

## Change to Approved Budget: Administrative Modernization Program

### BACKGROUND

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

At the board's June 2023 meeting, the Provost, Vice President for Finance and Administration, and Vice Provost and Chief Information Officer proposed, and the board approved, allocating \$50M in university revenue bond proceeds to fund the cost of AMP. Attachment 1 provides information that informed the June decision. Attachment 2 provides greater detail about the program's governing principles.

The initial milestones for AMP, including establishing AMP governance, extensive community engagement, requests for proposals and contracts with external partners that will help successfully deliver AMP, and a fully dedicated OSU AMP team that will lead for the duration of the program are in progress, on schedule, and nearly complete.

Informed by these activities, the AMP team has provided an update on the scope and budget. Based on the updated AMP budget, OSU proposes to increase the initial allocation of general revenue debt to fund AMP and the interim debt service from \$50M to \$81.3M. This additional allocation of resources is necessary to support three things: revisions to the scope of the project, significant unanticipated escalation in consultant fees, and a tranche of contingency funds to address any further unanticipated cost/scope increases. Figures 1, 2 and 3 summarize the differences between the original budget estimates and the updated realized and projected costs, and debt service repayments. As requested by the board, the AMP team will continue to provide updates at April and October Board of Trustees meetings on progress on key milestones, including updates on project budget status.

### CURRENT ACCOMPLISHMENTS AND ACTIVITIES

**AMP Governance** — The AMP Steering Committee has been formed and is comprised of highly engaged leadership representing all domains of the university. The committee has established a monthly meeting cadence and formed a collaborative and engaged team that will support AMP's success.

The committee decided in December to prioritize the budget development tool in Workday (Adaptive Planning) to alleviate a highly manual and inefficient budget management process. This will assist OSU in starting to realize some of the administrative savings expected from this investment. Additionally, "AMP Guiding and Design Principles," developed and vetted with senior leadership across the university, were approved by university leadership in January 2024 and will establish alignment with OSU's values, practices, and desired outcomes.

**Engagement** — A key element of AMP 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. Organizational

change management (OCM) will lead OSU's journey and take priority when decisions, frameworks and actions are being considered.

These engagement efforts are underway. Last summer, the AMP team conducted 4 open forums and 25 focus groups with OSU community members across the state. Over 800 people provided feedback and questions helping to inform the university's decision to select the Workday platform. These types of engagements are a model for subsequent engagements and inform the future state of administrative processes at OSU. The AMP Organizational Change Management team is developing an OCM framework and approach that will drive activities and deliverables and engage stakeholders, including a community assessment and engagement plan, a change analytics plan, and an OCM governance plan.

**External Partners** — The AMP team is working closely with colleagues in the Procurement and Contracts office to finalize negotiation of contracts with external partners that bring depth and breadth of knowledge of digital transformation in higher education. Statements of work that include deliverable and incentives-based pay structures are an important element of the contracting process.

The OCM and Workday contracts came in much higher than originally projected. At contract execution in December 2023, the AMP negotiating team was able to reduce the cost of a ten-year contract with Workday by \$8M, bringing costs down to original projections. Despite negotiating the OCM cost down by approximately 20%, from \$8M to \$5.8M, the contract was still higher than originally projected. The OCM contract includes performance-based payments tied to measuring OSU community member readiness and OCM certifications as a measure for building an OCM framework at OSU and improving the knowledge and capacity for change management at the university moving forward.

The contract for an implementation partner and business process improvement partner will be finalized by the end of May and it will have seen significant price escalation as well. As with the OCM contract, the university team negotiated performance-based payments into the implementation partner's contract, which are tied to quality delivery of key processes like payroll. This contractual measure to incentivize quality is based on Workday implementation lessons from our partners at peer universities and state agencies following their system implementations.

**Building the OSU AMP Team** — Hiring the OSU AMP team is nearly complete. The university has successfully built a team of highly skilled professionals who bring expertise from inside and outside of OSU. Their diverse experiences, backgrounds and perspectives will drive the success of OSU's transformation.

