ERP in the public sector: full steam ahead or the end of the line?

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Introduction

Despite the distractions provided by the Queen’s Jubilee and the Olympics, news about technology in the UK public sector continued to bubble to the surface in 2012. Whilst still reeling from 2011’s announcement\(^1\) axing much of the £12.7bn scheme to link all parts of the NHS, 2012 saw headlines\(^2\) about big discrepancies between Whitehall departments on the amount spent on near identical ERP systems.

**ERP**

*Enterprise resource planning software (ERP) aims to integrate departments and functions across an organisation onto a single computer system.*

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**Tier 1 ERP systems** – classic, large, fully featured ERP solutions with extensive functionality for large private and public sector organisations. Typified by Oracle and SAP.

**Tier 2 ERP systems** – solutions for mid-sized private and public sector organisations, often products that have been extended from one area (e.g. finance) to provide capability across the range of ERP components. Examples include Advanced Business Solutions and Unit 4 / Agresso.

**Integration of Best of Breed systems** – using different systems for each separate functional area. For example, Advanced Business Solutions for finance and NorthgateArinso for HR.

**Cloud / SaaS ERP** – systems which have been designed for SaaS deployment and offer multi-tenanted Cloud architecture. For example, Netsuite.

Good news, of course, is conspicuous by its absence. But our recent survey of IT and Finance Managers using ERP in the UK public sector suggests that there is good news out there. For 97% of the organisations we surveyed, ERP is seen to have had a positive impact on at least one dimension. It is considered particularly beneficial (see Figure 1) in terms of increasing access to information (40% claim it has had a significant positive impact, 49% speak of some positive impact) and improving accuracy of data (35% significant positive impact, 51% some positive impact). Even in the dimension which has seen least improvement, introducing new services to citizens, it is seen to have had a significant positive impact in 14% of organisations and some positive impact in an additional 40%.

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Just 20% of organisations – a significant proportion but nowhere near as high as the headlines might suggest – believe that ERP has had a negative impact in some way. For these organisations, the main areas of concern are on-going technology maintenance and operating costs, efficiency of internal processes, the personnel required for internal processes and responsiveness to customers.

There is, though, a bigger issue, which is not about the absolute impact of ERP but what it delivers against what organisations expected of it: 63% of organisations say that the system didn’t meet their expectations on at least one dimension. According to our respondents (see Figure 2), more than a third of organisations spent more than they expected on implementation and similar numbers are disappointed both by how poorly their chosen system met their needs without customisation and by the time taken to implement.

After implementation, nearly 30% were disappointed with ease of use and more than 20% felt their needs weren’t met, even after tailoring and customisation, in the way they expected. The result is that just one in five organisations would do what they did all over again. Whether looking at alternative ERP solutions, using some elements of ERP but not to the same extent, choosing a solution from a different vendor or choosing a different company to implement the solution, the vast majority (four out of every five organisations) have gone down a route they would not choose given the chance to start again.

**Four out of every five organisations have gone down a route they would not choose given the chance to start again.**
So what separates those organisations that are happy from those who aren’t? What lessons have been learnt that need to be applied going forward? And what are the priorities today for public sector organisations looking to implement or improve upon existing ERP technology?

To answer these questions, and more, we spoke with thirteen senior and experienced consultants in the UK public sector. This report tells the story of their challenging, and at times contradictory, views on where the public sector is right now, where it should be heading, and how lessons from the journey so far should be applied going forward.
Methodology

In October 2012, we interviewed the following experts in the UK public sector:

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<td>Atos Consulting</td>
<td>Simon Bates</td>
<td>Managing Partner – Head of Public Sector Consulting</td>
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<tr>
<td>BearingPoint</td>
<td>Angus Ward</td>
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<td>Graeme Swan</td>
<td>Partner – Advisory Services</td>
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<td>Grant Thornton</td>
<td>Richard Joyce</td>
<td>Associate Director – Performance Improvement</td>
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<td>KPMG</td>
<td>Iain Gravestock</td>
<td>Public Sector Technology Consulting Business Lead</td>
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<td>Methods Consulting</td>
<td>James Herbert</td>
<td>Account Director – Innovation and Delivery</td>
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<td>NTT DATA</td>
<td>Gopala Krishna</td>
<td>Director – Client Engagement</td>
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<td>PA Consulting Group</td>
<td>Colm Reilly</td>
<td>Head of Government Practice</td>
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<tr>
<td>Serco</td>
<td>David Beresford</td>
<td>COO</td>
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<td></td>
<td>Nick Gage</td>
<td>CTO</td>
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<tr>
<td>TCS</td>
<td>Naresh Mohindra</td>
<td>European Head – Public Sector Consulting</td>
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<tr>
<td>Wipro</td>
<td>Kannan Natarajan</td>
<td>Global Business Head – Public Sector and Higher Education Business</td>
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We conducted a survey in October 2012 with 100 IT and Finance Managers using ERP in the public sector.

