

STANDING COMMITTEES

Finance and Asset Management Committee

Finance Transformation Update

INFORMATION

This item is for information only. It provides a quarterly update outlining the progress of the UW Finance Transformation (UWFT) program's Architect Stage and an update on overall program status and risks.

BACKGROUND

UWFT's multi-year mission is to redesign the University's finance-related policies and processes, with the help of new technology, Workday Financial Management. This transformation will enable a shift toward a single financial system of record for all of UW, reducing risk through predictable, real-time, and informed decisions. It is a necessary step in ensuring strong financial management and responsible stewardship of the University's finances.

In December 2019, the UWFT program was granted unanimous approval from the Board of Regents to fund the Implementation Phase of the program. This approval was informed by two years of collaborative planning work as part of the Readiness and Design Phases of the program, which included a benchmarking study, a data gathering effort, and ongoing broad input from stakeholders across the University.

UWFT PROGRAM TIMELINE

The phases of UWFT implementation (Readiness, Design, Implementation, and Stabilization) align with the standard Workday implementation phases, but include additional activities to specifically support business transformation at UW. The Implementation Phase concludes with go-live and is in total 30 months, or 2.5 years. It consists of four blocks/stages of time:

1. Plan: Establish project management and administration based on agreed upon scope. Initiate Workday tenant configuration and begin onboarding Implementation team. This process lasted 2 months; reached completion on February 28, 2020.
2. **CURRENTLY TRANSITIONING OUT OF:** Architect: Confirm process design and resulting configuration with future state integration requirements derived from integrations and conversion mapping work.

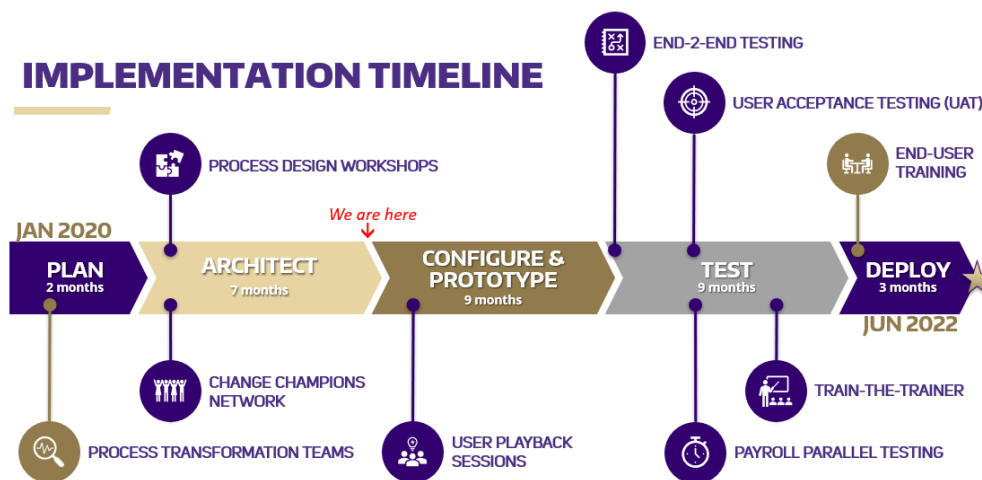
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Continue onboarding of Implementation resources. This process is expected to last 6-8 months, and will conclude at the end of September 2020.

3. **TRANSITIONING INTO:** Configure/Prototype: Using an iterative approach, deploy the Workday design through the use of prototypes advancing the configurations to best satisfy customer business requirements. There will also be deeper dives into business processes; extension of changes that came from gap closure working with integration findings; and identification and building of key reports. This process begins in October and is expected to last 9 months.
4. Test/Deploy: During testing, we'll be working to validate configuration decisions and customer readiness. This is when we'll conduct unit, end-to-end, and user acceptance testing over the course of 9 months. Deploy is the period of time when we'll move to production, stabilize the new systems, and transition to customer operations. This process is expected to last 3 months.
5. Stabilization: (need to start to warm folks up to idea that some not CFGL will occur here)



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MAINTAINING MOMENTUM AMIDST THE COVID-19 PANDEMIC

Since the June update, the UW Finance Transformation (UWFT) program has been able to maintain momentum and initiate mitigations to resolve key challenges identified at the mid-point of the Architect stage. The program has made significant progress on achieving the exit criteria and can transition into the Configure & Prototype stage, with some exceptions in place.

