STANDING COMMITTEES

Finance and Asset Management Committee

Quarterly HR/Payroll Modernization Program Update

INFORMATION

To provide an update on the progress of the HR/Payroll Modernization program since the October 2016 Board of Regents meeting.

BACKGROUND

The Human Resources/Payroll 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/Payroll 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.

In May 2016, the Board of Regents approved an additional $7.8 million in funding and an extension of the launch date for the new Workday system to summer 2017.

REVISED PLAN: ON TIME AND ON BUDGET

In the nearly nine months since the budget and timeline extension were granted by the Board of Regents, the HR/Payroll Modernization program has made significant progress, and based on the revised plan, is on time and on budget. The current financial status and timeline are below. Program leaders and Executive Sponsors are confident that the Workday system will launch on time in mid-June, with the first paycheck from the new system coming in July.
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<table>
<thead>
<tr>
<th>HR/Payroll Modernization Project</th>
<th>Overall Budget</th>
<th>Actuals to Date</th>
<th>Remaining Budget</th>
<th>% Spend</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>33,728,789</td>
<td>$28,974,804</td>
<td>$4,753,985</td>
<td>86%</td>
</tr>
<tr>
<td>Project Team Implementation</td>
<td>27,489,486</td>
<td>$19,530,795</td>
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<tr>
<td>Contracted Services</td>
<td>10,066,634</td>
<td>$7,118,167</td>
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<tr>
<td><strong>Implementation SubTotal</strong></td>
<td>71,284,909</td>
<td>$55,623,767</td>
<td>$15,661,142</td>
<td>78%</td>
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<tr>
<td>Contingency</td>
<td>4,000,000</td>
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<tr>
<td><strong>Total Implementation</strong></td>
<td>75,284,909</td>
<td>$55,623,767</td>
<td>$19,661,142</td>
<td>74%</td>
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<td>Cost of Issuance</td>
<td>610,669</td>
<td></td>
<td>$610,669</td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>75,895,578</td>
<td>$55,623,767</td>
<td>$20,271,811</td>
<td>73%</td>
</tr>
</tbody>
</table>

Revised Budget approved by Board of Regents in May 2016 with estimated go-live June 2017. Does not include stabilization costs post go-live.
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COMPLETING SYSTEM DESIGN

The HR/Payroll Modernization program has come a long way since its reset in late 2015. At that time, seven disparate projects were united under one program management office, and new leadership launched a redesign phase. This phase focused on resolving outstanding issues, program gaps, and laying the foundation for design work to ensure the new system meets the University’s business needs. It also included orienting program and University leaders to Workday principles, and validating future-state business process designs with business owners and University administrators.

The redesign phase is now complete and has produced:

- 20 key concepts, which are foundational documents containing design recommendations and considerations
- 15 strategy documents used to guide decision-making on significant system issues, such as reporting, integrations, and security
- 80 business process designs – the drivers behind the configuration and build process

These key concepts, strategies, and business process designs have guided the configuration and build of the University’s Workday system. They also form the foundation for standardizing HR and payroll business processes across the University. This consistency is essential to realizing the benefits of the new system. Additionally, the program extensively researched best practices among Workday users, including other universities and corporations. As a result, program leaders are confident that the University is moving forward with a leading practice design.

The program is now focused on rigorously testing the new design. In addition, the Integrated Change Management team is pursuing important people readiness goals that include preparing key users, such as University unit administrators, and developing a high-quality training curriculum for delivery in late spring.

TESTING THE SYSTEM

The program is taking a robust, multi-layered approach to testing the system. This rigorous approach to testing will ensure that the new system will work when it goes live.

The process begins by testing individual units of configuration, which contain a single business process. After successful unit testing, the program adds in
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components to execute business processes in an integrated end-to-end manner. This testing uses scenarios that involve multiple processes, which make up the entire employee lifecycle (e.g., creating a position, hiring, taking leave, returning from leave and retirement). Finally, the program adds testing for integrations with other systems – how Workday exchanges information with external systems, such as banks, or internal systems, such as UW Hires or the Enterprise Data Warehouse – and then tests reports that will be used to analyze the data. Much of this work culminates in User Acceptance Testing, when over 180 University administrators and other Workday users will be invited to test the system, ensuring it will work as designed.