**Figure 4**
Split of respondents by sector

- Local government: 32%
- Central government: 31%
- Health: 12%
- Education: 7%
- Emergency services: 6%
- Other public sector: 12%

**Figure 5**
Respondents’ interaction with their organisation’s ERP system (respondents could choose multiple options)

- Manage people who use the system: 70%
- User: 70%
- Key decision maker in choosing this system: 50%
- Involved in the decision-making process to choose this system: 60%

**Figure 6**
ERP systems used by respondents

- Local government
- Central government
- Health
- Education
- Emergency services
- Other

- Oracle
- SAP
- Other
ERP in the public sector: full steam ahead or the end of the line?

A subtle shift of focus – from the tracks to the customer experience

There is no doubt that public sector organisations are feeling the pressure to cut costs and that ERP is seen as a significant weapon in helping them to do so. “There is an overarching drive to save money and ERP is still front and centre as a key lever to deliver economies through making processes more efficient and delivering better information for decision making,” says Dave Tansley at Deloitte.

However, in focusing in on the need to cut costs there is a very real danger of missing another, perhaps equally significant, force driving organisational change in both the public and private sectors – the unstoppable rise of customer expectations in terms of access to information, interaction with organisations and speed of response. Leading private sector companies have responded to customers by developing engaging online experiences coupled with levels of responsiveness unheard of even five years ago. Take, for example, Amazon’s customers in the UK – who are also, by the way, UK citizens – who expect to quickly find what they want online, to see reviews from other users, to make a purchase in seconds, to have products delivered to their door or, in the case of digitised content, receive it immediately, and, if anything goes wrong, to receive an acceptable response within 12 hours. This knowledge of what is possible, and the high expectations that come with it, don’t disappear when these people interact with other companies or, indeed, with public sector organisations. As Kannan Natarajan at Wipro says, “What citizens want has changed – they want to interact with the department and they expect a quick response; they want to do things for themselves.”

We think that many public sector organisations can be compared to an imaginary train company responsible for both trains and tracks. The company is focused on optimising the tracks (the back office process) but not paying enough attention to the customer’s experience, whether that’s about looking for information, buying a ticket, arriving at the station or the journey on board. As James Herbert at Methods Consulting says, “In most public sector organisations there is still a lack of focus on the front-line, on the customer experience. Take a planning application for example. Some local authorities have put in place planning specific case management systems which is a good thing but they’re still not looking at the entire customer journey. How will the customer pay for that application? How will that payment be tracked and accounted for? Organisations need to follow the customer journey not their organisation’s structure and professional groupings.”

In placing more emphasis on the customer experience, it would nevertheless be foolhardy for our imaginary train company to ignore the tracks. What is required is more of a subtle shift of emphasis. For real world organisations, this means a delicate balancing act. Kannan Natarajan sums up the sentiment, “Public sector organisations need to balance what the customer wants with the need for a strong foundation.” After all, no tracks, no trains. And the public sector needs to do all of this in an age of austerity, to get maximum benefit from every pound that is spent.

So, bearing in mind this delicate balancing act, what did consultants and survey respondents tell us that is relevant for public sector organisations wanting to ensure their tracks are in order so that they can deliver a great customer experience whilst cutting costs?

Richard Joyce – Grant Thornton

We’re seeing clients looking to move beyond traditional ERP and looking at the entire process from client engagement, CRM, to back office BPM solutions. They are starting to focus on meeting the needs and expectations of their customers as efficiently as possible.

Gopala Krishna – NTT DATA

We will see the public sector implementing projects to further enhance business processes to drive efficiency, especially around mobile and big data. ERP solutions enable back office functions and are an essential foundation layer. More and more, we will see organisations looking to improve their customer interface – with a view to having a single view of all their interactions with citizens – either through better integration of existing CRM systems with the ERP or if necessary through a new system.
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Lessons from the past

Be very clear about your objectives – and don’t lose sight of them on the way

We hesitate to mention this because it seems so, well, obvious. Yet in talking to the experts it quickly became clear that the reality of aligning around a clear set of objectives, difficult enough for private sector companies, is a significant challenge in the public sector. Whilst private sector organisations have internal politics to deal with, the public sector has the added, and not to be under-estimated, complication of external politics too. And, unlike a company focusing on shareholder value, there is no single measure of success in the public sector. As Gopala Krishna at NTT DATA explains, “A major challenge in the public sector is agreeing and then meeting a programme’s objectives because there are often several objectives and multiple stakeholders. Public sector organisations, unlike their private sector counterparts, can’t align around shareholder value. And, in the current environment, we see goals changing rapidly.”

