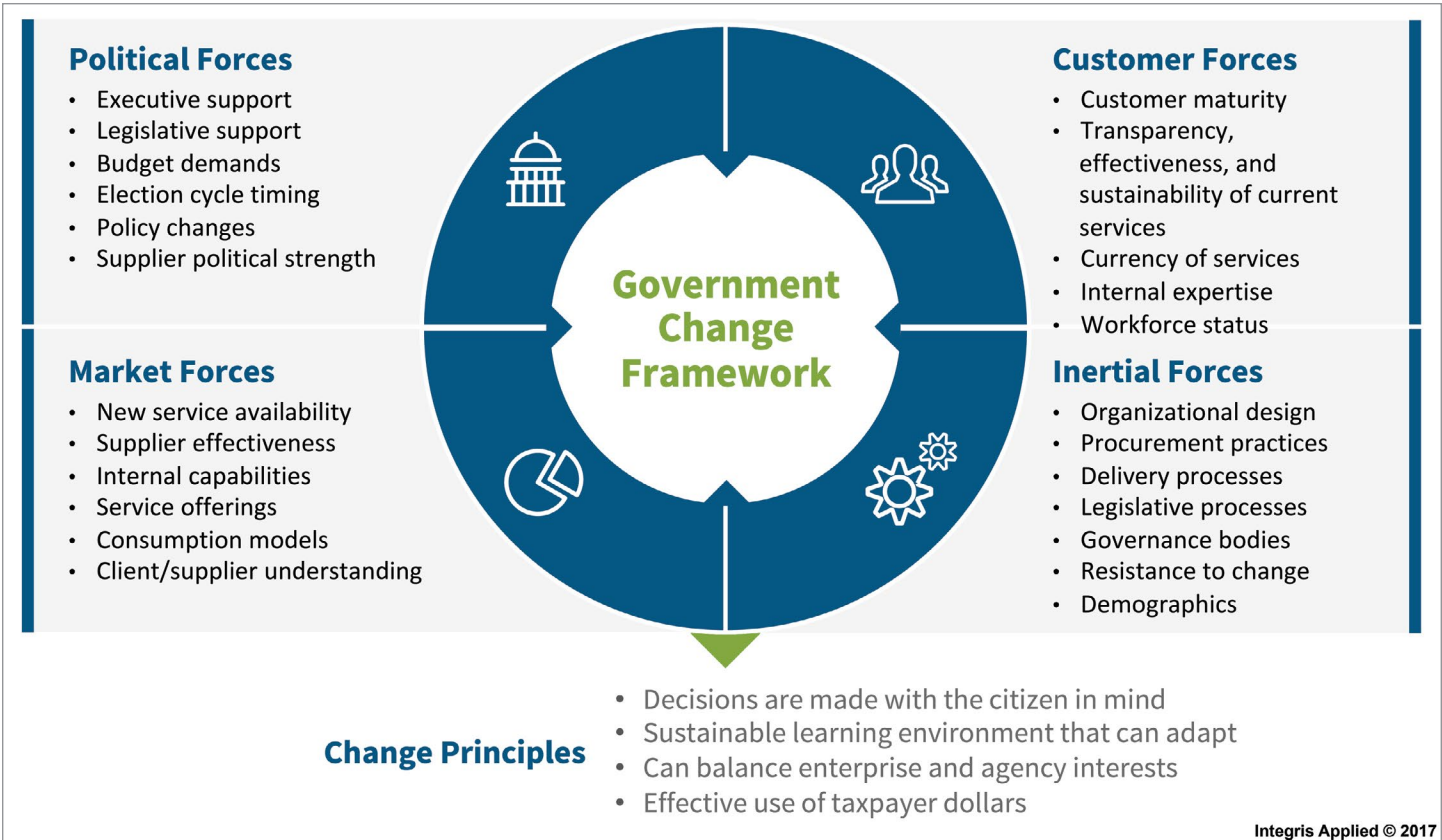
A STARTING POINT

These questions have no certain answers. However, if we are to help government keep pace with citizen expectations we must help the state CIO examine the myriad forces he or she must manage. So with apologies to Michael Porter's Five Forces,¹ we introduce the Four Forces of Government Change.² This framework will not answer our questions, but it will provide us with a means to order our thoughts. NASCIO is using this framework in a project with Integris Applied that is exploring the role of a state CIO, how states are adapting to a new brokerage style operating model, and how a state CIO can use his or her platform to influence outcomes that improve government service for citizens.

THE PRINCIPLES

This framework must be governed by underlying principles that guide the manner in which state CIOs impact change. We start with government's ultimate customer – citizens. Government is funded with taxpayer dollars, officials are elected directly and indirectly by the people. State government priorities change on a regular basis, but ultimately the question "how does this benefit our citizens?" must be asked. This question comes from an attitude and a determination to serve the interests of the citizen and requires a motivation that is best termed *servant-leader*.





