Finance and Asset Management Committee

Approve Revised Timeline and Budget for HR/Payroll Modernization Program

RECOMMENDED ACTION

It is the recommendation of the administration and the Finance and Asset Management Committee that the Board of Regents approve the revised timeline and budget for the HR/Payroll Modernization Program.

BACKGROUND

The Human Resources/Payroll (HR/P) Modernization program is the largest administrative transformation effort in the University’s history. It is a multi-year initiative to replace the University’s 34-year-old legacy payroll system with a modern, integrated system to manage human resources and payroll functions; this is essential to supporting the UW’s large and diverse workforce.

The program was approved by the Board of Regents in February 2014, and the University selected Workday as its new HR/P system. The new system will transform the University’s human resources and payroll operations, significantly improve compliance, reduce risk, provide better data for decision making and increase efficiencies across the institution. This program is the first step in a larger strategy to modernize the University’s administrative infrastructure.

WHY THE UNIVERSITY IS MAKING THIS INVESTMENT

The University’s legacy payroll system is becoming increasingly difficult to support and is not keeping pace with our business needs. The current system dates back to 1982, when the University’s operating environment was substantially less complex. Since that time, the University added two campuses, experienced tremendous growth in its research enterprise, and saw an exponential rise in demand for its medical services. The University's workforce has doubled to more than 40,000 faculty and staff.

While the University’s scope and scale have expanded dramatically, the underlying technology for the legacy payroll system has not changed. The current system lacks essential tools and functionality to help staff do their work, resulting in operational inefficiencies that impact people at every level of the institution. Additionally, the system is missing basic, enterprise-wide human resources capabilities to support the University’s large and diverse workforce.
STANDING COMMITTEES

Finance and Asset Management Committee

Approve Revised Timeline and Budget for HR/Payroll Modernization Program
(continued p. 2)

Several other factors are driving the HR/Payroll system replacement. Units across the University have created side systems at considerable cost and effort to compensate for missing functionality. In addition, the system is based on a fragile technology platform that only a handful of staff now understands. Finally, the University has an increasing need to manage information security risks inherent with technology, and to keep pace with ever-changing regulatory requirements.

HR/P MODERNIZATION PROGRAM – SIGNIFICANT CHANGES

Since its launch in May 2014, the program has undergone several significant changes. In March 2015, the HR/P Executive Sponsors reached a decision not to proceed with initial plans to implement a biweekly pay cycle as part of the system implementation. This move was necessary because of the many complexities of the UW’s pay practices, along with difficulties in reporting employee compensation on a monthly basis to the State of Washington retirement systems. The change resulted in a six-month delay in the planned launch of the new Workday system.

In July 2015, the program’s lead Executive Sponsor, Senior Vice President V’Ella Warren, retired, and Kelli Trosvig, Vice President for UW Information Technology (UW-IT) and CIO, was named the new Lead Executive Sponsor. In addition, several new Executive Sponsors were added to the program. The program’s Executive Sponsors now include:

- Dave Anderson, Executive Director for the Health Sciences Administration, who also has a reporting relationship with Finance & Facilities
- Cheryl Cameron, Vice Provost for Academic Personnel
- Paul Jenny, Senior Vice President for UW Planning & Management and Lead Executive Sponsor on the Finance Business Transformation project.
- Mindy Kornberg, Vice President, Human Resources
- Ruth Mahan, Chief Business Officer, UW Medicine and Vice President for Medical Affairs

As part of the transition, the University engaged North Highland, an expert Enterprise Resource Planning consulting firm, to evaluate the program. The findings revealed several significant challenges, including:

- Lack of visibility across the seven interrelated projects crucial for go-live (Human Resources Information Systems, HR/P Modernization, HR/P Intersections, Academic Personnel, Medical Centers, School of Medicine and the Operating Model)
Inadequate coordination between those projects and insufficient resourcing across the overall effort

Based upon these findings, it was clear that the projects were not making the progress necessary to support a June 2016 go-live, and the project status was moved to red.

In response, several major mitigation measures were taken. In the fall of 2015, the seven HR/P Modernization projects were unified into a single program under a Program Management Office (PMO) to support cross-project coordination, collaboration and communication. To ensure appropriate support for the program, substantial resources were deployed from other University units, including UW-IT and UW Organizational Excellence. In late November 2015, the program hired a new Executive Program Director, Aubrey Fulmer, who has extensive experience in HR/Payroll transformations and in implementing Workday in higher education environments.

