Committee Members Present*: Chair Michael Vekich and Trustees AdbulRahmane Abdul-Aziz, Ashlyn Anderson, Alex Cirillo, Jay Cowles, Dawn Erlandson, Bob Hoffman, Jerry Janezich, Roger Moe, April Nishimura, Rudy Rodriguez, Louise Sundin, Cheryl Tefer, Samson Williams, and Chancellor Devinder Malhotra*

Committee Members Absent*: George Soule*

Leadership Council Members Present: *Senior Vice Chancellor Ron Anderson, Vice Chancellors Laura King, and Ramon Padilla, President Scott Olson, President Angela Millender, and Interim Executive Director of Internal Auditing Eric Wion*

Guests: *Mike Cullen, Baker Tilly*

The Minnesota State Board of Trustees Committee of the Whole held its meeting on October 16, 2018 in the East Hall, Kryzsko Commons, Winona State University; Winona, MN.

Chair Michael Vekich called the meeting to order at 1:30 p.m.

NextGen Project Update
Chair Vekich called the committee of whole to order and introduced the Next Gen Update, Vice Chancellor Padilla and President Scott Olson. Chair Vekich took the opportunity to thank those that planned the lunch and appreciated the chance to spend time with students.

Vice Chancellor Padilla stated that the theme for today is project assurance. There are two topics in this presentation, the NextGen update and the Internal Audit risk review.

Vice Chancellor Padilla's presentation included a reminder on why this project is important. This project "will provide an enhanced student experience and future-proof our technology investment to support student success."

Vice Chancellor Padilla stated that at a previous meeting the board members asked to be equipped with information on how the NextGen project is different from the legacy rewrites that have been in the news. The main point is that Minnesota State is committed to buying a commercially available piece of software and will not customize or host it.

The overall status of the NextGen project is that it remains on track. The resource project health measurement is listed as "at risk" due to the communications lead vacancy. That said, the communications position posting closed a week ago, resumes were reviewed, and interviews should begin shortly. Other than that, the project is moving along swimmingly. Right

now, teams are in the process of tying up Future State work. The Future State teams are doing regional reviews.

. In In November, the work teams will finalize the future state processes based on feedback and kick off the RFP team who will start writing the Request for Proposal (RFP).

In May 2018, Baker Tilly presented to the Board the HRTSM report summary results and in that conversation, the board members asked, "Can we take these results and lessons learned and map them back to NextGen?" This was to make sure that any lessons learned were applied to the NextGen project.

A considerable amount of time was spent going through the report that the board was provided and the findings were mapped back to NextGen actions. Vice Chancellor Padilla provided the board with the highlights of the exercise and from the standpoint of the project, most of the findings in HR-TSM had already been included in planning. The few items that had not been included previously have since been added. This project includes strong project management, planning and execution. From the beginning, this project has included a dedicated project manager, development of a communication plan, project governance, and management processes. From that standpoint, NextGen has been leveraging the HR-TSM, findings to make sure that the lessons are learned and that best practices are followed. This is something that is a part of the ERP steering committee's continual process improvement.

Vice Chancellor Padilla expressed happiness with the project governance that has been established. The governance is a strength of the NextGen project at this particular point in time. The credit for this should be given to the board with its insistence in ensuring that strong project governance is in place. The board's engagement and active participation in making sure the project ensures that lessons learned have all been accounted for and have been completed or are a part of the ongoing processes.

Trustee Hoffman inquired if the RFP would be awarded to one vendor. Vice Chancellor Padilla replied the RFP would be awarded to a vendor and that probably the implementation would be awarded to a partner. Trustee Hoffman asked if there is someone who has equal expertise in business administration and student success. Vice Chancellor Padilla responded that in terms of the vendor, the solution selected would more than likely be 100% focused on higher education so their expertise will be in both areas. They will bring the administrative side because they have built those components, but equally they will bring in the student side because that is what makes a higher education ERP special. There are vendors who specialize in higher education.

