



THIRD ITEM ON THE AGENDA

Information Technology Systems Fund**Project IRIS****I. Introduction**

1. The “Integrated Resource Information System” (IRIS) is the name the ILO has given to its personalized enterprise resource planning (ERP) system. ERP systems are information technology (IT) tools that manage financial, physical and human resource processes across an entire organization. IRIS will replace the multiple, outdated, disconnected systems currently used for accounting, budgeting, payments, procurement, personnel and payroll with an integrated solution. Most support functions within the Organization – including programme planning, human resources and payroll, financial management and reporting, procurement and travel – will be part of this new solution. The Strategic Management Module (SMM), which has been custom-built to the ILO’s requirements, will integrate these support activities with the strategic goals and objectives of the Organization.
2. It was reported to the Governing Body in March 2004 that the Director-General had commissioned a comprehensive external review of project IRIS in February 2004 and had immediately taken a number of decisions consistent with the recommendations in that review. These decisions were taken in order to protect the substantial investment in IRIS. The decisions included a revised budget projection, a revised timetable for both headquarters and the field, a stronger governance structure, an emphasis on knowledge transfer from consultants to ILO staff, greater user involvement in testing and training and a thorough study of cost implications in the short and longer terms.
3. The Committee will recall that the revised budget amounted to US\$40 million, which was the estimated cost of the project through a revised implementation date of mid-November 2004. This was to cover implementation at headquarters, with implementation in the field to occur once the system had stabilized. In addition, it was recommended that up to US\$2.5 million should be added as a contingency, and that a further US\$2 million would be needed to assist ILO staff during the transition phase from the old to the new system. A total cost of ownership study was planned in order to estimate the cost of supporting IRIS once the system was operational.

II. Changes effected in IRIS since March 2004

4. Immediate action was taken prior to the March session of the Governing Body to strengthen IRIS's management through the appointment of Ms. Sally Paxton as Senior Executive Project Sponsor. Subsequently, a three-tier governance structure was established to ensure effective supervision of IRIS both internally and in its interaction with the user community.
5. At the project level, a project management office was established to support the Project Director. At the next level, a Stakeholders Committee was established as the primary interface between senior members of the project team and senior representatives of the future user community, including both administrative units and technical sectors. The Stakeholders Committee provides a consultative mechanism for the resolution of practical issues such as changes to business processes as well as ensuring the participation of ILO staff in testing and validating the new system. At the highest level, a project board was established as an advisory body to the Project Sponsor. It deals principally with budgetary, staffing and project strategy issues.
6. The project structure itself was revised to better integrate the different "functional areas" (e.g. finance, payroll and procurement). Multiple individual project plans were consolidated into a single overall plan and weekly reporting was set up to accurately measure progress against forecasts and milestones. In line with the commitment given to the Committee in March to control project scope and freeze the design of new and non-essential features, a change control board (CCB) was set up within the project team to filter, prioritize, standardize and provide cost estimates for proposed changes to the system.
7. Finally, in order to derive greater synergy and efficiency between IRIS team members, the entire IRIS team was moved from multiple locations across headquarters into the only space large enough to host the entire team, the ILO library. Although it has temporarily reduced the reading room to less than half its original size, the positive cooperation of the library staff has meant otherwise minimal disruption to library operations. This has led to demonstrable improvements in project productivity and communication.

III. Progress and milestones

8. The first major milestone of IRIS was achieved on 10 May 2004 when the budget preparation capacity of the SMM was implemented both in headquarters and the field simultaneously. While this module represents only one part of the wider scope of IRIS, it provided valuable lessons in deployment and support of a new product. Most importantly, the ILO can now directly create a strategic budget based on the Strategic Policy Framework, using a transparent process that links resources to results. The Programme and Budget for 2006-07 is being prepared using this new system which has been received positively by the user community due to its accuracy, rapidity, flexibility and the transparency afforded.
9. During the March session, the Committee supported the need for better communications between IRIS and its future user community as an essential component in facilitating the transition from old systems to new. A communications strategy was subsequently put into place to develop greater awareness of IRIS. Seven introductory orientation sessions were held in May and June, including a special session during the International Labour Conference in June. These sessions answered the basic questions of IRIS's identity, aims and timetable. In September, two sets of 12 detailed information sessions were held over a period of four days each, covering all major business processes. Sessions have been well

attended, with audiences of up to 100 per session, and feedback has been positive. Lastly, a comprehensive training programme is now being prepared which will use a maximum of ILO staff as trainers. This initiative will provide savings over the use of external trainers and will also serve to ensure specialist system knowledge remains within the Office.

