ERP Selection for Multi-faceted Higher Education Systems in the Software-as-a-Service Era

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July 31, 2017 2 – 3:15 p.m.

Agenda

- Introductions
- Technology Trends Impacting Software Selection
- ERP Replacement Considerations
- ERP Selection in the SaaS ERA
- The University of Arkansas System Experience
- Questions and Discussion

INTRODUCTIONS

The University of Arkansas System

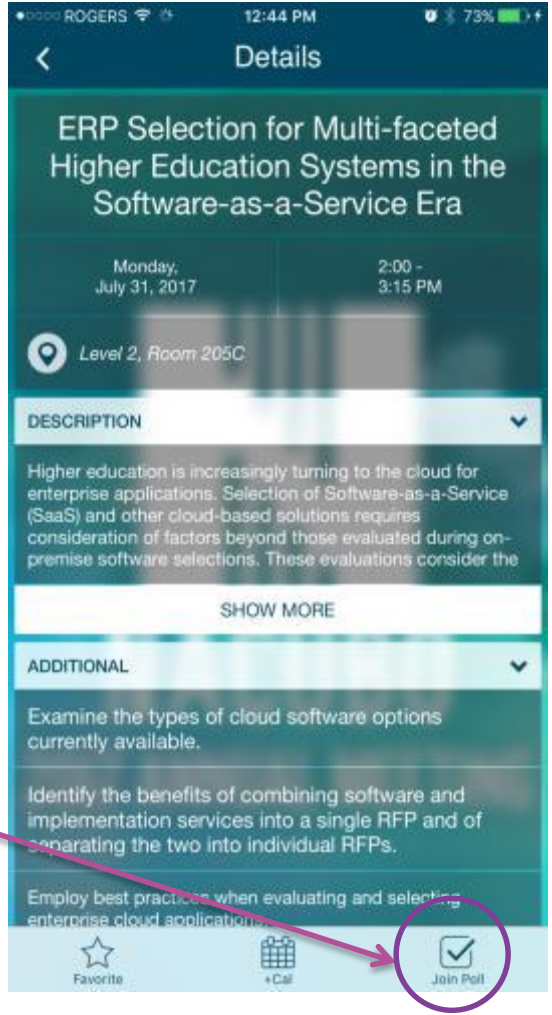
- UAS - 20 Campuses and Affiliates
  - University of Arkansas, Fayetteville
  - University of Arkansas for Medical Sciences
  - University of Arkansas at Little Rock, Monticello, Pine Bluff, & Ft. Smith
  - Seven Community Colleges
  - Seven Affiliates including UAS eVersity, an on-line institution
- 60,000+ Students, 17,000+ Employees, $2B+ Annual Operating Budget
- Enterprise Solution Selection Project
  - Student, Human Resources, Payroll, Grants, Procurement, Financials

ISG

- ISG (www.isg-one.com)
  - Global Research and Advisory Services Firm of 1,300 in 30 countries
  - Our Business: Guiding Clients in Achieving Operational Excellence
  - Independent Advice regarding Enterprise Software Selection
  - US-based Higher Education and Academic Medical Center Practice
    - Recent clients: The University of Arkansas System; The Texas A&M University System; Arizona State University; Washington State University; The University of Texas at Austin; The University of Maryland, Baltimore

Audience Poll

- Open your NACUBO 2016 App
- Tap "**Sessions**" and navigate to the **ERP Selection for Multi-faceted Higher Education Systems in the Software-as-a-Service Era**
- Tap the "**Join Poll**" icon along the bottom of the screen.
- Select your answer to the question on the next screen.



When did your institution last implement new enterprise systems?

POLL OPEN

1. 1-5 years ago

2. 6-20 years ago

3. 20+ years ago

4. I'm a NACUBO Business Partner

Is your institution considering cloud enterprise applications?

POLL OPEN

Why is your institution considering cloud enterprise applications?

