



14 September 2005

The Honorable Steven Buyer
Chairman, House Committee on Veterans Affairs
U.S. House of Representatives, 109th Congress
335 Canon House Office Building
Washington, DC 20515

Mr. Chairman:

On behalf of Gartner Inc., I am honored to submit my testimony for inclusion in the formal record regarding the Department of Veterans Affairs (VA) information technology infrastructure reorganization.

The attachment contains my written testimony. As a nongovernmental witness I have also included a copy of my biography, and information on my organization including a statement disclosing the amount of all contracts with the VA during the past two fiscal years by Gartner. All information is provided to the best of my abilities.

I look forward to sharing my insights and recommendations to improve the information technology organization within the VA.

Sincerely,

Michael Pedersen

Michael Pedersen
Managing Vice President
Gartner Consulting

Attachment: Written testimony, Gartner Disclosure, Witness Biography

Written Testimony
Michael L. Pedersen
Managing Vice President, Gartner Consulting

Mr. Chairman and members of the Committee:

I appreciate the opportunity to participate in today's hearing regarding the Department of Veterans Affairs (VA) information technology (IT) reorganization.

I am a Managing Vice President within the consulting division at Gartner, the leading provider of research and analysis on the global information technology industry. Unlike many of our competitors, Gartner does not offer implementation services that would compromise our independence and objectivity. I have over 20 years of experience in developing and deploying IT to fulfill business and mission objectives. My specific expertise is in IT governance, investment management and organizational redesign — services that support the performance improvement efforts of IT organizations.

Gartner Consulting¹ partnered with Topgallant Partners in October 2004 to pursue an open solicitation to assess whether the VA's IT personnel assets are appropriately aligned to efficiently deliver world-class IT program management, operational support and systems design and development services. The Topgallant Partners/Gartner team was awarded a contract in December 2004 for this assessment. I was the lead consultant and subject matter expert on this assessment and directed the activities to fulfill the contract objectives and deliver the results in close cooperation with Topgallant Partners. The balance of my testimony provides the key findings from our assessment, our supporting analysis and recommendations for the VA to appropriately align its IT personnel. This information is drawn directly from the detailed project deliverables and executive summary submitted to the VA, and was presented to VHA, VBA and NCA senior management in addition to the Secretary and Deputy Secretary.

The Purpose of Our Assessment

The Department of Veterans Affairs Office of Information & Technology (OI&T) and related VA IT organizations support a large, complex, well-performing, but ultimately aging set of infrastructure, applications and support technologies. OI&T has launched a OneVA Departmental initiative to buttress and grow OI&T's ability to contribute to the VA's successful completion of its mission.

This organizational assessment project is a first step toward measurably increasing VA IT's *Value For Our Vets* — that is, for demonstrably growing VA IT's ability to develop and deploy new, veteran-centric systems despite flat or declining budgets.

Our assessment first baselined how VA IT operates today. We then identified organizational models that increase VA IT's value: models that offer greater efficiencies, economies of scale, and value add back to the mission. We then charted the path VA IT can follow to deploy its new organizational model. At its conclusion we proposed a new organization that truly delivers Value For Our Vets.

A three (3) phase assessment was undertaken by Gartner Consulting:

1. Define an "As Is" perspective of the VA's current organizational capability;
2. Identify Potential "To Be" Organizational Models that appropriately align IT personnel assets; and,
3. Create an Implementation Plan to identify the critical activities to transition to the recommended organization.