- 10.** The issue of staff involvement in the development of the new information system was also raised by the Committee during its March session. As planned, more than 40 future users have been involved in recent testing and validation activities. Staff involvement also has been facilitated through a “change leader” network made up of more than 20 key individuals throughout the Organization that the project uses as contact points to identify participants in testing as well as to validate security profiles or gain consensus on roles and responsibilities. In parallel, knowledge transfer from external specialists to internal staff members has been a priority. There has been a gradual reduction of consultants and increase in number of ILO staff members involved in the project, including in key leadership roles. For example, the primary contractor had over 40 consultants on the project in February, approximately 30 by April and now has just over 20.
- 11.** The most time-consuming activity on the project since March has been to complete building and testing the system. As this project is a complex one, this process has not been without its difficulties and delays. Other activities have continued in parallel with building and testing such as preparation for implementation at both operational and technical levels. The detailed planning of migration from old systems to new is essential to success and must respect business processes and cycles such as financial closing and payroll, as well as ensuring that data from old systems is validated before being moved to new systems.
- 12.** Another major piece of work that commenced in April was the total cost of ownership (TCO) study. As mentioned to the Committee in March 2004, IRIS was started without a full picture of all the cost implications of building and maintaining a modern information system. The initial findings of the study are explained in section V below. The TCO study included a review of the overall IT capacity at the ILO, development of a business case for outsourcing all or part of IRIS’s operation and maintenance and consideration of optional support structures and the associated budget for the balance of the current biennium.
- 13.** The decision as to whether and, if so, to what extent, outsourcing of IRIS support was in the best interests of the ILO was the subject of thorough study and a competitive tendering process. In the final analysis, it was determined that user support, training, functional maintenance and development of the system should be kept within the ILO to maximize the retention of business knowledge within the Office, as well as to minimize operational costs. It was determined that the purchase, hosting and maintenance of the central computers could be more efficiently and economically achieved using a specialized partner. A five-year contract to supply this infrastructure and related services was signed in September 2004, with an annual cost of US\$1.1 million.
- 14.** Another piece of work completed was the IT review. This confirmed that the operational cost of IRIS will be partially offset by the use of the existing network of decentralized IT support personnel to provide the first line of assistance to IRIS users and, where appropriate, existing IT officials within the core IRIS support and maintenance team. The review also showed that IRIS will allow the Office to achieve incremental savings through the decommissioning of legacy systems, the redeployment of a small number of staff members, and the non-renewal of some external collaboration contracts.

IV. Current status and planning

- 15.** As at the end of September 2004, IRIS is on schedule to complete the building and testing of the system by mid-November 2004. However, beyond building the technical solution, a wide range of concurrent and interdependent tasks remain to be executed to achieve full-scale implementation at headquarters. As the project accumulated up to four weeks' delay over the course of the year, and so as to avoid introducing unnecessary risk factors at this late stage, it was decided not to proceed with the November implementation date. Rather, in order to ensure better final preparation, user acceptance and training, and to allow the mid-biennium financial close to take place using a single and familiar system, it was decided to postpone the implementation. The target date for implementation is now 20 February 2005, which is the earliest possible date following November 2004 that respects the business cycles (principally payroll) and that allows the training programme to be executed contiguously and effectively. This date will be confirmed upon the successful completion of key technical tasks in October and November.
- 16.** Once the system has been built and fully tested, the project team will be reduced significantly, decreasing over a period of two weeks from approximately 120 people on-site to an estimated 55. This preparation team will stay in place until the revised go-live date. During December 2004, the team will ensure validation of the system by the user community, prepare for switching over from the old to the new systems, complete training materials, and work with the outsourcing partner to ensure readiness of the technical platform. In January 2005, the formal training programme will begin and continue until go-live. Immediately after go-live, the team will be reduced by approximately ten people, for a three-month transition period. Although a study to provide more precise information is ongoing, it is anticipated that by June 2005 the team will have been reduced further to a core team of approximately 25, with provision for up to 13 specialists from a technical services partner.
- 17.** As noted earlier, the SMM has been implemented both in headquarters and in the field and is currently being used by all ILO staff in the budget planning process for 2006-07. Following the stabilization of all IRIS modules at headquarters, roll-out to the field will be done as soon as prudently possible. Prior to this, it is anticipated that a business process review will be performed. The largest components of the field roll-out will be training and support, and connectivity issues will need to be addressed.
- 18.** Work continues to refine a support structure for IRIS until the end of 2005. This structure will include both ILO officials and a limited number of consultants. This core team will have the capacity to ensure the ongoing maintenance and incremental improvement of the existing system but not to implement any major new functional features. Once the system has stabilized at headquarters, this team will, together with officials from the Management and Administrative Services Sector, be responsible for the implementation in the field. It is anticipated that during 2005, the IRIS support structure will evolve from being stand-alone and mainly centralized to becoming fully integrated within the overall support structures of the Office.

