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One Washington
Final Report

Governments in the 21st century face permanent fiscal stress. On the one hand, expectations for service are constantly changing with people expecting higher quality, faster interactions, greater access, and better outcomes. On the other, the costs to deliver services are constantly rising faster than revenues. Navigating a course between these fiscal pressures is the central challenge of those charged with governing our public institutions. Successful navigation requires good tools that provide up-to-date information so that the state can anticipate problems and get the most out of every dollar that it spends.

With sustained commitment and engagement, One Washington will:
- **Deliver business value incrementally over the course of the project**
- **Respond to changing priorities**
- **Provide new capabilities that allow the state to better govern, better manage, and better navigate the challenges it faces**
- **Result in a modern, stable and reliable financial system that enables the state's business transformation**

One Washington is a good business decision and, more importantly, a good mission decision.

In Washington, those tools are aging, are not well integrated with one another, do not readily produce needed information, and require heroic efforts by staff to function. In short, the state is trying to meet 21st century challenges with a 20th century operating strategy, business processes, and information systems. These aging capabilities inhibit the state's ability to meet the changing expectations of the people of Washington and to get the most out of every dollar that it spends on their behalf. The state will replace these capabilities sooner or later. Our analysis shows that beginning that process now to deliver business value would be a good business decision and, more importantly, a good mission decision.

What is an ERP and why is it important?

An ERP is the source of the information that organizations need to successfully navigate the challenges they face.

The main systems that all organizations use to plan and manage their challenges are called Enterprise Resource Planning (ERP) systems. These systems pull together data on the organization's main resources – its people, money, information, and assets – and combine it into information that decision makers use to guide and manage.

Every organization, in every industry across the public and private sectors, has an ERP system of some sort. How those systems function varies widely. Those organizations that seem to navigate their challenges most successfully have highly integrated, automated systems that include budgeting, finance, procurement, human resources, technology, and assets, and can deliver critical information quickly and accurately. At the

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other extreme are those organizations that have disjointed, manual applications with pieces scattered across the organization joined together by multiple technical or human interfaces that translate the data from one application into the language of the other. These organizations find it difficult to get the quality of information they need to make key decisions in a timely way.

Washington's core systems for navigating its challenges were put into service in the 1980s. Today there are well over 100 different applications, joined together using a combination of aging technology, out of date computer coding, and significant effort by state employees to translate and integrate information.

An ERP implements the organization's design for how it delivers services.

> **Enterprise Resource Planning (ERP) systems pull together data on an organization's main resources – its people, money, information, and assets – and combine it into information that decision makers use to guide and manage.**
> *ERP systems also enable an organization's operating assumptions and design.*

Organizations produce the results they do by design. That design is captured in the organization's explicit and implicit assumptions about purpose, accountability, incentives, control, and culture. The ERP turns these assumptions into business rules and processes that are enabled by IT systems. Together, these constitute the way organizations – including Washington state government – do business.

Washington's 1980s-era core business processes and systems reflect an outdated operating design and way of doing business. In particular, they embody a command-and-control orientation with processes designed to control the 1-5 percent who don't follow the rules, rather than empower the 95-99 percent who do.

The challenges of the 21st century require a modern operating design that assumes that people will perform, provides them the authority to do so, and holds them accountable for the outcomes they deliver. The major principles of such a 21st century design for Washington were developed through a set of strategy labs with Washington senior leaders and are summarized on the next page[1]. These principles should serve as the basis for redesigning business processes and rebuilding IT systems to enable Washington state to keep up with the changing expectations of those it serves and meet today's fiscal challenges.

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[1] One Washington Service Delivery Strategy

Operating Principles For Serving the People of Washington *as defined by WA senior leaders*	
Purpose: How does the organization define its purpose?	▪ Do the right things right: Assume that things are allowed unless they are explicitly prohibited, and assume that things can be questioned even if they are required. ▪ We deliver outcomes for those we serve, anchored in our mission, vision, strategy, and values.
Accountability: To whom is the organization accountable?	▪ We are accountable to authorizers for what we do, and to those we serve for how we do it and how well. ▪ Our performance story is told through the use of data and analytics. ▪ Quality is defined by those we serve.

