

**From: Peter Oakford, Deputy Leader, Cabinet Member for Finance,  
Corporate and Traded Services**

**Vincent Godfrey, Strategic Commissioner**

**To: Policy and Resources Committee – 8<sup>th</sup> November 2019**

**Subject: Enterprise Business Capabilities (EBC)**

**Classification: Unrestricted**

**Summary:** The Council is at the outset of programme to modernise its Enterprise Business Capabilities (EBC) covering finance, human resources, payroll, and procurement, including the replacement of its Oracle software (£1.2m per annum). This paper is intended to start the engagement with the Cabinet Committee and develop a shared understanding of the scope prior to the development of the Strategic Outline Business Case (SOBC).

**Recommendation(s):**

The Cabinet Committee is asked to note and discuss the programme to modernise the Council's Enterprise Business Capabilities (EBC).

## **1. Introduction**

- 1.1 The Council is developing a significant initiative that will fundamentally change the way central services within the Council will work. Underpinning this programme will be the implementation of new software that will support the core functions of central services including finance, human resources, payroll, and procurement, as well as many supplementary services that will together deliver better ways of working and outcomes. It will lead to the replacement of many business processes and associated software applications including Oracle. Initiatives of this type are now commonly referred to as Enterprise Business Capability (EBC) programmes.
- 1.2 As organisations shift their focus from technology to outcomes and experiences, the need for a solid core of EBC is critical. Gartner<sup>1</sup> refers to EBC as “the emerging fourth era of ERP” having evolved through the Materials Requirement Planning (MRP), Manufacturing Resource Planning (MRPII), and Enterprise Resource Planning (ERP) eras. Successful ERP was concentric on the development of systems of record (SORs) that systems of differentiation and innovation then leverage. In practice this largely amounts to relational database being utilised by functional applications incorporating forms, workflow and reports. Conversational platforms, chatbots, artificial intelligence and day visualizations are rapidly changing the way ERP applications are being used.

---

<sup>1</sup> Gartner, Inc. is a global research and advisory firm providing information, advice, and tools for businesses in IT, finance, HR, customer service and support, legal and compliance, marketing, sales, and supply chain functions.

1.3 Gartner's strategic planning assumptions on the future of ERP/ECP are as follows.

“

- a) By 2022, 30% of large enterprises will have moved to a platform and product centric approach with standardised ERP capabilities at the platform core.
- b) By 2023, 40% of large enterprises will have moved to an Enterprise Business Capability strategy away from monolithic vendor strategies.
- c) Through 2021 [*organisations*] who take a strategy-first approach to ERP will deliver 60% increased business value over those who take a vendor-first approach.
- d) By 2022, organisations that continuously improve their ERP will realise 60% more value through adopting the latest best practices in frequent vendor releases.
- e) By 2022, 65% of [*organisations*] will incorporate artificial intelligence in their postmodern ERP strategies to gain competitive advantage.
- f) The ERP market growth rate from 2017 to 2018 is at 10%. ERP is not a saturated, dying or static market... and is forecast to be worth \$44-billion by 2022.”

1.4 There is the imperative that the Council's licenses for Oracle expire on 31<sup>st</sup> March 2021 and is a key priority in the Strategic Delivery Plan (Item 77). Whilst extension is possible, the Council's on-premise hosted instance of Oracle will become increasingly costly to support and even obsolete in the near term. Oracle in common with most technology suppliers, makes its licenses and support for older versions of its products increasingly more expensive over time and ultimately withdraws support altogether. Customers have no choice but to either find third-party support, upgrade onto the newer versions, or transition to alternatives. Oracle's strategy is to shift its products to a cloud-based subscription approach and withdraw support for on-premise products. So far it has only announced that all 4,000 of its on-premise customers in the Middle East and Africa will be moved onto the cloud within the next two years, but it will surely follow in the United Kingdom.

1.5 The Council's Technology Strategy 2016/20 set out a new operating model for the delivery of the Council's technology infrastructure and business systems that have driven change programmes. The principles include a cloud first strategy, a configure not customise approach, with standardisation and optimisation of the Council's enterprise platform. These principles will need to be firmly embedded as part of the EBC programme.

1.6 Although the Council has much of the Oracle ERP functionality available to it (paragraph 1.2 refers), use is limited, and it could not really be described as a full ERP implementation. The purchase to pay process runs across several databases, the applications do not integrate or use workflow particularly well if at all, and basics such as a single supplier view are precluded without extensive rework for example. This in turn causes process inefficiency and cost for both users and systems support.

