APC Forum: The U.S. Constitution as a Model for IT Governance

Madeline Weiss,
APC Program Director

Heather Smith,
APC Senior Research Associate

Jim Tosone
Director, HealthCare Informatics
Worldwide Technology
Pfizer Inc

Pfizer Inc
The world’s largest research-based biomedical and pharmaceutical company
• Headquarters: New York City
• 2006 revenues: $48.4 billion
• 2006 R&D investment: $7.6 billion

In our first two columns, we described innovative practices that Advanced Practices Council (APC) members shared with their colleagues at recent meetings. In this column, we describe the ideas that Jim Tosone, a long-standing APC member, shared at the October APC meeting. A contributor to the recently published “Complete Idiot’s Guide to the U.S. Constitution,” Tosone explained how understanding the principles embodied in the Constitution provide insights into designing effective IT governance structures.

“One while the model for the U.S. government is not directly applicable to IT governance, much of the thinking that went into creating this document can inform how we design our IT governance structures,” he said.

The Constitution has proven to be durable (218 years old) and scalable (created when the U.S. population was 4 million instead of the current 301 million), partially because it outlines powers and rights at a high level through a set of principles for decision-making and distribution of power, rather than detailed policies. As the U.S. has grown and issues have become more complex, each new administration has been able to implement policies within the largely invariant framework of the Constitution. This principle-based model of governance stands in contrast to companies where a new IT governance model is created each time the IT leadership changes, often impacting the effectiveness of the IT organization as it focuses on transition and adoption of the new governance model.

One of the key learnings from the Constitution is how it managed to accommodate the conflicting interests of both large and small states with regard to representation. The “Grand Compromise” created a bicameral legislature consisting of a population-apportioned House of Representatives and a state-apportioned Senate. Similarly, the Presidential Electoral College is a blend, based on the total number of Representatives and Senators. In companies, there is also a need to balance the interests of different-sized business units and/or geographies. This is often done through an IT governance council that has equal representation from each business unit but where the larger units exercise additional power by virtue of having larger budgets.

Another governance challenge the Constitution sought to address is the need to balance the interests of the Federal government with those of state governments. This

1 This is the third in a series of columns from the SIM Advanced Practices Council, an exclusive forum for senior IT executives who value directing and applying pragmatic research, exploring emerging IT issues in depth, and sharing different perspectives with colleagues in other industries.
is why it only enumerated three federal crimes in the original document (treason, counterfeiting, and piracy). Today, this number has climbed to 4,000, leading to numerous overlaps among jurisdictions. In the same way, the responsibilities of divisional and corporate IT groups can sometimes overlap, resulting in confusion. IT governance should therefore be designed to set up an environment in which responsibilities are clear and properly aligned with the right level in the organization for them to be effective.

The Constitution was also designed to selectively delegate power upwards, from the individual to the local government, then to the state, and only as a last resort to the federal government. Therefore the federal government was designed to have limited enumerated powers (e.g., the military, levying taxes, coining money, and dealing with other nations). Jim suggested that these principles could be applied to IT outsourcing, by initially assuming everything can be outsourced and then justifying those key capabilities, competencies and services that should be retained within the company.

Benjamin Franklin and Thomas Jefferson identified the fundamental conflict between the importance of essential liberties and the role of government. The Constitutional model does not deny these factions but uses a series of checks and balances to create equilibrium. Tosone noted that there are similar competing factions operating in today’s IT organizations, especially between groups responsible for security and privacy and those responsible for providing their clients with access to data and information. These competing factions ideally create an equilibrium that results in policies that balance ease of access with protection of company information assets.

Tosone summed up the key lessons that the Constitution holds for IT governance:

- Principle-based models of governance last longer, require fewer changes, and scale better than other models.
- Governance should balance the interests of both large and small groups.
- Models should avoid overlapping jurisdictions and unclear boundaries.
- Look at outsourcing from a “justify what should stay inside” point of view.
- Have checks and balances in place to control access and security factions.