Today’s servant-leaders must develop a *change competency*, a concept NASCIO identified years ago in its publication *Transforming Government Through Change Management: The Role of the State CIO*.³ This circumstance drives, or leads, the necessity for state government, within both the business and the information technology organizations, to maintain a learning environment – always experimenting, exploring, and collaborating. That environment affords the possibility and permission to honestly admit something isn’t working as well as the necessary celebration when something does work.

A servant-leader who develops a change competency will always be balancing the trade-offs between the enterprise and the agencies that make up the enterprise. State government must accept that some things are best accomplished at an enterprise-wide level – technology, procurements and HR are all examples of functions that can apply across an enterprise. And correspondingly, some functions are business specific – designing highway systems, protecting the health and welfare of children, patrolling our streets. The informed enterprise recognizes the difference and pursues the delivery of services accordingly. Finding this balance in the pursuit of the *effective use of taxpayer dollars* will help CIOs build a guiding coalition that can impact change.

POLITICAL FORCES

State government is a political environment and state CIOs must understand the who and the what about it. Initiatives can only *succeed and sustain* if the proper and appropriate executive support *exists and sustains*. Any form of effective governance

requires an executive presence or forum – a person or place where final decisions reside. Without this condition chances for success in any initiative of scale or consequence will fail. This must include legislative understanding and support. And, may entail statutory authority pressed into law by the legislature and acted on by the executive branch.

Initiatives must be framed with realism that recognizes the bounding of election cycles and changes in administration. Ideally, initiatives are not solely created that will complete within a single administration (the change principles apply here). In such a situation, the current administration must be successful in engaging the incoming administration toward the worth and the outcomes sought when an initiative spans different administrations.

Then we have the reality of external forces influencing decision makers. Such forces have a range of motivations and timelines. Some good. Some not so good. Suppliers to state government are, in the best of worlds, *critical strategic partners*. In the worst of circumstances and motivations, there are people looking for a quick sale, who go around the proper channels, influencing law makers while providing little or no consideration for the longer term, or for enterprise-wide thinking, and certainly without keeping the citizen at the forefront. Hopefully this is the exception. And hopefully law makers are more and more astute about such forces, and more tied to mission than personal gain.

Notwithstanding these realities, as the state CIO is evaluating what is possible and what is not possible, he or she must be looking at the possibility of maintaining the necessary *capabilities and capacities* to deliver services *effectively and efficiently*. State governments simply do not have the capacity to maintain expertise in all technologies and business best practices. Strategic partners that have made the necessary investments in developing needed capabilities become essential to the mission of government and the state CIO must know when and how to engage these partners.

MARKET FORCES

Service capabilities are arriving quickly. New in the last five years are technologies such as advanced robotics, artificial intelligence, blockchain and internet of things. Prior to that, we saw the arrival of cloud computing, big data and analytics. Most of these technologies have been around for some time. However, there has arrived a level of maturity which has developed new capabilities for engaging these technologies in highly creative and productive ways. We'll see a similar growing maturity and *ability to exploit* related to blockchain.

Within this dynamic the state CIO must also keep track of who is buying who, who has high potential for being acquired and how do these circumstances affect support and sustainability of the portfolio of services, applications and software the state is currently employing. Merger and Acquisition transactions in 2017 within North America rose to over 18,000.⁴

BUSINESS MODELS, SOURCING AND THE STATE CIO AS BROKER

The role of a State CIO and which business models support that role vary widely across state governments. Since first asking about these topics in 2010, responses have shown a consistent trend of moving towards State CIOs operating as a business manager or broker of services as opposed to an owner and operator of assets. More and more states are using shared services models for their IT operations.



As the state CIO considers what is possible and what is not possible, he or she moves beyond the portfolio of existing capabilities and capacities and looks across the portfolio of strategic partners each with their own vast portfolio of capabilities and capacities. It is from this broader portfolio, internal and external, that the state CIO considers what to employ and when to employ it when seeking solutions to the business problems and business opportunities facing state government.

In these evolving circumstances, trusted relationships have arisen between state government and the strategic partners that provide services. Strategic partners now become intimately informed about the internal workings of state government, citizen demands, consumption requirements. State government becomes intimately informed about the capabilities and capacities of strategic partners, including an informed awareness of what may be on the drawing boards. The latter is critical to looking toward what is coming over the horizon for state government, and how effectively state government can prepare. Collaborating with the market, and applying market based capabilities to meet customer demand or fill an organizational deficiency become requirements for a CIO.