Schedule and Process

Work was begun in January 2005 with deliverables formally submitted in May 2005. During the course of this contract, extensive data collection, interviewing, surveying and analysis was conducted. The need to

¹ Contract was awarded to the team of Topgallant Partners and META Group Consulting. META Group was subsequently acquired by Gartner in April 2005 during this assessment.

have an accurate understanding of the issues at the VA was balanced with the practical nature of conducting the assessment in a timely and cost-effective manner for the VA. To that end our efforts led us to:

- Interview 72 staff among VA business executives, IT executives and staff within all three Administrations and OI&T itself. These interviews formed the basis to identify issues with current organizational structure that hinders IT performance improvement efforts. We offered to interview as many staff as the Administrations believed were necessary to fully understand their environment and issues, and extended the project by 30 days to schedule and conduct these additional interviews. These interviews occurred at VA hospitals, regional offices and field offices throughout the United States.
- Survey 110 IT staff to profile their work activities. These profiles allow staff to self-select the amount of time spent on mission-driving work, compensating work, and non-mission driving work.
- Survey 27 IT staff regarding their deployment of enterprise architecture and planning process relative to leading practice as defined by Gartner. The survey submissions were compared to Gartner's database of leading firms to gauge VA's maturity in deploying enterprise architecture planning relative to the broad marketplace.
- Conduct workshops with key functional leaders within VHA, VBA, NCA and OI&T regarding their perspectives on the functional responsibilities they require to be effective in supporting the VA's mission.

While the number of participants who provided input to our study is small relative to the overall number of VA staff, the Topgallant/Gartner team offered and was directed by each Administration to interview and survey specific business and technology executives. The team "went where the Administrations directed" to engage staff who were best positioned to give us the information necessary to make informed decisions. It is our position that this data collection fairly and accurately represents the VA's situation.

Topgallant Partners/Gartner "As Is" Findings

We conducted a thorough "As-Is" analysis of VA IT during the first phase of this contract. Key findings from our "As-Is" analysis are summarized below across five (5) key analysis domains:

1. Functional Analysis
2. Organizational Analysis
3. Issues Analysis
4. Strategic Analysis
5. Enterprise Architecture Analysis

Our findings within each analysis domain are as follows.

Functional Analysis

Functional Analysis gauges how responsibility for core IT functions are distributed across an IT organization. This analysis gives insight into "who does what", providing the framework needed to create a more efficient, more effective "To Be" IT organization.

Functional Analysis Key Findings

Excessive duplication of IT assets and inefficiencies exists within VA IT. The Functional Analysis indicates that VA IT is a "self-replicating" organization, creating internal (though surmountable) barriers for improvement opportunities. All core IT functions are performed nationally by organizations within VA IT. Additionally, within VBA and VHA, core IT functions are delivered by regional or local organizations (e.g., VISNs, Medical Centers). These distinct IT service delivery organizations operates independently based

on reporting structure employing formal and informal collaboration with other local and regional organizations within the Administrations. OI&T and Administration IT organizations have developed policies and standards to guide product development and service delivery for their customer base. Initial portfolio management, enterprise architecture, and security governance processes are under way within VA IT.

VA Implication

The OneVA mission (as defined in the 2003–2008 Strategic Plan for Employees) will require significant time and cost to realize in the current IT model given the different operating models in place throughout the VA IT organizations.

Organizational Analysis

Organizational analysis examines how an IT organization functions today with regard to people and processes. Using anecdotal insights gained from interviews and process information gained from surveys and document reviews, this analysis results in a high-level picture of the organization's culture embodied in distinct norms as well as its performance history. This portrait of the organization is a foundation for building a successful change management plan in any arena, but especially where culture is a critical enabler of success. We characterize norms as the implicit, thoroughly accepted ground rules that substantially shape how an organization acts, both internally and toward the external world. Norms are the product of an organization's history and environment. They evolve slowly; most often reflecting behaviors learned when the organization was performing well and largely content or during periods when undue stresses tested the organization and its personnel.

Organizational Analysis Key Findings

The VA IT Organizational Analysis indicated that four powerful norms substantially shape how VA IT currently operates. These norms are outlined below with additional detail and the implication that all of these norms, when considered together have on the organization:

1. One Voiced Mission, Many Methods

The VA IT Organizational Analysis revealed that there is a broadly stated (though informally defined) mission that bonds all VA employees, regardless of function or hierarchical level: "Serve the Veteran." While each area of the organization embraces this broadly-stated mission, there are significant differences in how each area believes that goal should be accomplished.

