

WHITE PAPER

Maximizing Workforce Management with Best-of-Breed Solutions

Sponsored by: Kronos Incorporated

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IDC OPINION

More than ever, the current difficult economy highlights the need for organizations to manage their workforce like any other asset. While unemployment has surpassed double digits, labor costs remain the largest controllable expense for most organizations. For several years, organizations seeking to manage the workforce effectively have increasingly been turning to automated workforce management solutions. Such systems can enable organizations to achieve visibility into workforce management trends, practices, and policies that in turn can reduce costs related to staffing, compliance, and payroll. Yet key differences in solution architecture and native functionality will cause business benefits to vary widely. To maximize the benefits of an automated workforce management solution, organizations need to consider the following:

- ☒ **Process automation.** Complete automation of the workforce management process, including scheduling, timekeeping, attendance, and leave management, enables organizations to increase visibility into and control of labor costs and mitigate compliance risk. Unlike solutions that are highly dependent on batch processing of employee time, best-of-breed workforce management solutions that provide real-time validation and processing increase accuracy by reducing potential for errors while also simplifying work for managers.
- ☒ **Integration.** Workforce management data often resides in information silos (e.g., HR management software, enterprise resource planning [ERP], or other systems) with little or no real-time integration. As a result, workforce management processes are often delayed and prone to errors, which can result in costly validation efforts, unmanaged employee absences, inaccurate or late payroll, and a general lack of management oversight, visibility, and control. Error-prone systems lead to increased costs, compliance issues, and an inability to respond quickly to changing business conditions. Eliminating such workforce management issues by implementing integrated workforce management software and devices can positively impact an organization's administrative operations as well as its overall performance.
- ☒ **Cost of ownership.** The degree to which a workforce management system meets or exceeds the needs of an organization without customization has a direct impact on the cost of deploying the system initially and maintaining it over time. Some modules for workforce management that only provide basic capabilities out of the box often require costly customization to fully implement. A flexible system that keeps pace with ever-evolving needs is key to keeping costs low and ensuring that the workforce management process is accurate, efficient, and compliant. Specialized best-of-breed systems tend to have the advantage of configurability over systems offered as part of broader HR systems.

IDC interviewed several organizations facing unique workforce management challenges to determine what factors drove their decisions to make a change in systems and to determine how the change affected their outcomes. The three organizations interviewed were Stonebridge Companies, a hotel development and hotel management company that is geographically dispersed with a largely hourly workforce; Cameron International, a Texas-based manufacturer of equipment for the oil and gas industry; and Cleveland State University. A common thread among the three organizations was the decision to use a best-of-breed system over an ERP solution. The organizations faced rapid expansion (in the cases of Stonebridge and Cameron) and annual spiking in employment (in the case of Cleveland State University). Challenged by growth and complexity in their workforces with multiple jobs per employee in some cases, all three organizations found that the best-of-breed option provides the real-time responsiveness they need as well as the configurability and usability to help lower costs.

IN THIS WHITE PAPER

This IDC white paper describes the challenges organizations face in effectively handling workforce management processes and highlights how automation and tools can enable organizations to improve their workforce management processes and thereby deliver benefits to the business. This paper also examines a workforce management system from Kronos Incorporated and discusses the experiences realized by three customers that have utilized the offering.

SITUATION OVERVIEW

At many organizations, workforce management processes for scheduling, timekeeping, and absence management exist in silos or are disconnected from payroll and HR processes, or both. Typically, at many organizations, the payroll or HR department — using largely manual, paper-based processes or legacy ERP software — is primarily responsible for handling workforce management processes.

Best-of-breed workforce management systems are designed to reduce the time, effort, and costs managers spend on the day-to-day administrative requirements of scheduling and tracking employees. Using real-time information provides supervisors with the information they need to make decisions and correct behavior while the situation is occurring. For example, from a supervisor's perspective, it's much easier to address an employee's late arrival when it occurs and the facts are at hand (e.g., their scheduled start time, actual arrival time, and history of attendance). Accessing all of this information in a siloed environment, a supervisor may have to collect this information from multiple systems or even paper files. Lack of easy access to information makes an already difficult discussion even harder and may result in supervisors addressing only a fraction of these situations, creating lower overall productivity and reduced morale among other employees who arrive on time.

Eliminating workforce management issues by implementing integrated workforce management software and devices can positively impact an organization's administrative operations as well as its overall performance. Such systems can reduce the time, effort, and costs managers spend on the day-to-day administrative requirements of scheduling and tracking employees.

