



The future of ERP in state government: Embracing the cloud

As state governments continue to navigate the complexities of modern governance and the demand for data, the role of Enterprise Resource Planning (ERP) systems becomes increasingly pivotal.

These complex systems, which integrate key functions such as budgeting, human resources, payroll, procurement, accounting, and analytics, are often behind the curve of technological advancements due to the complexity of maintaining and modernizing legacy applications.

Many states are left managing aging systems, some implemented 20 to 30 years ago, with limited functional and technical resources, and complex customizations. Following the lead of many commercial organizations, state ERP leaders are making investments in cloud-based solutions, reducing “keep the lights on” costs, and focusing on delivering value to their stakeholders through modern

solutions, scalable architectures, and ready access to data and analytics.

This article explores the future of ERP systems from the perspective of state governments, highlighting potential advancements, opportunities to leverage, and the challenges that may lie ahead.

Advancements in ERP technology

The future of ERP systems is being shaped by several key technological advancements:

- **Cloud-based solutions:** The shift toward cloud-based ERP solutions offers state governments greater flexibility, scalability, and cost-efficiency. Cloud ERP systems facilitate seamless updates, remote access, and enhanced collaboration across departments and agencies.

- **Enhanced user interfaces:** Modern ERP systems include user-friendly interfaces and mobile accessibility, making it easier for government employees to interact with the system and perform their duties efficiently, regardless of their location.

• Efficient spending and transparency:

The data within a state ERP system is crucial for efficiently managing and allocating taxpayer funds. With greater transparency into financial transactions and resource allocations, state leaders can identify ways to strengthen program integrity, improve accountability, and foster greater public trust. This enhanced oversight also helps identify areas where funds can be reallocated to maximize their impact.

• Improved security and disaster recovery:

Cloud-based ERP solutions offer advanced security measures, compliance certifications, and robust disaster recovery options, helping strengthen data protection, regulatory compliance, and business continuity for state governments.

• Integration of AI and machine learning:

Artificial intelligence (AI) and machine learning (ML) are beginning to revolutionize ERP systems by enabling predictive analytics, automated decision-making, and enhanced data processing capabilities. For state agencies, this can lead to more efficient resource allocation, improved forecasting, and the ability to identify trends and anomalies in real time.

Leveraging ERP advancements for enhanced operations

State leaders can leverage these advancements to enhance their operations in several ways:

- **Enhanced public service:** With cloud ERP systems, state leaders can offer more efficient and transparent services to the public. Streamlined procurement processes can accelerate project completions and save taxpayer funds.

• Data-driven decision-making:

Advanced analytics capabilities enable state leaders to make informed decisions based on comprehensive data insights. This can lead to better policy formulation and resource management.

• Advanced grants compliance:

Reevaluating and modernizing the chart of accounts can significantly simplify financial reporting processes. This is key with the increased reliance and availability of grants and alternative revenue streams within the state budget. A streamlined chart of accounts helps ensure consistency, improve data accuracy, and facilitate compliance with federal regulations, which could ultimately lead to more efficient and transparent financial management.

• Current with regulatory requirements:

Evolving technology with cloud-based solutions can help state leaders remain current with regulatory requirements and take advantage of the latest automation to enhance service delivery.

- Improved efficiency and productivity: AI and ML can automate routine tasks, freeing up employees to focus on more strategic initiatives. Predictive analytics support proactive decision-making, reducing delays and helping frontline workers be even more efficient.

Considerations for successful implementations

Despite the promising advancements, state government agencies may face several challenges in implementing new ERP systems. Below are several key factors of successful projects:

- **Financial implications:** Transitioning to cloud ERP systems requires significant financial investment in new technologies, training, and ongoing maintenance. There are also long-term impacts on licensing, resources, and infrastructure. Most cloud

ERP customers leverage external support from partners who specialize in operating cloud ERP systems to help reduce states' risk.

- **Change management:** Successfully implementing new ERP systems involves more than just technology. It requires a comprehensive change management strategy to help ensure a smooth transition system adoption and workforce alignment with the new processes and tools. Moving to a cloud ERP system is not a "lift and shift"; it is an opportunity to improve processes, clean up "bad" data, and leverage leading practices to modernize processes.

• Selecting a software and implementation partner:

It is important to identify and document key requirements for the ERP software before selecting a software vendor. While it may be tempting to "streamline" the procurement process by combining the RFP for an implementation partner with the software, this can complicate the selection process and increase overall implementation costs for the state. By understanding the requirements upfront, state leaders can make more informed decisions, and select an implementation partner that can deliver a tailored solution that meets their functional and operational expectations.



The role of change management and training

Effective change management is essential for the successful adoption of new ERP systems. This involves:

- **Leveraging stakeholders as change agents:**

Identify and engage stakeholders from key agencies to represent the state in the ERP system design process. Creating a change agent network to champion the project and build awareness of the benefits of the new system is crucial. By involving representatives from diverse agencies of various sizes, project leaders can design a system that meets a wide range of needs and fosters a sense of ownership and collaboration across state government. This network can also play a key role in addressing users' concerns, facilitating training, and driving the successful adoption of the new ERP system.

- **Challenging the status quo:**

Shifts like this present an ideal opportunity for state governments to reduce functional and technical debt while streamlining processes and adopting leading practices in key areas such as budget development, forecasting, analytics, procurement, and talent management. Identifying leaders and team members who can drive change throughout the state is critical for success.

While many states have people who can explain current inefficiencies, it is essential to partner this knowledge with strategic advisers who can unlock the capabilities of cloud ERP systems to drive change and improve processes.

- **Training and development:** Investing in training programs to equip government employees with the skills they need to use new ERP systems effectively is critical. So, too, are continuous learning opportunities that help employees stay updated with evolving technologies. Many software vendors provide extensive training for implementation teams, and technology components are built on open-source tools, which can help reduce the burden of building support teams in the future.

Conclusion

The future of ERP systems in state governments is exciting, with technological advancements offering unprecedented opportunities to enhance both operations and public services. However, the journey toward fully leveraging these advancements requires careful planning, robust cybersecurity measures, financial investment, and a strong focus on change management and training. By addressing these challenges head-on, state governments can achieve an even more

efficient, transparent, and responsive public sector.

Key points to focus on

- **Importance of cloud-based solutions:**

Emphasize the benefits of transitioning to cloud-based ERP systems, including flexibility, scalability, and cost-efficiency.

- **Change management strategy:**

Highlight the necessity of a comprehensive change management strategy to ensure smooth transitions and workforce alignment.

- **Identifying key requirements:** Stress the importance of identifying and documenting key requirements before selecting an implementation partner to help ensure the chosen solution meets all functional and operational needs.

- **Make this a transformation program:**

Understand the effort needs to go beyond migrating to the new system. To realize the goals for this program, the state needs to transform how it delivers services with this new technology.

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