POLL OPEN

1 Risk mitigation (i.e., security compliance, staff)

2 Agility (i.e., ease of maintenance, keeping the system current)

3 Cost containment/reduction

4 Other

Have you personally made configuration decisions during an enterprise system implementation?

POLL OPEN

1 Yes, as project governance team member

0%

2 Yes, as a functional area decision-maker

0%

3 No

0%

Learning Objectives

- Understand the types of cloud software options currently available
- Understand best practices in evaluating and selecting cloud enterprise applications
- Identify the benefits of combining software and implementation services into a single RFP and of separating the two into individual RFPs

TECHNOLOGY TRENDS IMPACTING SOFTWARE SELECTION

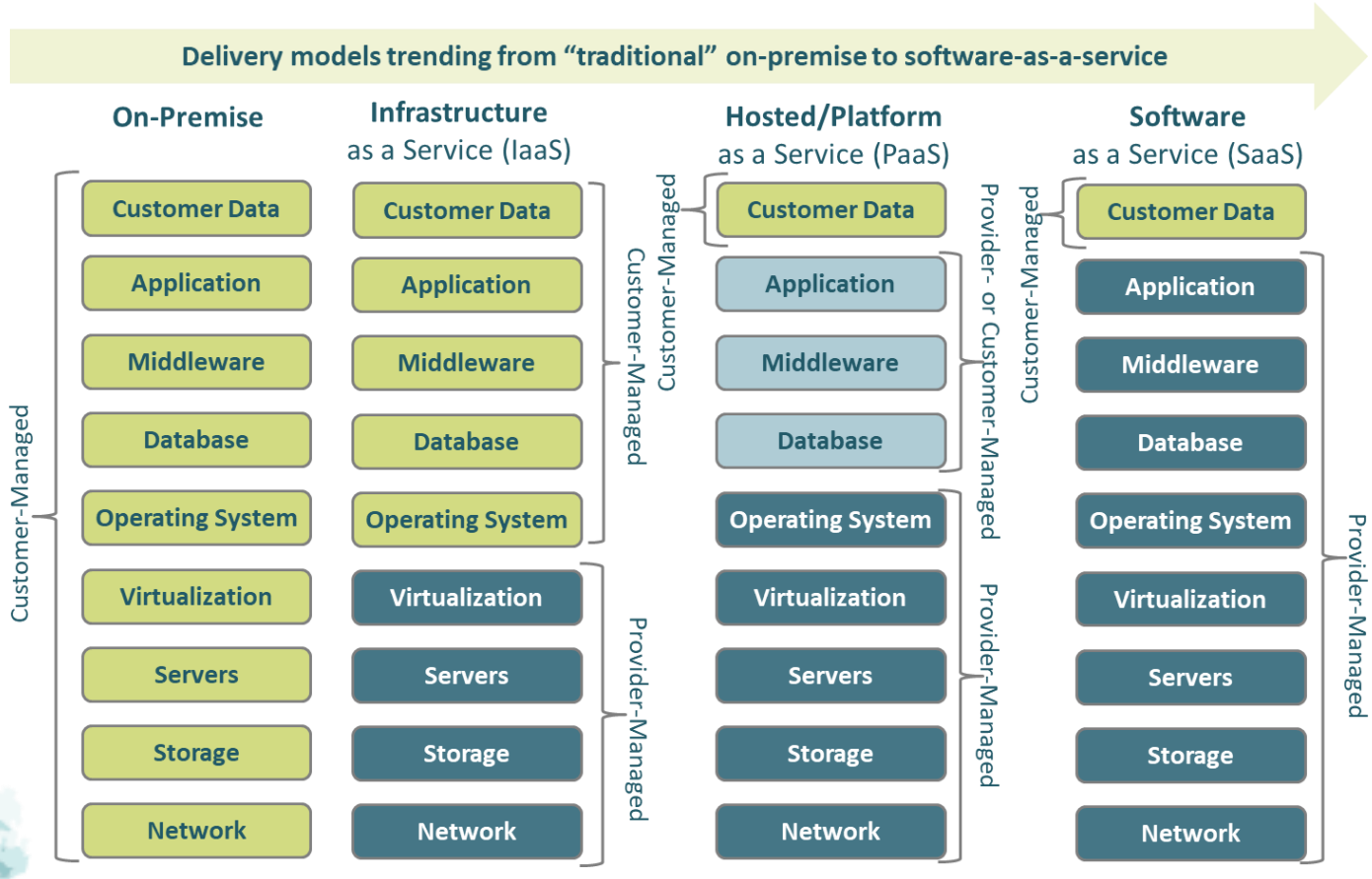
Cloud Computing – What Is It?

