



ERP INSIGHTS

The ERP Hype Gap: Learning from the Past

BY MIKE MUCHA

For at least 20 years the enterprise resource planning (ERP) software market has experienced game-changing evolutions that significantly shifted the way public-sector organizations were to manage, use, and benefit from their ERP systems. Those shifts, described in the paragraphs that follow, represented not only opportunities for governments to take advantage of new technology—they also helped reshape the industry.

The promise of ERP

1. Commercial off-the-shelf meets the needs specific to the public sector. Starting in the early 2000s, state and local governments were able to make a sound business case for ERP investment and no longer needed to build and maintain custom systems. These centralized systems would have the power to manage both data and processes, allowing governments to create one version of the truth and to

power organizational efficiencies and the adoption of best practices. They would also reduce reliance on in-house programmers to manage legacy technologies and provide a path to future upgrades.

2. Web-based architecture allows for software to be delivered over the internet. In the late 2000s, browser-based deployment of ERP would eliminate the need for deploying software to individual computers and provide a common user experience that was used

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everywhere. Organizations would also be able to expand access to workers in the field or at home, allowing employees to work from pretty much anywhere. Managers would be able to approve requisitions when they weren't in the office. Employees could access self-service portals or timesheets remotely. External stakeholders could interact with systems to pay bills or submit invoices. These technologies would also enable access to the system through a variety of mobile devices.

3. Advanced analytics and dashboards transform ERP from transactional systems to business intelligence tools. By the early 2010s, advanced analytics and dashboard functionality were common and would allow systems to focus less on storing data and producing reports, and more on better informing decision making throughout the organization. Department managers would be able to see their budgets in real time. Automated queries would alert users to abnormalities with data. Dashboards would allow all users to generate their own reports without the need for complicated reporting tools.

4. The cloud reduced risks involved with ERP and allowed for quick and easy deployment and maintenance. In the latter half of the last decade, the cloud promised a strategy to transfer the risk of back-end system administration to a managed service model. Governments would no longer be responsible for security, database administration, and supporting server hardware that ran ERP systems. Upgrades could be applied seamlessly, allowing governments to automatically

take advantage of new features without worrying about retaining staff to support gigantic systems.

The truth about ERP

The problem with each of the statements above is that while they accurately represent the sales message and hype coming from software vendors, the actual experience of governments implementing ERP systems was completely different. For many governments, public-sector ERP functionality, especially in areas related to project and grant accounting, budgeting, payroll, and new accounting standards, was clunky. Self-service processes were nice, but workflows in the system didn't replace the paper-based manual processes in practice. Dashboard functionality proved elusive, with the vast majority of governments never deploying advanced analytics or training managers or support staff on how to set up these features. And now, governments are finding that maintenance may be easier with cloud projects, but it isn't easy—and in addition to the software license contract, they require additional service contracts to deal with frequent upgrades and still struggle to deploy new features when they are made available.

Not only did few governments actually achieve the benefits promised by these shifts in the ERP market, but implementation projects still experienced the same frustration, extensive delays, and added cost. Governments have improved over time and are able to use more features than in the past, but real-life experience often lags sales hype by at least a decade, and many governments won't even attempt to

adopt new features until their next implementation.

As ERP software firms now race to roll out artificial intelligence (AI) capabilities embedded within ERP, what can we learn from the past to improve our ability to benefit from this technology now, rather than waiting until our next implementation in the mid-2040s?

And what about AI?

GFOA has helped hundreds of organizations with ERP planning, readiness, procurement, and implementation. Initially, the consulting practice was launched because governments didn't have a source of independent, unbiased guidance to assist with ERP, and finance officers faced the intimidating prospect of having to take on these projects without much recent ERP experience. Over the next two decades, GFOA has been a leader in communicating lessons learned with ERP implementations and sharing past experiences with the next cohort of governments investing in ERP.

AI now promises the potential for an improved user interface, predictive analytics, agentic processing, report generation, fraud detection, and more. But just as other areas are experiencing pros and cons with AI, we know it isn't perfect and that humans must be involved to verify content and validate conclusions. AI is certainly impressive in its ability to analyze large quantities of data, summarize text, and develop content rapidly. But in a system where data is fragmented and governments struggle to use standard functionality, it's also easy to see how these technologies won't be widely adopted until they can be trusted to provide reliable information.



Getting better at adopting innovations

Reflecting on the industry's history of collective failure to widely adopt game-changing innovations, we have some recommendations for increasing the chances of user adoption and value realization from new ERP technologies.

Recognize the limitations of the new technology. While AI is powerful, it's only as good as the data feeding it. Clean data that is organized, complete, and accurate is necessary for preventing AI hallucinations or misleading analysis. At this point, AI can be seen as mysterious and lacking in transparency as to how it arrives at the conclusions it provides. This is a problem for users, who need to trust it.

