Mission Critical – Getting Through a Successful ERP Implementation

Pre-Conference Session
February 20, 2018

Presented by:
Terry Hackelman
Senior Vice President
NexLevel/SDI Presence
www.sdipresence.com/nexlevel

Phil Bertolini
Deputy County Executive/CIO
Oakland County, Michigan
www.oakgov.com/it/presentations
Agenda

- 9:00 – 9:30 AM  Introductions and Opening Comments
- 9:30 – 10:30 AM  Selection Process
- 10:30 – 10:45 AM  Break
- 10:45 – 11:45 AM  Selection Process (continued)
- 11:45 – 12:30 PM  Lunch
- 12:30 – 1:30 PM  Implementation Best Practices
- 1:30 – 1:45 PM  Break
- 1:45 – 2:45 PM  Implementation Best Practices (continued)
- 2:45 – 4:00 PM  Round Table Discussion
Who We Are

Name
Phil Bertolini
Position
Deputy County Executive/CIO, Oakland Michigan
Years of Experience
Over 30 years of overseeing the development of unique government technology programs.

Name
Terry Hackelman
Position
Senior Vice President at NexLevel
Years of Experience
Over 25 years of successfully planned, managed, developed, and implemented innovative technology solutions for public and private sector clients.
Why Are We Here?

• ERP projects are expensive and risky to implement and maintain
• Agency technology portfolios are complex, and the ERP system is a central component
• Change is constant...technology is not going anywhere!

*Finance leaders must take a proactive role in procuring, implementing, and maintaining ERP technology*
WHY does Government exist?
Provide

Serve

Help
Do what others will Not Do
What some people think of government

Government is so much more!
“Government exists to protect us from each other. Where government has gone beyond its limits is in deciding to protect us from ourselves.”

- Ronald Reagan
  40th President
  United States of America
WHY More

With Le$$
Doing Less

With Le$$
Requires Change
People don’t like change
ERP Overview
Typical ERP Scope

- Scope can vary significantly depending upon needs
- Core functions are critical and provide the foundation for all other modules
- Should be considered from an enterprise perspective
- Evaluate trade-offs
- Recognize department needs
Technology Foundation

- Infrastructure layer
- Functions
  - Backup
  - Disaster Recovery
  - Monitoring (servers and network)
  - Virus/Spam
  - Security
  - Performance
  - Capacity Planning

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Enterprise Enabling Technologies

- Email
- Document Management
- Geographic Information Systems (GIS)
- Website
- Intranet
- Reporting/Analytics/Dashboards
- Mobile Platforms
User Access Devices

- Desktop
- Laptop
- Tablet
- Phone
- Radio
Technology Value Framework

Current Challenge for Many Agencies

Leverage

Shared Infrastructure (Servers, Storage, Network) and Management Tools

User Infrastructure (Desktops, Printers, etc.) and Office Software

Enabling Technologies (Document Management, etc.)

Business Applications (ERP, etc.)

Future Desired State

Decision Support / Analytics

Cumulative Total Cost of Ownership (CTCO) for IT

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Key Technology Enablers for the ERP System

- Electronic Workflow
- Document Management
- Email
- Mobile Devices
- Reporting Solutions
- Intranets
ERP Benefits

• Provide a single, comprehensive, and integrated solution
• Streamline business processes to take advantage of best practices through automation, integration, and workflows
• Provide a user-friendly and intuitive user interface to promote system use, productivity, and to minimize the need for training
• Eliminate the need for redundant data entry
  – Eliminate the need for “offline shadow systems” including spreadsheets, etc.
• Provide enhanced reporting capabilities to improve decision making
• Improve and provide reports and data access through inquiry or drill down capabilities
• Provide interface capabilities with third-party systems
Procuring an ERP System
ERP Procurement Objectives

- Identify the best fit solution
- Build the foundation for a successful implementation
- Ensure a strong vendor agreement
- Set and manage expectations
- Identify opportunities to streamline...and prepare the organization to make a change
- Obtain staff buy-in

**Analyze, Plan, and Prepare – Go into the implementation with your eyes wide open!**
ERP Procurements

• ERP procurements are risky
  – A bad procurement jeopardized a good implementation
• There are no shortcuts
• Requires enterprise involvement
• Be prepared to make tough decisions
  – With less than perfect or full information
ERP Procurements Must Consider

