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Document **G72**

ROI CASE STUDY KRONOS WORKFORCE TIMEKEEPER ANONYMOUS BIOTECHNOLOGY COMPANY

THE BOTTOM LINE

An anonymous biotechnology company deployed Kronos Workforce Timekeeper to eliminate over-allocations of leave time, improve the accuracy of its payroll, and redeploy staff in its payroll department.

ROI: 115%

Payback: 10 months

THE COMPANY

The company is a global biotechnology company that develops, manufactures, and distributes products for the treatment of a number of different types of diseases.

THE CHALLENGE

In 2001, The company's management team decided to improve its time and attendance processes. The recording of employees' time and attendance and the transfer of this data to the payroll system were time-consuming for employees. Workflows were manual, labor-intensive, paper-intensive, and poorly integrated with the payroll system. Three full-time temporary employees and three more full-time employees spent all of their time transferring time sheet data to a homegrown time and attendance system that was integrated with the company's payroll vendor, ProBusiness. The company wanted to improve the efficiency, accuracy, and effectiveness of these highly-manual processes. The company also wanted to assign labor-related costs to its various projects on a more timely basis.

THE STRATEGY

In fall, 2001 the company circulated an RFP and looked at time and attendance systems from Peoplesoft, Oracle, SmartTime, and Kronos. The company selected Kronos's Workforce Timekeeper for several reasons:

- **Best of Breed.** While Oracle and Peoplesoft are strong ERP vendors, they do not have time and attendance as a particular area of expertise or focus of development. In this project, the company was leaning towards a best-of-breed strategy, and preferred a vendor that focused exclusively on workforce solutions.
- **Minimal customization.** The solutions from Oracle and Peoplesoft would have required some customization.
- **Project orientation.** Only Kronos Workforce Timekeeper had built-in functionality that would enable the company to allocate the cost of employees' time to specific projects.

RELATED RESEARCH

- G53 Kronos ROI Case Study: G&T Conveyor
- G47 Kronos Workforce Leave ROI Case Study: Anonymous Biotechnology Company
- G45 Kronos Workforce Timekeeper ROI Report
- F94 a Closer Look at the ROI from Scheduling
- F24 Kronos 4500 touch ID Terminal ROI Report
- F8 Kronos Workforce ROI Case Study: Sunrise Growers
- E29 Kronos ROI Case Study: Towncare Dental
- E14 Make Versus Buy: Evaluating Time and Attendance Systems
- D76 Kronos Workforce Timekeeper ROI Case Study: Five Star
- D67 Kronos ROI Case Study: MMNA Manufacturing

Deployment of the system began in April 2002. Over a period of five months, four employees worked on the deployment with their application consultant from Kronos. Primary tasks of the deployment included:

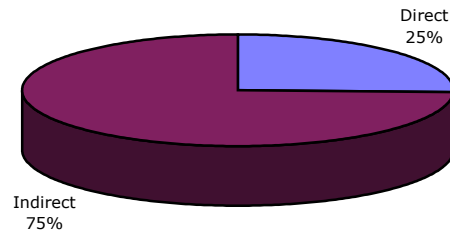
- Configuring interfaces between the Kronos application and existing applications, including ERP and project management.
- Loading into Workforce Timekeeper all of the company's pay practices and rules.
- Revising workflows, policies, and practices that the company could optimize as a result of the application.
- Establishing in Workforce Timekeeper associations between cost centers and projects for proper project accounting.

The deployment of Kronos Workforce Timekeeper was completed on time, and 27 percent under budget. The system went live in September 2002, and was initially rolled out to 2,000 employees. Since then, it has been rolled out to more departments and the company has grown. Currently 6,000 employees use the system; 1,500 non-exempt employees use badge terminals to swipe in and out of work, and 4,500 exempt employees use the system to allocate their time to projects. Of the total user base, 2,000 also use the system for managerial tasks such as approving employees' time sheets and viewing reports.