Avoid starting with the solution

According to our experts, organisations have a tendency to begin with the solution rather than with the high-level objective. Whilst a new or improved back office system might be the answer, it should not, they argue convincingly, be the start of the process. Organisations must start with their overarching goal which, in today’s environment, is likely to involve improving the customer experience. “My first piece of advice to organisations saying that they want to buy ERP is to take a step back,” says Iain Gravestock at KPMG. “Start instead with understanding what it is you want to achieve. What value will be delivered – defined both qualitatively and quantitatively? This is crucial. Then consider all the options for meeting your objective, not just technology, and make sure you have the right people discussing this.” He continues, “Often this stage gets overlooked – someone has decided that technology is the solution but organisations need to understand why and what the end goal is. Organisations need to ask if technology is the solution or is it something more fundamental. And in closing off other options, they need to make sure it’s crystal clear why.”

Angus Ward at BearingPoint also emphasises the need to begin with the objective and not the technology, “60% of the value in these projects comes from the strategic part, the operating model design. Organisations need to ask themselves if they are ready for the new world: can they meet customer expectations, are they agile enough to respond to policy change? Too often organisations buy in a package to replicate the processes that are there already rather than look to transform.” Colm Reilly at PA Consulting Group agrees, “This is about focusing on outcomes, not outputs. We’re already seeing evidence of this and, to be fair, it’s hard to achieve it in a world where aims and objectives can change very quickly. But, crucially, this doesn’t tie your decision down to a particular piece of software, but to the result you want to achieve.”

Make sure the right people take responsibility

In talking to our experts, it is clear that getting the right people in the room to agree on the objectives and the solution is critical. “Organisations need to bring together the people who have a really good understanding of the business, who are leaders in their areas, and who will drive the project forward,” says David Boresford at Serco. Graeme Swan at Ernst & Young concurs, “The team leading the project should be made up of business leaders. Successful programmes have sponsorship at the highest level.”

“Having the equivalent of the chief executive leading the project sends out the right message and ensures that the right people are involved but,” warns Naresh Mohindra at TCS, “this seems more difficult in the public sector. It’s vital that business people take ownership and don’t assume that IT has responsibility.”
Ensure that you’ve made the most of what you’ve already paid for

Some of our experts, unprompted, raised an interesting observation – they see many public sector organisations not making the most of the technology they already pay for. Richard Joyce at Grant Thornton, for example, says, “When I’m working with clients I ask them to look at the efficiency of various processes. Have they really challenged themselves and have they leveraged the most from the existing systems?” To which James Herbert at Methods Consulting adds, “If you’ve got an ERP system in place and it’s not broken, look at what functionality you’re not using. Look at your processes and explore how they can be made more efficient. The only way to get value from ERP licences is to maximize the number of processes that it supports.”

Ensure objectives remain clear

Even when objectives are clear at the beginning of the process, they can rapidly become diluted and diffused as the programme continues, say our interviewees. “Many organisations didn’t see the value they expected from ERP systems because they made significant investments but didn’t focus on what they wanted to achieve,” says Iain Gravestock at KPMG. “They may have been clear about the end goal at the beginning of the process, although not always, but this clarity got lost through the process to implementation. It’s vital that objectives and business cases are detailed enough and that these are tracked. Big projects, whether in the private or public sector, gain momentum which, in turn, tends to lead to a disconnect from the original objectives. The focus becomes about getting the systems working and the original intent gets left behind.” Gopala Krishna at NTT DATA emphasises the need to keep all stakeholders aligned, “It’s incredibly important to have a fixed set of objectives and to ensure all stakeholders are engaged and aligned around those objectives throughout the programme. They need to understand the benefits the chosen solution is going to deliver.”

Look for early wins

Taking it one step at a time has, for many public sector organisations, become an economic necessity. It’s also important in an environment in which objectives can change with a new government or even a new minister. However, many of our experts believe that this approach is not just necessary but, even without such drivers, actually beneficial. “It’s better to start off small with tools that are quick and easy to implement,” says David Beresford at Serco. “This means the concept can be proved quickly. Big bang projects are much more likely to sink.” His colleague, Nick Gage, adds, “In a big bang approach, there are few milestones with little in between, so it’s very difficult for people to see progress.” Naresh Mohindra at TCS emphasises the need to get benefits early on, “Organisations need to be clever about delivering quick wins early on. They need to concentrate on delivering true benefits that don’t necessarily need the system up and working for everyone.”
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Which solution should you choose?

So, you’ve started with your high-level objectives and, with the right people in the room, come to a decision about how to balance investment across the tracks, the train and other elements of the customer experience. You know you need to spend a certain amount on the track (the back office processes and systems); now you just need to choose the right system. So this is the easy bit then, is it? In a word, no.