- 1.7 Cloud hosted solutions, which mimic the internet in their subscription approach to consuming software, have rapidly become the default and transferred the responsibility for much of the delivery and maintenance of the software and associated infrastructure to the service providers. Transition to cloud, even Oracle cloud, is a substantial undertaking. They require organisations to “adopt” standard business processes rather than “adapt” software to the model the organisation’s historic approach to say invoice processing. The Council’s on-premise instance of Oracle is reckoned to have around one-million lines of bespoke code for example. Software updates happen automatically in the new cloud Software-as-a-Service (SaaS) world; so how should the organisation manage rolling updates and business change where there is no longer any choice in whether they are installed?
- 1.8 Broadly speaking there are three general service models in the cloud including Software-as-a-Service (SaaS), Infrastructure-as-a-Service (IaaS), and Platform-as-a-Service (PaaS), as shown in Appendix A. The degree of control afforded to an organisation vary depending on the service model chosen, as do the benefits and the cost. There are also broadly three types of cloud deployment including Public, Private and Hybrid “Closed Public Cloud”. With the attendant trade-offs regarding data residency and efficiency. If the Council does adopt a cloud solution it will need to work through an appropriate assessment and decision-making process to choose the right options.
- 1.9 It is important to reiterate that EBC and cloud solutions are a means to an end, not the end itself, and do not by themselves make the Council a “digital business”. This programme is about the Council being more able and agile to standardise and optimise the way it works, so it delivers better stakeholder experience and value.
- 1.10 Whilst EBC programmes and their forerunners are a well-trodden path that is proven to support the delivery of stakeholder experience and value, examples of poor executions that do not deliver value and or cause substantial programme and cost overruns are common. A comprehensive and robust approach to strategy, organisational culture, change leadership, and governance that is widely understood and supported across the organisation will be integral to the success of the programme, as will the broad understanding of the benefits of the new ways of working to the Council as a whole.

## **2. Approach**

- 2.1 The Strategic Commissioner will be the Senior Responsible Officer (SRO) for the programme working closely with the Corporate Director for Finance, Corporate Director for People and Communications, and Director of Infrastructure who will lead their respective functions. Cantium Business Solutions (CBS) is a key stakeholder and will work as the Council’s delivery partner for the implementation of the programme, augmenting its resource with specialists as appropriate. Together this group feeding into the already established Technology Board, will act as the design authority making sure that decisions are taken by a combined functional team to manage dependencies as well as minimise the risk of dysfunctionality and re-work.

2.2 This will most likely be a 2-3-year programme. It will be developed and implemented through the six classic phases typically associated with programmes of this nature as set out below<sup>2</sup>.

- a) Stage 1 – An Inception (or familiarisation) Phase that educates and informs the programme and the wider business) of the overall approach to solution delivery.
- b) Stage 2 – A Discovery Phase (broken down by functional area, or a collection of related areas) used to gather information on what is important to the business. Provides context to the implementation, captures the fundamental business goals, defines the vision, objectives, goals and challenges that need to be overcome.
- c) Stage 3 – A Definition Phase should document the baseline configuration of the to-be system. To include the approach to data migration integration and testing among others.
- d) The use of Iterative Prototyping to validate the solution, and end-to-end process confirmation resulting in an initial “sign-off” of the target system characteristics. Results in a working system (rather than a specification) that can be tested by users.
- e) An Implementation Phase that documents the functional and technical “runbooks” that will deliver the solution. It should also confirm the detailed approach to data migration, integration, testing etc.
- f) A discrete Validation Phase which incorporates industry-standard test phases e.g. user acceptance testing alongside dry-run for example, around payroll.
- g) Transition: a robust transition strategy and cutover plan, including final reconciliation and confirmation of support arrangements.

2.3 Business milestones will be factored into the implementation plan such as financial year end, statutory reporting, salary award dates etc. Another consideration will be the sequencing of business process delivery. Should finance or human resources go first?

2.4 At this time the Council is “technology agnostic” and has yet to decide what platform will underpin the future direction. Whatever technical solution is chosen it will need to be an “integrated platform” with data recorded once and managed centrally to give a single view of a member of staff or supplier. By taking a platform/product approach and developing a holistic strategy and governance model, it will avoid descending into the best-of-breed nightmare scenarios that have befallen ERP and large technology projects more widely in recent years. It does not follow that a single system or application will be purchased but rather a properly integrated, readily implementable, and sustainable platform.

