

Provision of SAP SuccessFactors - Proprietary Software Product from SAP Canada for the City's Enterprise Wide Transformation Program

Date: May 12, 2017

To: Government Management Committee

From: Executive Director, Human Resources & Director, Purchasing and Materials Management & Chief Information Officer

Wards: All

SUMMARY

The purpose of this report is to seek City Council authority to enter into a non-competitive contract with SAP Canada for the procurement of SAP proprietary software subscriptions for the SAP SuccessFactors (SF) solution.

SAP SF is an integrated solution for Human Capital Management (HCM), providing solutions in Core Human Resources, Talent and Workforce Management. It is offered through a publicly hosted, private instance cloud Software that will provide high level functionality to the City of Toronto. The solution is an established leader in the Talent Management field.

This report is seeking approval to purchase the SAP SF modules below to better serve the constituents, council, divisions and employees of the City by modernizing the HCM process to achieve efficiencies due to introducing automated workflows, checks and balances, improvement of data quality, reduction of waste, elimination of effort duplication and manual tasks and the implementation of compliant software.

RECOMMENDATIONS

The Executive Director, Human Resources Division, Director, Purchasing and Materials Management and Chief Information Officer recommend that:

1. City Council authorize the Chief Information Officer and Executive Director, Human

Resources Division to negotiate and enter into a non-competitive agreement with SAP Canada to procure SAP proprietary software subscriptions for the SAP SuccessFactors solution for the Enterprise Wide Transformation Projects: Organizational Management and SAP Security and eRecruitment and Onboarding in the amount of \$7,478,158 net of HST (\$7,609,773 net of HST recoveries), over a five-year term commencing August 15, 2017, based on the terms and conditions set out in Appendix B, and on other terms and conditions satisfactory to the Chief Information Officer and Executive Director, Human Resources Division and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

The total estimated value of the subscription contract identified in this report is \$7,478,157 net of HST (\$7,609,773 net of HST recoveries). Funding details for the procurement cost net of HST recoveries is provided below:

This contract will result in an implementation cost of \$2,991,263 net of HST (\$3,043,909 net of HST recoveries) in 2017 & 2018 and cloud subscription operating costs of \$4,486,895 (\$4,565,864 net of HST recoveries) beginning in 2019 through to 2021.

The City is currently working on a funding model that supports the capital and operating costs associated with enterprise-wide cloud based solutions such as this initiative. The new funding model will ensure that benefits realized by City Program areas from the solution's implementation are clearly identified, measured, monitored and captured.

The initial implementation cost will be funded from the information & Technology 2017 Approved Capital Budget and 2018-2026 Approved Capital Plan as shown in Table 1 to follow.

Those realized benefits (savings) will be captured and transferred from divisional budgets to offset the sustainment costs that will be incurred to maintain the solution for City Programs.

Table 1: Approved 2017-2018 capital funding and estimated 2019-2021 operating funding, net of HST recoveries

	2017	2018	2019	2020	2021	Total
Capital WBS No. CIT048-14-01 Cost Element 4828 (Cloud Subscription)	\$796,733	\$796,733				\$1,593,466

	2017	2018	2019	2020	2021	Total
Capital WBS No. CIT048-12-01 Cost Element 4828 (Cloud Subscription)	\$725,222	\$725,222				\$1,450,444
Employee Central Operating to be determined once funding model is approved. Cost Element 4828 (Cloud Subscription)			\$796,733	\$796,733	\$796,733	\$2,390,198
Recruiting and Onboarding Operating to be determined once the funding module is approved. Cost Element 4828 (Cloud Subscription)			\$725,222	\$725,222	\$725,222	\$2,175,665
Grand Total Cost	\$1,521,995	\$1,521,995	\$1,521,995	\$1,521,995	\$1,521,995	\$7,609,773

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

In 2016, City Council adopted GM12.2, "Provision of SAP Ariba – Proprietary Software as a Service from SAP Canada for Supply Chain Management Transformation" in which the City requested authority to negotiate a Master Service Cloud Agreement with SAP based on the City's Cloud Computing Framework. This agreement will protect the City's interests and provide a groundwork for future cloud services with SAP Canada.
<http://www.toronto.ca/legdocs/mmis/2016/gm/bgrd/backgroundfile-92559.pdf>

In 2014, City Council adopted EX32.3, "Results of the Shared Services Study – City Agencies" which, in part, directed City Staff to work on "rationalizing information technology applications" which is consistent with the SAP First Policy to leverage existing technology to the extent possible before adding new software applications.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX32.3>

City Council adopted staff's SAP First Policy in the report entitled "Moving Forward with SAP": <http://www.toronto.ca/legdocs/2004/agendas/council/cc040518/admc1012b.pdf>
<http://www.toronto.ca/legdocs/2004/agendas/council/cc040518/cofa.pdf>.

