ERP benefits are many, far and wide

ERPN recently interviewed a number of department managers to collect examples and illustrations of what ERP is and does for a department.

We could take up pages touting the improvements, cost savings and productivity value to be realized through a new ERP system within the State. Allow us to condense this volume into a few paragraphs (more examples will be published in the next issue):

General Services/E-Procurement

Benefits of an ERP system:

- Can reach more vendors, producing more competitive bids and widening participation in government contracts, lowering the cost of products and services purchased
- Potential of $10-$15 million in total yearly savings
- Significant paper and postage cost reductions as part of the yearly savings
- Faster product/service look-up and ordering, saving time and money
- Automated ordering and payment, lowering payment processing and paper costs
- Fast access to detailed account histories, providing more abundant information and improved planning and analysis
- Ability to distribute, receive and award contracts out for bid much faster
- Wider participation by city and county purchasing entities, multiplying cost savings and management improvements, and offsetting system operation costs

Management/Budget

An ERP system in the Department of Management would:

- Save enormous time and effort in data entry and report production for budgets
- Allow more innovative and extensive budget report content and analysis
- Through Web access, allow lawmakers, directors, managers, even taxpayers to view real-time budget information.
- Link the budget system to payroll, accounting, Legislative Fiscal Bureau, personnel and other departments, allowing nearly instant data exchange and ensuring such information is consistent and uniform across the board
- Provide easy access to trend data—financial information from years past is quickly combined into an up-to-date long-term view
- Empower departments to more closely measure program performance and results

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WHAT IS ERP?

*An ERP system is an **integrated solution**, sharing a centralized database, with all 'users'…. Human Resources/Payroll/Benefits, E-procurement, Accounting, Budgets, etc …. being served by the same database through **one point of entry**. Data need only be entered or updated once, **reducing errors, time and labor** for reports, analysis, planning and program management. Ultimately, time and resources are shifted to **innovating, problem solving** and direct **service to customers** rather than **inputting, processing**, **organizing, verifying** and related "busy work" that burns through time and money.*

Eight imperatives for leaders in a networked world

Iowa CIO Richard Varn is a member of the Policy Group On Network-Enabled Services and Government at Harvard's John F. Kennedy School of Government. The following is an excerpt from the Group's recent report on public leadership and technology. Rich contributed to this report. Space allows only 4 of the imperatives to be published in this issue. Be watching for 5-8 in the next issue of ERPN.

Richard Varn
State CIO

1. Focus on how IT can reshape work and public sector strategies

Problem. The knowledge required to succeed with IT is complex and rapidly changing. Given the large size of many agencies and the checks and balances established to foster debate and deliberation, governments tend to become inwardly focused and fail to keep pace with the innovation required in the Information Age.

What to avoid. Don't delegate all responsibility for technology to technologists, or focus on internal operations to the exclusion of externally oriented service improvements and building essential political support.

What to do. Learn how digital processing and communications are revolutionizing the work-place and the nature of work, ideally through becoming directly involved in IT projects and working with computer applications as part of your personal routine.

2. Use IT for strategic innovation, not simply tactical automation

Problem. The enormous potential benefits of IT are often compromised if it is used merely to entrench old work processes and organizations rather than to fundamentally redesign them.

What to avoid. Don't focus on incremental improvements to the exclusion of more aggressive innovation.

What to do. Push for some strategic ten-fold improvements, and not merely for 10 percent. Foster and protect experimentation. Design an e-government strategy with wide opportunities for "anytime, anyplace" service. Explore service integration across program and organizational boundaries. Develop rich and flexible technology-based options for self-service.

3. Utilize best practices in implementing IT initiatives

Problem. The failure rate of IT initiatives has often been daunting, even though the most difficult problems have been political rather than technological.

What to avoid. Don't approach IT as primarily a technology problem, and don't delegate IT projects predominantly to technology specialists.

What to do. Recognize that technology implementations are usually change-management problems. Place general managers and politically capable leaders in charge of most major IT initiatives. You need leaders who can authoritatively deal with organizational conflict and budget issues.