The lack of underlying principles to bind the organization to a mission (whether clearly stated by the Department or not) leads to differences between month-to-month (even year-to-year) priorities, goals and planning. This was pervasive and repeatedly observed at all levels of the organization. This is especially true when looking from the field to centralized functions.

2. Investment (in) Accountability

Budgets are very fluid in the VA and — beyond the big numbers — there's not much accountability for how and when money is spent. Budgets are stretched as the organization sees fit. If you don't have the money you need, there's a likelihood you can get it by working your connections, so money is simply shifted. This allows managers to build and operate individual IT operations.

Everyone agrees that budgets/money should be tracked and accountability should be attached but there's a fundamental difference in what that means to various groups of people. The result is an inability to capture, track and influence IT investments across the VA as a whole.

3. Relationships Rule

While there are processes and rules in place for major IT functions (e.g., budgeting, project management) assets within the VA ebb and flow, based on needs that arise. The organization is relatively agile and responsive, with most assets being centered within the healthcare aspects of the business.

A large portion of the population within VA IT is comprised of long-tenure employees — they “grew up” in the VA world. Therefore, they learned an appropriate set of skills to be successful, skills centered on negotiation, flexibility and working your relationships with others. Political appointees have short tenure, so the CIO leadership is generally viewed as temporary and ineffective.

4. **Everyone Owns Assets**

Since success was primarily built on relationships & fluid budgets, leaders throughout the VA built “mini-organizations” (self-replicating), where all assets - both people and technology - were within arm's reach. This way, if there was a need or problem, a leader could reach out (literally, if necessary) to the responsible party. Thus, a cultural norm was created — higher proximity to assets equals better service and responsiveness.

VA Implication

We observed that these norms allow VA IT to be the IT organization it chooses to be. We do not doubt VA IT personnel's commitment to the mission of VA. However, organizations within VA IT are allowed a variety of methods to fulfill the mission, enjoy flexible budgets, adopt informal ways of work, and have access to assets. Further, the current norms allow IT personnel to believe that they, and only they, can deliver against the mission. So people act accordingly, replicating assets and activities at all levels of the organization. Ironically, their desire to deliver – to serve the Veteran - creates enormous duplication and inefficiencies because of the norms in place.

Role specialization, centralized functions, common methodology, reusability, and standardization are viewed as risky in the current environment because these methods decrease the perceived power any one individual has over his or her own work. There is no doubt that resources are wasted funding a self-replicating IT organization.

Issues Analysis

The Issues Analysis highlights the key performance, operating, and organizational issues identified by VA personnel during in-person interviews. Issues were analyzed and prioritized by our project team to reflect the degree to which the comments reflect how VA IT delivers against its mission

Issues Analysis Key Findings

The Issues Analysis highlighted three key findings:

1. Lack of alignment between OI&T and the Administrations — Issues identified by OI&T personnel correlate very weakly with those identified by Administration personnel. Interestingly, though, issues identified by Administration personnel correlate very well across the three Administrations. These data points confirm that OI&T's view of the world differs markedly from that shared by the Administrations
2. Intensely self-referential nature of the majority of expressed concerns — Of the Top 10 Issues identified during our interviews, nine of 10 issues identified by VA IT personnel relate specifically to OI&T itself. Only one “business issue” made the Top 10 list.
3. Defensive Nature of the Administrations' current relationship with OI&T — We observed that there were few issues shared by all groups. Those issues shared by most groups largely continued the “everything must be local” argument. VA IT personnel feel they are *forced* to do everything at every level, otherwise their work will not be done. They must *defend* their right to do the work they think they should do.

Most importantly, this Issues Analysis highlights just how difficult it will be to make VA IT less of a self-replicating IT organization. We believe that the norms that allow VA IT to replicate assets and activities at all levels must be addressed before VA IT's leadership can successfully redress the imbalances currently observed across VA IT.