Incentives: What matters and how are they made to matter?	▪ What matters are the outcomes we deliver and their quality (measured by the experience, timeliness, price, ease, etc.), as defined by those we serve.
	▪ To make these things matter we:
	   ▪ Recognize and reward delivering quality outcomes and learning from our work based on data and analytics.
	   ▪ Set performance targets and measure progress towards those targets.
	   ▪ Pursue customer feedback that is direct, immediate and personal.

Control: What is controlled and by whom?	▪ We focus on assuring delivery of quality outcomes with our authorized resources. ▪ Compliance is achieved primarily through motivating people to comply voluntarily. ▪ Decisions are driven by data and analytics. ▪ Control is delegated and supported. ▪ Controls are risk-based.
Culture: What are the unwritten rules?	▪ We assume people will perform, and empower them to take risks and succeed. ▪ We combine data and analytics with flexibility and innovation to support learning and continuous improvement. ▪ Ours is a service-oriented culture. ▪ We tell our story and the stories of those we serve – they connect people to what we do and why.

> ## Why don't people replace these systems very often?
> ## And when they do replace them, why do they replace them?

Replacing an ERP system is hard. It costs money ($150 - $200 million), takes time (5-7 years), and is disruptive as one system and ways of doing things is replaced by another. Managing and supporting ERP systems adds another $100 million over five years. As a result, these systems often stay in place for 25-35 years. In addition, people accommodate to the limitations of the in-place system by developing "work-arounds" that allow them to do what they need even if 'the system' cannot. Over time, these work-arounds become part of business as usual and take the pressure off of demands to upgrade or preplace the core system.

When states do replace these systems, they typically do so for three reasons.

First, they do so because of the risk posed by legacy systems that are so old that if something were to go seriously wrong it would be a disaster. For Washington, the failure of core applications would disable the state's ability to pay its bills or its employees, issue funding to schools and municipalities, manage its cash flow, and procure goods and services. For organizations that are considering such a project, it is not a question of whether to replace the ERP system - it is a question of when.

> **Replacing an ERP system does not happen very often because it is hard. It costs money, takes time, and is disruptive.**
>
> **Organizations replace their ERP systems to:**
>
> 1. **Reduce the risk of major failure**
> 2. **Get more staff focused on delivering the mission vs. maintaining the system**
> 3. **Maintain critical capabilities without having to own all the technology**
>
> *And when they do, they find they can better govern, better manage, and better navigate the challenges they face.*

Second, organizations also pursue ERP replacements to get staff focused on the mission - rather than maintenance of the system - and to gain access to the powerful new capabilities. They look at the current business processes in their state as well as the work-arounds staff must perform and conclude that they would rather their staff spend time delivering services to citizens instead of executing the manual processes required by their current systems. In addition, they recognize the power of the analytic tools embedded in a modern ERP and the ability of those tools to anticipate needs and allocate resources more efficiently and effectively.

Finally, many states realize that the current model of on-premise, state-operated technology systems is expensive and burdensome to manage. This becomes particularly challenging when they realize that many of the individuals supporting their current systems are approaching retirement age, and that newer hires do not have the skills needed to maintain outdated technology. In light of this challenge, states are attracted to new models that allow them to access enhanced capabilities not feasible without new technology and maintain critical activities within their control, while partnering with a vendor to manage activities that are not in the state's interest to own.

