Executive Steering Committee

August 17, 2017
Agenda

1. Update on Procurement Readiness Group
2. Update and Direction from Deployment Strategy Workshop
One Washington
Procurement Readiness Workgroup
Project Burn-Down Chart
(Duration 3/2/17 – 8/16/17, Cadence 2 weeks)

NOTE: As of May 4 - The team is ahead of schedule by 1 meeting. The team will determine how to invest future meeting time or complete the project early.

Definitions for:
- definitions should be convergent, enterprise-wide
- initial definitions due to converge on 21st of July
- all project managers and stakeholders
Elements of the One Washington Blueprint v1

**State Milestones**
- Develop Deliverable #1
  - 9/29/17

**Program Milestones & Activities**
- Develop Integration Strategy
  - 9/29/17

- Supplemental Budget Request
  - ★

- Identify business process and opportunities
- Identify technology dependent & non-technology projects
- Identify early benefits realization
- Review phased strategy
- Determine unified ERP solution or best-of-breed approach
- Determine deployment approach (on-prem, cloud, managed service)
- Identify high-level data management strategy
- Identify sources of master data and degree of conversion effort
- Develop high-level scope and strategy for reporting
- Develop security approach for change management

* Starred items will be discussed at special steering committee workshop (to be scheduled)
Deployment Strategy Workgroup

In the workshop we had two key questions to address:

1. **Should One Washington plan for a “unified” or a “best of breed” strategy for ERP application software?**

2. **Should One Washington plan for an “On Premise” or a “Software as a Service/Cloud” deployment model?**

The workshop provided definition of terms, relative advantages and disadvantages of the options, and Accenture’s recommendation.
Deployment Workshop Attendees

- OCIO – Rob St. John, Robert Gaskill-Clemons
- DES – Chris Liu, Cheryl Manke
- OFM – Brian Tinney, Ben Guyer, Stacey Scott
- DSHS – Chris Lamb, Mariann Schols
- ECY – Baird Miller
- DFI – Dave Kirk
- WSP – Tom Wallace
- DRS – Rose Bossio
- DOL – Rajbir Deol
- WSIB – Stephen Backholm
- WSDOT – Grant Rodeheaver
1. Should One Washington plan for a “unified” or a “best of breed” strategy for ERP application software?
1. Should One Washington plan for a “unified” or a “best of breed” strategy for ERP application software for non-core functionality?

- General ledger accounting
- Specialized accounting, e.g. project accounting, cost accounting
- Budgetary control
- Accounts payable
- Accounts receivable
- Asset management
- Grant management
- Treasury management
- Travel and expense
- Master data, e.g. chart of accounts, payees, customers
- Reporting

- Requisitions and purchase orders
- Contract management
- Receiving
- Sourcing, e.g. RFP, RFO, RFX
- Supplier Relationship management
- Category management
- Catalog purchasing
- Inventory management
- Master data, e.g. suppliers, commodities
- Reporting

- Payroll
- Core HR functions
- Benefits administration
- Position classification
- Time and attendance
- Compensation planning
- Labor relations
- Recruitment
- Development
- Performance evaluation
- Health and safety
- Master data, e.g. positions, job descriptions
- Reporting

- Operating and capital budget
- Revenues and expenses
- Scenario planning and forecasting
- Master data, e.g. appropriations, allotments
- Reporting