VA Implications

This Issues Analysis highlights just how difficult it will be to make VA IT less of a self-replicating IT organization. The lack of alignment between OI&T's concerns and the Administrations' concerns shows just how differently the Administrations view the world than OI&T does. The self-concerned nature of everyone's perspective gives an acute appreciation that "who does what" is a central issue for everyone across VA IT.

The energy with which individuals defend what their organization does — or should do — sharply underscores the emotional investment to current modes of organization and operation. We believe that the efforts to centralize specific sets of currently dispersed assets or activities, will engender enormous, heartfelt, but ultimately destructive, responses if not managed by the VA leadership directly. The norms that allow VA IT to replicate assets and activities at all levels must be addressed before VA IT's leadership can successfully redress the imbalances currently observed across VA IT.

Strategic Analysis

Strategic Analysis measures the degree to which the work currently completed by each part of VA IT actually contributes to the successful completion of our mission and identifies potential efficiencies and savings that can be realized through work changes.

Strategic Analysis Key Findings

The VA IT Strategic Analysis indicates that VA IT personnel spend 27 percent of their time on work that directly contributes to VA IT's successful completion of mission. Over one-half of their time is spent on work that does not contribute to mission; most of this work is related to internal administration. The participating VA IT personnel also spend very little time interacting with customers. We believe that achievable reductions in work that does not drive mission can help VA IT substantially improve your Value to the Vets.

VA Implications

The IT organization needs to gain a substantial increase in the proportion of work that is directly aligned with VA IT's mission. This implies a proportionate decrease in work that does not contribute to your mission, including substantial reductions in Non-Mission driving work and similar reductions in Compensating work. How? Define the major IT processes using industry standard models (e.g., ITIL) then challenge the organization to reduce the work that does not contribute directly to mission. Led correctly, we've seen organizations achieve significant, measurable improvements in six to nine months.

Enterprise Architecture Analysis

Enterprise Architecture (EA) is a top-down, business strategy driven planning process designed to bridge the gap between an organization's future-focused business strategy and the portfolio of IT efforts that will support that strategy. Our analysis sought to assess VA IT senior staff's alignment with the key dimensions of EA. The stronger the alignment (represented by maturity scale) the greater the potential for success in future planning efforts.

Enterprise Architecture Analysis Key Findings

Analysis of the VA's response to the Enterprise Architecture Survey indicates a positive, markedly higher belief in the role and use of enterprise architecture across the VA IT than expected based on interviews. The word "belief" in part reflects that these are unvalidated responses vs. observed behaviors from a detailed study. Nonetheless, as the survey defines enterprise architecture as a planning process, this indicates the VA's IT organization has a strong understanding of the importance of such activities relative to other organizations with similar challenges. This is an encouraging sign from which to build long-term, sustainable value from IT initiatives that can be directly applied back into the VA's challenge in creating Value For Our Vets.

VA Implications

The VA has established an enterprise-wide understanding of strategic planning as evidenced in above average maturity rating. Though above average, the (unvalidated) ratings do not represent a level of maturity required to consistently delivery business value from complex IT initiatives (e.g., HDR, data center consolidation). We believe that efforts to strengthen inter-Administration planning efforts (by further developing the VA's enterprise architecture program) are critical to value delivery. Such efforts, when successful, frame a future IT state that key stakeholders in OI&T and Administration IT can identify and embrace independent of organizational structure.

The summary of the "As Is" Analysis is that change is required to meet an emerging imperative — Value For Our Vets — that is demonstrably growing VA IT's ability to develop and successfully deploy new, *veteran-centric* systems despite flat or declining budgets.

Topgallant Partners/Gartner "To Be" Analysis

The Topgallant Partners/Gartner team used the "As Is" baseline, leading industry practice in commercial and government organizations, and emerging IT trends to evaluate potential "to Be" models for the VA that have potential to mitigate the issues established within the "as Is" baseline.