The Architect stage was critical for developing a foundation of the future state business processes, operating model and technical requirements. It has also been critical for building the configuration tenant, which populates a test environment of Workday with actual UW data. Iterating on this tenant as business processes become further refined is at the core of the deployment effort and will serve as an essential tool to continue to refine operating model design and technical requirements for integrations, system disposition decisions, and gap application direction.

The program continues to work with all program teams throughout the University to further refine the integrated planning, though some are at different stages of planning maturity across the program teams. With the deployment effort needing to move forward to Configure & Prototype, we have revised our approach to ensure that all teams can continue planning through the end of October. The UW is 20 months from its Financial Transformation ‘go-live,’ which allows enough time to fulfill the program’s deliverables within the identified schedule and budget allocated.

PROGRAM STATUS

Major elements of the program have remained on scope, schedule and under budget despite the impacts related to shifted operations due to the pandemic. However, components are behind schedule and are in “red” in some key areas, including technical infrastructure and reporting. The following are highlights of key accomplishments from the Architect stage (March – September):

- The initial configuration of Workday Financials is now built. Once validated, this major milestone means that we now have the ability to go into Workday Financials and interact with the University of Washington’s initial version of its new business processes for finance.
- The core program team has hired at a rapid pace: 92 percent complete with only eight positions to fill by year end.

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- Expecting to complete the Workday Assurance Delivery Review for the Architect Stage, which validates the program is proceeding in alignment with Workday methodology for a transformation of this nature.
- Further activation of Organizational Change Management (OCM) efforts, including establishing and regularly engaging with the Readiness Leads, holding ongoing one-one-one meetings with units, and regular program communications through the blog and newsletter.
- Under the leadership of Provost Richards and Faculty Senate Chair Joseph Janes, the program established the Faculty Advisory Committee. This active committee meets every other week to ensure faculty input and engagement, and has held a number of joint sessions with the Operating Model Working Group.
- All existing Workday/HR functionality has been analyzed, assessed and reviewed with stakeholders, meaning we now have systematic documentation of impacts to ensure a clear understanding of the work necessary to support the introduction of Workday Financials into our current Workday environment.
- The program is on track to accomplish many of the key exit criteria for the Architect stage, which includes the above accomplishments in addition to business process workflows and shared services initial design.

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THE PROGRAM IS TRENDING UNDER BUDGET

(\$ in millions) as of Aug '20 close	Project-to-Date (Jan – Aug 20)		
	Budget	Actuals	\$ Var F/(U)
Core Team Labor	10.8	8.8	2.0
Collaboration Partner Labor	13.8	3.0	10.7
Total UW Labor	24.6	11.8	12.7
Vendor Labor	10.2	9.0	1.3
Other Consulting	0.4	1.1	(0.7)
Total Consulting & Labor	35.2	22.0	13.3
Technology Costs	8.5	7.3	1.2
Support & Overhead	5.6	2.8	2.8
Total Non-Labor	14.1	10.1	4.0
Total Before Contingency	49.4	32.1	17.3
Contingency	11.3	0	11.3
Total Costs	\$60.6	\$32.1	\$28.6

UWFT Budget-to-Actuals to-date for CY20.

As shown in the above table, program expenditures-to-date are lower than plan by 47 percent or \$28.6 million, driven primarily by unused contingency (\$11.3 million) and lower than planned collaboration partner labor (\$10.7 million). Collaboration partner teams who have developed their plans are \$4.4 million favorable to plan as challenges with hiring speed has not been completely offset by the use of contract labor to bridge the gap. The core team has been able to stay largely on track with hiring despite the impact of working fully remote, with 92 percent of positions filled and a favorable variance of \$2 million. Delayed facilities costs due to COVID contribute \$2.5 million to the total variance.