2.5 The Council has already invested in and widely deployed: Azure (Microsoft cloud service for building, testing, deploying and managing applications and

---

<sup>2</sup> Certus solutions

services through managed data centres); Office 365 (Microsoft cloud service for office and productivity applications); and Power BI (Microsoft business analytics service). Microsoft's Dynamics 365 is showing strongly in Gartner's most recent assessment of the cloud ERP market (October 2018). Developing and further leveraging the Council's relationship with Microsoft is therefore a strong option that will be considered. Of interest is that in June 2019, Microsoft and Oracle announced a cloud interoperability partnership enabling customers to migrate and run critical enterprise workloads across Microsoft Azure and Oracle Cloud and this is perhaps the start of further collaboration and convergence.

- 2.6 Supplier selection will be crucial and should reflect the significant shift in the technology market place in recent years; especially if a cloud solution is chosen. It cannot be the case that the suppliers "drop and run" once on-premises software is delivered only to reappear for the renewal of licenses as has typically been the case. The Council will be selecting a strategic partner or partners where the ongoing quality of the relationship in terms of support, process development etc. will form an integral part of the evaluation in the procurement process and subsequent contract terms.

### **3. Next steps**

- 3.1 Work is currently underway on the Inception and Discovery Phases (paragraph 2.2 refers) with a view to producing a Strategic Outline Business Base (SOBC) and subsequently an Outline Business Case with a full options appraisal. Ascertaining and baselining the "as-is" architecture, applications, processes and costs associated with corporate services is a crucial and substantive part of this work. It is anticipated that the SOBC will be available by the end of December 2019 and the OBC by the end of March 2020 depending on what is identified in the Inception and Discovery Phases that currently have many unascertained variables.
- 3.2 Facilitated workshops with relevant business subject matter experts will be used to identify and capture much of the information required. These workshops will also be used to assess the various components in terms of their current functional fit with and gap to best practice. There are expected to be around ten workshops covering subject matter such as: core financials; core human resources; payroll, compensation and reward; purchase to pay; and cloud options.

### **4. Financial Implications**

- 4.1 The financial implications of this programme cannot be ascertained at this early stage and not until the work described in paragraph 3.1 and the Outline Business Case (OBC) is completed. The cost of developing the programme in the meantime is expected to be absorbed from current operating budgets at opportunity cost (the cost of other work that could have been done instead) albeit this will be kept under review. Work will only progress beyond that point if the OBC is approved and necessary funding secured.
- 4.2 The total cost of the current architecture, applications and processes associated with corporate services and in scope is likely to be several millions of pounds with annual recurring savings likely to be substantial notwithstanding any one-

off implementation costs. Oracle licenses alone currently cost circa £1.2m per annum excluding any associated hardware and service management.

- 4.3 There is the possibility that other local authorities may want to join this programme, particularly if it is a cloud solution. There is also the possibility that Cantium Business Solutions can use it to sell its own services. This will be explored during the Inception and Discovery Phases (paragraph 2.2 refers).

## **5. Conclusions**

- 5.1 The Council is embarking on a programme over 2-3-years that will modernise its Enterprise Business Capability covering core functions including finance, human resources, payroll, and procurement, as well as many supplementary services. This is expected to deliver better ways of working and outcomes including significant financial savings. There is an imperative in part because the Council's licenses for Oracle, on which several of its key business processes depend, expire in March 2021 and will soon become obsolete.

- 5.2 Whilst programmes of this nature are proven to be successful, they are high risk, high value, and complex, and there are lots of examples of sub-optimal value, cost and programme overruns in both the private and public sectors. Executing an ERP strategy is an ongoing stream of decisions and changes to business process and technology architecture and applications. A comprehensive and robust approach to strategy, organisational culture, change leadership, and governance that is widely understood and supported across the organisation will be integral to the success of the programme, as will the broad understanding of the benefits of the new ways of working to the Council as a whole. Cloud solutions require organisations to "adopt" standard business processes rather than "adapt" software which on its own causes major business change.

- 5.3 These will be developed through Inception and Design Phases of programme that are expected to run until December 2019 and March 2020. The respective outcomes will be a Strategic Outline Business Case followed by an Outline Business Case, with full options appraisal, cost implications and risk register, and the programme will not progress further unless these are approved. Development of programme through to the OBC will be funded through existing revenue budgets notwithstanding opportunity cost.

## **6. Recommendation(s):**

- 6.1 The Cabinet Committee is asked to note and discuss the programme to modernise the Council's Enterprise Resource Capabilities (EBC).

## **7. Contact details**

Report Author: Vincent Godfrey  
Job Title: Strategic Commissioner  
Telephone: 03000 419045  
E-mail address: vincent.godfrey@kent.gov.uk