The Auditor General performed an audit in 2003 on SAP Financial and Human Resources/Payroll Information Systems – Post Implementation Review which included amongst other things a recommendation for the Chief Administrative Officer to develop an SAP First Policy.

http://www.toronto.ca/audit/2003/sap_final_apr4_2003.pdf

The City of Toronto has a long history with implementing SAP. City Council approved the original SAP Implementation back in 1998:

<http://www.toronto.ca/legdocs/1998/agendas/council/cc/cc980729/cs10rpt/cl001.htm>

<http://www.toronto.ca/legdocs/minutes/council/cc980729.htm>

COMMENTS

The City purchased SAP licenses in 1998 for the City's Financial and Human Resources systems' needs. At the time of purchase it was acknowledged that SAP was as an enterprise-wide system capable of extensive use across the City's divisions Corporations beyond the original financials and human resources implementation.

In 2003, the Auditor General released a report on the progress of the SAP Implementation and urged better management of the product and licenses and to consider an "SAP First" policy for the City's software future needs.

The idea behind the "SAP first" philosophy is that software needs should be evaluated against the capability of the City's SAP software that it already owns before other software solutions are sought.

In 2004, Council adopted a report called "Moving Forward with SAP". This report reinforced SAP as the City's platform of choice by following the "SAP first" approach to management systems. It provided the strategic direction for the City to establish an SAP governance model and an SAP Competency Centre.

The Organizational Management and SAP Security Initiative:

The City currently uses two on premise SAP HCM modules (Organization Management "OM" and Personnel Administration "PA") and the in-house IBM Domino based HOMeR system to manage changes to organization structure, jobs, positions, and employees. In addition to the aforementioned systems, manual business processes augment the overall complement and personnel management process. Over the years these systems have been customized with various levels of authority, both off-line and on-line, and are lacking the flexibility required for the city's current needs. Furthermore the SAP Security framework supporting the processes are fragmented, lack audit controls and do not align with industry best practices. SAP's technology roadmap has positioned

SuccessFactors as the replacement for its SAP HCM system which reaches end of life by 2025. This initiative will replace, in a phased approach the OM and PA functions in SAP with the cloud based private instance SuccessFactors Employee Central module.

The eRecruitment and Onboarding Initiative:

The Human Resources, Toronto Employment and Social Services and Parks, Forestry and Recreation Divisions currently use the "TalentFlow" software to enable various recruitment and job application business processes on behalf of the City's divisions. Since its deployment, recruitment practices have significantly evolved and TalentFlow cannot accommodate the immediate and growing business demands of the organization. There is opportunity given the upcoming contract renewal options with TalentFlow to take advantage of modernizing the City's recruitment landscape with a next generation solution, SuccessFactors. The strategic vision of the organization coupled with the immediate need to modernize and have an integrated recruitment and onboarding process with complement data across the city, brings a clear choice to utilize the existing roadmap for SuccessFactors Employee Central project. A third party system for recruiting and onboarding will require integration with Employee Central as it is the future system that will hold employee and organization management data which recruiting and onboarding processes rely heavily on. Consequently, purchasing the Recruiting and Onboarding modules along with the Employee Central module provides the city with one common and readily integrated platform and also aligns with the SAP first philosophy. A decision was made to combine the purchase of all three modules and align initiatives to better serve the City.

Synergies:

The new system will introduce a seamless end to end workflow from Recruitment to Hiring to Onboarding while utilizing complement data. It will also deliver several reporting and integration capabilities while addressing AODA requirements. The result will be efficiencies in City staff time for conducting recruitment activities and time to hire.

Information Security and Privacy:

In light of the potential indirect impacts to the City's employees from the implementation of the SuccessFactors modules, the project stakeholders will, in consultation with the City Clerk's Office and I&T City's Risk Management, Cyber Security and Compliance (RMCS&C) Group, complete the appropriate Privacy Impact Assessment ("PIA") outlining the potential privacy impacts of these system improvements. Upon completion of the PIA, the project sponsors from I&T, HR and PPEB will implement modifications within the scope of the PIA to address any potential concerns with regard to the City's privacy obligations. In addition to the PIA, Vulnerability and Threat Risk assessments will be conducted by the project team in collaboration with the RMCS&C Group. The project will implement mitigating controls from the results of these assessments.