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MANAGING RISKS

UWFT remains committed to working actively to identify and mitigate known risks. The program has developed a detailed risk tracking tool that is regularly updated by team members and reviewed on a weekly basis by senior program leadership. A risk matrix was shared with the Board of Regents in March and June, and an updated risk matrix is attached to this report.

Over the course of the Architect Stage, the program employed several practical initiatives to mitigate challenges while continuing to maintain strong effectiveness and efficiency. Most recently and to further support the management of the program across the entire enterprise, leadership has clarified the attendees, role and meeting frequency of the Executive Sponsor Advisory Team, now known as the S6. This group (Sarah Norris Hall, Margaret Shepherd, Aaron Powell, Brian McCartan, Jacqueline Cabe and Eric Neil) now meets weekly.

Updates to risks and mitigation plans from previously identified risks are noted below, and emerging risks are also summarized.

1. Leadership Alignment (Update):

- **Challenge:** The various concerns and priorities of leadership among teams participating in UWFT do not always align, leading to operational blockers.
- **Mitigation:** The establishment of the executive sponsor team “S6” has helped to align leadership across the different partner organizations and ensure more swift resolution to emerging issues.

2. Collaboration (Update):

- **Challenges:**
 - *Virtual teaming.* It has been challenging to stand up work teams across organizations. In some cases, this is due to staffing shortages or lack of SME availability.
 - *Co-Planning.* Determining the operations around co-planning work has been challenging given the decentralized nature of our organization, misaligned expectations regarding level of co-planning possible, and a timing differential where the UWFT team had a several-month head start on planning.
 - *Balance Time with Partnership.* Achieving transformation is everyone’s goal, and completing within scope, schedule and

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budget is also a high priority – it is difficult to strike the right balance.

- **Mitigations:**

- **Establishment of Small Working Group.** The small working group (comprised of leadership from the program team and collaboration team) has continued to meet and refine its goals/objectives. The integrated planning work continues with this group, and the teams have also focused efforts on get-to-green plans (get-to-green refers to a written plan to mitigate risks identified by program leadership and reinforced by Bluecrane's QA report). The team is looking to bring in a facilitator to help optimize collaboration among this core working group.
- **Establishment of Program Management Working Group.** A common PMO has been established that has representation across the program and partners to create more program management commonality across the partners.
- **Investment in Virtual Teaming.** Teams are working more closely at the work level across partners to get work done. Formalized meeting norms have been identified and employed, driving toward a consistent understanding of expectations.

3. Resources / Staffing / Hiring (Update):

- **Challenge:** Hiring on the core program team has remained on target. Partner hiring remains a challenge.
- **Mitigations:**
 - The resources identified to support increased velocity in hiring have been somewhat effective and hiring continues. When possible, the University would benefit from moving existing UW staff to UWFT positions rather than hiring from the outside.
 - Teams are actively considering bringing in contract support as necessary to complete priority work.
 - The program team will be posting another RFP to draw in additional recruiting firms to expand support for these efforts.

4. COVID-19 Impacts on the University (Update)

- **Challenges:**
 - *Impact to availability.* With K-12 schools having started again, many parents are juggling support for their children and blocking

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their calendars during certain days and times to provide the necessary support. These blocked times result in increased difficulty with programmatic meeting scheduling.

- *Financial impacts to post-go-live operations/funding.* Financial impacts to the UW are still being assessed and may have impacts on post go-live operations/funding.
- **Mitigations:**
 - Managers are regularly checking in with their reports and shuffling work as needed. The formation of the S6 has also helped provide early signals of scheduling challenges, enabling adjustments to timelines or priorities.
 - A leadership level task force is being formed to make recommendations around managing financial impacts (efficiency gains, funding model and prepayment options).