• Bold = Core Functionality
# Unified Solution vs. Best of Breed Considerations

<table>
<thead>
<tr>
<th>Unified Solution Considerations</th>
<th>Best of Breed Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>An organization implements and supports a <strong>single instance</strong> of a suite of customizable software modules for each functional area from a single vendor</td>
<td>An organization implements and supports a <strong>compilation of different vendors and products</strong>, each based on specific needs in specific functional areas</td>
</tr>
<tr>
<td>Provides functionality for <strong>common requirements across the various functional areas</strong>, with a common data model, database, and user interface</td>
<td>Allows for very precise requirements in various functional areas</td>
</tr>
<tr>
<td><strong>Integration is relatively less complex</strong> (all components in single-vendor environment), with integration provided “out of the box” by the vendor</td>
<td><strong>Integration is relatively more complex</strong> (typically multiple vendor environments involved), requiring dedicated efforts on integrations, some of which may be delivered by the vendors</td>
</tr>
<tr>
<td>Relatively <strong>less change management</strong> to train end users on a common application</td>
<td>Relatively <strong>more change management</strong> to train end users on different applications</td>
</tr>
<tr>
<td><strong>Relatively slower to implement</strong> because single-vendor integration means more comprehensive design required, but less complexity to future changes and upgrades as part of the same application</td>
<td><strong>Relatively faster to implement</strong> because fit-for-purpose modules can be ‘plugged in’ to core system, but adds complexity to future changes and upgrades e.g. testing</td>
</tr>
<tr>
<td>Sample vendors include Oracle, Workday, SAP, CGI</td>
<td>Sample vendors include Salesforce, Round Corner (Grants Management), Periscope, Coupa, Amazon (eCatalog and Reverse Auctions), etc.</td>
</tr>
</tbody>
</table>
### What are states doing today?

#### Unified Solution
- Alabama
- Alaska
- Arkansas
- Colorado
- Connecticut
- Delaware
- Georgia
- Indiana
- Kansas
- Kentucky
- Louisiana
- Minnesota
- Mississippi
- Montana
- Nebraska
- New Hampshire
- New Mexico
- New York
- North Dakota
- Ohio
- Oklahoma
- Pennsylvania
- Rhode Island
- South Carolina
- Tennessee
- Texas
- Vermont
- West Virginia
- Wisconsin

#### Best of Breed
- Arizona
- California
- Florida
- Illinois
- Maine
- Massachusetts
- Michigan
- North Carolina
- Virginia
- Wyoming

#### TBD
- Hawaii
- Idaho
- Iowa
- Maryland
- Missouri
- Nevada
- New Jersey
- Oregon
- South Dakota
- Utah
- Washington
Accenture recommendation: Unified vs. Best of Breed

1. Plan for a unified application software strategy for core finance and core procurement functionality

2. Potential to test in the marketplace the option of Best of Breed for non-core functionality, i.e. allow both core software vendors and best of breed software vendors to propose solutions. For finance and procurement, areas to keep the option open for a Best of Breed alternative might include:

   - Travel and Expense
   - Grants management
   - Certain Treasury functions, e.g. cashiering, debt, and investments
   - Certain audit functions, e.g. governance/risk/compliance
   - eCatalogs
   - Certain eRFX functions e.g. reverse auctions
   - Inventory Management
   - Business Intelligence/reporting/analytics
Results of Deployment Strategy Workshop: Unified vs. Best of Breed

1. Should One Washington plan for a “unified” or a “best of breed” strategy for ERP application software?

Participants confirmed Accenture’s recommendation to prioritize a unified ERP strategy for the purpose of formulating the One Washington Blueprint.

Important considerations and discussion points raised by participants included:

• Recent decisions made by other states in similar circumstances are key to justification

• A unified procure to pay process has strong benefits to offer the state when considering ERP strategy

• Business requirements may ultimately necessitate new assumptions around which approach best meets enterprise needs, so the Blueprint should reflect some flexibility

• More conversations needed about non-critical functionality whether it should be ERP or best of breed modules, e.g. travel and expense, analytics, inventory management

• Good governance and change management are critical to project success, and could be simpler and more standardized with a unified solution
2. Should One Washington plan for an “On Premise” or a “Software as a Service/Cloud” deployment model?

High Level ERP Deployment Models

<table>
<thead>
<tr>
<th>On Premise</th>
<th>Software as a Service/Cloud</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Pay up front (CAPEX)</td>
<td>• Subscription pricing (OPEX)</td>
</tr>
<tr>
<td>• Specialization availability</td>
<td>• Speed and flexibility (changing business climate)</td>
</tr>
<tr>
<td>• Traditional solutions (greater product functionality depth and reference customers)</td>
<td>• Emerging solutions (product functionality depth in “first adopter” industries / countries)</td>
</tr>
<tr>
<td>• Single tenant software hosted on either state or vendor data center</td>
<td>• Multi tenant software hosted on vendor data center</td>
</tr>
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Less sharing                       More sharing
# On Premise vs. SaaS Considerations