When approaching an ERP project, governments must focus on ensuring that their data is reliable. This often starts with efforts to revise the chart of accounts, correct inconsistencies

within position control, identify appropriate taxonomies that could be used for commodity codes or revenue sources, and commit to using standard functionality within the system. Governments have struggled with data conversion for years, and AI has the potential to make "garbage in, garbage out" much worse. Keeping data in spreadsheets or shadow systems seriously limits the power of the new AI technologies that are built into ERP systems, but bad data in the system will provide misleading information and degrade trust.

Remember that you still can't push a button for easy ERP implementation.

Past technologies have promised a much easier user experience that doesn't seem to have materialized. Despite repeated promises, new ERP system features rarely result in faster implementations, less costly projects, easier user adoption, or stress-free system maintenance. The reality of

ERP projects is that there is no simple way to do it, and organizations get out of the project what they put in.

ERP projects involve technology change, but they also require a focus on policy, process, people, and leadership. New technologies make it more important than ever to change policy and process, support staff throughout the change, and have executive leaders with vision and conviction to see it through.

Plan on taking risks and accept that failure is a learning experience.

Given past success rates, it's easy to see why many governments dread going through an ERP implementation. Project leaders must ensure that the benefits justify the risk. To do this, governments need to aim big and make sure the benefits are significant. It can be tempting to reduce most of the potential risks, but doing so often eliminates all the major benefits, as well.

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For most GFOA clients, the promise of an ERP project is the opportunity to adopt best practices, modernize policies, create more efficient operations, and transform the organization into something better. This often involves pretty significant change, and change is difficult. Governments need their ERP software vendors and their implementation partners to be aligned with this vision and willing to engage with changing policies and processes, and to actually assist in leading change.

Unfortunately, many attempt to limit risk by seeking the path of least resistance. It's much easier to limit the scope to the system and define success as being able to use the new tool—even if the new tool is being used exactly as the old one was. Similarly, when projects face difficulties, a common reaction is to retreat and reduce the scope of the project. For example, when running into challenges with project or grant accounting, many organizations simply decide to continue using old systems and approaches.

ERP is a tool that should be measured by its ability to execute business processes. If AI features provide impressive capabilities with fringe features but struggle to support a local government's core functions, the system can't be considered successful. ERP is a tool governments use to carry out critical administrative functions, and success needs to be evaluated based on its ability to execute those functions. Does the system distribute labor costs to projects and grants? Does it pay employees consistent with all MOUs? Can it accurately track the costs of programs? Will managers have the tools to schedule teams and keep track of them?

Hundreds of basic functions need to be completed within the scope of a typical ERP system, and success is found in how the system handles basic tasks as a higher priority than chasing the flashy bells and whistles of new features. GFOA strongly advocates using functional requirements as acceptance criteria for this specific purpose. ERP projects need to be accountable to satisfy core business process needs. [See "We Require Requirements" in the June 2024 issue of *GFR*, at gfoa.org/materials/gfr0624-requirements.]

User adoption takes time and effort.

"If we build it, they will come"—the quote made famous in the movie *Field of Dreams*—doesn't apply to ERP features. Deploying new functionality doesn't mean that users will take to it. Consider the features available in your current smartphone. Google or Apple rolls out new apps and updates to the operating system every few months, and every year or two, most people upgrade their entire device. But what percentage of new features do people actually use? The number is fairly low.

User adoption must be purposeful, and in many cases, the new technology will also support the old method as well. For example, when I sent my first text message, my phone had 10 keys. Later, phones were built with full keyboards. Now, I tap out the message using the keyboard on the screen, and I'm much faster than I was originally. But when I hand my phone to my 10-year-old son to send a text, he simply talks into the phone, and the system translates his voice to text. His method is so much faster and more accurate. This is the way he originally learned to text, but

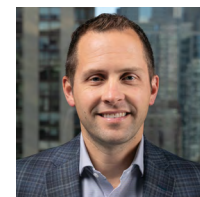
I would have to unlearn my current approach and force myself into the new way. So far, that hasn't happened, and I continue to ignore the new features.

Changing user behavior is difficult, and organizations need to commit to communicating new features and realize that user adoption may take time.

Conclusions

It's easy to get excited about the potential of new technologies. The power of AI is incredible, and, paired with the data, scope, and importance of ERP systems, it's easy to see that change is coming to government. If our past experience is any guide, though, that change may not be as quick and as easy as promised. Governments that are trying to take advantage of AI within their ERP systems need to realize that to be effective, any software change must also be accompanied by policy change, process change, and support for the people involved.

Also, nothing happens by accident. Changes need to be intentional and rely on leadership, vision, and execution. Only time will tell whether embedding AI in ERP makes adoption easier or more difficult. If history is a guide, governments will benefit from this new shift in the ERP market—but they might just need a little more caution and take a little more time in getting there. ■



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