One of the key messages which quickly emerges from an analysis of our research is that people have very strong views on ERP systems and other solutions concerned with back office processes. As Iain Gravestock at KPMG says, “Views on ERP vary from individual to individual. Some have valid views based on past experience and some have views based mainly on hearsay. But everyone has got an opinion.” And whilst opinions aren’t in themselves a bad thing, listening to a range of them seems vital to ensure that large investments aren’t being driven by potentially out-of-date knowledge and the emotions generated by bad experiences.

In our survey sample (see Figure 7), nearly 80% of organisations had assumed they would not use Best of Breed from the very start of the process. For organisations making these sorts of decisions today, it seems vital that they start, as much as is humanly possible, with an open mind. Whilst clarity is required about what the objectives are, being sure of getting the best solution means looking at all the possible solutions – Tier 1 ERP systems, Tier 2 ERP systems, integration of different Best of Breed systems and Cloud or SaaS (Software as a Service) ERP.

Organisations also need to stay open minded about keeping or discarding their current technology. As James Herbert at Methods Consulting says, “Organisations should be willing to look at other options – it might make sense to choose a different system.”

For David Tansley at Deloitte, one of the biggest lessons from previous ERP implementations is around the buyer-supplier relationship. “Public sector organisations need to be tougher but at the same time more flexible in how they treat their suppliers. On one hand, senior people in the public sector aren’t as demanding as they ought to be. Their peers in the private sector within FTSE250 businesses would think nothing of calling up the CEO of a large supplier if they had concerns about a big project, but there isn’t the same mentality in the public sector. On the other hand, I see public sector organisations tending to write such detailed requirements and including so many risk-avoidance measures into their contracts that suppliers...
will either price in every risk or simply prefer not to get involved in the first place, especially given the length of time taken to run procurements in the public sector and relatively high cost of sale. The public sector will get the best support from the private sector when they’re realistic about risk mitigation, clear about objectives, are more open minded about how those objectives could be achieved, and present a clear, predictable management interface to suppliers. It’s a buyer’s market at present, but the most attractive customers will get the best deals.”

Tellingly, when we asked respondents to our survey what advice they would give to a public sector organisation choosing between ERP or Best of Breed solutions, the vast majority focused on the need to do more research. “Do your research carefully and take more time than we did to choose and implement an ERP solution,” said one. “Make sure you shop around and learn from current users,” said another.

**Tier 1 – the big divide**

More than half (60%) of survey respondents use a Tier 1 system (Oracle or SAP) with the remaining 40% employing Tier 2 or Best of Breed solutions; this ratio varies by organisation type (see Figure 8).

Our interviews unearthed a range of perspectives on Tier 1 solutions. Where most of our experts are in agreement is that, at times, a Tier 1 ERP solution has been used as a sign of credibility. Naresh Mohindra at TCS captures this viewpoint: “In the early days, Tier 1 ERP systems were chosen at times, in both the private and public sectors, because they were high profile – large organisations had deployed them already. In my subjective view, there was an element of jumping on the band wagon. For some organisations, deploying a Tier 1 system was seen as a mark of having arrived – a badge demonstrating credibility and signifying that we do things in a robust and structured way.”

Despite agreeing that, at times, there was a less than rational motive driving the choice of a Tier 1 system, our experts were divided on whether Tier 1 was, in practice, the right option. Those with a more negative view of Tier 1 solutions suggested that the high costs bought functionality not relevant or useful in the public sector. Naresh Mohindra at TCS believes that, “Tier 1 ERP systems were chosen unwisely in some circumstances. Given the scale and scope of what was needed, these systems weren’t
Certainly in our survey sample there was a clear difference between those who had chosen Tier 1 and those who had chosen other options in terms of how well the system met their expectations (see Figure 9). We asked about ease of use, meeting needs, cost of implementation and time taken to implement and on every criteria those who had chosen Tier 1 were much less likely to have had their expectations exceeded and far more likely to say the result was worse than expected.

And when we asked James Herbert, now a consultant at Methods Consulting but formerly working within the public sector implementing ERP, if, had he the budget to do so, he would have chosen a Tier 1 solution, his response was uncompromising, “No, definitely not. For the public sector they were just too expensive for what they delivered and the user interface was awful, discouraging non finance and HR people from engaging with them. These products were developed years ago, pre-Internet. They’re not Amazon!”

Other consultants, however, were keen to push back against these criticisms. Arguing that Tier 1 is now much more affordable, Gopala Krishna at NTT DATA says, “SAP, for example, is now available in smaller packages – perhaps to compete with alternative fully functional and lower cost solutions – so smaller organisations don’t have to spend millions.”

Some experts believe that Tier 1 solutions have evolved both the user interface and functionality to meet public sector needs. “Tier 1 ERP vendors have evolved their user interface over time. And there has been a lot of investment to accommodate specific public sector needs such as budgeting. Vendors have also improved their software through acquisitions and incorporating best-of-breed solutions and the impact has been dramatic,” says Gopala Krishna at NTT DATA. David Beresford at Serco offers a similar view, “It would be wrong to say that SAP products have been designed with only manufacturing companies in mind – it has brought out features for the public sector over
the last 15 years. Tier 1 ERP suppliers have been acquiring complementary suppliers so there’s been a constant stream of innovation as Best of Breed software becomes incorporated into its mainstream systems.”

