

Administrative Modernization Program

BACKGROUND

The Administrative Modernization Program (AMP) will replace the university's 34-year-old core administrative systems for human resources and finance. AMP is comprised of multiple individual projects staged to run over a five-year period. The new systems will form the foundation for subsequent upgrades that significantly improve both the student experience and the administration of research, enabling the university to deliver its mission with a greater impact and at a lower cost.

At the board's January 2023 meeting, Provost Feser, Vice President for Finance and Administration Green, and Vice Provost for Information Technology and Chief Information Officer Ballinger outlined the vision driving AMP, the project timeline, and estimated cost and returns. The total estimated one-time cost to implement AMP is \$50 million, with implementation costs per year ranging between \$6.2 million and \$15.9 million (see Appendix). By comparison, OSU expends approximately \$68 million per year maintaining and operating its information technology systems (\$30 million at the enterprise level and \$38 million distributed among colleges and other units). AMP will begin yielding cost savings on OSU's total IT spend in FY24, rising to approximately \$10 million per year by FY28. Implementing AMP is part of the university's overall effort to reduce administrative costs, improve services, and deliver its education, teaching, and public education missions more effectively.

Throughout the execution of AMP, staff will provide updates to the board on overall progress towards key milestones.

COSTS, RETURNS AND DEBT SERVICE

OSU proposes to allocate up to \$50M in university revenue bond proceeds to fund the cost of AMP (see Appendix). Figures 1 and 2 summarize the projected costs, savings for AMP and debt service respectively. The following information is provided to inform the board's consideration of a request to approve the use of revenue bond proceeds for this purpose.

AMP requires four major areas of spending: software and implementation consulting services (\$35M, or 67.1% of the project); business process redesign consulting services (\$6.7M, 12.8%); change management partner (\$5M, 9.6%); and staff augmentation (\$5.5M, 10.5%). The bulk of the costs are for consulting support to implement new enterprise resource planning (ERP) software. The annual cost of the software after year five is estimated at \$3M. By comparison, OSU is currently spending \$2.8M per year on the current ERP. For additional context, OSU's Microsoft enterprise and academic learning management system licenses are \$1.5M and \$500K per year, respectively.

Once the new capabilities are in place, OSU's administrative costs are anticipated to fall by approximately \$10.8 million annually by FY28. Savings are primarily driven by substantially reducing the need for patching and upkeep of increasingly obsolete systems, along with adoption of streamlined business processes that will reduce administrative burdens on managers, staff, and faculty. Annual savings can be reallocated to support OSU's mission,

helping to keep tuition costs down and reducing future digital infrastructure spending requirements. Staff estimated these savings using three separate methods.

First, by contacting Gartner, an enterprise technology, research and consulting firm, and learning from their research. The research indicated that the top reasons to implement an ERP are increasing efficiency (35%) followed by cost advantage (29%). They also stated that a new ERP reduces operational costs by 23% and administrative costs by 22%. The research also stated that 95% of businesses achieve major improvements after using ERP through reducing process times, increasing collaboration, and centralizing enterprise data.

Second, since higher education might not be able to achieve the same level of savings as a company, staff extrapolated the results documented by the impact process automation has had on several current business processes at OSU, and then using that knowledge to extrapolate the potential savings of all remaining administrative processes.

Finally, by validating our assumptions and the rationale for our estimates with colleagues at other institutions who have most recently gone through similar transformations.