## **BUDGET**

**Expected Costs** — As shown in Figure 1, the project team's estimates of expected costs for AMP have increased to \$81.3M since June 2023, when the board authorized approval to use \$50M of university revenue bond proceeds for AMP. The cost increase is a result of three factors: recommended expansion in scope (\$5.3M), inflation driven by very high demand for external consultancy support (\$13.35M), and the need to establish a significant contingency (\$9.18M) for further unanticipated increases in costs.

**Expanded Scope** — Through extensive engagement of OSU leaders and community around the objectives and requirements of AMP, it became clear that the financial administration of research grants should be included in the scope of AMP to enable the university to retire the current Enterprise Resource Planning tool (ERP) and fully support the goals of the university's new strategic plan. Originally, this was an element the university anticipated adding after the completion of AMP. A detailed projection and analysis of the resources needed to add grants administration to AMP was conducted,

finding that an additional \$5.3M would be necessary to accommodate the expansion in scope. Additional information is included in the budget table below.

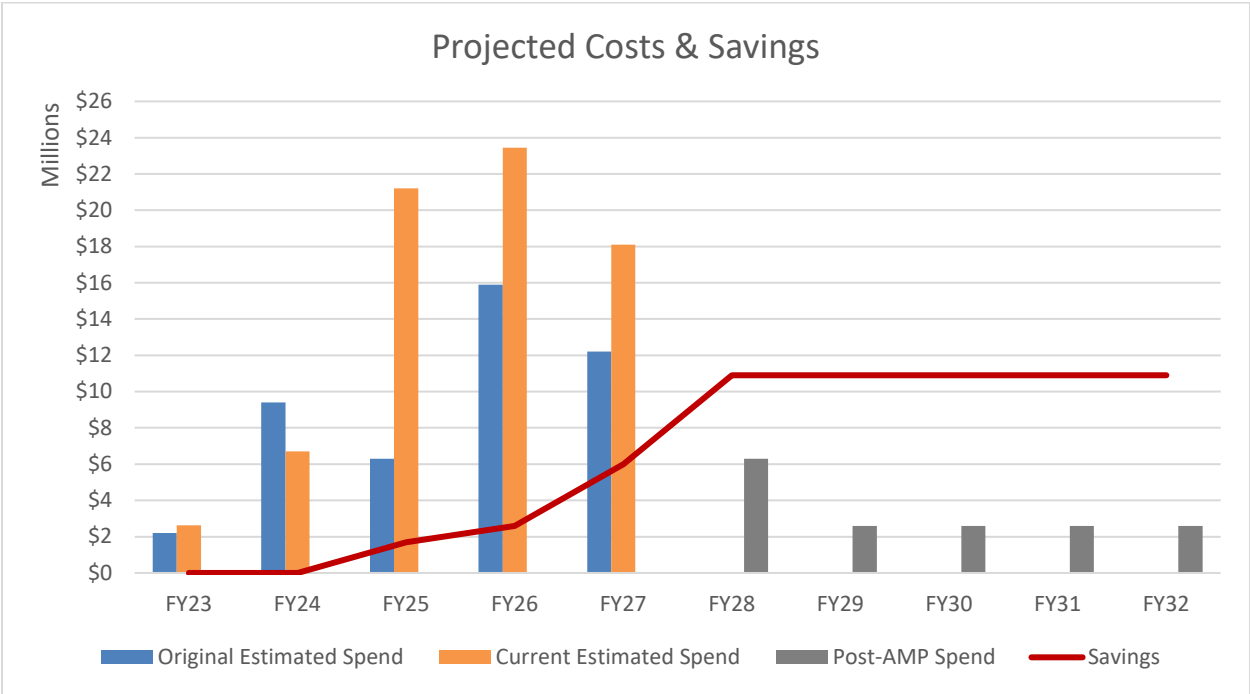
**Inflation** — The OSU team’s original cost projections for AMP were validated with the technology and research consulting firms Gartner and Info Tech, as well as with peer institutions that had completed their digital transformations ahead of OSU. However, software and consultant proposals via the procurement process came in well over projections. Figure 1 shows additional detail for each of the consultant services cost increases. OSU reviewed the increases with Gartner, which has advised that technology-related inflation is occurring widely across the corporate and higher education sectors, driven principally by higher interest rates, very high demand for skilled technology workers relative to supply (escalating labor costs), and unusually high demand for consultancy services as organizations that delayed digital transformations during the COVID pandemic are now pursuing projects simultaneously.

