State and local government ERP transformation: business led, technology enabled
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A recent EY survey shows that 61% of large government transformation efforts, including enterprise resource planning (ERP)-enabled transformations, fail to fully meet agency goals and objectives.

What did the “other 39%” do right? How do state and local governments make sure they manage the risks and get the benefits from their ERP technology investments while improving their operations?

ERP-enabled transformation is a top issue for governments today, with many states running legacy ERP systems that are reaching end of life. These systems will require upgrades to more modern ERP platforms, with many organizations choosing SaaS-based solutions. Software vendors are urging clients to plan to sunset on-premises versions and convert to modern cloud offerings within the next several years. Given the long procurement, budget and migration considerations, now is the time to start.

Technology-forced migrations can often result in IT teams leading ERP implementations with a siloed-focus approach. This typically is a result of not starting ERP transformation efforts well in advance of sunset dates or a result of challenges working across organizational silos. A technology-only focused approach is a large contributor to the 61% of program failures in not delivering the enhanced business capabilities outlined in the ERP business cases.

In our research of what has made ERP programs successful, we found that the other 39% focus on both technology and business, implementing the transformation with a business-led approach. This “business-led, technology-enabled” ERP approach puts the business of government at the center of the ERP program, resulting in better management of the transition and risk, and contributes to more successful implementations.
Mitigating the risk of ERP programs

Due to the cost and complexity of ERP programs, governments must effectively mitigate the risks that lead to failed ERP investments or projects being stalled or stopped with costly and painful consequences. The following imperatives can mitigate the risk of a costly failed or stalled ERP transition.

1. Reap the benefits of leading practice design. Many government organizations have current business processes that evolved around technology limitations creating current state processes that are suboptimal. Starting with leading practice process templates supports increasing the benefits from an ERP-enabled transformation. According to Panorama Consulting Group’s 2019 ERP Report, 50% of organizations expect a benefit realization by adopting ERP leading practices into processes; about 90% of those realized this benefit.

2. Source the required talent and ready the business. A road map without consideration of business readiness and a talent plan is incomplete. Think about what type of internal and external resources are needed to be ready for the transformation. Improve the transformation potential of ERP through robust organizational change management practices to engage the organization in pressure-testing design, value and usability.
3 Build in risk and controls from the onset.
New processes must proactively consider how to provide the accuracy, visibility and control expected of all government agencies. A simple risk and controls structure that assesses and monitors risks throughout the ERP implementation supports effective risk mitigation, adaptive planning and project management rigor.

4 Adopt not adapt. A key design principle is to start with the out-of-the-box (OOTB) functionalities and challenge why a deviation is required. The design should focus on the required configuration rather than customizing the technology to fit the current state processes.

5 Deploy in an agile way. A key to success is creating a digestible program of work that delivers value on an ongoing basis and avoids the pitfalls of traditional waterfall programs. Design and build solution elements in tranches to expedite delivery.

6 Integrate technology, processes and data design. It is important to understand the link between the data and data model design. Involving key subject-matter resources from the outset with regular review points will limit rework. Consider how the key dimensions will interact with each other to remove duplication but also to enhance the design. Validate the data model against the outputs of the system to limit rework once the report build begins. Roll out standard processes supported by a standard technology solution, selecting single tools and applications to meet the business requirements.

7 Baseline the target operating model vision used to drive the transformation journey. Conduct a target operating model impact assessment across core business teams and processes, supported by a baselined and syndicated view of the total cost base and associated assumptions, creating a quantified view of potential benefit opportunities, as well as ancillary and qualitative benefits.
EY ERP implementation approach

Our focus on business engagement, readiness and training (people and organizational change) prepares the business for the new platform. Our business-led approach to process design, enabled by leading practice functionality within your selected ERP platform, identifies and addresses the business adoption challenges necessary to avoid over-customization.

We have a proven methodology, Scan-Focus-Act, to design and facilitate collaborative sessions to drive innovation, design and alignment. The format is focused and intensive to efficiently employ scarce subject-matter resources to align and gain agreement on targeted improvements and designs.

We bring our finance and industry experience balanced with technical knowledge to accelerate and increase benefit-creation opportunities enabled by your selected ERP platform. This helps teams drive integration discussions and translate interdependencies into a single blueprint for implementation. This blend of functional and technical experience will align stakeholders to meet business transformation objectives within the intended timeline.