CUSTOMER FORCES

State CIOs must consider two types of customers. First the ultimate customer – the citizens of our states and territories. That customer base is diverse and has a broad range of expectations from those on the other side of the digital divide who may not even have access to a computer or the internet to those who are pushing state government for more *real time, online, all the time* kinds of services.

The second type of customer is the internal customer. This customer most typically resides with the agency. There is a diversity here as well. Some of the demand for services is being driven, or led, by the changing nature of the professional discipline of that customer. That customer may be an attorney, an accountant, a financial analyst, a social worker, a civil engineer, a hydrologist, or an archivist. The list is endless, but the reality for every professional is the fact that their profession is maturing in sophistication and its use of technology.

These dynamics drive, or lead, the need for capabilities and capacities that are relevant to the current demand. These dynamics also force, or lead, the state CIO toward considering what is possible and what is not possible. Is it possible to meet this accelerating demand internally only? Or, must it be met with a wider view that includes knowing what is possible when the state also looks at what is available from its strategic suppliers, other jurisdictions, or other institutions?

INERTIAL FORCES

The laws of physics apply to government. Things have a tendency to remain at rest or in motion unless acted upon by an outside force. Procurement practices,



THE AGE OF TECHNOLOGY MERGERS AND ACQUISITIONS

US Technology in the age of Amazon did take center stage in 2017, reaching a record deal count of 1,015 transactions, with its disruptive effects rippling across various sectors including Consumer; Pharma, Medical & Biotech; and Media. Most notably, Computer Software was one of only a few spaces where deal count actually rose in 2017, unlike in the general global trend; in fact, the sub-sector set a record in 2017 with 771 transactions,...⁶

organizational cultures, human resistance to change – these are all inertial forces that will only change if acted upon by an outside force. Identifying these forces, communicating a compelling reason to change, and mobilizing support for that change will help servant-leader CIOs build a change competency that will allow them to work effectively in a state government environment.

Identifying those forces and developing the forums and communications channels necessary to influence and guide them becomes the charge of the CIO. Is the procurement process preventing needed communication for complex technology purchases? If so, find the stakeholders and begin a dialogue. Are statutes antiquated and preventing new ways of doing things? Find a champion to change the law. We see in the states that have moved the furthest along the broker path a mindset of change – a belief that anything is possible as long as the right people are brought along on the journey.

CONCLUSION

The world in which the state CIO resides requires a new operating model. We'll continue to explore what this operating model looks like through our initiative, *The CIO Operating System: Managing Complexity in a Sustainable Way*. One key take away is this, the state CIO must consider what is possible with existing internal resources as well as what is possible with other resources that reside outside of his or her internal organization. There will necessarily be a combination of internal and external resources, enterprise-wide and agency specific resources, resources gained through purchase, resources gained through renting, resources gained through partnering. Managing multiple delivery channels within a framework for government change then becomes the challenge for all CIOs. The state enterprise *portfolio of portfolios* will have to be managed as it becomes more and more complex.⁵ The state CIO becomes the conductor employing and directing a rather vast orchestra of services, and service providers, all within the everchanging government concert hall.

ENDNOTES

- 1 https://en.wikipedia.org/wiki/Competitive_advantage
- 2 Developed by Integris Applied, 2017.
- 3 Transforming Government Through Change Management: The Role of the State CIO, April 24, 2007, NASCIO, available at <https://www.nascio.org/EA/ArtMID/572/ArticleID/214/Transforming-Government-through-Change-Management-The-Role-of-the-State-CIO>.
- 4 “Number & Value of M&A North America”, Institute for Mergers, Acquisitions and Alliances (imaa), M&A Statistics. Retrieved on March 7, 2018, from <https://imaa-institute.org/mergers-and-acquisitions-statistics/>.
- 5 Destination: Advancing Enterprise Portfolio Management - First Stop: Issues Management, December 12, 2013, NASCIO, available at <https://www.nascio.org/EA/ArtMID/572/ArticleID/94/Destination-Advancing-Enterprise-Portfolio-Management-%e2%80%93-First-Stop-Issues-Management>.
- 6 Global & Regional M&A Report Q4 2017, Mergermarket, January 25, 2018. p.16. Retrieved on March 7, 2018, from <http://www.mergermarket.com/info/publications>.

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Founded in 1969, the National Association of State Chief Information Officers (NASCIO) represents state chief information officers (CIOs) and information technology (IT) executives and managers from the states, territories and District of Columbia. NASCIO's mission is to foster government excellence through quality business practices, information management and technology policy. NASCIO provides state CIOs and state members with products and services designed to support the challenging role of the state CIO, stimulate the exchange of information and promote the adoption of IT best practices and innovations. From national conferences to peer networking, research and publications, briefings and government affairs, NASCIO is the premier network and resource for state CIOs. For more information, visit www.NASCIO.org.



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