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**Chief Human Resources Officers**

**Academic Personnel Directors**

**Information Technology Leadership Council**

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Background

The Payroll Personnel System (PPS) used to pay the 185,000 employees of the University of California has been in use for nearly three decades with 11 variations University-wide that have diverged over time due to campus and medical center customizations and disparate business processes. Built with aging technology, PPS is difficult to maintain and enhance and requires redundant data entry and manual processing. Additionally, PPS lacks the functionality of a true Human Resource Management System (HRMS), resulting in the development of shadow systems across the UC system that are costly to maintain and no longer provide timely and complete decision support data to manage UC’s large and complex workforce. Furthermore, the operational requirements to efficiently and effectively support payroll and human resources related activity in the highly complex and evolving University environment have surpassed the current capabilities of PPS. Today there is widespread recognition that PPS is at the end of its useful life and that there are significant opportunities to greatly improve administrative efficiencies in payroll, human resources and academic personnel operations by standardizing and streamlining processes, eliminating redundancies and implementing common solutions. Importantly, there is clear understanding that failure to move forward with a new payroll system presents tremendous risks to the university. There is not the luxury of waiting even one or two years to replace a rapidly deteriorating system that is increasingly incapable of performing basic functions. It is the considered opinion of all participants in the PPS project teams that we must move forward immediately with the option best available to us to prevent a future breakdown in the existing PPS system.

In 2009, the Campus and Medical Center Controllers, Chief Human Resource Officers, and Academic Personnel Directors completed an assessment of PPS and recommended planning for a more modern replacement, and agreed to work toward conforming business practices. As a result of this assessment, the University launched the PPS Initiative with the goal to:

- Pay all UC employees from a single University-wide payroll system.
- Identify and implement better approaches to UC’s payroll, human resources and academic personnel operations.
- Satisfy the core needs of each campus and medical center while realizing the cost savings, reduced risk and operational benefits of unified systems, common business practices and improved information.
- Provide improved tools and data for the efficient management of the University’s workforce.
Future Vision

The PPS Replacement Initiative is one part of the larger vision to improve administrative and operational effectiveness throughout the University. Through the Working Smarter initiative, the University community has created the vision of ten distinct campuses using one efficient administrative framework of common, integrated systems, processes, and strategies to “achieve a level of administrative excellence equivalent to that of its teaching and research enterprises.” A comprehensive PPS replacement solution aligns with this vision by quickly targeting system and operational changes that will yield sustainable long-term cost savings and quality and service improvement with modern technology, standardized business processes and improved service delivery.

As a result of this initiative, UC employees will have ready access to information about their jobs and employment and will be able to make changes to their personal data online. When an employee has a question, they will generally be able to get the answer easily online. If not, a dedicated customer support staff member will provide accurate and timely information by phone, email or chat. Payroll processing will be real-time, automated, efficient and accurate. HR, payroll and academic personnel transactional processes will be simplified and consistent across UC locations, enabling staff who have struggled for years to perform administrative functions with inadequate tools to spend more time on strategic issues and less time on basic administrative processing activities. UC managers will be able to initiate most personnel transactions online and will have access to information for workforce planning and decision support. These streamlining efforts and new decision support capabilities will also allow the University to more deftly respond to changing needs in the future. Most importantly, UC will reap these operational gains at a significantly lower cost than today.

Project Overview

The project began in the fall of 2009 with the creation of a governance structure comprising a Sponsor Group and Management Workgroup for executive leadership and cross location/functional representation and guidance for the project. The project launched in the beginning of 2010 with the engagement of a full-time project director and a specialist HR/payroll consulting firm. The Functional Requirements Workgroup was formed in early 2010 to provide campus and medical center end user and subject matter perspective.

The first stage of the project was to develop a solid understanding of the current payroll and related human resources and academic personnel processes, practices, systems and staffing models at each UC campus and medical center. During spring 2010, the Functional Requirements Workgroup synthesized the collected data for appropriate action and improvement opportunities. In fall 2010, project efforts concentrated on fully understanding and defining the functional requirements needed to replace PPS while continuing the effort to analyze and agree on common practices to capitalize on new technology. During the first half of 2011, the RFP for selecting a new HRMS and payroll system was developed and executed, as work continued to further define the future state service delivery model, identify process standardization candidates, and develop the assumptions and analysis for Total Cost of Ownership (TCO). Vendor selection and contract negotiations were completed near the end of the summer, as implementation planning intensified with campuses and medical centers engaged in addressing organizational readiness, communication, change management, resourcing, and project infrastructure needs. With the second half of 2011 underway, the project is moving into the initial stages of implementation activities.
Conclusions and Recommendations