**Contingency** — With the impact of inflation, demand, and the additional scope, OSU leadership determined a significant contingency reserve is necessary to address anticipated complexity and unanticipated cost increases moving forward. The use for the reserves will be managed through the AMP governance process to keep the project on track toward successful completion on schedule. The \$9.18M contingency reserve referenced in Figure 1 below was calculated as 40% of the unrealized project costs, risks identified by OSU’s peer institutions from implementing the grant management scope, and the interest expense should those funds need to be spent.

Figure 1: AMP Original Budget Projection vs Updated Actuals and Projections – Table View

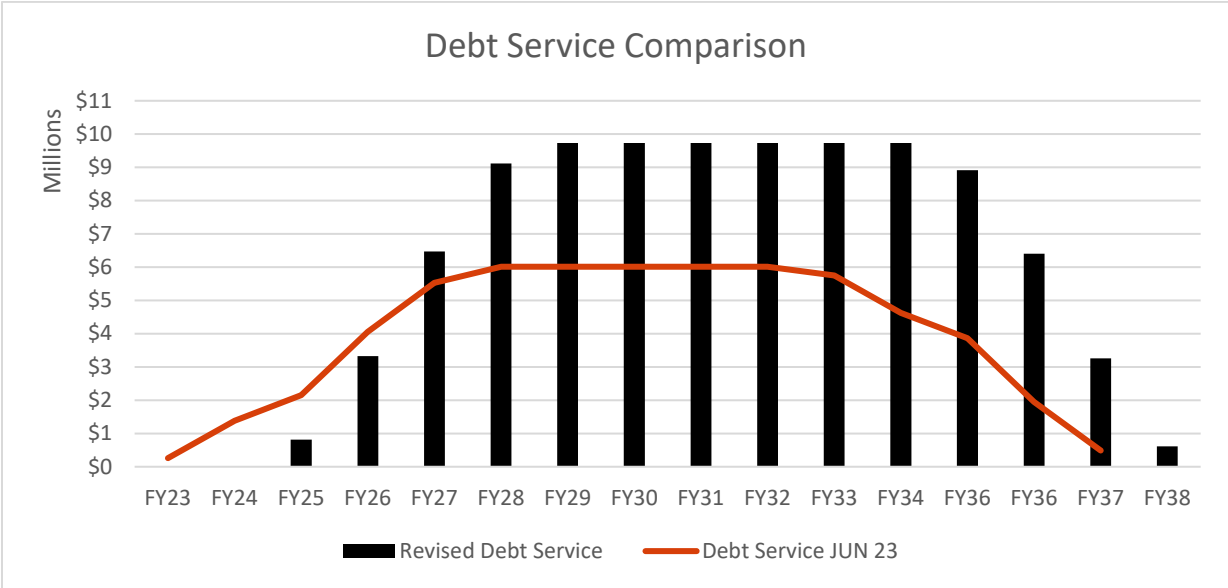
Category	Expenses	Original Projection	Current Projection	Delta (\$)	Delta (%)
Personnel, OSU	Fully dedicated AMP Team		\$5.57m		
	Enterprise Project Portfolio Management (project managers, business analysts)		\$2.25m		
	Student Employees		\$0.26m		
	<b>Subtotal</b>	<b>\$8.0m</b>	<b>\$8.08m</b>	<b>\$0.08m</b>	<b>1%</b>
Consulting Services	<b>ERP+</b>				
	Workday Success Plan* (WSP need not anticipated)		\$0.73m	↑	
	Organizational Change Management (OCM) partner*		\$5.78m	↑	
	Business Process Improvement partner (\$3.1m + \$0.9m grant scope)		\$3.10m	↑	
	Implementation partner (\$19.5m + \$1.0m Grants Mgmt. module)		\$19.50m	↑	
	Staff augmentation (\$9.62m + \$1.2m grant scope)		\$9.62m	↑	
	↑ Escalation: WSP, consultant costs, grant management scope				
	<b>Subtotal</b>	<b>\$25.38m</b>	<b>\$38.73m</b>	<b>\$13.35m</b>	<b>53%</b>
	<b>Foundational Projects</b>				
	Data and Integration Platform partner		\$1.80m		
	Smart Access		\$3.70m		
	Human Resources Service Delivery (HRSD)*		\$0.62m		
	<b>Subtotal</b>	<b>\$6.12m</b>	<b>\$6.12m</b>	<b>\$0m</b>	<b>0%</b>
Software and Hardware	<b>ERP+</b>				
	Workday subscription, 4 of 10 years* (plus \$0.8m grant scope)		\$7.22m		
	Workday On-Demand Learning credits			↑	
	OCM Partner Digital Navigator end-user training support tool		\$0.47m	↑	
	↑ Escalation: Workday Learning and Digital Navigator not anticipated		\$0.30m		
	<b>Subtotal</b>	<b>\$5.8</b>	<b>\$7.99m</b>	<b>\$2.19m</b>	<b>38%</b>
	<b>Foundational Projects</b>				
	Data and Integration Platform		\$1.20m		
	Smart Access		\$1.00m		
	<b>Subtotal</b>	<b>\$2.2m</b>	<b>\$2.2m</b>	<b>\$0m</b>	<b>0%</b>
Service and Supply Expenses	Interest expense, employee travel, training, supplies, etc.		\$2.47m	↑	
	Interest expense, Data and Integration Platform		\$0.15m		
	Interest expense, Smart Access		\$0.19m		
	External partner travel expenses		\$0.86m	↑	
	↑ Escalation: Higher interest w/ escalations and scope, partner travel				
	<b>Subtotal</b>	<b>\$2.5m</b>	<b>\$3.67m</b>	<b>\$1.17m</b>	<b>47%</b>
<b>Subtotal</b>		<b>\$50.0m</b>	<b>\$66.79m</b>	<b>\$16.79m</b>	<b>34%</b>
Grant Management Additional Scope	Additional scope includes projected costs for OSU personnel, Workday module, consultants and staff augmentation	\$0	\$5.30m	↑ \$5.3m	New
Contingency Reserve	For anticipated and unanticipated risks, including \$4.71m in grant management contingency reserve to address conversion complexity plus interest expense	\$0	\$9.18m	↑ \$9.18m	New
<b>Total</b>	*Signed contracts	<b>\$50.0m</b>	<b>\$81.27m</b>	<b>\$31.27m</b>	<b>63%</b>