Figure 1 – Projected Costs & Savings

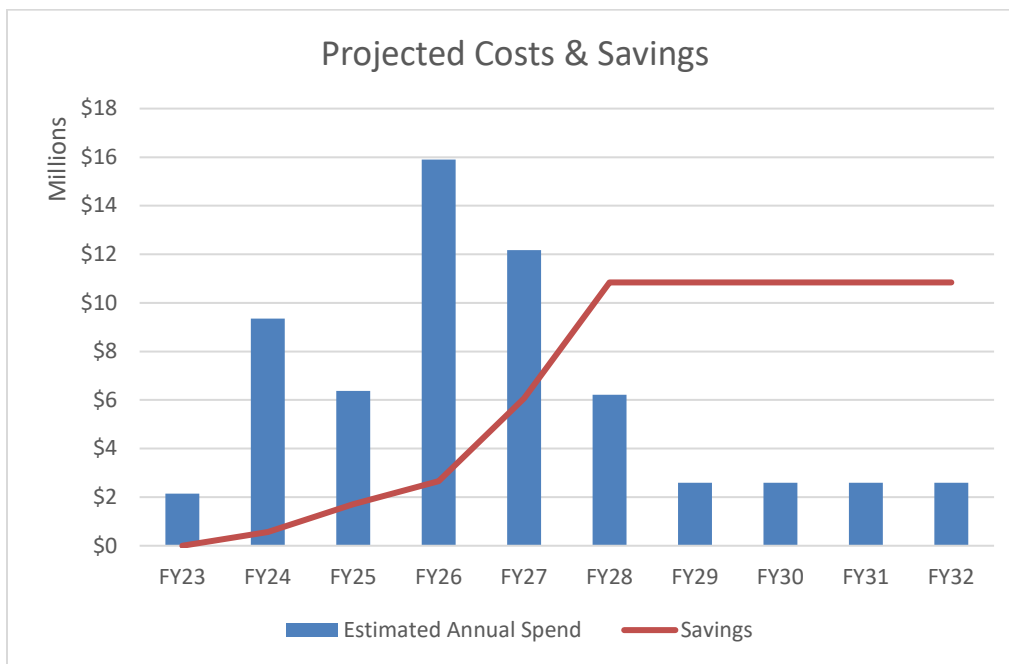
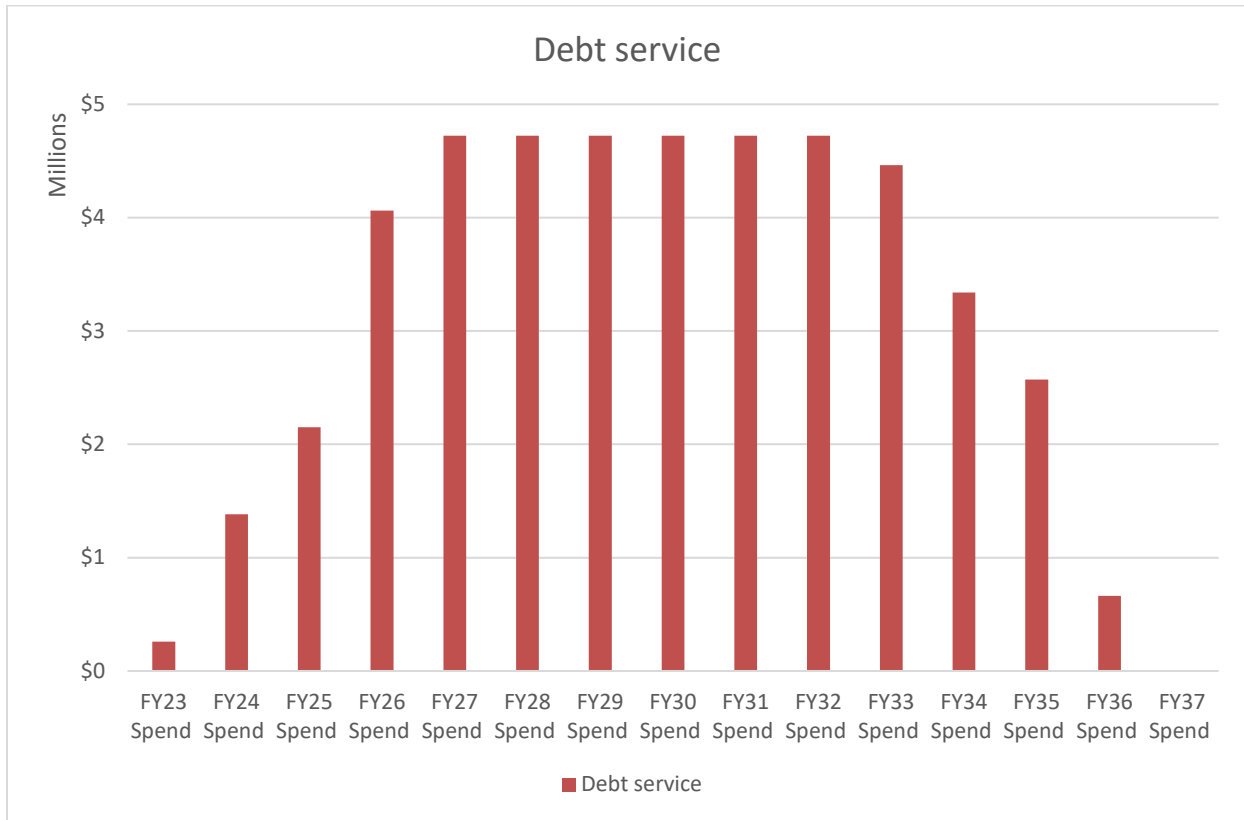


Figure 2 – Debt Service Spend FY23-FY37



ADMINISTRATIVE PROCESS AND TECHNOLOGY IMPROVEMENTS

AMP will replace the university’s information technology administrative core that is made up of approximately 20 systems, several of which require manual procedures, including systems for time reporting, hiring, and payroll, as well as processing financial accounts payable and receivable.

