

The ERP Book

Financial Management Technology from A to Z

Edited by David Melbye

Government Finance Officers Association

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Foreword

As they should, stakeholders demand a clear and compelling business case for any investment, but seem especially concerned about technology. Technology projects can be difficult to understand, and may not have the directly visible citizen impact of other investment decisions. Nonetheless, technology can enable governments to achieve efficiency and productivity gains, provide the support needed for social, infrastructure, public safety, or other programs, and can be the basis for deeper and broader citizen communications.

With significant competition for resources, not to mention a shrinking resource pool, the decision to pursue new technology cannot be made lightly. Even when a solid business case has been developed, governments pursuing acquisition of new technologies need to assure stakeholders that a rigorous process is being followed to ensure a good investment. This is not as simple as it sounds, as technical advances, a changing marketplace, and shifting priorities demand a procurement process that is both robust and flexible. A successful procurement process can be molded to a variety of needs and situations, while retaining the objectivity and thoroughness that public-sector officials demand.

This book serves two purposes for the finance professional involved in technology projects. First, it documents a step-by-step approach to assessing the need for new technology and provides a roadmap for any procurement steps that may follow. Second, each chapter of the book can stand on its own as a reference guide that can be consulted as projects progress or new initiatives begin. A Web page (www.gfoa.org/ReachIT) supplements this book so that the authors can keep readers up to date as tools and methods evolve.

The Government Finance Officers Association (GFOA) Research and Consulting Center provides technology and management consulting services to local governments across the United States and Canada. It has assisted states, cities, counties, and special districts of all sizes on hundreds of technology projects, providing the basis of much of this book. Our consulting practice informs and rounds out our research, and our goal with this and all of our publications is to assist members by sharing our experience and best thinking.

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About the Contributors

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David Burna is a Senior Manager with the GFOA who specializes in joint process analysis between IT and user departments. He has an extensive technology background, and has recently completed several consulting assignments rebuilding business processes as a result of the new technology deployment. Mr. Burna is also trained in GFOA's change management methodology, and has assisted several clients with development of change management strategies and enterprise-wide communication plans.

Nadeen Biddinger joined the GFOA staff in 2005, and is a Senior Manager in the Research and Consulting Center. Ms. Biddinger has 22 years' experience in local government, with 12 years in public-sector information technology projects. Ms. Biddinger specializes in outsourcing, project management, software selection methodologies, systems integration, and contract negotiations. As a paralegal, Ms. Biddinger has significant responsibilities in contract negotiation and statement of work development in the GFOA's ERP practice. Previously, Ms. Biddinger was the Deputy CIO for the City of Indianapolis/Marion County, where she led an outsourcing effort in 2004 and managed the first year of implementation.

Shelley Fulla joined the GFOA staff in 2005 as a Senior Manager in the Research and Consulting Center. Ms. Fulla has 15 years' experience in governmental management, much of that time as a practitioner, and

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Mike Riffel joined the GFOA staff in 2006 and is now a Project Consultant/Analyst in the Research and Consulting Center. Mr. Riffel specializes in providing functional fit-gap analyses for technology and organizational needs assessments, facilitation of the system procurement process, and the formulation of implementation readiness plans and implementation deliverable review. In addition to his role as Senior Consultant, Mr. Riffel also conducts ERP market research, manages GFOA's online OPEB (Other Post Employment Benefit) toolkit, and develops the training curriculum found in the technology track of GFOA's Annual Conference. Mr. Riffel has authored chapters in several GFOA publications on topics ranging from CRM/311 to alternative software delivery models such as Software as a Service (SaaS).

Rob Roque is a Senior Project Manager with deep experience in IT applications, collaborative computing, and social networking tools. Mr. Roque has been with the GFOA Research and Consulting Center for over ten years, and participated in much of the development of GFOA's methodology for business and IT process analysis. He has worked with some of the GFOA's largest clients on projects ranging from initial needs assessments to software selection and developing post-implementation support structures. Mr. Roque also conducts funding and staffing analyses for procurement, implementation, and long-term support projects.

Introduction

David Melbye

Without question, economic conditions at the end of the first decade of this century have changed most governments' view of technology investments. A technology project portfolio that once included highly visible initiatives such as homeland security, infrastructure monitoring and surveillance, and disaster preparedness now focuses on revenue forecasting and cost savings. Instead of exploring options for supporting new programs, finance directors and information technology managers are doing everything possible to maximize existing technology, allowing them to focus remaining resources on basic operational needs.

This is not to say that governments are ignoring their technology platforms. In some cases, governments find that delaying an upgrade of their core operational systems is no longer technically responsible, introduces significant operational risk, or ignores an opportunity to restructure costs. These governments operate with hardware and software that is no longer supported and out of warranty, requires excessive maintenance costs because of customizations, or diverts resources from more critical tasks. Upgrading or replacing technology in these environments cannot be delayed without introducing unacceptable risks. To mitigate that risk and stay within tighter budget guidelines can be a daunting challenge.

In other cases, governments are approaching business process improvement with renewed vigor, looking for ways to remove duplication and waste, and generally eliminate non-value added activity. For these organizations, process improvement may have an impact on their technology platforms. Examples can include acquiring a new budget or revenue forecasting tool, deploying employee self-service functionality to reduce the time spent in human resources and benefits administration activities, or managing vendor relationships online.

Adding to these challenges is the advent of desktop and mobile applications such as blogs, podcasts, and other social networking technology that can reach citizens on a personal level. In addition to providing better service, these applications can streamline transaction

processing and cut costs, provide transparency into government operations, and greatly improve information flow throughout the organization. Defining how, when, and where to take advantage of these technologies is another challenge for any finance director with needs that exceed available funding.

As a result of these pressures, many governments are finding that they need to do the basic “blocking and tackling” of government more efficiently. Therefore, governments must approach the support of budgeting and purchasing, operations management and financial reporting, human resource management and payroll, with a high degree of innovation and energy. The challenge, as always, is investing time and resources appropriately, ensuring completeness of vision is coupled with realistic goals, and having an approach that will maximize a government’s ability to succeed.

Integrated systems that support these everyday types of functions are called enterprise resource planning (ERP) systems. While ERP is far from new, there have been significant developments in the marketplace in the last decade. Governments may now be looking to ERP to replace an older ERP system, rather than replace paper and pencil. Vendors now offer an array of delivery options beyond simply licensing the software. Integration of ERP functionality with other applications, such as geographic information systems (GIS), is becoming more critical. This book touches on the ERP procurement lifecycle, from understanding the need for ERP, how ERP solutions have evolved in the last ten years, and presenting a roadmap for your organization to define its desired outcomes and how to get there.

Chapters 1 and 2 are intended to help you evaluate where you are from the perspective of business drivers, current financial management applications, and beginning the process of understanding alternatives and building a business case. Chapters 3 through 6 take an external view of the marketplace, and will help you understand the ERP world as it has changed over time. Chapters 7 through 10 focus on procurement steps that you will need to take to maximize your chances for success while remaining objective and accountable. Chapter 11 focuses on the often-daunting process of implementing new technology, and Chapters 12 and 13 take a longer view of the ERP environment, discussing how the ERP assessment and procurement process can be generalized to other applications and an overview of the lifecycle services around ERP implementations.

Previous editions of this book included frequently asked questions, templates, and samples. Where appropriate, those are included in the

text, but readers are encouraged to visit the GFOA Web site at www.gfoa.org for more supporting materials. This will allow the authors to provide updates as best practices continue to evolve. Please direct comments or questions to rcc@gfoa.org.