However, despite the efforts that Tier 1 suppliers have taken to meet the specific needs of the public sector, it’s clear from our survey results that users of Oracle and SAP continue to use additional packages for functionality that, in theory, these Tier 1 products could deliver (see Figure 10). Nearly 60% of organisations using a Tier 1 ERP system are either using, or currently considering buying, a Best of Breed solution for business intelligence and analytics, and at least one third are using Best of Breed applications for payroll, payments, personnel and budgeting and forecasting. David Tansley at Deloitte says “We’re seeing a lot more interest in adopting Best of Breed and vertically integrated solutions. There is a welcome shift towards specifying the outcomes rather than the technology, but customers still want to define the inputs or measure the inputs in the procurement evaluation because that is what they understand. There is increased pressure to consider alternative solutions from the broader marketplace, but buyers are typically more comfortable with proven solutions.”

Even supporters of Tier 1 solutions in the back office saw the need for other solutions on the front line. According to Angus Ward at BearingPoint, “The closer to back office you are, where requirements are neither business critical nor complex, the better the fit with most packages. In contrast, as you move towards the front office, which is both complex and business critical, requirements become more unique – you're looking at enhancing a standard package.” Graeme Swan at Ernst & Young offers a similar perspective, “Best of Breed makes sense on the front line, for example in a health centre or social care setting. You never get ERP systems to do these things.”

Given the range of views we heard about Tier 1 ERP systems, only one thing can be said for certain – organisations shouldn’t automatically assume that Tier 1 is the solution. As this survey respondent from local government says, “Look at all the options available and think very carefully before making a commitment to buy.”
Integration and standardisation – where the experts agree

In contrast to the Tier 1 debate, in which opinions differ, our experts were very much aligned around the need for organisations to focus on two related issues – the need for integration and standardisation.

Integration and one version of the truth

According to Naresh Mohindra at TCS, "Integration is the key issue." Iain Gravestock at KPMG expands on this challenge, "The big consideration is data – organisations absolutely need to understand their data and how it is stored and used. We find many organisations that aren’t clear about where the single version of the truth lies. Organisations need to have those hard conversations to identify the data owners, agree where they are going to master it and to look at the issue from the customer’s viewpoint." Kannan Natarajan at Wipro concurs, "Organisations need to be clear about data – they need a single source, used by all systems."

In the past, the solution to this need for integration and one version of the truth was an all-encompassing ERP system. As David Berseford at Serco says, "One of the problems with Best of Breed historically was that it was difficult to implement different systems and this is one of the reasons why comprehensive ERP systems were initially so popular." However, many of our interviewees were keen to point out that integration is no longer the challenge it once was. Richard Joyce at Grant Thornton for example, "Many types of integration have been done before so we have evidence of interoperability. This approach is now a lower risk; it has been tried and tested in many scenarios."

For some the solution is to use an ERP solution as a base layer, building other systems on top. "We are seeing increasing use of SAP as a back end system, with more functionality being put into modules that run off or on top of ERP," says Nick Gage at Serco. "ERP is still the underlying technology, effectively a base layer, but becomes more explicitly a back-end with Best of Breed applications on the front end making business outcomes easier to achieve." David Beresford at Serco shares this view, "If ERP is seen as a base layer, then it’s easier to implement other packages on top of it. It’s hugely helpful that the protocols and interfaces between systems have all been standardised; this wasn’t the case when ERP was originally developed and that was one of its main disadvantages. In the early ERP days, interfaces had to be coded by hand, so you wanted as few as possible – that’s all changed."

Middleware

Middleware is software that functions as a conversion or translation layer, and can also act as a consolidator and integrator. Commercial middleware and custom-programmed solutions have been developed for decades to enable one application to communicate with another that either runs on a different platform or comes from a different vendor or both. Today, there is a diverse range of products that offer packaged middleware solutions.

Others view non-ERP-specific middleware, rather than ERP, as the base for multiple systems. Kannan Natarajan at Wipro stresses that this is where organisations ought to focus more of their efforts, "The important thing is to get the middleware right. At present, this is an underinvested solution. Data is very important and middleware is critical to ensure consistency of data and ease of sharing data among multiple departments and even sharing of data with the public. I can’t emphasise enough how important it is to have a well-structured middleware solution."
Colm Reilly at PA Consulting Group agrees strongly with this perspective, “At the moment, most ERP systems have data embedded in the application. This shouldn’t have been the case – there were ideas about relational databases sitting underneath the actual software but increasingly vendors have sought to lock their customers into their products by keeping the data within their applications. In the future, it will be crucial that the data is separated out so that new applications can be brought in very quickly.”