Testing Status:

- Configuration and build of the system is almost complete; remaining benefits, reports, and integrations work will be completed in early February
- Unit and regression testing – testing the smaller, individual units of the system, such as a single business process – is complete. The program executed 7,095 tests with an overall 98 percent pass rate
- Integrated End-to-End (iE2E) testing, which tests a variety of business processes over the life cycle of an employee, has completed its first phase, executing 66 end-to-end test scenarios. Those scenarios involved approximately 2,500 individual unit tests and resulted in only 143 individual test defects, 26 of which are still being resolved, as of this writing
- The second phase of iE2E testing will be complete by mid-February. Afterwards, Integrated End-to-End testing will be ongoing as test defects are resolved and Workday business processes continue to be tested
- User Acceptance Testing will take place from late February through early April. This involves engaging University end users in end-to-end testing to validate system usability, user guides, and Workday business processes
- Performance testing, which validates the infrastructure and performance of the system and identifies opportunities to improve overall performance, begins mid-February
- Operational Readiness Testing, which will test the Integrated Service Center’s performance in business processes with other central business units, will take place in late April/early May

PEOPLE READINESS

The move to the new Workday system represents a significant change for the University. It requires units across the University to adapt to a new system, as
well as modern, standardized business processes that will significantly improve HR and payroll operations. Like any major change, it will also entail disruption. To support this transition, the program launched a comprehensive change management effort, focused on a people-first approach that is designed to help units work effectively with the new system and business processes. This change management effort is essential to the success of the Workday implementation and to supporting the University in adapting to the new system.

The people readiness work is organized around a seven-step change management process, which is based on best practices in change management. Through this process, the program is helping the University community learn how Workday operates and preparing them for the change to the new system.

At this time, the following steps are complete:

- Step 1: Establish our new foundation (orientation to a new way of working)
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- Step 2: Understand the impacts of change (learn future-state business processes)
- Step 3: Plan for change (finalize and begin implementing unit readiness and communication plans)

The program will focus on the following steps through launch:
- Step 4: Preview & test our new work (User Acceptance Testing)
- Step 5: Learn new skills (Training)

Steps 6 (Do our new work) and 7 (Improve our work) will occur after launch.

To support the change process, each University unit has designated a Readiness Lead, who meets twice a month with a change manager assigned to them from the program. These program change managers assist in answering questions, navigating any obstacles, and generally keeping units on track with their readiness work. Readiness Leads also meet monthly as a group, facilitated by the program. In addition, units have identified Readiness Teams, who meet monthly with Readiness Leads to prepare and learn about Workday. Other readiness activities are scheduled as needed, such as University focus groups to provide input on reporting needs and communications surveys.

Preparation for training Workday users is underway and is targeting different audiences to provide the right training for the right users. For example, several hundred of the most intensive users will take eight to ten hours of instructor-led training. As these people will have roles that can impact pay and benefits, they will be required to pass an assessment in order to work within the system. The much larger audience of faculty, staff, and student employees will be trained to use the system primarily through computer-based training modules and user guides.

Program leaders and Executive Sponsors have approved an overall training plan, and individual training plans based on Workday security roles are largely complete. The program has created an in-depth training matrix organizing all necessary training sessions and materials, such as instructor-led training, computer-based training, and user guides. Over the coming weeks, the program will focus on curriculum development. Key training details include the following:

- Training will primarily take place in May and June
- The program will provide approximately 500 hours of instructor-led training sessions, more than 10 computer-based training modules, and additional workshop sessions for more opportunities to learn in person
- More than 300 user guides are planned and are currently in development
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- The most intensive users of Workday, those who perform processes that impact people’s pay or benefits, will take part in eight to ten hours of instructor-led training
- Training will be module-based, rather than requiring several consecutive hours of training, to provide flexibility and convenience
- Training for faculty, staff, and student workers will primarily be provided through computer-based training and user guides
- Extensive deployment support will be available at and after launch

In October 2016, the program began preparing and providing monthly status reports to measure readiness for each unit on a regular basis. The program remains in constant contact with units, assessing their needs and progress. Where problems exist, the program intervenes as quickly as possible. As of December 2016, a significant majority of units were on track with their readiness activities.

In the coming months, the program’s readiness work will focus on providing more opportunities for intensive users to see and experience Workday. The program will also continue to work through questions and field technology concerns as they arise.