A useful guide in determining appropriate information technology organizational models for the VA is to consider the VA's Value Discipline.¹ This useful business planning approach argues that no firm can be "all things to all people." Customers – in this case, the end users of the IT services - control the marketplace and their expectations of value are rising rapidly and changing, based on past performance. Organizations must choose one value discipline in which to excel while reaching market parity in the other two disciplines. Selecting a discipline is "a central act that shapes every subsequent plan a company makes."

To change the VA IT's orientation from servicing the Veteran to Value For Our Vets, the IT organization must excel in the Customer Intimacy discipline and attain parity in Operational Excellence and Product Leadership. This requires substantial changes in the manner in which VA's IT organization is structured in addition to its supporting organizational constructs. Customer intimacy involves not only a change in organizational structure but also in the underlying work processes, staff role definitions, the outcome of its work (IT Services), measurement framework and a new culture. All told, these dimensions include:

1. Organizational Structure — the structure in which the IT organization delivers value at a risk level that is tolerable to the Department and best supports the OneVA mission
2. Processes — the critical IT processes and their interfaces required for customer intimate IT delivery
3. Roles — the IT management practices, roles, and accountabilities required for customer-intimate IT delivery
4. IT Services — Define the IT services that are valued and readily understood by the VA's business community
5. Guiding Principles — the IT policies that establish focus, governance, and a decision-making fabric within and between VA's IT and business communities
6. Performance Management — the high-level analysis of IT performance relative to peers in government, insurance, and healthcare
7. Culture and Norms — the changes required in the underlying culture and norms to effect behavior change

Our "To Be" analysis presented insights, options and recommendations within each of the seven dimensions and are outlined below.

¹ *The Discipline of Market Leaders*, Treacy and Wiersema, 1995, Addison Wesley

Organizational Structure

Several organizational models (including no change – the status quo) were analyzed to resolve the issues uncovered within the VA. Two models had the greatest potential application at the VA:

1. **Federated** — where centralized planning, technology operations (e.g., data centers, networks) and budgeting/financial are controlled by a Chief Information Officer (CIO) with Business applications developed and supported by application teams in each business line (e.g., Medical Care, Pension, Housing, Finance). A governance process with strong investment management practices guides the alignment between these groups.
2. **Centralized** — where all VA IT is organized into single entity reporting to a Chief Information Officer (CIO). Key functional entities reporting directly to the CIO include business applications, infrastructure & operations, customer relations (advocates for the business), enterprise architecture, data & information management, security management, and IT finance.

Federated Model Benefits— Several benefits may be attained by implementing this model at the VA. These include allowing business leaders to develop the application portfolio unique to their missions; achieve economies of scale across all VA by managing the infrastructure through a central function (assuming the consolidation of physical assets); and allowing the business unit IT team to be responsive to Administration mission demands.

Federated Model Risks— the risks to VA from this model include difficulty in attaining OneVA mission objectives because of the defined barriers in culture, unaligned investment priorities across Administrations, and differences in technology and process which hinders effort to create veteran-centric systems. This approach also requires sustained executive commitment to IT investment mgmt process (unattained to date within the VA), is a significant scope of change to manage given the intended consolidation of physical assets and is deemed a modest organization disruption. We expect such an effort will extend the envisioned VHA data center consolidation program to VA wide initiative; however, with the physical assets being currently under the control of local offices/regions (“Everyone owns assets” norm identified earlier) this itself will require significant change management effort.

Centralized Model Benefits— This approach provides the greatest opportunity to successfully execute OneVA mission objectives; it maximizes asset utilization (projects, staff, technology) and achieves economies of scale across all VA by managing the infrastructure through a central function; and through common organization will more rapidly mature the IT investment management process across VA’s IT program portfolio.

Centralized Model Risks— The potential risks from implementing this model are of course the significant organizational disruption and scope to manage (it is a big bang). It also increases the complexity for the centralized organization to align its resources with Administration mission priorities e.g., strong portfolio mgmt required); requires strong user orientation (e.g., service level agreements, IT service catalogs) to be successful which is not in place at VA. It is important to note that a chargeback mechanism is necessary (communicating costs against service level at a minimum; whether they are recovered or not) to ensure “value for the money” is established between the business and IT organizations.

