

PROPOSED MOTION 2005-0171

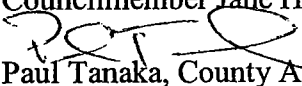
**ATTACHMENTS 3-5
AUGUST 24, 2005 STAFF REPORT**

**King County****Department of
Executive Services**

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August 22, 2005

TO: Councilmember Jane Hague, Vice Chair, Budget and Fiscal Management Committee
FR:  Paul Tanaka, County Administrative Officer
RE: Responses to your ABT questions (8-17-05 BFM Committee Meeting)

I appreciated the opportunity to discuss the Accountable Business Transformation (Proposed Motion 2005-0171) with the Budget and Fiscal Management Committee on August 17, 2005 and am providing this memorandum in response to the questions you asked of me at that session.

1. How is the Accountable Business Transformation (ABT) program different from the Financial System Replacement Project (FSRP)?

ABT is substantively different from FSRP. It comprehensively addresses lessons learned and knowledge gained since FSRP and differs from a project approach perspective in the following significant areas:

- ABT focuses on business model transformation not technology system change;
- ABT focuses on understanding and managing high risk factors; and
- ABT focuses on program metrics: costs, benefits, return on investment, and key performance indicators.

While FSRP was about replacing a financial system, ABT is about changing business practices through an integrated finance, payroll and human resource solution based on the Oracle and PeopleSoft technologies, and a new countywide budget system.

The Dye Management Report clearly states: an enterprise-wide project "cannot be approached as simply "system replacement" efforts; they are long-term business transformation processes supported by a software package that begin with the initial implementation." At their core, these projects change the way the county has done business for many years at the level of the individual employee.



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As Dye stated, "Clearly, the biggest risk in King County is lack of a common vision and workable governance structure. These are some of the biggest reasons that large systems projects fail."

The County has responded to those risks as follows:

Governance:

In July 2001, Council created a County wide technology governance structure (Ordinance 14155).

An ABT program charter is before the Council in the form of Proposed Motion 2005-0171. This is based on the recommendations for governance laid out in the Dye Critical Assessment Report. The ABT program charter has clear policy, oversight, advisory and executive responsibilities and was approved by the Leadership Committee on June 27, 2005.

Vision:

In June 2003, Council approved a vision and goals statement for the ABT program (Motion 11729). This vision and goals statement has been endorsed by all separately elected county agencies.

In October 2004, the county council approved Motion 12024 adopting four guiding policies for transforming business processes. These guiding policies have been endorsed by the entire elected leadership of King County

Significant progress also has been made to mitigate other high risk factors:

- ABT has a strong emphasis on change management that is embedded within the governance and project management structure.
- A Roadblocks Identification and Action Plan was adopted in December 2003 and updated in January 2005. This Roadblocks Plan will be continually reviewed as part of the program governance process.

Phased Implementation:

The FSRP was a project to replace legacy financial and payroll systems with modern technology systems. Both systems were to "go live" at the same time countywide. In 2001, Dye Management Group did a critical assessment of FSRP and recommended that a sequentially phased program be implemented that allows the county to focus its attention and resources on a single project at a time, with each project building upon the accomplishments of the previous as the program progresses.

The ABT is a phased program which will be rolled out to county agencies in four stages the order of which will be determined as part of the detailed program implementation plan. The program will also phase the rollout of expanded functionalities in Oracle and PeopleSoft.

The ABT is phased over five years rather than the four years recommended in the QBC Transition and Implementation Plan. The objective of extending the work program by one year is to allow additional pre-implementation activities to re-confirm sponsorship of the program vision among key stakeholders, re-validate and confirm the program vision and its alignment with the county's short and long-term goals, and establish a strong project governance structure. This approach has been developed to position the county to move forward more successfully and with less risk in the future. The action plan for this approach calls for:

- Spending significantly more time up front in obtaining high-level countywide policy endorsements for key decisions and in managing change. Activities include assessing how well the government has internalized the adopted vision and goals, establishing key leaders, establishing the county's commitment, readiness and ability to accept change and planning, building and maintaining active participation among the stakeholders. This will be done through the ABT Governance Program starting with the Operations and Change Management Committee.
- Upgrading Oracle and PeopleSoft to the current versions prior to reconfiguring the systems for countywide implementation.
- Undertaking a two-part planning process that includes developing a high-level business design and cost validation that the elected leadership of the county can review and confirm, followed by a detailed implementation plan with detailed costs. This two-step planning process occurring over two years is consistent with the approach of spending additional time in change management activities and ensuring policy alignment throughout all branches of government in order to reduce implementation risk.

Focus on Program Metrics:

The FSRP did not include adequate metrics to measure progress, performance and outcomes. ABT has a requirement to measure results, a requirement to estimate benefits and then measure benefits realization over the life of the program, and a requirement for estimating and measuring life cycle costs. These requirements are embodied in the Program Charter in critical success factors and key performance indicators. The Program Charter vests ownership of benefits realization and program monitoring in the ABT Leadership Team comprised of the elected leadership of the county.