**Figure 2:** AMP Original Budget Projection vs Update Actuals and Projections – Graph View



Current estimated spend in Figure 2 includes expenses through go-live plus six months of stabilization and support. Savings estimates and post-AMP expenses remain the same as original estimates and will be updated as we learn more.

**Figure 3:** Debt Service Spend FY25-FY38



**AMP RISKS AND MITIGATION STRATEGIES**

Risks	Mitigation Strategy
Leadership misalignment and disengagement on AMP objectives and principles.	Enact strong governance and alignment amongst university senior leaders to collectively determine the cohesive case for change, the importance of AMP and the changes to our business processes and supporting technology. Stand up an AMP Steering Committee that engages to provide leadership, make program-level decisions, and ensure that our teams operate in alignment with AMP Guiding and Design Principles.
Failed process implementations causing operational disruptions	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.
Moving old and inefficient practices and processes (“lift and shift”) to state-of-the-art technology systems.	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.
Failure to execute deliberate change management.	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.
Resources are inadequate to properly staff the work.	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).
Distributed return on central investments is not visible or captured.	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.

## AMP MOVING FORWARD

In the coming months, the AMP team will complete the program's planning stage and commence work with functional and technical teams to create modern and efficient administrative processes. The team will leverage the experience and processes of peer institutions and state partners that have implemented Workday successfully and learn from those facing challenges. Focused efforts on organizational change management will inform these activities. The following deliverables/milestones will be included in the report at the October Board of Trustees meeting:

- AMP community kickoff in July to celebrate and commence project teamwork.
- Identification of prioritized projects and workstreams.
- AMP Steering Committee deliverables and approvals to include:
  - Framework for staff augmentation.
  - Framework and identification for key performance indicators, metrics, and return on investment.
- Development of the overall program plan with key milestones and a roadmap.
- Engagement with the OSU community for environmental scan of current state.
- Administration of a change readiness survey and assessment.
- Ongoing change management activities for the OSU community.

## RECOMMENDATION

Staff recommend that the Finance and Administration Committee recommend to the board approval of an increase in the initial allocation of general revenue debt to fund AMP and the interim debt service from \$50M to \$81.3M.

## ATTACHMENT 1: EXCERPT FROM JUNE 2023 BOT MATERIALS

### 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, AMP will enable the university to focus more on its core mission and better serve its community.



## DATA AND INFORMATION THAT INFORMED APPROVAL OF \$50M IN REVENUE BOND PROCEEDS

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

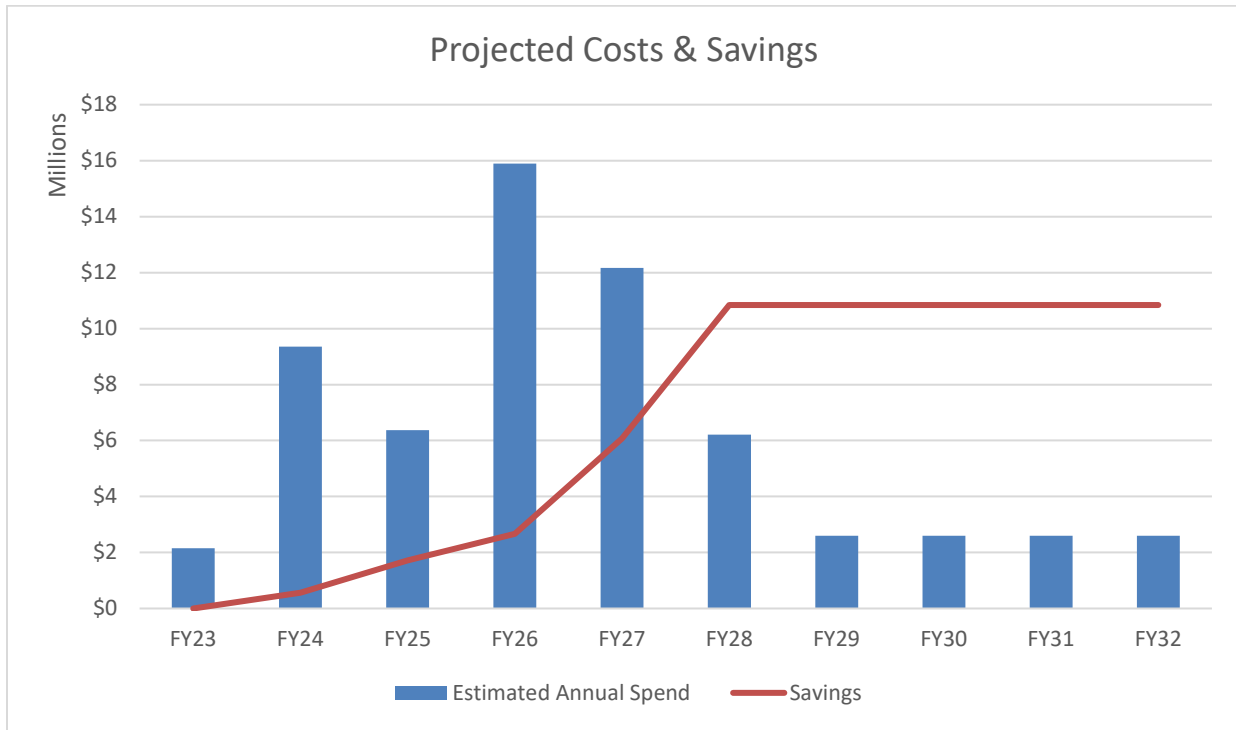
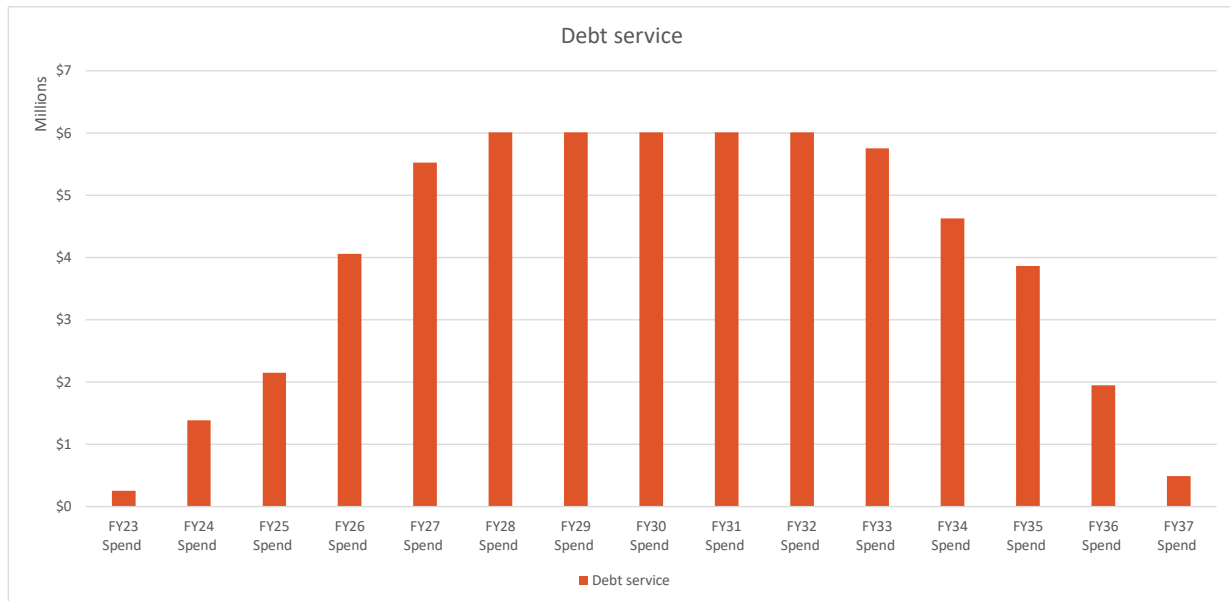