Our focus on controls and risk management recognizes the contribution these elements bring to the ultimate success of your program and help reduce design and implementation risk.

Figure 1:
EY approach to ERP-enabled transformation

### EY approach

**Business Integrator**
- Undertake a business assessment to define a standardized process catalog, standardized chart of accounts and supporting control framework
- Hold a series of enterprise design workshops attended by all key process owners to define the key design decisions and align approximately 80% of the global processes to OOTB functionality
- Define the remaining 20% of local variants, primarily legal, tax, regulatory and reporting, as part of the ERP rollout schedule
- Define the business engagement and readiness approach in parallel with the design, identifying the key change, awareness and training activities necessary for a successful go live
- Empower local change teams and agency representatives to obtain their buy-in

**System Integrator**
- Provide early solution visualization in support of effective business engagement and informed configuration choices
- Undertake the build within an agile and iterative methodology, building out from a predefined baseline configuration and validating the solution in business playbacks
- Define the core enterprise configuration supporting a common set of standardized processes and controls
- Define a unified data model for the organization to provide consistent information capture and reporting
- Perform the migration of solutions in a controlled way; confirm data legislation and retention rules are met

### Business value

**Business Integrator**
- Dedicated financial services practice with deep business understanding
- Multidisciplinary team able to cover all operating model requirements with an in-depth understanding of how technology change is underpinned by robust processes and controls

**System Integrator**
- EY assets, tools and accelerators to expedite delivery timelines and create efficiency in the delivery journey and road map
- Proven and tested approach and methodology to de-risk the technology transformation and solution
- Workshop-driven approach with iterative solution prototyping
EY Risk Navigator is a cloud-based risk management service developed by the EY organization to rapidly deploy continuous risk monitoring and leverages our extensive risk and controls experience to enable risk monitoring capabilities for ERP programs. This tool combines industry-leading key risk indicator analytics with industry-tested access and process control monitoring for most ERP platforms.

The EY approach supports both the Business Integration and System Integration of the cloud-based ERP approach. Figure 2 below highlights the key differentiating factors in the EY approach that deliver increased business value to our clients.

Our approach promotes adaptive planning and facilitates interaction, communication and the realization of business benefits sooner through an agile scrum framework. It also recognizes the value of a clear plan, vision and budget before development work starts. Therefore, we have developed a hybrid model that combines the benefits of a traditional waterfall and an agile scrum approach. This facilitates business transformation incrementally toward an agile culture, while recognizing that implementing full agile in a large program or organization could be a “culture shock” and lead to failure of the agile approach.
Delivering value to EY clients

Our clients have experienced success by leveraging our approach. We have provided our clients with a clear method that seamlessly integrates business integration and system integration activities. The EY technology experience has a deep understanding across ERP technologies and a proven track record of credentials. We focus on reducing technology customizations to enable transformation and deliver better, faster and cost effective services to our stakeholders.

Beyond ERP

Beyond the value delivered from ERP cloud approaches, many EY clients are also using ERP transformations as an opportunity to integrate complementary emerging technology to enhance organizational capabilities across diverse networks, providing greater connectivity, better decision-making and increased flexibility, thereby changing the nature of work and service delivery. For example:

- Intelligence automation (e.g., RPA) is helping transform public sector internal operations: leading organizations expect to get 30%-40% average hour savings potential of their transactional processing¹.

- Emerging blockchain solutions are enabling a wider variety of government transactions, such as collecting taxes, delivering benefits, issuing documents and recording properties.

- Modern data platforms are meeting citizen demand for more transparency in government. This is driving the need for open data strategies, improved data analytics and visualization capabilities, and a government workforce that is data-centric.

- Digital front-end tools are improving the customer experience of citizens and engaging citizens with self-service approaches similar to what they are used to from their commercial service providers.

How can we help your organization be among the 39%?

Our agile ERP and ERP program risk services are combined with our deep domain and sector knowledge of today’s governments. To realize value from an ERP program, you need innovative business processes, organizational change and program risk management capabilities. Our Advisory team is ready to help you fully realize the business benefits from an ERP transformation and advanced technologies. We will help your team understand the value and risks, pragmatically defining the capabilities needed for your organization to realize the benefits of a business-led and technology-enabled ERP approach.
EY | Building a better working world

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2101-3684188
EYG no. 12032-211US
ED None

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