THE INTEGRATED SERVICE CENTER

The development of the Integrated Service Center remains foundational to the success of the HR/Payroll Modernization program at the University. The new service center will bring together program support functions from Academic Personnel, Human Resources (including Benefits), Payroll, and UW Information Technology, enabling an integrated approach to service delivery. In line with best practices among other Workday customers, the University is developing business processes and service delivery simultaneously, rather than designing a system first and a support model later. The Integrated Service Center’s objectives include:

- Enhanced Customer Service
  - Single point of contact, eliminating unnecessary hand-offs
  - 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 (including Benefits), Academic Personnel, and Payroll
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- Optimized Operations and Data Integrity
  - 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 at launch, and with each system upgrade

- Consistent Use of Technology
  - Leverage UW Information Technology’s service and knowledge management capabilities to meet rising expectations from employee self-service, and case management capabilities

Launching the Integrated Service Center remains on schedule. Construction is taking place in the O-2 section of the Tower and should be complete in February. A search for a new Executive Director is underway, and more than a dozen positions are posted.

MANAGING RISKS

The program works actively to mitigate known risks (top risks and the program’s mitigation activities are listed below). Bluecrane Inc., an external consulting company providing independent quality assurance support for the program for more than a year, recently reported that the program has no current unmitigated risks. Additionally, a recent report from Internal Audit has affirmed the program has no issues at this time, and a member of the State Office of the Chief Information Officer attends Executive Sponsor meetings to ensure the program is moving forward appropriately. Major risks with potential to impact our go-live date are listed below.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes as a result of union negotiations could impact the scope and delivery of the Workday solution. Current round of negotiations remains open.</td>
<td>Outside counsel has been retained to support UWHR and the program in managing labor relations, communications, and coordination.</td>
</tr>
<tr>
<td>Change management, training, and post-product support plans were based on benchmarking with other higher education institutions of similar size (the number of system</td>
<td>The program is working with University partners to ensure that we identify the right resources to meet the operational needs of the units after the launch of Workday.</td>
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<table>
<thead>
<tr>
<th>Users) and complexity. Any significant deviation from these numbers will require an adjustment of the plans.</th>
<th>In addition to a final survey of the University conducted over the summer, a Technical Readiness Leads group (with each unit represented) has been organized to help identify impacted systems and prepare their systems for the future-state. A Technical Readiness Manager has also been assigned to the program to coordinate this effort. Technical Readiness Leads meet monthly and report on status of their units.</th>
</tr>
</thead>
<tbody>
<tr>
<td>List of departmental systems impacted by HR/Payroll Modernization may not be fully identified, despite multiple inquiries/Attempts to capture this information.</td>
<td>The Integrated Service Center (ISC) model design is complete, and construction of the space is nearing completion. However, staffing of the ISC is a risk to the Workday roll-out. Failure to hire the targeted number of 61 qualified resources in a timely manner could jeopardize the operational effectiveness of the ISC at go-live and through stabilization. Lack of adequate funding to support longer-term staffing needs will impede the ISC from meeting core objectives.</td>
</tr>
<tr>
<td>Retaining an external search firm to identify a pool of qualified ISC Executive Director candidates. Posting all positions not still under negotiation with bargaining units. Implementation team resources will augment ISC staffing at go-live to mitigate operational risks, but the objective remains to ensure a fully staffed and trained ISC by go-live. Finally, analyzing options to fund an efficient model in the post-stabilization timeframe.</td>
<td>Benefits configuration and testing is lagging behind other components of the solution design.</td>
</tr>
<tr>
<td>Supplementing the Benefits team with additional UW and Workday resources to accelerate progress on completion of outstanding configuration and advancement of testing activities. Plan contingency provides sufficient time to overcome this gap, but need to ensure close of configuration by the end of February to avoid delays in the broader project timeline.</td>
<td></td>
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APPROACHING THE FINISH LINE

Since adopting the new timeline and budget in May 2016, the HR/Payroll Modernization program has met all significant milestones in the revised schedule. With support from University leaders, including the Board of Regents, President and Provost, and now the new Executive Vice President, the program remains on schedule and on budget.

The University’s configuration of Workday is nearly complete, and program leaders are confident, based upon research into best practices and positive testing results, that the program has developed a leading practice design for UW’s Workday implementation. The program will continue rigorous testing through launch. Additionally, the program’s people readiness and training efforts are on track and will continue to ramp up through launch. While the program still faces some risks, a robust review and mitigation plan is in place.

DELIVERING TRANSFORMATIONAL CHANGE

The HR/Payroll Modernization program is more than a system implementation; this is a transformational program that will fundamentally change the way the University does business, and will impact every employee of the University. The program also marks a major culture change for the University, as it adopts modern, standardized business processes across all units. The Executive Sponsors and program leadership are committed to continuing to provide the oversight and direction necessary for a successful launch.