> **After organizations replace their ERP systems, what's different?**

When organizations do replace their legacy enterprise systems, they often wish they had done so sooner. They welcome the new capabilities that allow them to better govern, better manage, and better navigate the challenges they face. With redesigned business processes enabled by integrated technology systems, more people throughout the enterprise spend more time focused on delivering services and more effectively improving the quality and quantity of those services. Routine tasks are automated, data entry is

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simplified, a single source of data is created to serve the entire enterprise, analytics add horsepower for decision-making, and the cost of compliance decreases. Organizations also find they have better information delivered in a timelier manner, allowing them to make better decisions about the operations of the enterprise. Put simply, these new systems allow organizations to better achieve their mission. In addition, organizations find that the capabilities of these new systems allow for operating savings that are greater than the cost of implementation. Thus, implementing these new systems is also a good business decision. Finally, leaders also find that a

> **Every system needs to be replaced eventually, and Washington's core financial systems are over 30 years old. Delaying the replacement of core applications threatens the state's ability to:**
> - **Pay its bills or its employees**
> - **Issue funding to schools and municipalities**
> - **Manage its cash flow**
> - **Procure goods and services**
> - **Access federal grant funds**
> - **Assure compliance with state and federal regulations**
>
> *Doing nothing places the state's financial management in jeopardy.*

modern ERP is a key tool to recruit and retain talent as employees are attracted to organizations with up-to-date technology that enables achievement of its public service mission more effectively.

> **In Washington's case, what will ERP replacement entail, what will it cost, how long will it take, and how hard will it be to do?**

Led by One Washington, the state's new system should replace the state's core financial system (Agency Financial Reporting System, or AFRS), its procurement system, and more than 100 related systems[2]. It should also connect with the current Human Resource Management System (HRMS).

We recommend the One Washington project proceed through the following stages:

1. Pre-implementation stage: This stage includes planning and procurement activities to obtain authorization and funding for the One Washington project, development of detailed specifications, requirements and plans, mobilization of the state employee team, and completion of several procurements for professional services and ERP software. At the completion of this stage, the state will have a state and vendor team that is ready to begin implementing the new system. This stage also includes targeted business process redesign (BPR) activities that drive hard dollar and mission benefits[3]. These foundational activities set the stage for the new system by standardizing various tools (e.g., Chart of Accounts) that will impact all of the business processes that will be part of One Washington.

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[2] One Washington Current Financial System Assessment
[3] One Washington Business Case

2. Implementation stage: During the implementation stage, Washington will shape the features and functionality of the system to meet its business needs. This stage includes all the activities to design, build, test, and deploy the new system. At the conclusion of this stage the new business processes and new systems will be operating and the state's legacy systems will be retired.

3. Post-Implementation stage: This stage includes activities to operate, maintain, and upgrade as necessary the new system and related business processes to assure they continue to meet the needs of the state.

The work of developing, implementing and supporting this new system should be shared by state employees and outside vendors.

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In assessing the time and cost of the One Washington project, three scenarios were considered:

1. Scenario 1 - Managed Services ERP: In this scenario, all of the finance and procurement functions would be combined into one integrated ERP system. The new system would be implemented in five phases in which groups of related functions are implemented together within groups of agencies that are brought onto the new system at the same time. Implementation of One Washington would be preceded by planning, procurement, and business process redesign activities. Implementation would be followed by post-implementation support, provided through a vendor managed services model in which the state owns the software but its operation is managed by a third-party vendor. Of the three scenarios, this would result in the quickest replacement of AFRS - a little over 6 years after the start of the project.

2. Scenario 2 - Best-of-Breed eProcurement with Managed Services ERP Financials: In this scenario, a Best-of-Breed (or best available) eProcurement system is selected and implemented first, followed by a separate implementation of the finance functions. Because there would be two separate procurements, this scenario includes seven phases in which groups of related functions are implemented together through three agency waves. The pre- and post-implementation activities are similar to those described in Scenario 1, with some adjustments made to accommodate the separate Best-of-Breed implementation. The cost for implementing Scenario 2 is higher and the time to replace AFRS is longer than Scenario 1, because two systems are being implemented, but the eProcurement capability would be delivered sooner. eProcurement would be fully implemented within 4 years of the

beginning of the project. The full ERP would be implemented a little over 7 years from the start of the project.