Figure 2 – Debt Service Spend FY23-FY37



## ATTACHMENT 2: AMP GOVERNING PRINCIPLES

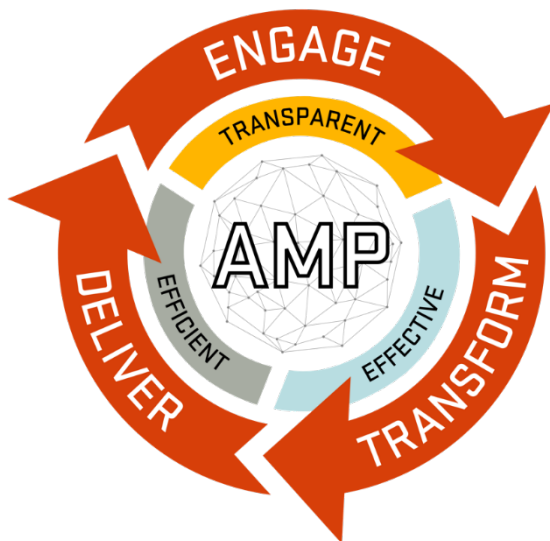
### NEW!-AMP GUIDING AND DESIGN PRINCIPLES

**Guiding Principles** will help facilitate purposeful decisions and actions by ensuring the alignment of OSU’s values and practices. The principles will provide clear direction to OSU community members working on AMP. Because they are transparent and specific, Guiding Principles lead to successful administrative work and provide actionable guidance when the organization is faced with competing objectives.