Both the Centralization and the Federated options are viable organizational models to achieve OneVA mission objectives; however, our analysis shows that the Centralization option requires a shorter time horizon to attain similar benefits than the Federated option. The centralized model has the greater potential to realize efficiencies in IT delivery, improve mission program delivery success (e.g., VetsNet, HealtheVet), and establish a OneVA veteran-centric capability. All important elements to create Value for our Vets.

Success in the Federated option requires a highly-mature, well-functioning IT investment management process in order to align each Administration and OI&T. This alone is a significant change in identified norms that extends the time to benefit for this option.

Success in the Centralization option requires executive leadership to rapidly change the underlying processes and norms. Bringing assets under the control of a single CIO both accelerates the maturing of

the IT investment management process and improves the potential benefit realization from OneVA mission investments.

Given the poor state of the VA's IT investment management process and the stated demand to drive benefits over a shorter horizon (as defined in the VA Strategic Plan for Employees), we recommend the Centralization option to maximize the opportunity to create Value For Our Vets. The details of our study defined a functional-based organizational model for the VA. Transitioning from the status quo to the recommended centralized option is not a single event. It is a multi-phased program in itself to ensure minimal disruption in VA mission activities. It is important to note that given the significant cultural barriers in existence at the VA, third party services will be required to support the needed knowledge transfer, facilitation and oversight to achieve full realization in a timely fashion.

Processes

Our "As Is" analysis found for the most part, inconsistent and poorly documented processes without key performance indicators (KPIs). It is important to realize that process re-engineering leads not only to greater efficiency (do more with same resource levels) but also improvement in underlying service (being able to create consistency and quality in IT service delivery across different locations and organizational units). When common IT processes are used across the organization it creates consistency in management of the VA IT environment and better return on technology dollars. Before any changes are implemented we recommend that process re-engineering is undertaken across the primary processes that drive IT performance. Those processes include Service Level Management, Problem Management, Incident Management, Change Management, Configuration Management, Asset Management and Capacity Management

Our "To Be" model final state envisions documented, consistently applied processes; effective governance when modifying the processes; and, use of key performance indicators to ensure process performance and accountability during their delivery.

Roles

Even after VA IT establishes a new organizational structure, it still needs to specify where, and by whom, each IT service will be accomplished. Our "As-Is" analysis showed that IT activities are extensively duplicated across VA IT. The recommended organization structure requires that roles and responsibilities (with clearly assigned functional accountability) are assigned to minimize the duplication of activity.

IT Services

There are emerging efforts to formalize an "IT Services" approach (e.g., Austin Automation Center Franchise Fund, VISN Memorandums of Understanding) across the VA. These disparate efforts have several notable successes including Austin's franchise fund rates which appear consistent with industry pricing. However, the predominant approach is based on informal service definitions and service-level agreements with a "whatever it takes" orientation. This has led to local optimization at the expense of enterprise consistency and efficiencies.

We recommend that VA build on efforts in OI&T and field organizations to formally define its IT services, service levels and pricing and align these efforts with market expectations and Administration mission requirements.

Guiding Principles

IT policies (guiding principles in commercial sector) enhance organizational structure by creating a culture of interdependence among organizations; mitigating potential conflicts among differing goals, groups, and processes; and building a solid foundation for processes.

To guide the new organization structure, VA IT must define and implement a single set of institutionalized and accepted policies and performance standards. Defining a common and cohesive vision for VA IT through policy creation will guide the desired behavioral changes needed to become an even more veteran-centric organization, functioning as a single, comprehensive provider of technology services. Our

recommendations for VA IT policies chart the course for emerging norms including Alignment and Consistency, Value and Stewardship, Process and Outcomes and Mutual Accountability

Performance Management

Performance management is the basis from which IT value is measured and communicated to the VA business community. The lack of a consistent, enterprise performance management program puts the OneVA mission at risk by its inability to identify performance shortcomings and re-alignment necessary to drive IT initiatives.