3. Scenario 3 - Best-of-Breed eProcurement with Software as a Service (SaaS) ERP Financials: In this scenario, as with Scenario 2, a Best-of-Breed (or best available) eProcurement system would be selected and implemented first. Unlike Scenario 2, this would be followed by a Software as a Service (SaaS) implementation of the finance capabilities in which the state leases rather than owns software. A third-party vendor would provide all of the ERP hardware and software capabilities as a service to the state and would be responsible for all operations, maintenance and upgrading. The approach to implementation for Scenario 3 would be similar to Scenario 2. The pre-implementation activities would be the same. The eProcurement implementation would be the same. The major difference would be the approach to implementing the financial capabilities. A SaaS system would come "pre-built," so the major implementation activities would involve configuring it for state-specific purposes and then adapting state processes to fit. (In contrast, Scenarios 1 and 2 would involve some customization of the software to make it fit with customized state processes.) As a result of this pre-built approach, the implementation of financial capabilities would go faster in Scenario 3 than in Scenario 2. Finally, the post-implementation support model for the SaaS ERP system would be very different from the other two scenarios, with the vendor providing all operations, maintenance and upgrades. SaaS vendors are currently working to provide the functionality and services required by state governments, but actual experience is limited. Until there is more state government experience and SaaS products appropriate for state government mature, it is difficult to provide more specific phasing and timeline guidance and estimates. Under this scenario, eProcurement would be fully implemented within 4 years and the full ERP would be implemented about 7 years from the start of the project.

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Based on these three scenarios, we have estimated the Total Cost of Ownership and Total Benefits of implementing the state's new system. These estimates are based on Accenture's experience planning and installing more ERP systems of all kinds with governments in the US than any other organization. These

estimates have been developed specific to the Washington state environment and its needs, rather than taking a one-size-fits-all approach for state governments.

Cost estimates include the full cost to plan, prepare, purchase, implement and maintain the new procurement and financial capabilities outlined above, resulting in a modern, stable and reliable financial system that enables the state's business transformation. To make the estimates comparable, we used a time frame spanning 49 fiscal quarters (just over 12 years) to allow for full implementation plus 5 years of post-implementation operations and maintenance. The cost estimates range from $242.7 million to $284.4 million and are summarized in the table below, along with the corresponding benefits ranging from $312.8 million to $363.0 million. (Figures in all tables below are in millions.)

Scenario	Planning and Procurement	Business Process Redesign	Implemen-tation	Post-Implemen-tation	Total Cost of Ownership	Total Benefits
Scenario 1	$8.2	$18.5	$124.2	$91.8	$242.7	$363.0
Scenario 2	$10.0	$18.5	$156.6	$99.3	$284.4	$312.8
Scenario 3	$10.5	$18.5	$156.8	$81.2	$267.0	$327.8

To estimate the incremental benefits that would be generated as a result of implementing One Washington, we identified a range of possibilities, excluded those that Washington had already pursued or that were deemed infeasible by key internal leaders, and made a conservative estimate of the agreed upon benefits. Based on this analysis, we identified the following opportunities for delivering quantifiable business value through One Washington[4].

Benefits Included in Business Case	Scenario 1	Scenario 2	Scenario 3
Strategic sourcing of purchases	$ 181.8	$ 157.3	$ 157.3
Prompt pay discounts	106.9	89.3	97.7
Purchase card rebates	2.2	1.9	1.9
Vendor fees	12.5	16.5	16.5
Termination of legacy system maintenance costs	4.7	3.8	4.0
Printing reduction	5.8	5.3	5.5
Increased accounts receivable collection	49.1	38.7	44.9
Total	$ 363.0	$ 312.8	$ 327.8

*Note*: The differences reflect the different timing of implementation for the three scenarios.