The PPS Initiative’s Sponsor Group and Management Workgroup, along with key process stakeholders, have agreed to the following interdependent recommendations to achieve the future state vision:

- First, replace PPS with the hosted Oracle PeopleSoft platform as a proven solution that supports the functionality provided by PPS to pay and administer UC’s complex workforce, significantly expands UC’s human resource management capabilities, and supports systemwide interoperability and accessibility with a robust infrastructure and service oriented architecture.
- In addition, standardize and streamline related payroll and human resources business processes throughout the UC system.
- Finally, use the enabling technology, along with standardization, to significantly change the delivery of transactional payroll and human resources services to be more efficient, higher quality and less costly.

This approach will also provide campuses and medical centers a platform upon which to adopt new and effective business processes using online systems that are deployed “once” for the benefit of “many.”

The recommendations contained in this report represent significant changes to the current state and are necessary to realize considerable improvements in operations, quality, service and cost and which will require extensive change management, patience, organizational will and leadership to succeed.
ENABLING TECHNOLOGY

PPS is a 30-year-old, highly customized and complex application integrating payroll, human resources, and financial functions, most of which are standard in “off-the-shelf” application suites today. Furthermore, UC’s complex environment has compounded the technology limitations of PPS, underscoring the need for a modern systemwide solution to serve, manage and pay UC’s employees. The recommended Oracle on Demand PeopleSoft solution offers modern capabilities to enable and address the administrative efficiency improvements sought by UC, as well as provides the platform to streamline, simplify, and standardize process complexities. Moreover, the vendor-hosted solution leverages a robust technology infrastructure and application support. The PeopleSoft solution will offer:

- User-friendly, web-based, real-time environments;
- Ready access to personal and job data for employees;
- Improved tools to eliminate redundant data entry and manual processing;
- Efficient payroll processing, including automated real-time computes;
- Improved integration and interoperability among key systems;
- Improved access to historical information;
- Tools for reporting and analytics; and
- True HRMS capability to address the multifaceted demands of the UC environment and workforce.

Implementation of the Oracle PeopleSoft payroll and HR systems represents the first of three phases that will take place over four years. A phased implementation will enable earlier realization of benefit from technology, business process, and service delivery improvements, while mitigating risk and facilitating successful transition to the future state. The technology solutions for Phase 2 (time and attendance) and Phase 3 (portal integration, full benefits and data warehouse capabilities) will be determined during the Phase 1 implementation.

BUSINESS PROCESS AND PRACTICE STANDARDIZATION

The analysis that resulted from the data gathering and current state process inventory validated that there are inefficiencies in the University’s current payroll and related human resources and academic personnel operations. Also, while core payroll and human resource needs across the University are not significantly different, systems, processes and policy implementations today vary greatly among and within campuses and medical centers. There is widespread agreement among all PPS stakeholder groups that many internal processes and practices must be simplified, standardized, automated and, in some cases, centralized in the future state. It is also recognized that policy review and changes will likely be needed to support process standardization and simplification before moving to a new platform.
Work has begun to identify candidates for standardization, such as payroll calendars and pay cycles, bargaining unit contract terms/definitions, earnings and deduction codes, leave assessments, leave of absence administration, and benefits and payroll practices for post-doctoral students. In addition, process and practice standardization is fundamental to implementing a single-instance technology solution systemwide, so significant standardization and simplification efforts will take place as part of the implementation design phase, leveraging the “best practices” business processes that underpin the technology solution and addressing any necessary variance through the use of configuration and workflow. Key HR and payroll policies will be identified and reviewed where appropriate to support standardization and simplification efforts.

SERVICE DELIVERY OPTIMIZATION

Achieving the full benefits of new technology and business process standardization requires optimizing payroll, human resources and academic personnel services to the fullest extent possible, along with making organizational changes that result in improved fit and utilization of resources and service delivery. With the implementation of the new payroll solution, many payroll processes separately performed by staff at individual campuses today will become largely automated transactional processes that can easily be centralized, resulting in very high levels of process standardization and service quality. A systemwide HRMS, coupled with more centralized administration and customer service, would allow for the implementation of common human resources processes and common interpretation of HR policies throughout the UC system.

Stakeholders have agreed that greater centralization and UC-wide shared services will be essential to realizing the full benefits of the new systems and common business processes. In order to realize the maximum benefits, UC will need to aggressively pursue standardization, while also working to identify and begin centralizing appropriate processes as rapidly as possible. This approach will smooth the operational and organizational transition while shaping the most effective centralized structure and delivery model.