- "Cloud" has come to be loosely used and misunderstood.
- National Institute of Standards and Technology (NIST) defines it as:
  - A model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or server provider interaction. This cloud model is comprised of five essential characteristics, three service models, and four deployment models.

Characteristics	Service Models	Deployment Models
• On demand self-service	• Software-as-a-Service (SaaS)	• Public Cloud
• Broad network access	• Platform-as-a-Service (PaaS)	• Private Cloud
• Resource pooling	• Infrastructure-as-a-Service (IaaS)	• Hybrid Cloud
• Rapid elasticity		• Community Cloud
• Measured service		

  - This definition has become a broadly accepted industry standard.

Delivery Models: Trending from On-Premise to SaaS



ISG Research:

Cloud acceptance drives evaluation of ERP solutions

Cloud options provide "value" that the on-premises options do not

Source: IAOP and ISG 2016 State of the Industry Survey

IAOP is the association that brings together customers, providers and advisors… to improve business service models and outcomes.

Higher Education Market Moving to Cloud Solutions

- After a period of relative stability and consistency in functionality and technology, colleges and universities are revisiting their enterprise software investments
  - Cloud solutions are gaining acceptance (e.g., Google Drive, Dropbox)
  - A number of institutions have or are moving to Cloud enterprise systems
    - Student, grants, HR, payroll, procurement, financials
  - Adoption of Cloud-based systems is expected to accelerate
    - 300 – 400 projects over the next three years, or more
  - Software vendors are pushing Cloud solutions, leading to “Cloud-only” offering availability in the market

ERP REPLACEMENT CONSIDERATIONS

Selection of a Cloud Option Creates Change

- Provider operates and maintains the enterprise Cloud solution
  - Financials, procurement, human capital, payroll, student
- Software solution – configurable but cannot be modified
  - Standard solution for all customers
  - Expectation that solution advances more quickly
- Provider applies maintenance more frequently
  - Institution retains ability to time activation
  - Institution avoids stress of applying annual release
- Service level agreements provide performance standards

Institutional Readiness is Key Timing Factor

- Are we ready for an ERP project?
  - Do we have a compelling case for change (e.g., benefits, costs, risks)?
  - Do institutional leaders and stakeholders support the move?
  - Are institutions willing to make staffing and financial resource commitments to succeed?
  - Do institutions have the institutional wherewithal to support potentially significant changes in business processes?
- How can institutions use the ERP selection process to begin organizational change?

Cloud vs On-Premise Solutions – Ready for Change?

- Do on-premise or Cloud-based products offer the functionality we need? Do we understand the "gap"? If critical functionality is lacking, what is the path to get there?
- Are we ready for a multi-tenant SaaS solution?
  - Must adapt to delivered functionality, the potential loss of "institution-specific" customizations
  - Standardized terms and conditions and service level agreements (SLAs)
  - Reliance on third party security certification for security audits
- Operating expense vs. capital expense – funding issue?
  - Can we pay subscription costs while supporting the existing ERP?
- Are we open to relationships with Cloud (i.e., outsourcing) providers?
  - Possible resistance from IT and employee organizations
  - Data resident with external entity
  - Experience negotiating with, managing and monitoring the performance of an external provider