Finally, with these estimates of both costs and benefits, we are able to estimate the point in time at which benefits will exceed costs - the breakeven point for each scenario. The results, shown in millions of dollars, are as follows for each scenario.

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[4] One Washington Business Case

Scenario 1

The break-even point for Scenario 1 occurs toward the middle of FY 2023. Over the next six biennia, total benefits exceed total costs by $120.3 million.
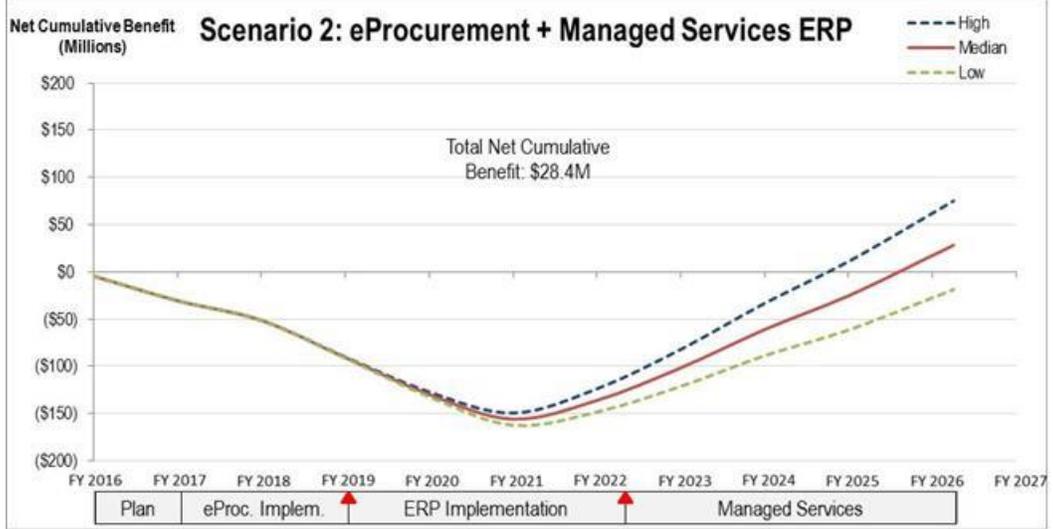
	FY 16-17	FY 18-19	FY 20-21	FY 22-23	FY 24-25	FY 26-27*	Total
Costs	$ 13.3	$ 91.6	$ 64.9	$ 24.5	$ 33.2	$ 15.2	$ 242.7 M
Benefits	-	13.0	62.1	103.4	113.5	71.0	$ 363.0 M
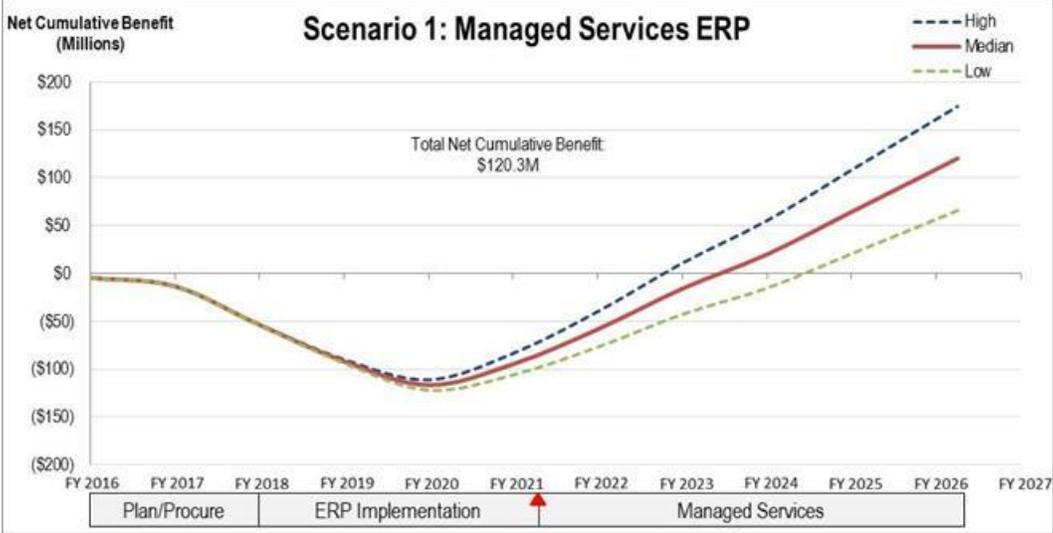
Scenario 2