Trustee Erlandson inquired if the new system would be able to help simplify the registration process for students across institutions. Most higher education organizations are not as complex as Minnesota State, they only have one institution and Minnesota State has many institutions. During lunch, Trustee Erlandson met a student who needed a course for her major that was not offered frequently on campus. The student attempted to sign up for the course at

another institution, but the application process became too complex, and they were not able to take the course. The student now will have a minor in the area rather than a major. Vice Chancellor Padilla responded from a technology system standpoint, the hope is that the product chosen would help make search capabilities easier and that the software would act as an enterprise solution. Development of the future state and current state should result in a better student experience. President Olson responded that what the student might have encountered might not have been an IT problem or a logistical thing. It could have been that Winona State has certain requirements for the major that the course at another institution did not fulfill and therefore it led to what happened. Most of the systems in place have been designed to make it easier for the situation that Trustee Erlandson described.

Chancellor Malhotra stated that in past conversations Vice Chancellor Padilla has emphasized that only a few providers will be able to handle the scope and scale of this work. Therefore, the responses to the RFP would be from a finite group. Asked to name some of the major players in this field, Vice Chancellor Padilla replied that the providers that come to mind now are Workday, Ellusian, Oracle (which has a newer cloud product), and there is a new company, at least in the US, they are a bigger player in Europe called Unit 4. There may be others who respond.

Trustee Williams inquired if they will build and manage the program. Vice Chancellor Padilla responded, yes, the software is already built so it is a matter of consuming the service and the provider will run the infrastructure behind it. Minnesota State will configure the program to meet Minnesota State's specifications. Trustee Williams inquired where the students come in. While on a tour with the chancellor in St Cloud, Trustee Williams saw great computer programs that were done by students and listened to a testimony from a former student who had great contribution in the work that was done in providing a camera system for the whole city of Minneapolis during the Super Bowl. The students in St Cloud that designed the program were hired by the city of Minneapolis to build the program and manage it. So is there a vendor out there that can train Minnesota State students how to manage the software or the program?

Chancellor Malhotra responded as a clarification for Vice Chancellor Padilla's benefit. The program Trustee Williams was referring to is between St Cloud State and GeoCom, which specializes in GIS related activities. Their work with the Super Bowl and US Bank Stadium is pinpointing the location for emergency services. Vice Chancellor Padilla responded that he could not speak to that particular application. The scope and scale of an enterprise resource planning software is of such magnitude that it is too large for even the staff at Minnesota State to handle. The vendors who are going to respond have hundreds if not thousands of people coding for them to build these applications and support them. This does not take away anything from anybody that has the ability to code, but this is not a small operation type of endeavor. This endeavor is going to take a multimillion-dollar organization in order to support the complexities of Minnesota State.

President Olson thanked the Board of Trustees for the support the board provides. The learning that goes on would not be possible without the board members volunteer support to the campuses and the state of Minnesota.

President Olson then shared a summary of the article *The Role of Governance in ERP System Implementation* by Lois Fitz-Gerald and Jennie Carroll from the University of Melbourne (2003). This meta-study looked at lots of different research into what makes an ERP implementation successful. There are seven key factors in a successful implementation. The first is top management support, project championing, and an executive sponsor, which is the role of the Board of Trustees. The board's support of this project and willingness to add this to the legislative budget request are significant contributions to the success of this project. Second, the implementation project needs a balanced team that is focused on the project. This means that folks are pulled away from the regular duties allowing time to contribute to this project. There is an incredible amount of IT talent in this system. President Olson could not be prouder of the quality of IT professionals at Winona State University. Ken Janz is leading the transition team for Winona State University. Third is empowered decision makers, this means that the project leaders have the authority to make critical decisions at the right time. This is also, why the Board of Trustees is updated on the progress of this project on a regular base. Fourth is to eliminate customizations, which keep the cost down. To accomplish this, Minnesota State is developing a clear image of the requirements and will be developing common business practices that support the product selected. Fifth, sound project management principles must be in place. The sixth factor are involved users, which is why the regional sessions are taking place across the state as well as online, so that users may provide input and feedback on the description of the future state requirements. It is important to listen to the users. In addition to this, each campus has formed a campus transition team, to make sure that the campus users' perspective is heard. The seventh is the ERP selected needs to be a good fit for the organizational culture. Some of the solutions available may not be a good fit, because the product may require dramatic changes to how Minnesota State does business.