Technology

People

Process
ERP Procurement about Knowledge Accumulation

Knowledge of Current System Environment, Best Practices, Solutions and Implementation Needs

Initiate

01

Requirements

02

RFP

03

Select

04

Negotiate

05

Time

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2018 CSMFO Annual Conference - Pre-Conference Session
Mission Critical – Getting Through a Successful ERP Implementation
Procurement Framework

- Important to recognize procurement phases
- Specific activities assigned to each
- Roles and responsibilities (IT, Vendor, Finance, Department)
Procurement Framework

- Recognize the procurement is a “Project”
- Identify Project Sponsorship and Stakeholders
- Implement Project Governance and Project Charter
- Obtain commitment of key resources
- Conduct enterprise-wide kickoff

“If you don’t have time to do it right the first time, how do you have time to do it again”
ERP Procurement Roles

- Project Sponsor
- Project Stakeholder(s)
- Project Manager
- Functional Leads  
  - Finance, payroll, HR, etc.
- Subject Matter Experts
- Technical Lead
- Procurement Lead
Procurement Framework - Requirements

- Get functional and department staff involved
- Focus on “high priority” and “unique” processes or requirements
- Requirements include:
  - Business
  - Technical
  - Interfaces/Integration
  - Conversion
  - Implementation
Requirements – What to look for?

• Maximize resources - ensure people and technology work collaboratively
• Simplify and streamline processes
• Collect and enter information once
• Reduce manual or paper-based processes
• Integrate policy and business rules into system
• Reduce or eliminate offline systems/spreadsheets
Procurement Framework - Procure

• Create market awareness
• RFP provides the foundation for the final agreements
• Execute effective scripted demonstrations
• Consider total cost to implement (TCI) and total cost of ownership (TCO)
• Conduct reference checks and on-site visits
• Re-visit Project Charter
ERP System TCI and TCO

• Total Cost to Implement (TCI)
  – Software
  – Hardware
  – Integration
  – Configuration
  – Conversion
  – Training
  – Backfill
  – Legacy Vendor Services
  – Documentation

• Total Cost to Own (TCO)
  – Maintenance and support
  – Upgrades and enhancements
Possible Vendors

ERP

...and more!
Procurement Framework - Negotiate

- Clearly identify
  - Scope
  - Phases/Timeline
  - Acceptance Criteria
- Insist on “holdback” based on acceptance
- Incorporate by reference prior work (i.e. – RFPs; specifications)
Consider Implementation Risk Areas During Negotiations

- Budget
- Timeline
- Data Conversion
- Interfaces/Integration
- Customizations
- Chart of Account (COA)
- Reporting
- Travel
- Agency Level of Effort
Considerations for Implementations

• Establish the reason and enlist support
• Staff the project for success
• Agency-side PM important
• Empower staff to make decisions
• Plan and use backfill
• Requirements gathering is a collaborative process
• Expectation management starts from the outset
• Communicate constantly
• Success requires maintaining momentum
Procurement Timeline

• There is no “typical” timeline
  • Schedule is dependent on staff availability, vendor activity, organization priority, complexity, and other factors
Key Takeaways

Expectation Management

Momentum

Collaboration

Transparency
Are You Ready For Implementation?

<table>
<thead>
<tr>
<th>Elements for ERP Implementation Readiness - Success</th>
<th>Transformation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision</td>
<td>Motivation</td>
</tr>
<tr>
<td>Motivation</td>
<td>Skills</td>
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Getting Through A Successful ERP Implementation

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Introduction/County Stats

- Phil Bertolini, Deputy County Executive/CIO
  - 30 years of government experience
  - Responsible for IT, Business Continuity and Facilities
  - Former Equalization Administrator/MMAO

- Oakland County Stats
  - 910 Square miles
  - 62 Cities, Villages and Townships
  - 1.2 million residents
  - 82 departments and divisions of county government
  - County Executive form of government with 21 Commissioners
This course will focus on the skills necessary to effectively implement a robust ERP platform.
Where Does a Project Start

• Joint Decision Making
  – Work together with functional partners
• Involvement of Top Decision Makers
  – Involve the entire “c” suite
• Standard Evaluation Method
  – Shared understanding of how the project will be judged
• Screen for Technical Considerations

*IT Budgeting and Decision Making, Chapter 11*
Where Does a Project Start (cont.)