Iain Gravestock at KPMG concurs: “There are middleware providers and data specialists who can implement integration engines and data mart solutions to support a ‘single view’ of information and help organisations achieve detailed, cross-functional insight from their transactional systems.” As does Graeme Swan at Ernst & Young: “Ten years ago the biggest barrier was integration. But that’s not an issue anymore – nowadays it’s pretty straightforward. There are enough middleware options to integrate anything.”

**Standardisation**

Whatever their perspective on the appropriate systems to use, when asked what advice they always give clients, the need to standardise processes to fit the chosen solution came up again and again.

David Beresford at Serco says: “In terms of the lessons learned, the key message hasn’t changed significantly since SAP first came out – ERP has a huge impact on the business and organisations have to be disciplined in order to conform. However, it’s not easy.” Colm Reilly at PA Consulting Group points out the particular challenges of the public sector: “In the public sector, there are also many legacy issues: small agencies with different processes, operations and even pensions schemes. If you were to paint a picture of the equivalent organisation in the private sector, it would be a multinational corporation which had been on a 12-year acquisition spree, had acquired 80 companies and was then trying to implement an ERP system. If we were advising that organisation, we’d be telling them to sort out their house first.” And as public sector organisations are pushed towards sharing packages, the need to standardise becomes necessary as well as desirable.

For Colm Reilly, one solution is for public sector organisations to decide that the chosen solution doesn’t need to do everything for everyone, “I would like to see public sector organisations using evidence and proper segmentation techniques to understand how many people fall into each category, to understand how many exceptions there really are. Having identified these exceptions, organisations should be more open to using manual processes – there’s no point treating every exception as a standard component.”

Richard Joyce at Grant Thornton explains his company’s approach: “We always ask, ‘Fundamentally, how special are these processes?’ Once you boil it down, you get to a very small subset of processes that require a non-standard solution. We always push organisations towards solutions that represent best practice and have often been tried and tested in other organisations.” And Naresh Mohindra at TCS adds: “It’s critical that you understand how prepared you are to adapt to ‘out of the box’ solutions. It’s wasted effort modifying software. They need to understand that sometimes it is easier to change the process and in the longer run cheaper – rather than tailoring the product to existing processes.”

However it’s not easy to conform and, as discussed earlier, initial good intentions often get lost along the way. “Government is very poor at changing processes to meet standards,” says Graeme Swan at Ernst & Young. “Take any major ERP system – it’s okay to change 10% but not 50% – yet this is what has been asked for. The real value is in standardisation of processes and I believe that they ought to change their processes to fit the systems. But these processes have been in place for a very long time in large departments.” He continues, “At the start, the aim is to standardise processes, reduce costs and generate better management information and senior people do set off with the right intent. However once the project is passed down to the next level, this intent gets lost. Mandating process change is very difficult. At the start, senior involvement is good; for example it’s relatively easy to get time from the permanent secretary. But once it becomes a programme, the programme doesn’t have authority over the business. It becomes a battle. People putting the system in don’t know the processes as well as the business – and the business says ‘it has to be special’.”
David Tansley at Deloitte, focusing on those departments which already have ERP but are being pushed towards standardisation in order to share, adds: “These really are complex organisations. In principle, it makes sense to share standardised packages but, standardising the processes – that’s where the rubber hits the road. But the jury is out as to whether money will be made available to do the work needed. Is there the capability and the will to see this through?”

For those organisations implementing an ERP system today, a key downside of asking for change is the cost of that change, which isn’t always immediately obvious. “Paying £5m for ERP and £2m for changes might seem acceptable but the £5m was wasted as you no longer have ERP,” says Graeme Swan. “And it’s not just the actual change, it’s integrating that change and then running tests. Organisations can burn through tens of thousands architecting and testing changes.” Simon Bates at Atos Consulting agrees, “If the aim of councils is to save money, then they need to adopt the standardised version. The mind-set of saying ‘we’re different’ tends to be more marked in the public sector but as soon as you start to customise, the costs go up quickly.”

Angus Ward at BearingPoint highlights that money saved on back office processes is money that could be spent on better meeting customer needs, “Don’t enhance what is not market differentiating; instead move to best practice and use standard solutions. I would say that 80% of what these organisations do should be standardised. Try to avoid enhancing the standard package and focus your spend on where it will most add value, for example in dealing with citizens up front.”

Cloud – the open question

The question as to whether public sector organisations ought to be moving their systems to the Cloud is one, we sense, about which the experts remain open minded. Our interviewees see the potential benefits. For example, Kannan Natarajan at Wipro says: “There will be lots of benefits for those who have already standardised their processes and have gone down the minimum customisation route. They will make significant savings.” And Nick Gage at Serco suggests: “Cloud may enable organisations to get away from large-scale systems and issues around back-up and disaster recovery. It should, in principle, make things more affordable.”