Cloud ERP – The Potential "Added Value"

- Relief of support and maintenance burden
  - Offloading of technical maintenance and upgrades to external party
  - Application of maintenance more timely
  - Potential re-assignment of staff positions to more productive purposes
- Potential for more rapid evolution of software functionality and technical capabilities
- Tighter integration
  - Comprehensive, real-time update
- End-user focus
  - More intuitive user interface
  - Integration with social, text and email
  - Embedded analytics and reporting / business intelligence

Institutional Readiness to Capture Value

- Will a Cloud ERP really be less costly than on-premise?
  - Can we reduce support, maintenance, and upgrade efforts?
  - Have we documented our current costs to make this assessment?
  - Have we considered the full set of transition and on-going operating costs?
  - Have we captured the initial and on-going costs associated with addressing the “gaps”?
- Move to cloud ERP from traditional requires a readiness to:
  - Accept the sunk cost of legacy platforms
  - Accept the incremental funding commitments while anticipating potential future cost savings
- Post-selection/pre-implementation/implementation
  - Can we take advantage of a SaaS model with its subscription fee business model to implement with less cost and less risk?
  - How long is the learning curve before we return to normal operations?
  - Subscription costs exceed maintenance costs – Is this increased dependence on operating funding a risk we can accept?

ERP SELECTION IN THE SAAS ERA

Product Maturity and Trade-offs Affect Choices

- SaaS products are generally not as mature as on premise ERP solutions although the gap is closing fairly rapidly
- Some functions are more “Cloud-ready” than others
  - May affect timeline and deployment strategy
  - Phasing by function may be possible, but interfaces must be considered
- SaaS represents a true “no mod” approach that may result in loss of functionality, manual workaround, or the need for integration
- Security capabilities are possibly better than in client managed facilities but multi-tenant SaaS will likely require significant stakeholder education
- Internal IT resources continue to be needed to support SaaS integration with other business and operational systems
- Institutions’ ability to change may make expectations regarding vendor recommended SaaS implementation timelines unrealistic

SaaS Pricing Models Warrant Thorough Evaluation

- A Total Cost of Ownership (TCO) analysis allows for understanding the impact of transition to SaaS
  - Existing Fixed Costs, Differences in Licensing Models and Services Levels merit evaluation
  - Pricing may be relatively rigid – in a multi-tenant environment, vendors may be hesitant to offer preferential pricing
  - Costs to connect SaaS solutions to other legacy systems (e.g., middleware or ETL customizations) should be considered
  - Some internal costs may remain longer than expected
  - Subscription payments begin immediately upon contract signing and prepayment may be required
  - Cost concerns will need to be balanced with qualitative improvements (e.g., increased up-time, more timely upgrades, improved user interface, increased user mobility, decreased technical staffing challenges)

SaaS Options Change the ERP Selection Process

- ERP software selection best practices are impacted by the introduction of SaaS options
- Change management takes on increasing importance
  - Processes will change
  - Functional and technical roles and responsibilities will change
- Traditional start-up activities remain critical
  - Scope and objective setting
  - Project governance and management set-up
  - Project planning
- Educating leadership and the community on Cloud-based options takes on greater importance
  - Adaptability – more timely maintenance
  - Impact on functional processes
  - Impact on technology support
  - Security

ERP Selection Process – SaaS Era Best Practices

- Process-based requirements definition focus on major issues
  - Pain points
  - Major opportunities to increase efficiency and effectiveness
- User involvement in process-based requirements definition provides opportunity to advance change process
  - Gains broader buy-in, which increases credibility of the selection
  - Tests user ability to consider objectives (i.e., “what”) versus current process (i.e., “how”), which assists in identification of project champions and points of resistance
  - Assists in identification of key processes and positions likely to undergo substantial change
  - Fosters adoption of broader perspectives through consideration of up-stream and down-stream process impacts
  - When other institution’s or best practice requirements are considered, promotes recognition that the institution’s administrative processes are potentially less unique than previously thought