V. IRIS budget and costs

- 19.** It is expected that the IRIS system will be built and tested for US\$40 million and that the US\$2.5 million contingency announced in March 2004 will not be required. This achievement came from an active and ongoing effort to lower the project spending rate. The project has also reduced the risk to the Office by limiting the excessive concurrency of tasks, although this has also contributed to the delayed implementation date. Restricting expenditure and releasing the majority of the project team in November means that the

implementation delay will have little or no budgetary impact on the project, although there will be some impact on the Organization as a whole: short-term savings such as those from the decommissioning of legacy systems or the non-renewal of external collaborator contracts will also be slightly delayed.

20. The total cost of ownership study estimated costs for the period mid-November 2004 to 31 December 2005 at US\$13.6 million. This includes the production team, temporary transition resources through to May 2005, fees for outsourced technical infrastructure, software licensing fees and miscellaneous costs. The study also estimated the annual costs of supporting IRIS, once it reaches a “steady state” (i.e. no major new upgrades, changes in functionality, or field deployment costs) at US\$8 million. These figures do not include either short- or long-term savings.
21. Given the budgetary constraints, a further effort was made to lower the overall cost of production support. As a result of active internal consultations, and though recognizing the risk of slower stabilization and field roll-out, the cost projections for mid-November 2004 until 31 December 2005 have been reduced to an estimated US\$11.9 million, prior to savings. This figure includes US\$2 million in transition costs, as announced in March 2004, as well as US\$9.9 million for production support, including staff, licence fees, outsourced technical support and miscellaneous costs.
22. Savings to be identified as a result of IRIS will include both immediate and longer term savings. Currently, the Office has identified an estimated US\$1 million in immediate annual savings in staff costs through the redeployment of existing IT staff to ongoing IRIS activities, and some US\$450,000 in annual non-staff savings. Of the non-staff savings, only half will be realized in 2005 as legacy systems will have to be kept online for the first part of the year. A further US\$750,000 of annual savings in staff costs have already been identified, but will be realized only when officials, whose clerical tasks are replaced by IRIS, have been successfully redeployed. The total funds needed to support IRIS from mid-November 2004 through 31 December 2005 is US\$10.7 million and the estimated annual net cost of maintaining IRIS in steady state thereafter amounts to some US\$5.8 million.
23. The Committee has before it a document on the use of the 2000-01 surplus¹ identifying unallocated resources of some US\$10.4 million deriving from realized exchange gains. The document contains a proposal that these resources be transferred to the Information Technology Systems Fund to fund the completion and ongoing support of IRIS. It is expected that the continuing search for savings during the transition period and within the post-go-live structure will, over the course of 2005, enable the shortfall of US\$300,000 to be covered. Subject to the Governing Body agreeing to this proposal, funding for IRIS in 2005 would therefore be assured. This recommendation is made following a comprehensive review of all of the options available to the Office and the need to ensure that IRIS has the necessary resources immediately to support the critical implementation and transition phase. Provisions will be made in the Director-General’s Programme and Budget proposals for 2006-07 to cover the ongoing costs of IRIS with the cost of field implementation, which is largely related to staff training being covered by provisions for this purpose in the programme and budget. No significant change in the ongoing operating costs of IRIS should result from implementation in the field.
24. In common with most ERP system implementations, the achievement of significant savings through more efficient operations will take some time to realize. In general, such a goal is contingent on several conditions being satisfied, including the existence of a

¹ GB.291/PFA/7.

modern, flexible information system such as IRIS, the completion of an analysis of business processes and the identification of opportunities to reduce superfluous tasks, duplication of effort, time and resource wastage, and procedural bottlenecks. Of these goals, the first will be achieved in the short term, while the second has been in progress throughout the development of the project. At the end of September, an internal task force was established to analyse and make recommendations on the post-production structure, timeframe and related transitional arrangements, staffing and budget issues. This analysis will assist in quantifying more precisely other potential savings that could occur through the implementation of IRIS, although any such savings will only be realized through retraining and redeployment of staff. Naturally, every effort will be made to protect the employment of established officials. To the extent that retraining and redeployment is not possible, arrangements will be made to address those situations within the provisions of the Staff Regulations. To the extent that further estimated savings have been identified prior to November 2004, the Committee will be informed.

25. In implementing IRIS, the ILO is taking a bold and important step towards significantly more efficient working practices and more effective decision-making, which directly support continuous improvement in the execution of its mandate. The process of change that is now under way has fundamental implications for the way the Organization is governed, managed and perceived. In order to derive the best possible return from this change and on the sizeable financial and human investment being made, the Organization must seize the opportunity at hand, exploit the tools being provided, and realize the benefits on offer. The implementation of the SMM has given a strong example that should be followed and built on to ensure that its success is repeated throughout the Organization.

Geneva, 26 October 2004.

Submitted for information.