Guiding Principles are preferred over rules. The intent of the Guiding Principles is to provide boundaries or guardrails to assist decision-makers in judgment and responsible initiative related to a specific outcome or objective while keeping negative impact or risk at an acceptable level. They help decision-makers select an approach or direction and know when to escalate decisions, thus enabling the organization to take action more quickly.

**Design Principles** will help the project team ensure its activities, approach and decisions are fully aligned with the desired outcomes for AMP. They will help the team retain functional and administrative consistency while maintaining alignment with the priorities of the organization. Design Principles ensure that changes stay true to the overarching vision of a set of shared, adaptable, business-enabling capabilities.

Our principles will aid our purposeful judgment in decision-making and action-taking when designing new processes and implementing new tools. Consensus on principles—across all teams involved in implementing new capabilities or making changes to existing, core capabilities—is critical to ensuring that individuals self-regulate and adhere to the principles, even without traditional top-down governance mechanisms.



## GUIDING PRINCIPLES

Team members will **ENGAGE** with OSU community members using intentional strategies.

**Achieving this principle will:**

- Enable early and robust input, so that design is informed by the best possible ideas
- Provide robust communications to the community at all stages of the implementation

In working to **TRANSFORM** processes and systems, team members will prioritize data-informed solutions that improve the user experience.

**Achieving this principle will create:**

- Improved user experiences
- Better clarity around roles
- Access to insights and trusted data
- Efficiency and effectiveness

Team members will **DELIVER** flexible and scalable processes and tools to expand organizational capacity.

**Achieving this principle will cultivate:**

- An improved capacity for innovation and continuous improvement
- Greater efficiency in administration
- Adaptability as conditions change

## DESIGN PRINCIPLES

To promote trust and accountability in AMP, we will create **TRANSPARENT** and reliable processes that integrate functions into a unified system.

**Achieving this principle means:**

- **Championing change.** We will equip people for change through targeted training that speaks to audiences' language, preparing the community for change and using new tools and processes.
- **Inclusion and engagement.** We will bring unique perspectives and backgrounds to the redesign of the university's digital experience and administrative business processes to ensure the transformation is inclusive, equitable and accessible to all.
- **Leadership alignment.** Leadership will support and work collaboratively to achieve our administrative modernization goals.
- **Transparent decisions.** Project teams commit to transparency in decision-making and issue resolution to ensure complete and accurate information is widely shared with the university community.
- **Strong and transparent governance.** We will make thoughtful and deliberate decisions through transparent, decisive and inclusive governance.
- **Communicate frequently and fully.** We will engage in active and effective communication that promotes trust and accountability to the university community.
- **Data as a strategic asset.** We will implement technology through the lens of data by using best practices to deliver the right data, to the right person, in the right manner, from any device.
- **Measure community readiness.** The success of change management will be measured by the university community's preparedness and readiness to change.

We will provide an **EFFICIENT**, user-friendly, adaptable and secure experience by designing **EFFECTIVE** processes and systems.

**Achieving this principle means:**

- **Measuring impact.** We will measure the impact of transformed processes with qualitative and quantitative key performance indicators to track ongoing performance and facilitate continuous improvement.
- **Current processes will not be recreated with new technology.** We will reconceptualize and redesign our administrative business processes, policies and technologies to improve the student, faculty and staff experience.
- **Everything is on the table for possible adjustment or redesign.** We will design systems how we would optimally want them. The design of our future state will not be constrained by the status quo.
- **Prioritizing the user experience.** We will establish and deploy processes that are human-centered and help people deliver their best work by simplifying from the user's experience as opposed to optimizing from the administrator's experience.
- **Maintaining capability levels.** We will create solutions fit for purpose without over-engineering or expensive customizations, while managing costs and maximizing impact.
- **Simplification and consistency.** Administrative business processes will be simplified and consistent across the university to reduce administrative burdens for the university community.
- **Data-informed decisions.** We will make business and technology decisions with quantitative and qualitative data.
- **Intentional systems architecture.** We will architect and align our systems and data to be cloud-native, resilient, sustainable, interoperable and within our cyber security framework to simplify IT, free the data and create organizational agility.
- **Maximizing resources.** We will reallocate resources to the highest and best use to achieve the goals of the university and the highest level of strategic impact.