2. How will business change process issues be addressed with labor?

King County has a strong record of fostering a bond of mutual trust and support with its union employees and the unions that represent them. Of the more than 14,000 employees on the County payroll, about 85 percent are unionized. County workers are members of one of 92 separate bargaining units and the County maintains 67 separate bargaining agreements with union organizations.

Implementation of ABT will require the county to change the way business is done. This will result in changes to job duties and functions and those changes may require labor negotiation and agreement on proposed changes. Another known change that will impact employees currently paid on MSA is the change to a bi-weekly pay cycle. We are currently piloting change management approaches and communication with labor and employees on the change from MSA to PeopleSoft in the DES Straddle Agency Migration Project.

Each element of the ABT work program will include both communication and change management components so that those impacted by change are notified well in advance and involved in decision-making and/or training as appropriate.

3. Middle Management Involvement and Accountability

ABT emphasizes change management including agency change readiness programs, strong communications and extensive end-user training. All these elements will be central to working with middle managers and assisting middle managers in working with line staff to ensure that business process changes are understood, accepted and can be implemented effectively.

Agency middle managers will be involved in the implementation projects in numerous ways to ensure that they understand the changes and are ready to adopt them. First, each implementation project will have some agency staff that will represent the agency and other similar agencies. These staff will be responsible for helping design the changes and for introducing them into practice. Also, the ABT Program and each implementation project will have key contacts or change agents in each agency who will be specifically tasked with making sure that the changes are known, understood and implemented.

The ABT Program overall and each implementation project will include an agency readiness program specifically designed for that agency to ensure that it is ready in all ways to adopt and use the new systems including the business process changes. Agency change readiness programs will include communications, extensive end-user training, and management sign-off elements. The implementation projects have the responsibility to inform and teach the agencies about the changes at the middle management level and the staff level. Agency change readiness programs include a specific work element to ask the appropriate levels of management to acknowledge that they are ready, understand the changes and are positioned to use the new systems.

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Finally, the quality assurance consultant will verify that the agencies are getting ready for the implementation by doing interviews and seeking advice.

Middle managers will be held accountable by agency directors and deputy directors who must sign off on the agency change readiness plan that their agency is ready to implement the business process changes and technologies. These directors and deputy directors participate in the countywide governance process.

The line of management accountability is set forth in the charter through the Leadership and Advisory Committees. The Leadership Committee is responsible for supporting organizational change management activities in their agencies and realizing program benefits. The Advisory Committee is responsible for supporting business process transformation and monitoring benefit realization. The Operations and Change Management Committee is tasked with reviewing and recommending business process changes.

Please let me know how I may be of additional assistance to you in your consideration of Proposed Motion 2005-0171 in the coming weeks.

cc: Budget and Fiscal Management Committee Members
Shelley Sutton, Policy Staff Director
Rebecha Cusack, Lead Staff BFM Committee
David Randall, Senior Legislative Analyst

ATTACHMENT FOUR
Table Comparing Revised ABT Program Budgets

Purpose	2005 Budget (Revised April 7, 2005)	2005 Budget (Revised August 19, 2005)	Difference Between Revised Budgets	Comments
Pre-Design				
Program Staff	\$225,000	\$293,543	\$68,543	Addition of communications consultant, computer support and space charges.
Determine Scope, Schedule, Budget (High-Level Business Design)	\$1,583,615	\$365,000	(\$1,218,615)	Decrease in scope. High-level business design (including costs and benefit validation) will not be at a detailed level.
Change Management Plan	\$100,000	\$50,000	(\$50,000)	Delay in hiring consultant.
Develop Complete HR Implementation Plan	\$153,600	\$0	(\$153,600)	To be completed in 2006.
Standardize HR Business Practices to align with PeopleSoft	\$376,955	\$245,263	(\$131,692)	Program delay.
Standardize Finance Business Practices to Align with Oracle	\$0	\$0	\$0	No change. Funded while determining scope, schedule and budget.
Define Budget System Requirements	\$343,643	\$0	(\$343,643)	Funded while determining scope, schedule and budget.
Auditor Oversight	\$165,000	\$165,000	\$0	No change.
Subtotal	\$2,947,813	\$1,118,806	(\$1,829,007)	Decrease primarily from re-scope of high-level business design and program delays.
Pre-Implementation				
Plan for PeopleSoft Upgrade	\$598,000	\$2,480,648	\$1,882,648	Includes all consultant costs in 2005 rather than spread-out in 2005 and 2006.
Plan for Oracle Upgrade	\$0	\$0	\$0	Will be funded by excess funds (about \$200,000) in the ITS operating budget.
Migrate DES to PeopleSoft and Oracle	\$427,848	\$374,207	(\$53,641)	Project is spending less than expected.
Subtotal	\$1,025,848	\$2,854,855	\$1,829,007	Increase primarily because of consultant costs for PeopleSoft upgrade project.
Total	\$3,973,661	\$3,973,661	\$0	

Attachment Five Proposed ABT Program Management Office Organization