ERP Selection Process – SaaS Era Best Practices

(continued)

- Structured demonstration highlight solution fit
  - Structured demonstration keep vendors focused on key institutional considerations
  - Scenarios and scripts focus on high importance features
    - Broad impact, high volume, high risk processes
    - High priority reporting capabilities
    - User interface
    - Integration
- Reference checks/site visits allow direct interaction with project team members and open dialogue
  - Structured approach provides most effective results

ERP Selection Process – SaaS Era Best Practices

(continued)

- Pre-implementation planning facilitates more precise implementation support requirements and reduces risk
  - Establishing governance and project management
  - Refining goals and objectives
  - Confirming decision-making protocol including monitoring progress of issue resolution
  - Developing strategies (e.g., reporting strategy, deployment strategy, data strategy)
  - Inventorying current state (e.g., integrations, supervisory/approval structures)
- Dedicated selection project staff provides discipline needed for timely completion
  - Internal or third party
  - Structured methodology facilitates planning
  - Clearly defined deliverables set expectations and establish quality levels
  - Demonstrates institutional commitment to credible outcome

Requests for Proposals: Combined or Separate?

- An RFP may request both product and implementation services, or each separately
- Combined RFPs
  - Attempt to assign responsibility for the success of the solution to a single provider – both the software product and the implementation services
  - Allow vendor to select implementation resources for project assignment
    - Supplemental resources from vendor partners may be required as vendor resources may be limited
  - May result in implementation resources whose primary focus is on transfer of knowledge regarding software capabilities – an implicit assumption that the institution has already envisioned the processes its seeks to implement

Requests for Proposals: Combined or Separate?
(continued)

- Separate RFPs
  - Recognizes distinctions between solution vendor-based and consulting firm-based services – each have distinct areas of focus
    - Primary revenue sources vary among these two types of organizations
    - Consulting firms have more mature methodologies and associated tools and templates, and consultants experienced in apply them
    - Consulting firms are more likely to assign resources on a full-time basis
    - Consulting firms are more likely to produce well documented results
  - Allows institution greater control of implementation team resourcing
  - Allows consideration of service delivery that integrates project management and change management with solution implementation

THE UNIVERSITY OF ARKANSAS EXPERIENCE

The University of Arkansas System Experience

- Key Drivers:
  - UAS Administration: Consolidated reporting, increased “System-ness”
  - Campuses: Modernization, more effective user support
- Leadership Orientation Designed to Educate and Align
  - Board of Trustees
  - Chancellors
- Structure and Approach Designed to Balance Interest of Campuses
  - Steering Committee comprised of functional and technology leaders from a broad cross-section of the System institutions

The University of Arkansas System Experience (continued)

- Structure and Approach Designed to Balance Campus Interests (continued)
  - Requirements prepared with support of web-based collaboration tool
  - Representatives from user community throughout the system convened by functional area to refine requirements
  - Solution vendors responded using the same web-based collaboration tool
  - Responses received from four vendors: Ellucian, Oracle, SAP, and Workday
  - Demonstrations held in multiple locations to facilitate access
  - Demonstrations broadcasted to allow remote access and involvement of user community
  - Negotiations undertaken with two vendors

The University of Arkansas System Experience (continued)

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The University of Arkansas System Experience (continued)

- Procurement Strategy Designed to Further UAS' Best Interests
  - Weightings assigned pre-RFP issuance (e.g., legal terms)
  - Negotiations strategy (e.g., parallel negotiations)
  - Results achieved UAS' objectives

Lessons Learned from the UAS Experience

- Institutions with diverse missions and of varied scale can come together to make a joint, broadly-supported ERP solution selection decision
- Selection proved to be a prime opportunity to begin the change management process
- UAS institutions' requirements were more like those of other institutions of higher education than anticipated

QUESTIONS AND DISCUSSION

THANK YOU FOR YOUR PARTICIPATION