The modern digital ecosystem AMP implements will provide for:

- **An enhanced user experience** that offers real-time, seamless online communication and engagement across various platforms. Content will be delivered to users—employees and students—that feels relevant, contemporary, and personalized to users' needs.
- **Improved data quality and automation** to increase efficiency. By automating processes and improving data accuracy, AMP will free up human and financial resources that can be redirected to OSU's core mission of teaching, research, and engagement.
- **Greater institutional agility and adaptability** through integrated and simplified technology systems, data practices, and policies. This integration and simplification will

enable OSU to respond more effectively to changing needs and technological advancements.

- **Lower cost of administration** and a simplified portfolio of information technology applications. By streamlining and modernizing administrative systems, AMP aims to reduce costs associated with complex and outdated processes, ultimately providing a more cost-effective and efficient administrative infrastructure.

Through these initiatives, AMP will position OSU to meet evolving demands, enhance user experiences, optimize resource allocation, and streamline administrative operations; ultimately enabling the university to focus more on its core mission and better serve its community.

VISION AND PLAN FOR SUCCESS

As staff develop and communicate AMP's vision and plan for the program's success, the following are key areas of focus:

AMP Management and Governance—On point for the effort is the Division of University Information and Technology (UIT), led by vice provost for information technology and CIO. An AMP Steering Committee, part of OSU's new information technology governance structure and charged by the provost and executive vice president along with the vice president for finance and administration, will oversee and guide the AMP program. The steering committee will monitor the success of all activities to completion, including individual projects, the organizational change management program, and expenditures and realized savings. These efforts will be led by the executive director for AMP.

University Leadership—The program team will engage leaders across OSU to provide a collective understanding of the scope of the effort, the importance of adherence to a shared vision, the resources required, returns expected, and the risks involved. Recognizing that technology systems are complex and understanding the link between process/practice redesign and system capabilities is limited, UIT is prioritizing extensive communications and informational programming.

OSU Community—Another key part of the program is engaging the university community in the redesign of the university's digital experience and administrative business processes. Direct user experience and ideas will inform the redesign. Targeted training and outreach will help prepare the community for upcoming changes and better position users to effectively employ new tools and processes.

External Consultants—OSU will not take on this ambitious work alone. University staff will need significant help with organizational change management, implementation and business process redesign. OSU will contract with consulting partners with specialized expertise in higher education digital transformations to help us deliver on the AMP vision.

ADVANCING OSU'S STRATEGIC GOALS

AMP will advance the university's strategic goals as articulated in several of SP4.0's strategic actions:

<p>Action 10 <i>Integrate inclusive excellence principles and practices into all aspects of the university</i></p>	<p>Action 19 <i>Implement a comprehensive talent management system</i></p>	<p>Action 20 <i>Integrate and simplify technology systems, data practices and policies to increase our organizational agility</i></p>
<p>AMP will integrate inclusive practices throughout the projects and programs and include perspectives and feedback from stakeholders with diverse experiences. Organizational change management is an integral part of the program and will support active engagement with the university community. Modern technology will improve accessibility and support inclusive design and implementation for users.</p>	<p>Redesigning human resource business processes and implementing a modern enterprise resource program will improve and support the talent management activities of the university, including recruitment and retention.</p>	<p>The AMP will integrate the OSU IT ecosystem by simplifying IT, standardizing processes, and tools, decreasing points of entry for support, and increasing capacity. A redesigned data ecosystem and business process automation, coupled with cloud-based technologies, will support agility in an ever-changing environment, supporting the university's strategic goals and mission: teaching, learning, research, outreach and extension.</p>

In addition to advancing OSU's strategic plan, AMP will provide additional benefits that align with OSU's outreach mission and leadership role as Oregon's statewide university by providing a resource for institutions in Oregon and beyond that may seek similar transformative efforts.

IDENTIFICATION OF RISKS AND MITIGATION STRATEGIES

Experiences of other universities suggest there are several major risks associated with university-wide transformations.