5. IT Transformation Complexity (Update)

- **Challenges:**
 - *Previous challenge statement:* The transformation of our complex, highly distributed technology environment is as much, if not more, challenging than the transformation of our business processes. Collectively, we must continually prioritize and agree to the level of detail required to maintain forward progress which limits rework but allows for a reduction in uncertainty. Currently, there is lack of clarity and alignment on how the work needs to be vetted and agreed to before other work can start (e.g. agile vs waterfall methodology as noted by Bluecrane QA). We need greater alignment on what can be done in parallel versus iteratively in a way that all involved have an understanding of how it will come together in the end.
 - *Updated challenge statement:* This risk continues as the program transitions to Configure and Prototype. There are bodies of work that will not be completed before the end of Architect. In particular, the work to integrate Workday to other key enterprise systems is months behind schedule. The University has also yet to reach alignment on a reporting strategy. The program continues detailed analysis around impacts to this work continuing into the Configure and Prototype stage.

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- **Mitigations:**
 - o *Outside help.* The team has hired additional contractor resources to assist, and engaged Workday to support improved approach, adjusted integration approach and strategy, and developed teams to build better alignment around completion of deliverables and plans.
 - o *Consider technical scope adjustment.* An adjustment to scope and schedule within the existing timeline and budget may potentially reduce rework or enable more focused resource allocation in the near term without longer-term impacts. The teams are developing plans to identify what scope is “critical at go-live” (Wave 1, July 2022) and what scope might be completed after initial “go-live.”

6. Program-wide Scope Impacts May Result from Delays

- **Challenge:** Because of delays in the technical transformation space noted above, there may be a need to conduct an assessment of program scope or staging of deployment.
- **Mitigations:**
 - o *Formation of task force to analyze.* Any shifts to scope or deployment staging would require significant analysis, discussion with business owners, and engagement with governance. There would be significant financial impact to the program to extend the phasing of the program. If leadership determines that scope/staging shifts should be considered, a task force should be formed with the proper representation to conduct the necessary assessment.
 - o *Potential Budget Impact.* If leadership determines that more substantial shifts to timeline should be considered, detailed analysis would need to take place in order to determine impacts.

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8. Reporting Strategy & Finance Data Repository

- **Challenges:**
 - o *Lack of available resources.* The launch of the reporting strategy work was delayed due to unavailability of the consultant due to COVID.
 - o *Misaligned data infrastructure approach.* The reporting strategy work has been further delayed as a result of different points of view on one of the key architectural elements of the strategy, the Finance Data Repository and organizational ownership of it. Further, the work has generated significant discussion and feedback from business owners who have concerns about how data is organized and what data meets the business need. There is currently a lack of alignment around the reporting strategy with UW-IT, and the work has been further delayed.
- **Mitigations:** These issues have been elevated to the S6, and discussions are underway to resolve by developing a get-to-green plan detailing specific actions and ownership for items necessary to resolve.

9. Operating Model design and related efficiency gains

- **Challenges:**
 - o *COVID impacts to overall Operating Model approach.*
 - While the president, provost, sponsors and operating model working group have approved the conceptual model for the hub structure post go-live, there are many outstanding questions about the viability of such a dramatic shift to UW organization structure at a time when the institution is experiencing a financial crisis due to COVID. The level of change associated with the current operating model structure would be unprecedented for the UW, particularly around workforce management. Several key stakeholders have recently questioned the approach, which has resulted in assessment of other models.
 - The primary drivers for the hub structure/shared services are around gaining both task and budgetary efficiencies. Working to achieve the identified 15% efficiency gain across the UW enterprise as a result of the implementation of Workday is a difficult task in an environment where the financial health of the institution is at risk due to COVID.

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- **Mitigations:** As mentioned above, UW leadership is meeting to determine key priorities around financial impacts and the related shared services infrastructure. Starting with the S6, UW leadership will meet to determine what the key priorities are around implementing a shared services infrastructure.