• Formal Business Case Made
  – Must understand the tangible and intangible benefits
• Partnership with Finance Office
  – Working together to understand the financial impact
• IT Strategic Plan
  – Multi-year plan for technology

*IT Budgeting and Decision Making, Chapter 11*
Strategic Plans

• Do you have an IT Strategic Plan?
• Define the mission of the entire organization
• Plan to develop enabling technologies that solve the problems
• 2 to 3 years in length
• Overarching document to guide IT forward
• It is a living document that takes care and feeding
• Ensure every project undertaken ties back to plan

IT Budgeting and Decision Making, Chapter 11
IT Business Cases

The Essentials

• A Return on Investment Analysis (ROI)
• A Standard Set of Evaluation Criteria
• Alignment and Integration with Budgeting Process
• Intra-organizational Cooperation
• Accountability for Results

*IT Budgeting and Decision Making, Chapter 11*
Developing IT Business Case

- Clearly Understand Vision and Goals
- Evaluate Existing Systems
- Identify Alternatives
- Run the Numbers
- Establish Performance Measures
Oakland County Process

- Develop a Scope and Approach Document/ROI
- Clearly identify the Tangible and Intangible Benefits
- Gain Leadership Group (LG) approval to do a project sizing
- Gain LG approval to include the project in the IT Master Plan
- Funding must be determined prior to LG approval
Build it ONCE
pay for it ONCE
& EVERYBODY benefits
### ROI Analysis of Virtualization Project

<table>
<thead>
<tr>
<th>Description</th>
<th>Year 1</th>
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<tbody>
<tr>
<td><strong>Benefits/Savings</strong></td>
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<tr>
<td>Tangible Benefits Subtotal</td>
<td>$1,287,390</td>
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<tr>
<td>Cost Avoidance Subtotal</td>
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<tr>
<td><strong>Costs</strong></td>
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<tr>
<td>Development Service Subtotal</td>
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<td>Hardware Subtotal</td>
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<td>Software Subtotal</td>
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<td>Infrastructure Subtotal</td>
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<td><strong>Annual Statistics</strong></td>
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<tr>
<td>Annual Total Savings</td>
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<td>Annual Total Costs:</td>
<td>$1,250,300</td>
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<td>Annual Return on Investment:</td>
<td>$37,090</td>
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<tr>
<td>Annual Costs/Savings Ratio:</td>
<td>97.12%</td>
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<tr>
<td><strong>Year Positive Payback Achieved</strong></td>
<td>Year 1</td>
</tr>
</tbody>
</table>
IT Planning Process

Planning for technology projects is a “long distance” race and not a “sprint”.

Careful planning and strong project management will help IT be successful.

*Running the Government Race 2010*
IT Planning Process

- Must involve partners to ensure buy-in
- 2 year planning timeframe
- Develop committees/leadership groups consisting of partner community
- Develop strong processes and standards
- Led by Project Management Office (PMO)
- Develop mentorship and guidance

*IT Budgeting and Decision Making, Chapter 11*
Project Management

- Do you know what Project Management means to your organization?
- Do you have strong Project Management in your organization?
- Why should an organization invest in Project Management?
Project and Portfolio Management (PPM)

• Creation of a Project Management Office (PMO) may be necessary to lead the effort
• Must meet with key stakeholders to understand their business and their needs
• Must understand the overall needs of the organization
• Approve the project charter and manage resources
• Assess and mitigate risks
PPM Critical Success

- Secure top management commitment
- Understand that implementation is a business change effort
- Devote the necessary resources
- The Project Manager rules
- Set clear goals, scope and expectations
- Track project progress, results and scope
- Communicate effectively and often
- Understand and address risks
- Control project scope and minimize disruptions by managing change
- Test every way you can
Build vs. Buy

**Build**

- **Strategic Direction**
  - What resources exist
  - Do we want to build?
- **Cost**
  - Software, Hardware, Licensing, Labor
  - Ongoing Maintenance
  - Total Cost of Ownership