The break-even point for Scenario 2 occurs towards the middle of FY 2025. Over the next six biennia, total benefits exceed total costs by $28.4 million.

	FY 16-17	FY 18-19	FY 20-21	FY 22-23	FY 24-25	FY 26-27*	Total
Costs	$ 30.4	$ 64.1	$ 104.4	$ 32.9	$ 35.1	$ 17.5	$ 284.4 M
Benefits	-	3.9	39.3	87.2	111.5	70.9	$ 312.8 M

Scenario 3

The break-even point for Scenario 3 occurs at the end of FY 2024. Over the next six biennia, total benefits exceed total costs by approximately $60.8 million.

	FY 16-17	FY 18-19	FY 20-21	FY 22-23	FY 24-25	FY 26-27*	Total
Costs							$ 267.0 M
Benefits	$ -	$ 3.9	$ 41.1	$ 98.4	$ 113.5	$ 70.9	$ 327.8 M
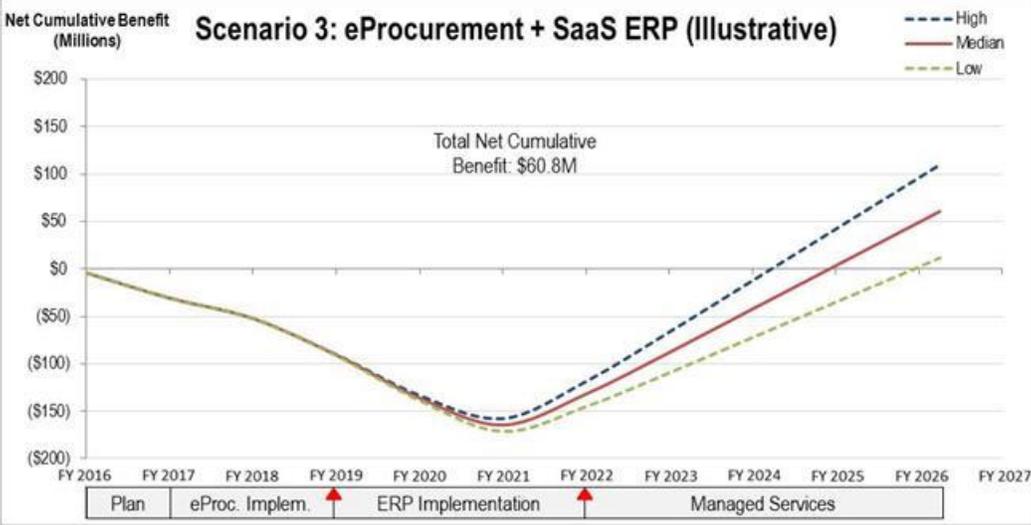
Note: FY 25-27 figures include one quarter of FY 2027.

Our conclusion is that implementation of One Washington is a good business decision.