Attachment
Presenter Biographical Information
Presenter Biographical Information

![Dave Anderson]

**Dave Anderson**
**Executive Director**
**Health Sciences Administration**
**Lead Executive Sponsor, HR/Payroll Modernization Program**

Dr. Anderson has worked at the University since 1989, supporting the University mission for education, research, and service. Dr. Anderson’s early positions at the University were related to service and research, specifically appointments as a postdoctoral fellow, senior fellow, and research scientist in the Department of Comparative Medicine, Department of Neurology, and the Washington National Primate Research Center. Dr. Anderson progressively gained administrative responsibility with his appointment as Associate Director and then Director of the Washington National Primate Research Center, as well as a faculty appointment in the Department of Comparative Medicine. In 2012, Dr. Anderson completed the transition to executive administration with his appointment as Executive Director, Health Sciences Administration.

Dr. Anderson has focused his career towards improving the efficiency and success of the teaching, research, and service missions of the University. He has worked to identify opportunities for improvement through strategic planning, Lean process improvement, and recognizing and capitalizing on opportunities for linked success. As Executive Director of Health Sciences Administration, Dr. Anderson leads ten different units with significant, enterprise-wide responsibilities related to all three elements of the University’s mission. These units include, in addition to the Health Sciences Administration Office, Environmental Health and Safety, Hall Health Medical Center, Health Sciences Academic Services and Facilities, Health Sciences Risk Management, and the Office of Animal Welfare. Health Sciences Administration provides administrative oversight for four interdisciplinary research centers, including the Alcohol and Drug Abuse Institute, Center for Human Development and Disability, Latino Center for Health, and the Washington National Primate Research Center.

Dr. Anderson’s focus, along with other members of the Health Sciences Administration, is on adding value across a wide range of University activities. He works to align operational needs for the teaching, research, and service missions with administrative resources and models to improve our performance and success. Health Sciences Administration is committed to continuous improvement and leveraging opportunities for shared success in the University’s often complex environment. Health Sciences Administration works to recognize and respond to this complexity, and to serve as a testbed for change and transformative initiatives.
Aubrey Fulmer  
Executive Program Director  
HR/Payroll Modernization

Ms. Fulmer stepped into the role of Executive Program Director for the University’s HR/Payroll Modernization program in late November 2015.

She brings extensive experience directing the implementation and ongoing operational support of Human Resources, Benefits and Payroll systems, including leadership of the University of Chicago’s successful on-time, on-budget implementation of Workday’s Human Capital Management/Payroll suite in 2015. Prior to the University of Chicago, Aubrey managed the Workday implementation at Carnegie Mellon University in Pittsburgh, PA.

Ms. Fulmer has spent more than 15 years planning, designing, and implementing information technologies in a variety of complex environments, including more than 12 years as a project manager and more than seven years consulting in HR/Payroll enterprise system implementations. Her early career also included work as a Senior Consultant with Ernst & Young’s Management Consulting practice.
Aaron Powell  
Interim Vice President for UW Information Technology and CIO

In his role as Interim Vice President for UW Information Technology and CIO, Aaron Powell is responsible for strategic oversight, planning and direction of the University’s information technology infrastructure, resources and services.

Aaron previously served as Associate Vice President for Information Management in UW Information Technology. In this role he was responsible for leading the strategy, development, implementation and coordination of the UW’s core administrative systems and Enterprise Information Management efforts. Working closely with UW senior leaders, he provided leadership and direction for the University’s administrative systems modernization program, including supporting the HR/Payroll Modernization initiative and preparing for future efforts. He oversaw the continued build-out of the Enterprise Data Warehouse, expansion of data access and enhancements to the UW’s data analytics capabilities.

Aaron came to the University of Washington in March 2014, with more than 20 years of leadership and management experience and a strong statewide reputation. His most recent experience was with The Evergreen State College, where he served as the Director of Computing and Communications for eight years. In that role, Aaron provided strategic direction, planning and management of information technology for Evergreen, as well as leading the college’s central information technology department. Aaron was a highly respected leader at Evergreen, known for his strategic and collaborative approach and his ability to build strong partnerships across the institution and within the state.

Prior to Evergreen, Aaron was Chief of Information Systems for the state Department of Social and Health Services (DSHS) Information Technology division, and held several other leadership and management positions within DSHS. He holds a Masters of Public Administration degree from The Evergreen State College.