Throughout the fall and winter, and in the midst of these changes, the program was also conducting End-to-End testing. This testing revealed significant gaps in design, policies and strategies, including:

- Lack of a cohesive design and key foundational strategies, such as reporting, document management and retention, and security
- Incomplete or missing documentation of the future state design; no clear picture of how the new system, business processes and policies will function when operational
- Input from UW Medicine indicated that substantial aspects of the initial design would not meet their needs
- Inability to move forward with change management activities across campus due to unresolved design issues
- Lack of an integrated approach to customer service and support that would meet the needs of faculty and staff after the system is operational

Results from the End-to-End testing demonstrated that the system was not ready for a June 2016 go-live. Based on these results, as well as thoughtful consideration of the options, the program’s leadership recommended a program reset. The University’s IT Strategy Board endorsed this recommendation, and the President and Interim Provost agreed that the program should not move forward with a system that was not complete; it was important to take the time to ensure that the University has a comprehensive, workable design.
STANDING COMMITTEES

Finance and Asset Management Committee

Approve Revised Timeline and Budget for HR/Payroll Modernization Program
(continued p. 4)

AN EXTENSIVE NEW DESIGN REVIEW

As part of the program reset, we are conducting an extensive design review phase to resolve outstanding issues, program gaps, and to validate the integrity of our design work. We began with a comprehensive bottom-up review of the original design to ensure a clear understanding of all outstanding issues and determine the best path forward.

Beginning in February 2016, and building upon existing work, a small team from the program performed an intensive examination of the system’s foundational key concepts, such as supervisory organizations, change job, and compensation. Each concept provides a definition, benefits and challenges, policy implications, and other details related to implementation. The group evaluated best practices for developing a future state design from higher education institutions around the country. This phase was completed late March, and provided us with a much stronger vision of our future state design and a clearer path towards successful deployment of the Workday system.

As part of this design review phase, we are also addressing important business process development work that is necessary for realizing administrative improvements. Ideally, this work should have happened prior to system implementation, but it was delayed to support a June go-live deadline. The program reset allows us to conduct this business process work prior to implementation.

The next phases of the review will involve subject matter experts across the University to validate our system design, including our recent business process work. This effort will start with small groups, and then progressively broaden in scope to include representative groups across all three campuses. Once business and key campus partners have completed this review, the rest of the University community will be engaged through a comprehensive change management process. This will ensure readiness for implementation of the new Workday system.

AN INTEGRATED SERVICE CENTER

Recommendations from evaluators, as well as best practices among other Workday higher education customers, highlighted the need to look at business processes and service delivery simultaneously. As a result, the program is now developing a new Integrated Service Center (ISC) to provide support to the UW
Finance and Asset Management Committee

Approve Revised Timeline and Budget for HR/Payroll Modernization Program
(continued p. 5)

community when the new Workday system goes live. The new service center will bring together functions from Academic Personnel, Human Resources, Payroll and UW Information Technology. This marks a change from our initial direction, which would have kept transactions and their associate support in separate units.

The ISC will deliver a high level of customer service by enabling effective collaboration with stakeholders across campus, and facilitating Human Resources (HR), Academic Personnel and Payroll inquiries and transactions in an efficient, accurate and compliant manner. This approach will ensure the system works across business processes.

Benefits of the ISC include:
STANDING COMMITTEES

Finance and Asset Management Committee

Approve Revised Timeline and Budget for HR/Payroll Modernization Program
(continued p. 6)

- Enhanced Customer Service
  - A single point of contact, eliminating unnecessary hand-offs
  - A unified approach to support, training, communication and ongoing updates
  - Development of a comprehensive knowledge base that will expand the level of accessible, accurate information
  - Insight into end-to-end processes across HR, Academic Personnel, Benefits, and Payroll domains

- Optimized Operations
  - Ensure the right people/areas are engaged in the right steps to improve operations and maintain compliance

- Continuous Improvement
  - Develop competencies to address existing and emerging requirements

- Consistent Use of Technology
  - Leverage UW Connect (ServiceNow) service and knowledge management capabilities

This winter, an information-gathering phase of the ISC was led by the Transforming Administration Program (TAP), which focuses on efficiency and effectiveness across the UW. The TAP ISC Planning Team held a series of meetings with key constituencies to gather feedback on initial ideas for ISC services and processes. They met with more than 450 campus stakeholders and gathered more than 1,100 comments. The team also met with business owner groups, including 175 additional individuals, and gathered nearly 300 more comments. Findings will be used to inform the ISC design and operations.

REVIEW AND EVALUATION

The HR/P Modernization program has undergone extensive analysis and evaluation in recent months by the following internal and external groups:

- The University’s IT Strategy Board, which makes recommendations on University-wide IT strategies, investments, projects and initiatives, as well as providing oversight on major University IT projects. The IT Strategy Board is made up of UW faculty and administrators who broadly
STANDING COMMITTEES

Finance and Asset Management Committee

Approve Revised Timeline and Budget for HR/Payroll Modernization Program
(continued p. 7)

represent the University’s key missions of education, research, healthcare and service, as well as the University’s administrative operations.

- **The State of Washington’s Technology Services Board**, which provides information technology strategic vision and planning, enterprise architecture, policy and standards, and major project oversight. Members include legislators, business leaders, agency directors and a union representative.

- **Bluecrane, Inc.**, an external consulting company providing independent quality assurance support for the program. They are responsible for identifying risks and making recommendations for mitigations.