Aligned with these fundamental changes to payroll and human resources service delivery, the Information Technology Leadership Council (ITLC) has proposed a new approach to technology provisioning and operations with shared technology infrastructure and services. To support such a vision, the ITLC has proposed the creation of a new, centralized Technology Shared Services group that will enable not only the effective deployment and support of UC-wide payroll and human resources systems, but also future multi-campus and systemwide information systems initiatives.
Total Cost of Ownership (TCO)

The project’s Phase 1 implementation includes all activities associated with the deployment of a new payroll system and HRMS to fully replace PPS, standardize the affected business processes and deploy a UC-wide service center. The Phase 1 financial analysis includes all related one-time acquisition, implementation and operating costs covering the three-year implementation timeline and an additional five years of operational costs and savings (i.e., an eight-year TCO). All changes in projected staffing requirements use the 2010 PricewaterhouseCoopers (PwC)\(^1\) analysis as a baseline for current staff levels. Current baseline staffing in those areas most directly tied to the Phase 1 implementation is approximately 2,700 FTEs performing benefits, payroll, IT and workforce management functions at a current cost of approximately $217 million.

Over this eight-year cost of ownership analysis period, total costs are forecasted to be approximately $307 million, of which $243 million are implementation costs, including vendor software licenses, implementation support, UC implementation staffing, hardware and infrastructure, deployment of the shared services center and restructuring costs associated with job transitions. Of the $243 million in total implementation costs, $40 million is directly associated with payment to vendors for HRMS and payroll system software licenses and implementation consultant support, while another $111 million is associated with UC staff resources to support the project implementation. Of the UC resources needed on the project, one-third are assumed to be new or backfilled, with the remaining two-thirds assumed to be part-time or redeployed resources. Although only one-third of UC implementation resources are will be new costs to UC, this TCO analysis has conservatively included all such costs as project costs. Ongoing costs, excluding headcount, total $56 million over eight years. These costs include new ongoing vendor hosting and software support/maintenance costs of $4-5 million per year and shared service center infrastructure operational costs of approximately $2 million per year. These costs exclude local staff remaining on campuses and medical centers or staff for the new shared services center, since these costs are included in or will replace existing staff costs.

Over the same period, UC will achieve more than offsetting savings from reduction in cost of software licensing and maintenance from consolidating to a single instance as well as from consolidation of transactional processes into shared services, enabled by the new technology and systemwide process streamlining and standardization.

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1 All PwC references cited in this document represent results from PricewaterhouseCoopers University of California Activity Analysis Survey, October/November 2010. Survey population included central campus payroll, human resources, and academic personnel, as well as departmental HR coordinators, Academic Personnel Office (APO) coordinators, payroll coordinators, and timekeepers from campuses and medical centers. Work activities consisted of 14 broad categories comprising HR/APO, payroll and timekeeping functions.
Success Factors

The project stakeholders recognize that successful organizational change on this scale is difficult, requiring:

- substantial effort and support for organizational readiness
- effective decision making
- scope control
- change management, and
- active internal communication.

The cultural norms of the University have traditionally embraced the autonomy of the campuses to implement general University policies into practices that best suit the cultural, environmental and leadership preferences within the campus setting. This project will need to be different. Going forward, the project will rely on collaboration and strong leadership to forge common practices that meet the needs of all locations, but will likely be different from how many locations do things today. Campuses will be asked to compromise, and stakeholders will be asked to make difficult decisions in order to achieve the project’s goals. It will be necessary to agree on standardized and centralized processes prior to and throughout system implementation in order to realize the benefits from the new technology. Significant organizational changes and employee realignment on expectations for how payroll and HR services are delivered will be necessary to achieve the proposed future state and realize the efficiencies, cost savings, and improvements to service delivery and quality.

While these recommended changes will dramatically improve payroll and human resources service quality, efficiency, and performance, they will also significantly impact jobs, roles, operational priorities, cultural norms and, fundamentally, the way many employees work. Succeeding in this transformational change will require strong discipline and leadership in order to support common policy interpretation and practice standardization efforts. A solid implementation strategy will be needed that manages scope and change.
control processes to sustain momentum and achieve the aggressive project schedule. Executive and location leadership will need to champion and foster a comprehensive change management strategy with thoughtful communication that conveys the imperative for this initiative and carefully considers the people impact with proactive management and advance planning for transitions and potential job displacements, as well as talent retention. Finally, a tremendous amount of organizational commitment and patience will be required to guide the organization to the future state.