<p>Risks</p>	<p>Mitigation Strategy</p>
<p>Failed process implementations causing operational disruptions</p>	<p>Learn from successful ERP replacements in higher education by leveraging the experiences and best practices of peer institutions. Establish standard processes that have demonstrated a positive ROI and have been implemented successfully.</p>
<p>Moving old and inefficient practices and processes ("lift and shift") to state-of-the-art technology systems.</p>	<p>Establish a shared vision and set strong principles and expectations with university leaders and managers regarding the need for concurrent practice and process upgrades. Seek guidance from peers and vendors to inform the redesign efforts and leverage business process best practices. Use metrics to track changes and support the redesign process.</p>

<p>Failure to execute deliberate change management.</p>	<p>Engage external change management experts and consultants to guide the effort. Develop a common framework and language for change management and establish a program that includes change champions across the university. These champions will identify methods, communication strategies, and activities that engage the entire community, generate support, and address concerns and challenges transparently.</p>
<p>Resources are inadequate to properly staff the work.</p>	<p>Work within UIT and functional partners across the university to proactively manage resources, including identifying skills and planning for dedicated staff as required for the program, and augmenting internal capabilities with external expertise (consultants, contract support).</p>
<p>Distributed return on central investments is not visible or captured.</p>	<p>Utilize expert consultants to quantify and document savings realized through automation, employee time savings, and reduction of duplicate tools. Ensure that the information is made visible through the AMP program governance, allowing for transparent tracking of return on investments.</p>

We have been informed by the State of Oregon’s recent challenges with payroll implementation in their ERP replacement and their response. This has validated the importance of our planned strategies for risk mitigation. We will not lift and shift existing processes that may not work with the new ERP platform, nor do we plan to design our own processes, we will instead adopt processes from other universities using the same software that have been demonstrated to work and return a positive ROI.

Recognizing the significance of change management, we will engage the services of an Organizational Change Management (OCM) vendor. This vendor will proactively communicate with stakeholders who will be affected by the process changes, ensuring their involvement and understanding throughout the transition.

Early and thorough testing is crucial for a successful implementation. By conducting testing early in the project lifecycle, potential issues and bugs can be identified and resolved before they impact critical processes. Thorough testing ensures that all functionalities, integrations, and customizations are working as intended, providing confidence in the system's reliability and effectiveness. It helps minimize the risk of disruption to business operations, enhances user experience, and lays a solid foundation for a smooth implementation.

And, finally, we will obtain external consultants with process implementation expertise who are needed to ensure project success. By incorporating these strategies, we are confident in our

ability to navigate the challenges of the ERP replacement project and achieve the desired outcomes effectively.

RECOMMENDATION

Staff recommend that the Finance and Administration Committee recommend to the board approval of the option to use up to \$50M in university revenue bond proceeds for the Administrative Modernization Program.

Appendix

Estimated Investment								
Category	FY23	FY24	FY25	FY26	FY27	FY28	Totals	
Software and Implementation Consulting Services	\$ 2,150,000	\$ 5,491,543	\$ 4,073,597	\$ 11,073,177	\$ 8,446,984	\$ 3,776,286	\$ 35,011,588	
Business Process Redesign Consulting Services		\$ 1,110,000	\$ 511,500	\$ 3,007,500	\$ 1,684,500	\$ 361,500	\$ 6,675,000	
Change Management Partner		\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 5,000,000	
Staff Augmentation		\$ 1,755,764	\$ 784,458	\$ 814,258	\$ 1,034,656	\$ 1,074,276	\$ 5,463,412	
Total	\$ 2,150,000	\$ 9,357,307	\$ 6,369,555	\$ 15,894,936	\$ 12,166,140	\$ 6,212,062	\$ 52,150,000	

Estimated Savings							
Category	FY23	FY24	FY25	FY26	FY27	FY28	
Software		\$ (340,000)	\$ (570,700)	\$ (590,675)	\$ (611,348)	\$ (632,745)	
IT Effort		\$ (97,549)	\$ (260,098)	\$ (487,646)	\$ (780,195)	\$ (1,443,852)	
HR Effort		\$ (122,729)	\$ (754,749)	\$ (1,392,620)	\$ (2,735,497)	\$ (4,865,064)	
Finance Effort		\$ -	\$ (130,000)	\$ (195,000)	\$ (1,950,000)	\$ (3,900,000)	
Total		\$ (560,278)	\$ (1,715,547)	\$ (2,665,941)	\$ (6,077,040)	\$ (10,841,662)	