Governance and Management: Understanding with a Systems Imagination

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UNDERSTANDING WITH A SYSTEM'S IMAGINATION

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ABSTRACT

The popular imagination envisions governance as the processes that set policies that define what the organization will do, and management as the processes that set the policies of how the organization will do its activities. It is not uncommon for the popular imagination to comingle this organizational *what* and *how*, i.e., governance and management are synonymous. This research a different instrument, systems theory, to observe governance and management. The research posits 1) that an organization consists of three peer components: governance, management, and operation; 2) that *governance* is that portion of an organization that provides the *framework for decision rights and accountability* whose goal is the *enactment of desirable behaviors* that produce value from the organization's assets; 3) that *Management* is that portion of an organization that provides the *framework for structuring, overseeing, and directing* whose goal is the *operation of desired processes* that use the organization's assets; and 4) that *operations* is that portion of an organization that *implements the management framework* with the goal of *producing value* from the organization's assets.

Governance is but one part of the strategic fit between business and IT. Strategic alignment, the linkage between business and IT processes, infrastructure, and governance, is one of the most important but elusive tasks managers face today. There is a high degree of consonance between the various activities of the IS function and the strategic direction of the firm. Governance has a direct impact on the firm's strategy development and performance, which is difficult to achieve due to the complex relationship between management stockholders, the Board of Directors, and IT professionals. Government regulations, alliances with strategic partners and project selection and prioritization issues make governance a difficult task, particularly in highly competitive industries.

This qualitative research observed the Virginia Department of Transportation (VDOT), a state agency with over 7,500 employees and a budget of over $5 billion, and found that the characteristics of a system - differentiation, teleology (goal-seeking or purposeful), hierarchy, holism, interrelatedness, regulation, and transformation – apply to VDOT. Therefore, the research posits that the whole of VDOT is composed of three components (governance, management, and operations) and that the system's characteristics (e.g., differentiation, holism, interrelationship, and teleology) of each of these components provides a distinct meaning of governance and management (i.e., *what to do* and *how to do it*).

The research proposes the Governance-Management-Operations Model (GMOM). GMOM casts governance as the organization's component that produces the policies and authorization that stipulate *what* to do with the organization's vital assets. The management component uses the governance component's products to stipulate *how* an organization uses its vital assets, and operations use these management products to *use* the organization's vital assets. Importantly, GMOM identifies that the auditing (internal and external) and the monitoring functions provide feedback to the management and governance components. Differing from prior research, GMOM provides an instrument, *encapsulated complexity*, that enables the focused observation of governance and management within the appropriate organization context, e.g., organization-wide, functional area, technology.

Keywords
Systems Thinking, Governance, Management