Enterprise Wide Transformation:

The two initiatives in this report are part of an enterprise modernization initiative at the City. They align with a number of City of Toronto Strategic Actions including:

- Action #4 – Increase Employment Opportunities
- Action #17 – Enhance the City's Capacity to Serve Toronto's Diversity
- Action #19 – Improve Customer Service
- Action #20 – Enhance Performance Measurement

- Action #21 – Improve Organizational Excellence
- Action #22 – Implementation Shared Services
- Action #24 – Improve Service and Financial Planning

The benefits will include the following:

- Replacement of the legacy HOMeR system with a modernized suite of solutions
- Replacement of the legacy TalentFlow system with integrated recruiting software
- Standardization of the onboarding process, currently is disparate across divisions
- Migration of SAP OM and PA modules to cloud based SuccessFactors
- An integrated system of record for employee and personnel data with increased capability to modify, query and ensure legislative compliance.
- An updated organization model that promotes flexibility which addresses the dynamic nature of modern day city administration.
- Centralized solution that will provide automated business driven workflows which allow for various levels of authority throughout the enterprise divisions.
- Increase in transparency and the elimination of paper based processes for the hiring of new staff, onboarding and complement management with built-in validations via SAP Security as well as ability to audit and track key performance indicators.
- Enterprise wide solution that can be leveraged across the Agencies and Corporations supporting and furthering the shared services vision.
- Reduction of time to fill a position by modernizing the hiring process for recruiters and hiring managers by automation of workflow and onboarding process standardization.
- Improve the maintenance of master data through Employee Self Service and Manager Self Service (ESS/MSS).
- Engage and retain higher quality candidates from a wider candidate pool on modern-day platforms, increase communication, collaboration and improve user experience.
- Improve quality and accessibility of data with an integrated solution suite.
- Create the ability to track and report on sensitive data for example employment equity and AODA compliance data.
- Opportunity to support workflow requirements for enterprise initiatives such as Procurement (Ariba) or Work Management (IBM Domino)

Vendor Selection

The eRecruitment team held vendor days as part of their environmental scan to determine what recruitment products are currently available in the market. Top vendors, which included SAP were invited to present trends, best practices and technologies that are shaping the market. Following a demonstration, SuccessFactors was deemed a worthy candidate for further investigation. In August 2016, fit-gap analysis was conducted and SuccessFactors met 91% of the top requirements as a solution.

The SAP solution for core HR (SAP ECC HCM) will reach the end of life by 2025. SAP SuccessFactors is SAP's recommended solution for current SAP ECC HCM customers. SAP has a roadmap for existing customers to move to SuccessFactors – within this roadmap, they recommend moving the core HR processes first by implementing the Employee Central module and subsequently enabling other functionalities (example recruiting) as needed.

With the impending upgrade of core HCM functions, the City has a unique opportunity to address these needs simultaneously by implementing SuccessFactors and activating three modules; Employee Central, Recruiting and Onboarding. Appendix A contains the Gartner classification for Talent Management Solutions which highlights SAP SuccessFactors as a leader.

The Fair Wage Office has reported that the recommended firm has indicated that it has reviewed and understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

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SIGNATURE

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ATTACHMENTS

Appendix A – Product Information SuccessFactors
Appendix B – Terms and Conditions for SAP SuccessFactors Solution

APPENDIX A

Product Information

Gartner Magic Quadrant for Talent Management

Classification	Product
Leaders	SAP (SuccessFactors) Cornerstone On Demand Oracle (Talent Management Cloud)
Visionaries	Halogen Software Saba PeopleFluent Haufe SumTotal TalentSoft
Niche Players	Lumesse Deltek (HRSmart) Technomedia

SAP SuccessFactors Modules

"Employee Central" merges existing core HCM functions of HR and Payroll such as management of organizational structures, jobs, positions and employees, enables enterprise-wide workflows and role-based security. It will lay the foundation for subsequent initiatives while bringing HCM at the City in line with best practices and current regulatory restrictions.

"Recruiting" enables the full recruiting lifecycle starting at the identification of need to hire through to the actual hiring of an employee. It is AODA compliant and will enable the replacement of the existing TalentFlow recruiting system which is at end of life with a modernized, efficient system that allows HR staff and Hiring Managers to engage the best talent and efficiently interact with them.

"Onboarding" enables new hires (and rehires) to become engaged and productive employees earlier upon employment. It is AODA compliant and brings the City into legislative compliance while creating a single streamlined process.

APPENDIX B

Terms and Conditions for SAP SuccessFactors Solution

Framework

- Agreements will reference the master service cloud agreement ("MSCA") within which common terms and conditions for multiple SAP cloud offerings are held. Specific terms and conditions related to SuccessFactors products and or services will be contained within a specific scope of work schedule ("SOW") and/or product order form.

Term of Agreement

- 5 years from contract execution.

Subscription Costs

- Annual subscription costs during the life of the contract will be \$1,572,789.00;

Professional Services

- Provided by SAP to implement SAP SuccessFactors and City staff with internal and external costs at approximately \$3.5m.

Data location and Privacy

- Main data location in Markham, ON, Canada
- Backup data location in Mississauga, ON, Canada.