**Buy**

- **Strategic Direction**
  - Do package offerings exist?
  - Do we have the skills to implement?
- **Cost**
  - Software, Hardware, Licensing, Labor
  - Ongoing Maintenance
  - Total Cost of Ownership
Insourcing vs. Outsource

• Insourcing & Outsourcing are potentially valuable tools for IT service delivery
  • Right sourcing will benefit the IT organization
  • Must rationally evaluate the outsourcing opportunities
    o Drive down costs
    o Effectively leverage human resources
• Sourcing can range from little or no effective policies to being an integral part of an organizations success
• Complete outsourcing is not recommended
Systems Integrations

• Enterprise IT Systems touch numerous operational systems
• Integrations must be carefully thought out due to costs
  – Development Costs
  – Maintenance Costs
  – Versioning Costs
• Shadow Systems must be replaced or minimized
• What operational units NEED and not what they WANT
• Steering Committee must have final decision on integrations
Software Licensing and Maintenance

• Licensing Models vary depending upon hosting model
• Terms and Conditions must be carefully negotiated
• Cloud Procurement Ts&Cs are identified in the Center for Digital Government’s paper titled “Cloud and As-A-Service Procurements”
• Long Term support model may change over time
Infrastructure Needs

• Infrastructure needs depend on hosting model
  – Internally Hosted
  – Externally Hosted
  – Cloud Hosted

• Buy for tomorrow and not just for today
  – Capacity Planning
  – Future Growth

• Disaster Recovery and Business Continuity
  Recovery planning important

• Engage third party experts
On Premise vs. Cloud

• Costs vary greatly for on premise versus the cloud
  – Up front startup costs
  – Ongoing maintenance costs
• Capital Expenses versus Operating Expenses
• Redundancy
  – On premise and secondary location
  – Cloud locations across nation
• Connectivity
  – Lack of speed kills
Training

- Technical training should start early in the process
  - Technical and project management training
- Training of operational unit staff should commence shortly after initial purchase
  - National conferences
  - Onsite and offsite training
  - Ongoing refresher courses
- Training never stops
  - Technology and Business Processes change over time
Oakland County Vision

- Visionary Leadership
- Doing More with Less
- Using Technology to Improve Business Processes
- Driving Change Throughout the Organization
ERP Vision

**E-Financial System Implementation Project**

- Cost Savings/Avoidance
- Streamlined Operations
- Early Pay-Back
- Business Process Re-engineering
Use Case

PeopleSoft Financials: Planning, Approval & Implementation

- PeopleSoft Enterprise Human Resources and Payroll software – used for 5 years successfully
- PeopleSoft financial, supply chain, and self-service solutions implemented 2004-2006

Wm. Art Holdsworth, Deputy Director
Department of Management and Budget
Project Scope

Phase 1

• HR upgrade, with new-service/eApplications, Time and Labor, End-User Productivity Kit, and Portal

Phase 2

• PeopleSoft Enterprise Financial Management, Supply Chain Management, and Analytics
Existing Technology vs. New Technology Decision Point

- Limitations to existing technology (aging)
- Risk (existing was unsupported)
- Cost of ownership rising with existing
- Change in accounting standard requirements
- Software adherence to best business practices
Total Cost of Ownership – Gap & ROI Analysis

- Timeline
- Discovery – Document usage and identify needs
- Goal – Identify cost savings opportunities
- Metrics – Time to complete task (Old process vs. New process)
- Result – 500 GAPs
Total Cost of Ownership
Anticipated Benefits & Measurements

- “Self-service” access to information by staff and constituents via portal
- Elimination of KPMG Performance Series administration and support costs
- Reduction in hardcopy reporting and distribution costs
- Increase in usage of self-service portal
- Expenditure reduction for support services
- Reduction in printed reports
- Increase in downloads of reports from the portal and PeopleSoft systems
Anticipated Benefits & Measurements (cont.)

- Elimination of standalone and shadow (duplicative) systems to reallocate staff time
- Elimination of custom systems
- Reallocation of staff time from portal use
- Checklist of systems to “turn-off”
- Reduction in security administration databases
- Reduction in Support Center calls
Anticipated Benefits & Measurements (cont.)

