

Fusion (ERP) Program Update

ISSUE

The Administration launched the first wave of the Fusion implementation (Enterprise Resource Planning (ERP) program) on January 4, 2021. This milestone was achieved on time, with the intended scope and within budget. This report provides an update on the implementation of Wave 1 and outlines the status and what can be expected in Wave 2.

BACKGROUND

An ERP is an integrated system used by organizations to manage day-to-day business activities and share information. An ERP system makes business tasks easier, reduces duplicate activities, provides better and timelier information, and allows employees more time to focus on activities that bring greater value to the organization and citizens.

The City of Saskatoon's (City) project was named "Fusion", representing the vision of the program "to fuse our many diverse processes, creating a new energy and a unified approach to managing our resources."

The approved capital budget for the project is \$29.15 million. Benefits of implementation identified in the original business case prepared by Deloitte in 2016 included:

- Over \$40.0 million in anticipated savings and efficiencies in the first six years following implementation; and
- Ongoing savings and efficiencies of \$9.7 million per year in 2027 over today's environment.

On August 30, 2019, the City entered into an agreement with PricewaterhouseCoopers LLP (PwC) and SAP for the implementation of an ERP system. This agreement includes a five-year contract with SAP for ERP software modules and a five-year ERP master services agreement with a 24-month statement of work with PwC. PwC's contract provides for the two ERP implementation phases over 24 months.

Wave 1 of the project was initiated on October 28, 2019 with a target scope for January 4, 2021 launch as follows:

- City and Saskatoon Police Service: Finance, Supply Chain Management, Human Capital Management, and Enterprise Asset Management functionality.
- Saskatoon Public Library: Finance and Human Capital Management functionality.
- SaskTel Centre, TCU Place, and Rемаi Modern: Human Capital Management functionality.

From October 2019 to January 2021, a team comprised of City and PwC employees defined system requirements; built, configured, and tested the system; transitioned data; developed and executed training; and launched industry best practice processes and an SAP system. Appendix 1 provides a summary of the Wave 1 phases and implemented functionality.

CURRENT STATUS

On January 4, 2021, Wave 1 of the Fusion project was launched to 3,647 of a possible 4,486 employees, including the City, Boards, and Corporations. These numbers do not include Transit, who use the existing Transit scheduling system.

Fusion is the largest internal transformation the City has undertaken and requires almost all employees to change the way they approach their work. In addition, the implementation has been compounded by a global pandemic significantly impacting employees at work and at home.

The Administration is proud of level of engagement and effort put forth by employees to learn new ways of working. The change however is significant, and there have been understandable points of frustration associated with learning a new system and adopting new processes. Frustrations were expected and all things considered, the first wave of implementation has been a resounding success. The City's external service providers are also impressed with the success of the first wave of implementation and report that compared to other agencies that have implemented similar transformational changes, the City's transition has gone smoothly.

That said, as expected there are many issues to work through, as the Administration is still in the first half year of implementation. The Fusion team is working hard to support colleagues through the change as well as to address early implementation issues. A focus on additional and specialized training is one of the key solutions aimed to address some of the issues employees are experiencing.

The following are early highlights from Fusion launch:

- The vast majority of the 2,700 salary and 1,700 hourly employees were paid correctly within the first two payroll runs. Any discrepancies have been, or will be, corrected.
- The majority of the 2,200 pensioners/survivors were paid correctly. Any discrepancies have been, or will be, corrected.
- Approximately 1,600-2,000 employees are accessing the system daily to support their work.
- The system ensures rules outlined in 12 collective bargaining agreements are applied correctly and consistently. There are some outstanding issues regarding system configuration for a limited number of business units.
- Workflows are built into the system to ensure the proper individuals are providing approval for financial transactions, including purchasing and time approvals for employees.

- Employees have self-serve access to time banks and schedules in WorkForce (Time and Attendance module) and viewing and updating personal information in SuccessFactors (Employee Information module).
- Enhanced controls ensure the purchase of goods and services receive the proper approval before a commitment is made to a vendor.
- For the first time, financial budgeting, tracking, and forecasting is in one single system. Employees are beginning to explore this functionality.

Since the Fusion launch to date (January 4 to March 25), approximately 5,200 Fusion service request/defect tickets have been received and 4,100 (80%) of them have been resolved/closed. The number of tickets has declined over this three-month period due to users getting more comfortable with the system, enhanced training and learning materials, the system being continuously improved, and defects being resolved. Most of the tickets are minor issues facing one or a small number of employees. Approximately 1% of tickets are considered critical issues and are addressed with expediency. The Administration is encouraged by reaching this level of stability in the system at this early stage.

On February 12, 2021, the PwC Wave 1 implementation team was offboarded from the project. PwC will continue to support Wave 1 functionality in a separate contract for Application Managed Services. In this two-year contract, the City has a bank of hours to draw from to support ongoing configuration as the Administration builds additional knowledge and competencies in SAP configuration.

Fusion and its supporting technologies are expected to become a long-term investment which require ongoing attention to ensure maximized use of the system, continuous improvement, and adaptation to business innovations. To initiate the transition from implementation to sustainment, the project hired a temporary Transition and Sustainment Lead in fall 2020. This role supports the implementation of a Fusion Sustainment and Advancement Office tasked with ongoing operations and continuous improvement of business processes and system functionality implemented in Wave 1, as well as future enhancements.

Current transition/sustainment work is focused on the following five areas:

- User support of the system (service ticket triage, ongoing training, and communications);
- Technical support for the system (maintenance and upgrades, security roles);
- Change and release management (governance processes, workflows);
- Business support to run the system (transitioning ownership of processes from the Fusion team to the relevant business areas, creating a future roadmap of desired initiatives); and
- Implementation of the Sustainment and Advancement Office for the Fusion program to ensure the Administration has staff and resources to successfully support and advance the program.

The objective for the short term is to keep the system stable while Phase 2 is being implemented.

DISCUSSION/ANALYSIS

A review of the second phase of implementation originally developed in 2019 was initiated with the Fusion Steering Committee in January 2021 and concluded in March with a decision on functionality and timelines. To coincide with the start of the second phase of implementation (Fusion 2.0) and the transfer of the system to the Sustainment and Advancement Office, the executive sponsorship of Fusion transitioned from the City's Chief Financial Officer to the Chief Strategy and Transformation Officer, effective March 1. This aligns leadership with the work planned for Fusion 2.0 and ongoing sustainment initiatives.

In April 2021, Fusion 2.0 implementation will commence which is expected to take approximately one year. Fusion 2.0 functionality is focused on adding additional Human Capital Management modules and rolling out the Enterprise Asset Management functionality corporate-wide. Appendix 2 provides an overview of the plans for this next phase.

FINANCIAL IMPLICATIONS

Project expenditures for the first phase of implementation are within budget. The budget for Fusion 2.0 is being reviewed to match the scope of work. Future long-term funding of the Fusion Sustainment and Advancement Office will be identified in the 2022-2023 budget.

The ERP business case completed by Deloitte in 2016 outlined that the City should expect a negative efficiency impact for the first four years after implementation, estimated at about \$6.6M per year. After year four post-implementation, savings are expected to start being realized from the ERP investment.

OTHER IMPLICATIONS

There are no privacy, legal, environmental, or social implications identified.

NEXT STEPS

The Administration will keep the Governance and Priorities Committee and the public updated on the progress of the project with periodic reporting.

APPENDICES

1. Wave 1: Implementation Overview
2. Fusion 2.0: Building on the Foundation

REPORT APPROVAL

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