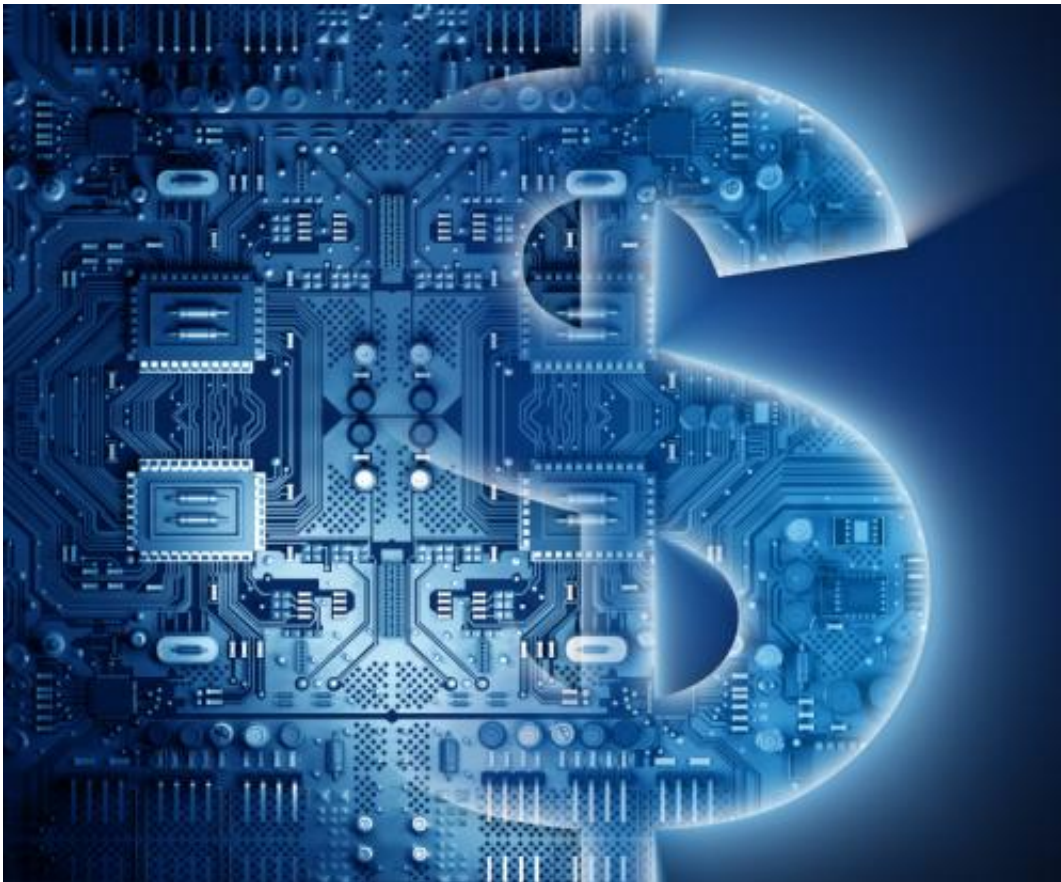


Do government technology investments pay off?

March 30 2015, by Greta Guest



Studies confirm that IT investments in companies improve productivity and efficiency. University of Michigan professor M.S. Krishnan wondered if the same was true for government.

After all, IT [spending](#) could either lead to efficiency or create bureaucratic bloat. New research by Krishnan, professor of technology and operations at the Ross School of Business, and two Ross Ph.D. alumni shows how it actually plays out.

An analysis of [chief information officer](#) IT budgets for all 50 [states](#) from 2001 to 2005 showed a noticeable payoff. Every \$1 of increased IT spending by a state CIO led to a \$3.49 reduction in overall state expenditures.

It's one of the first studies to examine the impact of IT spending in the U.S. public sector. The findings can help inform state governments, which shoulder an increasing burden to pay for services. State-level spending as a percentage of GDP has nearly doubled in the past 30 years, making efficiency even more critical.

"We're not finding the empire-building you sometimes get when an institution gets carried away with technology," Krishnan said. "Overall, the IT [investments](#) pay off."

Krishnan and colleagues studied states because, unlike different branches of the federal government, states spend money on similar services. The data show states, in general, made good use of the [efficiency](#) from increased IT spending. Spending on education, police, and recreation increased while administrative spending in areas like finance, human resources, and facility management decreased.

What's more, transparency also increased while monitoring costs went down.

"IT investments tend to increase transparency because monitoring becomes easier and there's self-correction when everyone can easily see what you're doing," Krishnan said.

More information: "Do CIO IT Budgets Explain Bigger or Smaller Governments? - Theory and Evidence from U.S. State Governments," *Management Science*

Provided by University of Michigan

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