Enhanced, proactive supply chain management
• Increased number of bidders
• Increased % of purchases via Web
• Enhanced turnaround time for RFP/bid process
• E-catalog purchasing by departments with pre-approved, negotiated pricing
• Statistical analysis-based reduction in poor performing vendors
• Enhance early payment discount realization
• Optimization of purchase quantities
From Installation to Implementation

- Support
- Training
- Knowledge base
- Enhancements
- Cost
Communication Plans

Goal
• Seek project approval and level-set expectations

Why?
• Critical system for running County business
• Every financial transaction affected
• People-intensive process
• Significant risk
Communication Plans

Channels

• Steering Committee
• Cross-functional project management team
• Stakeholders participation
• Stakeholders
• Executive Staff
• Legislative Branch
• Employees
Implementation

• **Implementation Team & Project Management** – hybrid of functional and pyramid approach

• “Hot Skills” Pay

• **Business Process Re-engineering (BPR)** – data collection and data processing

• **Vanilla Implementation** – accommodations and customizations

• **Selective Outsourcing** – RFP requirements, certifications, references, etc.
Realizing Business Value

**Successes**

- Managed expectations through established communication channels and training
- Tracking benefits after implementation/measuring results over time
  - Quantify efficiencies
  - ROI
## ROI Analysis of ERP Project

<table>
<thead>
<tr>
<th>Description</th>
<th>Year 1 through 6</th>
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<td>Benefits/Savings</td>
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<td>Tangible Benefits Subtotal</td>
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<tr>
<td>Cost Avoidance Subtotal</td>
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<tr>
<td>Costs</td>
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<tr>
<td>User &amp; IT Development/Labor Subtotal</td>
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<td>Hardware Subtotal</td>
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<td>Software/Licensing Subtotal</td>
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<td>Contingency Subtotal</td>
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<tr>
<td>Benefits vs Costs</td>
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</tr>
<tr>
<td>Total Benefits/Savings</td>
<td>$20,644,543</td>
</tr>
<tr>
<td>Total Costs:</td>
<td>$18,449,080</td>
</tr>
<tr>
<td>Total Return on Investment:</td>
<td>$2,195,463</td>
</tr>
<tr>
<td>Costs/Savings Ratio:</td>
<td>89.37%</td>
</tr>
<tr>
<td>Year Positive Payback Achieved</td>
<td>Year 6</td>
</tr>
</tbody>
</table>
# Realizing Business Value

**Costs:**
- Year 1: $4,789,238
- Year 2: $6,474,928
- Year 3: $5,656,528
- Year 4: $468,838
- Year 5: $516,853
- Year 6: $542,696

**TOTAL: $18,449,080**

**Benefits/Savings:**
- Year 1: $1,253,200
- Year 2: $339,335
- Year 3: $2,799,857
- Year 4: $4,116,684
- Year 5: $5,270,008
- Year 6: $6,865,459

**TOTAL: $20,644,543**
Realizing Business Value

Cost and Benefit/Savings (6-years):

Total Cost of Ownership: $18,449,080
Total Benefit/Savings: $20,644,543
Cumulative ROI: $2,195,463

Cumulative Cost/Savings Ratio: 89.37%

Payback occurs: Year 6
Intangible Benefit: Customer service responsiveness improvement
Realizing Business Value

**Lessons Learned:**

- Adoption/pushback (passive/aggressive)
- Aggressive timeline/stressed operations
- Knowledge transfer (business/technological)
- Ongoing costs/funding methodology
- Dependency on implementer
Not Again!!

Oakland County, MI

Another ERP in the works!

Ugh!!!!
3 Key Elements of Technology

1. Leverage technology dollars across entire enterprise
2. Focus on business re-engineering, not technology implementation
3. Business drives technology, technology does NOT drive business

Technology is the easy part!
1 What have I learned?

Many have no idea what an ERP is
What have I learned?

You will live with this
decision for years to come
3 What have I learned?

Communication is everything!
What have I learned?

Educated Stakeholders will make or break the project
What have I learned?

Technology is the easy part
What have I learned?

The operational units will suffer during the change
What have I learned?

The scope of the business changes may be massive.
What have I learned?

The ROI may not be in hard dollars
What have I learned?

There are no shortcuts to ERP success
What have I learned?

It is all about the PEOPLE!
Thank you for attending?