The VA must develop a performance management program to complement the OneVA mission objectives. Performance management must be based on industry comparable performance levels and have at its core:

- Common measurement objectives, definitions and reporting structures built on a balanced scorecard approach
- Transparency in reporting to gain credibility and foster change
- Integration with the IT service catalog in addition to operational process maturity, and governance model execution

Culture and Norms

In the current state, culture is created by history and precedent. Culture then shapes how the organization actually works. Leaders cannot change culture and norms directly. Short of an overwhelming crisis, the power of precedent — “how we do things around here” — is far more powerful than any executive’s orders.

Fortunately, though, leaders can control how an organization works. And changing how your organization actually works — revising how power and money flows across the organization, recasting how the underlying processes are linked together, and reinforcing and rewarding desired behaviors — will, over time, lead to improvements in VA’s culture and norms.

The team envisioned four norms that the VA could consider as target states to support the centralization option:

1. Drive for Alignment and Consistency — Virtually everyone with whom we spoke agreed that alignment and consistency are beginning to emerge across VA IT. However, the pace of change needs to significantly increase to achieve alignment and consistency in the targeted areas of operations. Communications is critical during the transformation process.
2. Focus on Value and Stewardship — VA IT needs to better align the organization around the notion of Value For Our Vets. This begins with a renewed commitment to becoming measurably more efficient in the allocation and use of resources while increasing accountability for IT investments through executive-driven governance.
3. Focus on Process and Outcomes — Our "As-Is" analysis indicates that VA IT personnel rely excessively on personal relationships to get things done. VA IT needs to foster consistent processes across all IT functions and must commit to a common set of performance outcomes and metrics.
4. Drive for Mutual Accountability — Personal integrity and commitment to mission is observed across VA IT. However, VA IT needs to balance accountability for mission and accountability for the resources that are used to accomplish this mission. Better-defined processes (e.g., SDLC, ITIM, EA, delivery processes) support this emerging norm.

The Toppallant Partners/Gartner Transition Plan

The transition to any new organizational model will be difficult. Several formation guidelines have been defined to guide the VA's effort to the recommended centralization model:

- Minimize interruption to VA mission activities by managing risk inherent with change. This of course means no interruption to healthcare delivery and no slowdown or stoppage of benefit payments and servicing veterans
- Control change through formal, programmatic and executive-endorsed approach across clearly-defined work streams (e.g., EIB/budgeting, SDLC, service delivery, workforce planning)
- Authoritative team to monitor PMO and provide "ombudsman" for issue escalation
- Drive as fast as possible to new organizational structure (target 2007 budget cycle for implementation of new governance process on key IT investments)
- Recognize and resolve barriers to change; Be inclusive — drive change within and throughout VA, not through top down messaging alone
- Measure progress against a "Case for Change" to guide reprioritization of effort as well as staff communications
- Increase control of IT investments through centralization of VA's ITIM process and strengthened governance to better guide staff activities

These guidelines allowed us to frame a transition approach along four stages as follows:

Stage 1: Mobilize for Change (Estimated Duration: 30 days)

To minimize risk in implementing a new organization, this stage prepares VA for transformation by establishing the Transformation Program Office (PMO). This effort includes building the "Case for Change" — packaging of change for broad consumption throughout the VA by all staff, framing an IT operating model, establishing PMO governance, building the ongoing communications plan, and appointing the team to lead the program office.

Stage 2: Build the Foundation (Estimated Duration: 120 days)

To build the underlying framework for organizational transformation, this stage defines the IT operational, financial and management processes to manage the transformation to the new VA IT operating model. Also, workforce plans are developed into a single responsibility. The stage ends with a "community event" to roll out operating model to top ~500 IT managers.