President Olson stated "that as a campus president and someone who serves on the NextGen ERP steering committee, this research tells me that we are doing this project the way it needs to be done. I feel confident that Vice Chancellor Padilla's team is leading Minnesota State in the direction needed."

Trustee Nishimura, expressed appreciation to Vice Chancellor Padilla, having lived through the process of changing ERPs, the due diligence the project team has shown is magnificent. The acknowledgment that this will involve people who still have full time jobs being mobilized to contribute to this project is appreciated.

Trustee Rodriguez expressed appreciation for the benchmarking, but stated that this article is a little bit older. Will research and benchmarking continue, as technology changes so quickly? Vice Chancellor Padilla thanked Trustee Rodriguez for the question. Another article was shared with the ERP Steering Committee, which is newer. However, that document is a much more difficult read. This article came up with the same key factors for critical success. Both articles

really boil down to the devotion of the organization to get it right, by providing top management support and project champions, good project management, and the lack of customization (this is often the critical downfall of this type of project), and getting the users involved in the project. The newer article can be made available to the board.

Chair Vekich stated that in addition to this, the National Association of Corporate Directors just completed a study of best practices and they line up pretty close to these articles.

Internal Audit Summary Report

Chair Vekich introduced Interim Executive Director of Internal Auditing Eric Wion and Mike Cullen from Baker Tilly to present the NextGen Audit update.

Interim Executive Director of Internal Auditing Wion stated that with the help of Mike Cullen from Baker Tilly, the NextGen Audit Update continues the theme of assurance. This is the second project risk review of the Next Gen ERP Project as a part of the board approved 2018 Internal Audit plan. The purpose of the reviews is to provide the NextGen Steering Committee advice and recommendations in terms of the project execution, and provide the Board with assurance that project risks are being properly managed.

Mike Cullen from Baker Tilly to presented the summary of the NextGen Audit update. This report includes information in four areas, Project Governance and Management, Stakeholder Involvement, Organizational Change Management, and Project Execution. Current stage of NextGen Phase 1 is defining the future state business processes; at this time, the overall risk of not achieving success, not meeting the revised timeline, and not staying within budget for Phase 1 is still low.

In the area of organizational change management, there are two recommendations. The first recommendation is to fill the communication lead role, the person who was in this role left. The team is in the process of filling this vacancy. The second recommendation is to begin the process of establishing and filling the role of change management lead. This position will be critical in the next phase of the project as the person will be responsible for managing and leading the change management process across the system during the implementation phase.

There were two recommendations in the project execution area. The first is that the project team needs to make sure that the internal control activities are identified and documented prior to implementation. It is easier to implement controls before starting a new process than to add them during the implementation phase. An example is to make sure that the proper approval process is in place for transactions before building the new business practices. The final recommendation is to make sure that the linkage to statutes, regulations, and board policies are identified and documented. This will make phase two of the project easier.

The majority of the findings from the last report have been addressed; the remaining findings are in the process of being addressed. Many of the items that are open will remain so as they are ongoing processes that need to be monitored as they are of great importance.

The next steps for this NextGen ERP audit are to continue to work with the project team to implement recommended improvements and serve as ex-officio member of ERP steering committee. Checkpoint 3activities will take place in November and December with a report in January.

Chair Vekich expressed appreciation for the thorough update and said he is satisfied with the progress.

The meeting adjourned at 2:19 p.m.

Respectfully submitted

Christine Benner, Recorder