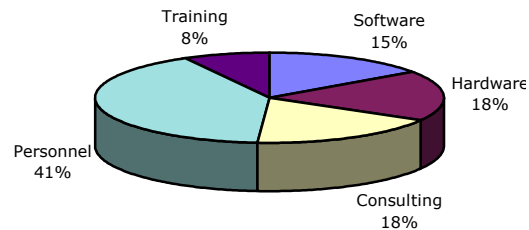
KEY BENEFIT AREAS

Deploying Kronos Workforce Timekeeper has enabled the company to change its time and attendance workflows and improve payroll accuracy. Some exempt employees now allocate their time to projects through a Web browser rather than by submitting paper time sheets and the majority of non-exempt employees now punch in and out of work with a barcode at a badge terminal, rather than submitting time sheets. Key benefits from the solution include:

- Reduced staffing costs. By automating the input of employees' time worked, the company no longer requires the re-keying of such data. As a result, three of the company's employees now work on more value-added tasks, and the company no longer hires temporary employees on a regular basis for these tasks.
- Reduced payroll inflation. Before Kronos, it was difficult for managers to monitor employees' unallocated leave time such as days for vacation, sickness, and personal time. As a result, each employee received approximately three eight-hour shifts of unwarranted leave time. With Kronos, employees' taking of leave time is more readily tracked, managers can more easily view reporting for time off, and over-allocated leave time has been eliminated.
- Improved payroll efficiency. Because of the deployment, time and attendance data is no longer re-keyed after being submitted by employees. This has removed a significant amount of human error from the process. As a result, the number of corrections processed by the payroll department per week has decreased from 150 to fewer than 10.
- Reduced paper costs. As a result of the deployment, the company no longer purchases time cards and time sheets for its 6,000 employees on a weekly basis.

BENEFITS**TOTAL: \$4,764,688****KEY COST AREAS**

Key cost areas for the deployment included personnel, hardware, consulting, software, and training. Personnel consisted of ongoing support of the solution provided by three staff members and the time they spent on the deployment. Software consisted of the Kronos Workforce Timekeeper solution, and was priced based on the number of employees and managers using the system. Hardware consisted of 34 badge terminals, three servers, a load balancer, and a database server.

COSTS**TOTAL: \$1,739,880****LESSONS LEARNED**

The company encountered few problems in the deployment. However, the company did need to dedicate extra time to the deployment because some of the PCs involved did not run Java, which is required in order to run Workforce Timekeeper. As a result, the company spent time visiting a number of sites and installing Java. Ideally, all of the PCs would have already been running Java at the outset, and this would have accelerated an already smooth deployment.

CALCULATING THE ROI

Nucleus calculated the costs of personnel, hardware, consulting, software, and training to quantify the company's total investment in Kronos Workforce Timekeeper.

Direct benefits calculated included the redeployment of staff that had previously been re-keying time and attendance data and reduced paper costs. Indirect benefits consisted of reduced time spend on adjustments to payroll records and the elimination of unallocated time off.

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DETAILED FINANCIAL ANALYSIS

Anonymous Biotechnology Company

SUMMARY

Project:	Kronos Workforce Timekeeper
Annual return on investment (ROI)	115%
Payback period (years)	0.87
Net present value (NPV)	952,487
Average yearly cost of ownership	579,960

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	403,760	403,760	403,760
Indirect	0	1,184,469	1,184,469	1,184,469
Total Benefits Per Period	0	1,588,229	1,588,229	1,588,229

DEPRECIATED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	264,000	0	0	0
Hardware	120,000	0	0	0
Total Per Period	384,000	0	0	0

DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	52,800	52,800	52,800
Hardware	0	24,000	24,000	24,000
Total Per Period	0	76,800	76,800	76,800

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	66,000	66,000	66,000
Consulting	200,000	35,000	35,000	35,000
Personnel	64,688	216,000	216,000	216,000
Training	140,192	0	0	0
Other	0	0	0	0
Total Per Period	404,880	317,000	317,000	317,000

FINANCIAL ANALYSIS	Year 1	Year 2	Year 3
Net cash flow before taxes	1,271,229	1,271,229	1,271,229
Net cash flow after taxes	674,015	674,015	674,015
Annual ROI - direct and indirect benefits			115%
Net cash flow after taxes (direct only)	81,780	81,780	81,780
Annual ROI - direct benefits only			14%
Net present value (NPV)			952,487
Payback (years)			0.87
Average annual cost of ownership			579,960
3-year cumulative ROI			162%
3-year IRR			101%

FINANCIAL ASSUMPTIONS

All government taxes	50%
Discount rate	15%