Stage 3: Implement the Transition (Estimated Duration: 120 days)

To transform the organization to new VA IT operating model, the new organization structure is implemented and staff are re-assigned to new responsibilities; new operating model processes are piloted (e.g., SDLC, delivery processes); and, plans to rationalize hard assets (e.g., networks, servers, data centers) across all VA organizational entities is initiated.

Stage 4: Optimize for Value (Estimated Duration: on-going)

To realize Value For Our Vets, VA staff refine service delivery processes, workforce capabilities, and organizational responsibilities for continuous improvement of IT service delivery; performance measurement reporting provides feedback regarding needed changes.

Mr. Chairman, this concludes my statement. Thank you again for the opportunity to discuss such an important matter to support our veterans. I would be pleased to respond to any questions that you or other members of the Committee may have at this time.

Gartner Organization Disclosure

Gartner, Inc. is the leading provider of research and analysis on the global information technology industry. Our goal is to support enterprises as they drive innovation and growth through the use of technology. We help clients make informed technology and business decisions by providing in-depth analysis and actionable advice on virtually all aspects of technology.

Gartner clients trust in our rigorous standards that safeguard the independence and objectivity of our research and advice. With \$894 million in revenue in 2004, and more than 45,000 clients and 75 locations worldwide, we are the clear market leader.

Gartner serves a global client base consisting primarily of chief information officers (CIOs) and other senior IT and business executives in corporations and government agencies. We also serve technology companies and the investment community.

Armed with trusted advice provided by Gartner, our clients can make better and more confident technology decisions that will enhance the performance and cost-efficiency of their IT infrastructure or support strategic business objectives such as innovation, growth or competitive advantage. We play a unique role in the marketplace, analyzing vast amounts of information on IT supply and demand. This analysis not only allows technology users to make smarter purchasing decisions, it also helps technology companies create products that better serve users' needs. Furthermore, by helping to make technology more valuable to our client organizations, we also make executives more valuable to their enterprises.

The foundation for all Gartner products is our independent research on IT issues. The findings from this research can be delivered through several different media, depending on a client's specific business needs, preferences and objectives:

- Gartner Intelligence — research content and advice for IT professionals, technology companies and technology investors in the form of reports, briefings or events.
- Gartner Executive Programs — peer networking services and membership programs designed specifically for CIOs and other senior executives.
- Gartner Consulting — customized engagements that allow CIOs and other business executives to apply our knowledge to their specific situation, with an emphasis on outsourcing, performance improvement and IT management

Gartner provides customized project consulting and strategic advice to CIOs and other senior business executives. Our consulting services are provided by 550 senior consultants and focus on selected areas that are critical to clients today. Unlike many competitors, Gartner does not offer implementation services that would compromise our independence and objectivity.

In addition to supporting the majority of the Fortune 500 commercial organizations, Gartner is also highly experienced in developing IT solutions that meet the unique challenges faced by federal agencies as they attempt to serve the public's needs. Budgeting, procurement and re-engineering are just some of the issues Gartner consultants have addressed in the public sector arena.

Our business with the VA across all its product lines (and inclusive of META Group) is approximately US\$463,000 in fiscal 2004 and US\$1,068,000 in fiscal 2005.

Witness Biography

Michael Pedersen is a Managing Vice President at Gartner Consulting, where he specializes in IT governance, value management (balanced scorecards, IT investment management) and organizational redesign — services that support the performance improvement efforts of IT organizations. His skill is in applying leading go-to-market practices at large, end-user organizations to support a business-oriented approach to IT service delivery. His responsibilities at Gartner Consulting involve managing its Eastern region consulting organization including business development, client delivery and associate development.

Mr. Pedersen joined Gartner in April 2005 with the acquisition of META Group, where he spent 11 years. He most recently led its Americas region consulting business, reporting directly to its CEO. Previously, he worked at Ernst & Young and Booz-Allen Hamilton in technology planning capacities for commercial and government clients. Mr. Pedersen received a B.S. in physics from Clarkson College of Technology in 1983 and an M.S. in computer science from Brooklyn Polytechnic in 1988.