Meanwhile James Herbert at Methods Consulting says: “There are numerous potential benefits to the Cloud. Whilst organisations need to be aware of the fake cloud which is simply hosting, the true Cloud with multiple tenants enables upgrades for all straight away rather than waiting 18 months. Cloud products have been designed in the Internet or web 2.0 era – the user interface is much more attractive than for traditional products. And swapping upfront costs for monthly or annual rental is very appealing. In addition, if the functionality isn’t there already, there is a platform to build the app – which can then be easily shared on the app exchange. Force.com or Suitecloud provide great examples of how this works in practice.”

Angus Ward at BearingPoint points out that the ability for multiple organisations to use the same application is particularly pertinent to the public sector: “It makes sense for the government to move applications to the Cloud as it allows for one set of customisation shared by numerous organisations instead of the same customisation being carried out multiple times across government. One government cloud-based solution means one implementation, one customisation. This is why government is currently looking at a Whitehall ERP.”

But the biggest barrier to a move to the Cloud at the moment is a lack of clarity about what is and isn’t appropriate. “The rules aren’t clear yet,” says Gopala Krishna at NTT DATA, “and security concerns may make it a less attractive option in the public sector.” Kannan Natarajan at Wipro contrasts the situation in the UK with that in Singapore, “In Singapore the government has clearly articulated what can be put on the Cloud – and what specifically can be on private, government or shared Cloud. They’ve also clarified rules around data backup – both the government and providers are very
clear about where data will be held. The policy is very well defined. Of course, it’s much easier in Singapore – it’s a much smaller geography and efficiencies can be implemented much faster. The government wants to lead and is driving investment, it’s keen to explore new things.”

Some experts expect to see the UK public sector arrive at the tipping point in the next few years. Whilst some organisations have begun to dip their toes in the water, there is still a lot of wariness. “It all hangs on one public sector organisation taking the plunge and showing the others what’s possible,” says Nick Gage at Serco. “Organisations need that confidence boost and then they’ll swing to a different model. It depends on there being someone brave enough to do this.”

Whilst the speed and exact route of the move to the Cloud remains unclear, it is clear that public sector organisations need to be thinking about the impact of the Cloud on their plans. But, as James Herbert at Methods Consulting emphasises, any moves need to be well thought through, “Transitioning to the Cloud for complex, legacy organisations needs to be a strategic and designed process, not a series of one-off events.”

And finally – shared services

Whilst we didn’t set out to explore the issue of shared services, this topic cropped up so many times in the course of our conversations that we simply could not ignore it. For some organisations, the ability to offer services to other organisations has been the foundation for ERP implementation.

This interest in shared services can be seen as a driver of standardisation – Richard Joyce at Grant Thornton explains, “When you start to consider the appetite for shared services, it becomes even more important to challenge the ‘we’re special’ mind-set. Organisations thinking about sharing services don’t want to be customising solutions.”

Other experts raised concerns about the robustness of business cases for the shared services approach, about the governance structures for these organisations, and about the realities of standardising processes across multiple organisations.

Kannan Natarajan at Wipro challenges the robustness of some business cases for ERP built on the shared service model: “I question the viability of some projections and commercial arrangements. Expectations are high about what revenues can be achieved and many organisations are being overly bullish. Are other organisations really going to join in?”

James Herbert at Methods Consulting highlights the governance challenges associated with managing a shared services centre in the public sector and stresses the difference between full shared services and sharing functions, “I haven’t seen one example in the public sector of full shared services that really works within a reasonable cost and time envelope. Local government doesn’t have the governance structure, decision making process or the skills to share a multi-million pound shared service centre. It can take eight weeks to get a decision within a Local Authority and one party can change its mind at any point. A lot of spend on Tier 1 has been justified on the back of this model – “we will recoup the cost of Tier 1 ERP through selling the service to other public sector organisations.” But this is not the business they ought to be in – they are not there to run and sell commercial grade back office services.”

The answer, for James Herbert at least, is a pragmatic approach that reaps the benefits of sharing without the risks, “Organisations need to make a decision first about how to approach ERP. It’s not appropriate to hand over entire departments to external organisations for the next 10 years without understanding where ERP will go in that time. Once organisations are clear about how to approach ERP, it may then make sense to get someone else to look after specific parts. I don’t believe in the full shared service model for local government but equally three neighbouring county councils running the same ERP platform shouldn’t need three development teams. By using one team they will learn a lot about each other’s processes which may lead to more integration in the future and perhaps eventually a move to one platform.”
Conclusion

To return to our analogy, it’s clear that public sector organisations have collectively invested significant time and effort in building and maintaining their tracks and will continue to do so in the foreseeable future. It’s also clear that this isn’t the end of the line for ERP; rather the beginning of a journey in which the customer experience will become ever more important at the same time as organisations face a relentless drive to reduce costs. ERP will continue to be a key tool in achieving these objectives.