<table>
<thead>
<tr>
<th>On Premise Considerations (Buy)</th>
<th>SaaS Considerations (Lease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allows <strong>significant organizational freedom</strong> to shape the software to business requirements</td>
<td>Software customization is limited to non-existent, but the solutions are generally <strong>highly configurable</strong></td>
</tr>
<tr>
<td>This model allows for <strong>flexibility to perform technical hosting</strong> activities either internally or outsourced to a service provider</td>
<td><strong>Software is not locally installed or owned</strong>; it is accessed through the web or mobile applications.</td>
</tr>
<tr>
<td><strong>Fixed pricing model</strong> - customers pay a license fee and on-going maintenance charges</td>
<td><strong>Variable pricing model</strong> - customers pay subscription fee per user and module</td>
</tr>
<tr>
<td><strong>Enhancement patches and release upgrades must be done by the customer</strong> or a third party with specialized technical skills</td>
<td>The vendor releases patches, functionality enhancements, or full upgrades, so that the <strong>customer solution will be automatically updated</strong></td>
</tr>
<tr>
<td>Requires dedicated staff with <strong>technical and business knowledge</strong> of the software</td>
<td>Requires dedicated staff with <strong>business knowledge</strong> to work with software vendor</td>
</tr>
<tr>
<td><strong>Higher implementation cost</strong>, longer implementation cycle, longer cycle time between major functionality additions</td>
<td><strong>Lower implementation cost</strong>, quicker implementation cycle, more frequent additions of new software functionality</td>
</tr>
<tr>
<td>Business requirements not satisfied by the software can be addressed via <strong>software customization</strong> (though not recommended), or business process redesign</td>
<td>Business requirements not satisfied by the software <strong>cannot be met with direct changes to vendors' baseline code</strong> , but can be addressed via Platform as a Service, On Premise middleware, or business process redesign</td>
</tr>
</tbody>
</table>
What are states doing today?

**On Premise**
- California – implementing
- Texas – implementing
- Illinois – implementing
- Virginia – implementing
- Florida – evaluating

**SaaS/Cloud**
- Alaska – implementing
- Colorado – implementing
- Oregon – implementing
- Maine – implementing
- Wyoming – implementing
- Massachusetts – evaluating
- Idaho – evaluating
- Nevada – evaluating
- Arizona – evaluating
## Accenture Recommendation: On Premise vs. SaaS/Cloud

Accenture recommends SaaS/Cloud for ERP application software, for the reasons below.

<table>
<thead>
<tr>
<th><strong>On Premise</strong></th>
<th><strong>SaaS/Cloud</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Costs</td>
<td>Pay by the Drink’</td>
</tr>
<tr>
<td>Cumbersome</td>
<td>Agile</td>
</tr>
<tr>
<td>Capital Intensive</td>
<td>Capital Light</td>
</tr>
<tr>
<td>High Maintenance and Run Costs</td>
<td>20%+ Lower Maintenance and Run Costs</td>
</tr>
<tr>
<td>Security Issues</td>
<td>Managed Security</td>
</tr>
<tr>
<td>Business Lagging</td>
<td>Business Leading</td>
</tr>
</tbody>
</table>

Per Gartner (Magic Quadrant for Enterprise Integration Platform as a Service (IPaaS), 30 March 2017):

“It is expected that the service-based approach for IT will become the preferred option over the software-based approach over time, as end-user organizations look to downsize the operation side of their IT portfolios.”
Results of Deployment Strategy Workshop: On Premise vs. SAAS/Cloud

2. Should One Washington plan for an “On Premise” or a “Software as a Service/Cloud” deployment model?

Participants confirmed Accenture’s recommendation to prioritize a SAAS/Cloud deployment model for the purpose of formulating the One Washington Blueprint.

Important considerations and discussion points raised by participants included:

• Cloud avoids up-front capital investments and allows for lower future switching costs
• Recent decisions made by other states in similar circumstances are key to justification
• Even if a cloud model meets more requirements, must consider lower flexibility to alter
• State security experts should weigh in on data privacy considerations for this decision
• If there could be elements that will require a hybrid approach, important to reflect the potential that solution may not be 100% cloud-based in the budget estimate