4. Improve budgeting and financing for promising IT initiatives

Problem. By focusing on incremental annual changes to existing programs, government budgeting makes it hard to invest in IT initiatives that offer high value but also require long-term, cross-agency innovation.

What to avoid. Don't rely too heavily on funding IT through the traditional tax-levy budget.

What to do. Analyze economic and budgetary trends to identify sources of financing appropriate for an increasingly electronic economy. Your analysis should explore the principle of letting the direct users of services pay when they are the ones that capture the benefits (i.e., user charges for service elements not inherently public in nature). Also, explore budget reforms to give greater emphasis to multiyear, cross-boundary service integration and innovation (via capital funds, revolving funds, shared-risk investments with the private sector, etc.).

ERP: Lessons Learned

Spend some time reading up on ERP and guess what you find? A lot of mixed messages. Some experts say to customize your software to meet your process. Some say change your process to meet your software. Some advocates say to only use one vendor, others say partnership among vendors is the way to go. It gives government the option to pick the best software for each process.

So who is right and who is wrong? Lets take a look at lessons learned, and see what the voice of experience has to say.

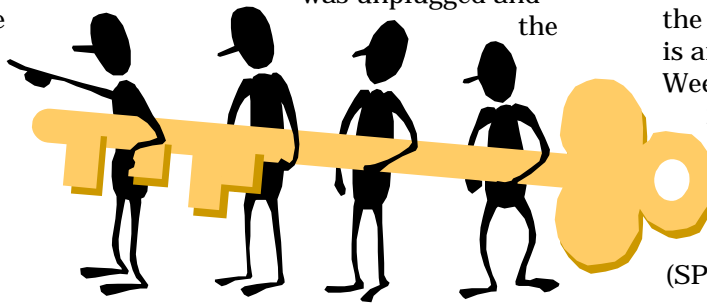## Common Ground: Focus on the Customer

What do stories of different ERP implementations have in common? Without a doubt, there is a focus on the customer. That means internal customers (that's us folks) as well as citizens.

"The focus is shifting from back-office applications to front-end services…Its is not just about replacing computer systems but also how information technology can be used to meet agencies' missions and objectives," says Jim McGlothlin, regional vice president for sales and business development at PeopleSoft Federal, and ERP system software vendor. Or as another software vendor puts it, "There is a shift in focus from the inside-out administrative business systems to the outside-in, where you pull in the customers, suppliers, citizens," says Thomas Shirk, president of SAP Public Sector and Education.

Key to Success: It takes Leadership

When Federal Prison Industries Inc. implemented its transition to ERP, it set a drop-dead conversion date. On that date the old system was unplugged and the new ERP system took over. No contingencies, no delays, no other options. "That's the type of decisiveness (government) agencies must exercise if they want ERP to work," said Thomas Phalen, chief information officer at Federal Prison Industries. "You have to win people over from the beginning," he further adds. "You have to put someone in charge and give them authority to make the call."

Cost Control: People are Key

Industry figures are staggering, with reports of almost **half of all ERP initiatives delivering 200 percent return on investment** (source: The Carpe Diem Group Inc.) "Most of the problems in implementing any IT project are management issues," says Sandra Borden, a member of the Office of Management and Budget's IT Resource Board, which reviews IT projects at federal agencies. "Good projects have engineering discipline used throughout the life cycle of the project," Borden said. "Technology is not the issue. It's the people."

Does it work, listening to the experience of others? Here is an excerpt from Federal Week Computer (May 29, 2000 issue) regarding an ERP implementation for the Energy Department's Strategic Petroleum Reserve (SPR):

"SPR officials decided to take a close look at other organizations' failed ERP efforts and mold their work to bypass those mistakes. The move paid off. SPR's enterprisewide ERP system — which tied together 16 separate systems — was completed 63 days ahead of schedule and 4 percent under budget. One year after going live, SPR reports a 47 percent return on its $10 million investment and is projecting $32 million in saved labor costs."

Iowa ERP champions can put these lessons to work as new systems get planned and installed. *(Source: FCW.com)*

Visit the ERP Web site!

For the latest information on ERP, please visit the ERP Web site at:
http://www.state.ia.us/government/its/ERP/index.htm

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