These groups have reviewed and validated the new direction of the program, including the most recent design review phase and the addition of an Integrated Service Center.

NEW TIMELINE AND BUDGET

Based on the work needed to complete the implementation of Workday, we are now planning for a summer 2017 go-live. To meet this extended timeline, we are requesting budget authority for an additional $7,820,436 over the original approved budget, which includes $4,000,000 of contingency funding. This budget request is based on a June 2017 go-live date. Each additional month past this date will cost approximately $1M. Costs for stabilization during a post go-live period will be incorporated into the ongoing operating model.

The increase in budget will be funded through the allocation of temporary central resources, which comes from a reallocation of existing dollars for administration. There will be no additional request for state funding, tuition revenue, additional debt capacity, or student fees, nor will it be passed along to Academic units.

The chart below shows the original approved budget, and the budget forecast for the extended timeline, based upon a June 2017 go-live date.
Finance and Asset Management Committee

Approve Revised Timeline and Budget for HR/Payroll Modernization Program
(continued p. 8)

The following chart shows the extended timeline, including the major phases needed to implement the new Workday system.

<table>
<thead>
<tr>
<th></th>
<th>BoR Approved Budget</th>
<th>Expenses as of March 2016</th>
<th>Remaining Balance</th>
<th>Revised Budget* June 2017 Go-Live</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Implementation Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vendor Implementation</td>
<td>27,879,264</td>
<td>21,098,843</td>
<td>6,780,421</td>
<td>33,728,789</td>
</tr>
<tr>
<td>Project Team Implementation</td>
<td>21,903,082</td>
<td>13,579,707</td>
<td>8,323,375</td>
<td>27,371,412</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>7,682,127</td>
<td>4,515,377</td>
<td>3,166,750</td>
<td>10,184,708</td>
</tr>
<tr>
<td><strong>Implementation SubTotal</strong></td>
<td>57,464,473</td>
<td>39,193,927</td>
<td>18,270,546</td>
<td>71,284,909</td>
</tr>
<tr>
<td>Contingency</td>
<td>10,000,000</td>
<td></td>
<td>10,000,000</td>
<td>4,000,000</td>
</tr>
<tr>
<td><strong>Total Implementation</strong></td>
<td>67,464,473</td>
<td>39,193,927</td>
<td>28,270,546</td>
<td>75,284,909</td>
</tr>
<tr>
<td>Cost of Issuance</td>
<td>610,669</td>
<td></td>
<td></td>
<td>610,669</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>68,075,142</td>
<td>39,193,927</td>
<td>28,270,546</td>
<td>75,895,578</td>
</tr>
<tr>
<td><strong>Increase to Original Budget</strong></td>
<td></td>
<td></td>
<td></td>
<td>7,820,436</td>
</tr>
</tbody>
</table>

*Costs for stabilization during a post go-live period are incorporated in the operating model.
Finance and Asset Management Committee

Approve Revised Timeline and Budget for HR/Payroll Modernization Program
(continued p. 9)

PROGRESS IN 2016

The HR/P Modernization program has made significant progress in 2016:

- Intensive work produced new foundational key concepts, strategies, and future state business process designs, which forms the basis for subsequent design work
- The first cycle of parallel payroll testing is complete; setting the foundation for subsequent and repeated testing, which will ensure payroll is accurate
- An organizational restructure in March expanded on the program’s successful use of agile processes, enabling better collaboration and information-sharing
Finance and Asset Management Committee

Approve Revised Timeline and Budget for HR/Payroll Modernization Program
(continued p. 10)

- An initial detailed design for the Integrated Service Center is complete and has been reviewed and approved by all business owners in the program
- The program provided an in-depth cross-functional orientation on the program’s key concepts, strategies, and Integrated Service Center design to more than 130 program staff, business owners and stakeholders; this foundation enables this group to validate the design
- Completion of our rigorous key concepts review session put us on track to begin validating our system design

The HR/Payroll Modernization effort was initially approached as a technical implementation, but is now being managed as a business transformation program. Today the program includes individuals with extensive experience in integrated change management, and national experts on Workday implementations. While the complexity has proven greater than expected, we now have the right team in place to manage the program. The HR/P Modernization Executive Sponsors are maintaining close oversight of the program and are committed to its success.

AN INVESTMENT IN UW’S WORKFORCE

The new Workday system will enable people across the University to work better and smarter by having consistent, streamlined, modern HR and payroll practices, as well as user-friendly and intuitive online resources. The new system offers modern capabilities that will enable the UW to attract and retain the best people. It marks a major step in a larger effort to transform the UW’s administrative infrastructure to better support the University into the future.

The HR/Payroll Modernization program is an investment in the University’s workforce. While it is a tremendous undertaking and challenges may lie ahead, the benefits of this program are far-reaching. Ultimately, the University’s success lies in the talent of its people – we need systems that will help us compete for the best faculty, staff and students across the world.