

# ERP Implementation in State Government

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## EXECUTIVE SUMMARY

In the early 1990s, enterprise resource planning (ERP) emerged as the business standard for enterprise computing. The concepts associated with ERP, i.e., integration, standardization and process-centering, are indeed powerful and profound. Private sector organizations embraced this technology for varying reasons. ERP success or failure is determined in large part by how able and willing an organization is to undertake a radical business transformation process. At the dawn of the new century, ERP concepts are beginning to pervade public sector organizations, including state government. As with the private sector, each implementation brings with it unique challenges and opportunities. This case study takes a look at some of the exciting issues associated with the implementation of integrated systems in state government.

## BACKGROUND

### National Trends in Government

Federal, state and local governments, public authorities, and educational and nonprofit organizations in the United States are operating in a demanding and uniquely challenging environment. They must respond to an ever-growing need for social services and simultaneously manage scarce human and financial resources. In the public sector, quality and

efficiency depend largely on the competence and productivity of employees. Similar to the private sector, the public sector must learn to continuously innovate in order to keep up with fluctuating market dynamics in an environment of accelerating change. An increasing shortage of public funds, which must finance both the growing demands of citizens and process improvement itself, is driving the public sector to evolve traditional organization structures and processes rapidly (Miranda, 1999; Rosen, 1993). The public sector's mandate is gradually being whittled down to its core competencies. Popular management techniques utilized to achieve a new, trim and agile form of government include privatization, outsourcing, and business process reengineering.

*“Public authorities all over the world are undergoing extensive reorganization—a long overdue process. Inevitably this development is not being universally welcomed, critics maintaining that public authorities are by essence ‘completely different.’ The specifically public nature of their mission supposedly justifies their patterns of behavior, which have ultimately proved appropriate to their function. This is why so many well-meant attempts at reform have come and gone.” Prof. Heinrich Reinermann (SAPINFO focus, June 1997, p. 7, SAP AG, Walldorf, Germany)*

Bureaucracies that have expanded over the years in response to increasing demands have found it difficult to justify their traditional hierarchical organizational structures and units, their ineffective processes and activities, and their occasional irrational resource expenditure behavior. Politicians and administrators, frustrated by the lack of timely information, the high costs of running inefficient operations and their seeming loss of control, are themselves calling for new structures and processes. Meanwhile, public sector confidence in the ability of government officials to arrive at innovative solutions to these complex problems is at an all-time low.

## Mandate for Change

The political system in state government is complex. A noteworthy characteristic of the American political system is the degree to which power is fragmented. Two basic principles, *sharing of power* and *separation of power*, working together but against one another, create this situation. The bottom line is a political reward system that encourages doing nothing. As observed by a change management expert from a large systems integration consulting firm, in “state government everyone has the power to veto a change or progress initiative, but no one is empowered to move change or progress initiatives forward.” Hence, a government official who finds ways to reduce resources necessary to continue operating effectively is not necessarily rewarded, but instead he/she can expect the reallocation of funds to cover the overruns of less productive departments and a subsequent reduction to their department in the next budget cycle. This environment results in skepticism and resistance towards change initiatives (Rosen, 1993).

ERP systems hold high potential to streamline inefficient or disparate processes and enable integrated, real-time reporting needs. But state government officials have three major concerns related to ERP implementations: the expectations of these information systems are very high; technology diffusion in state government agencies is not uniform; and ERP implementation implies standardization and many state agencies have traditionally been relatively autonomous.

Louisiana state government is composed of the executive branch, judicial branch and legislative branch. The executive branch consists of 20 major state departments (see Exhibit

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