But being a good business decision is not good enough. The real purpose of One Washington is to improve the State's ability to navigate the challenges it faces and to deliver business value more effectively. To that end, we completed our analysis of One Washington by considering its impact on the ability of the state to fulfill its mission based on industry leading practices and experience from other states[5]. Similar to our analysis of costs and benefits, we identified both positive and negative potential impacts on mission, excluded some and limited others based on input from internal leaders, and compiled the following:

[5] One Washington Business Case – Mission Impacts

Positive Impacts

+ Redesigning business processes through Lean
+ Winning the war for talent
+ Converting data to insights for decision making
+ Shifting from system maintenance to program support
+ Reducing risk of system failures
+ Standardizing payee and customer data
+ Making travel self-service
+ Facilitating budget planning
+ Gaining needed capabilities
+ Accounting for results via chart of accounts and outcomes
+ Reporting the right information at the right time to the right people
+ Meeting and exceeding public expectations

Negative Impacts

− Increased vigilance to avoid project and system failure
− Staff productivity loss during transition
− Culture change to accomplish enterprise-wide governance
− Workforce turnover
− Deluge of data
− Changes in job descriptions and functions
− Management of workload associated with heightened public expectations for open data
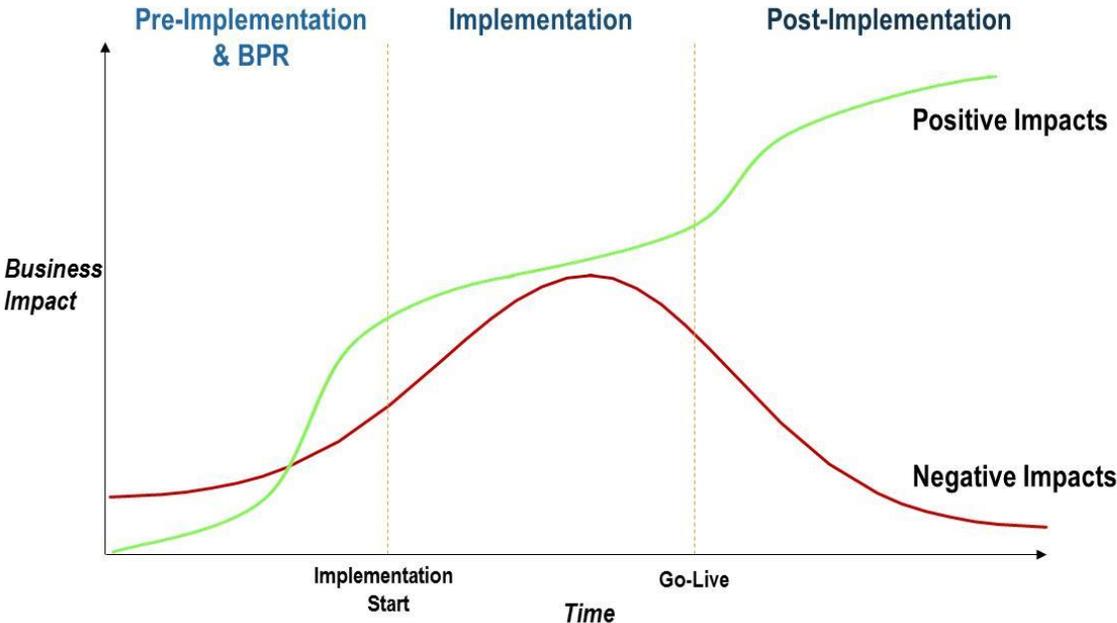
Achieving the positive impacts of implementing One Washington while mitigating the negative impacts will require sustained engagement of leaders throughout Washington, and a sustained investment in managing the process of transitioning from the legacy processes and systems to their replacements. As indicated by our analysis of mission impacts, these investments will produce a significant return by increasing the ability of Washington to serve its people.

Our conclusion is that One Washington is a good mission decision.

Conclusion

Replacing an ERP system is a relatively rare and critically important activity for any state government. Because it is so vital, One Washington will require the sustained commitment of executive and legislative leaders as well as agency managers to shape the end-state system, and guide its implementation. Because it is rare, One Washington will require the engagement of one or more partners who have been down this path before and can assist the state with design and procurement of the system, business process redesign, system integration, and ongoing management of the technology.

Meeting today's challenges of increased demands for services, rising costs, and limited resources requires an operating design, business processes, and IT systems designed for this new era.

One Washington provides all three.

It is a good business decision and a good mission decision.