Attachments

Key UW Finance Transformation Risks (Risk Matrix)

Key UW Finance Transformation Risks

End of September 2020

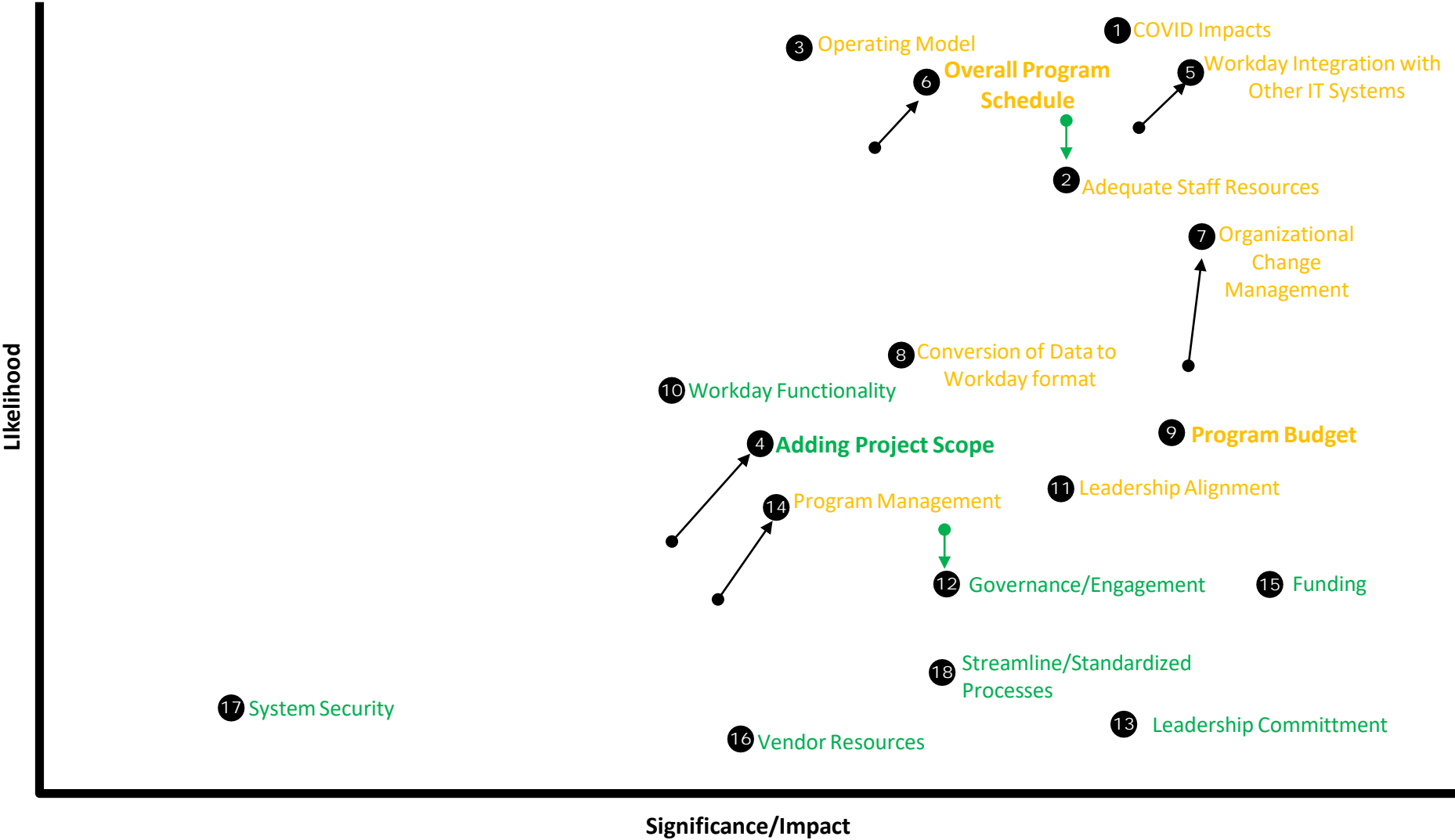


Chart Key

Level of Current Mitigation: High (green), Moderate (yellow), Low (red)

High Significance = +\$25m impact to budget or +3month impact to schedule

High Likelihood = 80% chance of unmitigated risk occurring

Change since last report: ↓