A lot has been learnt from the implementation of ERP in the past – the key to future success is for these lessons to be remembered as the public sector moves forward in meeting its challenging objective of improving the customer experience whilst cutting costs.

Checklist for public sector organisations based on the recommendations of ERP users and consultants

**If you’re new to ERP:**
- Have you considered all the options – Tier 1, Tier 2, integration of Best of Breed and Cloud / SaaS ERP?
- How willing and able are you to change your processes to fit the chosen solution?
- Do you fully understand and have you validated the total costs of ownership?
- Have you spoken to current users of the solutions you are considering?

**If you already have ERP in place:**
- Do you understand what you have already, where you’re not making best use of functionality or where processes are inefficient?
- When did you last check the total cost of ownership of your ERP system – and compare with implementing and using an alternative?
- If you need additional functionality, have you considered all the alternatives and not just what is available from your current vendor? Best of Breed packages (for example budgeting and forecasting) can be integrated with existing systems quickly and cost effectively.
- Have you spoken to other customers of the solutions you are using to see what options they would consider from their current or other vendors?

**Everyone – project management:**
- Are key stakeholders aligned on the organisation’s high-level objectives for the project?
- Should and does your project take into account the customer experience as well as making back office processes more efficient?
- Have you considered non-IT approaches to efficiency improvements?
- Are senior people willing to take responsibility for the entire project and the outcomes to be delivered?
- How will you ensure that the organisation remains focused on the key objectives throughout the project?
- What quick wins are you aiming for?
A note from our sponsor

As a supplier of finance and procurement solutions since the 1980s when we were known as Cedar or QSP, we have been closely involved in the evolution of back office ERP in the public and enterprise sectors; over the past decades we have seen considerable changes in customer perceptions of ERP. In commissioning this survey, we were keen to find out how the UK public sector viewed further investment in ERP, and also how management consultants and systems integrators are now being engaged to deliver operational improvements through ERP.

The research carried out by Source covers both the customers’ viewpoints and the consultants’ experiences. It is apparent that both had mixed views about the Tier 1 ERP “bubble” that burst as the austerity measures bit. The aspirations of a single integrated system to cover all requirements are as valid now as they were then, but without the big budgets previously available, there is a new sense of realism prevailing.

Lessons have clearly been learned from previous Tier 1 ERP implementations, and these are being applied to the new generation of ERP projects. There is far more focus on operational improvements and cost reduction now, compared to the previously costly attempts to adapt a complex ERP package to existing, probably inefficient processes.

This report is very encouraging for customers, consultants and suppliers. There is a real appetite for leaner, more agile systems that can be implemented quickly and bring real benefits. The experience from earlier ERP implementations is of immense value in ensuring that future projects remain focused on the objectives. Finally, the technology is more sophisticated and affordable than it has ever been, so I am convinced that customers will achieve tremendous results with current and future ERP implementations.

Neville Merritt
Partner Manager, Advanced Business Solutions
ERP in the public sector: full steam ahead or the end of the line?

About Source

Source (www.sourceforconsulting.com) is a leading provider of information about the market for management consulting. Set up in 2007 and now with offices in London and Dubai, Source serves both consulting firms and their clients with expert analysis, research and reporting. It draws not only on its extensive in-house experience, but also on the breadth of its relationships with both suppliers and buyers. Source is owned by Source Information Services Ltd, an independent company, which was founded by Fiona Czerniawska and Joy Burnford. Fiona is one of the world’s leading experts on the consulting industry. She has written numerous books on the industry including: The Intelligent Client and The Economist books, Business Consulting – A Guide to How it Works and How to Make it Work and Buying Professional Services. Joy Burnford was Marketing and Operations Director at the UK Management Consultancies Association between 2003 and 2010, and prior to that worked for PA Consulting Group and has extensive experience of marketing consulting services.

About Advanced Business Solutions

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Advanced Business Solutions (Advanced) provides leading integrated business applications and services that enable public, private and third sector organisations to retain control, improve visibility and gain efficiencies whilst continually improving corporate performance. The Advanced back office ERP solutions are among the most widely used systems in the UK public sector.

Advanced’s software systems comprise core accounting/financial management, procurement, human resource and payroll systems, integrated with a range of collaborative, document management and business intelligence solutions to extend the value and effectiveness of the finance, human resource and procurement departments. These can also be delivered as a managed or hosted service. Customers from both the public and private sectors include Companies House, Newcastle City Council, WH Smith, Aer Lingus, University of Bradford, Great Ormond Street Hospital for Children NHS Trust and Northern Ireland Department of Health, Social Care and Public Safety.

Advanced Business Solutions is a division of Advanced Computer Software Group plc, a leading supplier of software and IT services to the public sector, healthcare industry and large commercial enterprises.

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