FACTORS TO CONSIDER IN CHOOSING WORKFORCE MANAGEMENT SYSTEMS

For the many organizations that lack visibility across existing workforce management processes and that are looking to control costs and better manage employees, best-of-breed workforce management systems can provide the means to achieve both objectives. IDC recommends taking these factors into consideration when reviewing workforce management systems:

- ☒ **Integration across processes/systems.** Workforce management software enables automation and integration among timekeeping, absence management, and scheduling/labor tracking applications and works with existing legacy payroll, financial, and/or ERP systems. It eliminates manual entry of timekeeping data, as well as manual validation of entries for errors and discrepancies, and thereby eliminates errors (and the potential legal consequences associated with those errors) and improves productivity.
- ☒ **Configurability.** Workforce management software that is configurable can accommodate an organization's unique and changing requirements without the need for custom code. This can reduce training needs, support costs, and implementation headaches. Workforce management systems that are configured and not customized help ensure consistency and ongoing support as upgrades are applied.
- ☒ **Real-time data collection.** Many timekeeping errors occur during data entry at the collection device itself. Real-time connectivity with data collection enables automatic validation of all time entry, which can prevent problems before they occur, such as early/late punches, ineligible workers clocking in erroneously, and so on. Avoiding these problems before they arise will dramatically reduce the need to make corrections later and will help ensure accurate payroll processing. Best practices call for the devices to be fully integrated into the workforce management process to enable employee self-service.
- ☒ **Real-time processing.** By supporting visibility into data in real time (unlike batch processing systems), workforce management software can enable managers to make better decisions in terms of scheduling, managing absences, ensuring accuracy of payroll, and ultimately controlling costs. In addition, real-time processing can eliminate validation efforts that are typically conducted well after the fact.
- ☒ **Ease of use.** By enabling employees and managers to enter data and review information easily via an intuitive user interface, workforce management software can enable accurate data collection, facilitate employee self-service, and ease managers' administrative burdens. In addition, software that is easy to use is more engaging for all employees, enabling faster deployment and adoption.

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A workforce management system with the above attributes can enable organizations to eliminate manual intervention, reduce fraud, and increase payroll accuracy — issues that typically occur when workforce management processes are largely manual and nonintegrated. Ultimately, such benefits in workforce management processes can result in bottom-line benefits to the organization, including reduced costs, increased productivity, and better compliance.

KRONOS INCORPORATED'S WORKFORCE MANAGEMENT OFFERING

Kronos offers an integrated workforce management solution with products for scheduling, absence management, time and attendance, and analytics; a broad portfolio of human resource management software; and data collection devices that include biometric capabilities.

The Kronos workforce management solution — Workforce Central — provides complete automation and offers organizations a centralized "single source of truth" for employee data. The modules are designed to eliminate redundant data entry and consequently reduce errors and administrative costs.

By providing centralized and integrated tools for workforce management that collect data in real time, Kronos aims to reduce costs and improve productivity related to workforce administration tasks.

The Kronos Workforce Central suite has the following capabilities:

- ☒ **Time and attendance** applications enable the elimination of timecard reviews, automatically apply policies regarding organizational rules, and facilitate correct payments by supporting electronic timecard edits and automatic recalculations.
- ☒ **Scheduling** applications automatically schedule required employee breaks, automate application of state and federal leave regulations with paid time off, and restrict clock-ins.
- ☒ **Absence management** applications automate and enforce absence-related policies, automate eligibility requirements for paid and unpaid leave, and alert managers to exceptions and potential violations.

The Kronos Workforce Central suite is designed to work with existing ERP systems by integrating with HR, payroll, financial, and production planning applications. Data collection can be carried out through terminals, HTML, or Java time stamp or through a timesheet.

CASE STUDIES

Stonebridge Companies

Manually entering time and attendance data for employee payroll purposes is by its very nature an error-prone process, and the situation was considerably more problematic for Stonebridge Companies. A hotel development and hotel management company, Stonebridge Companies is geographically dispersed with a largely hourly workforce. Five years ago, the company had no unified method of consolidating time information for payroll. At the time, the company had approximately 500 employees at 20 locations throughout the United States. "Every hotel had its own way of processing time," recalled Nasim Mansurov, Stonebridge's vice president of information technology. Once each location consolidated time, the data would be sent via a spreadsheet to the company's Englewood, Colorado, headquarters where it was

manually keyed into the company's payroll system. "It was a very painful process," Mansurov recalled, one that was beset with errors and off-cycle check requests due to those errors. "We had a lot of issues because the hotels couldn't track hours correctly," he said.

Hired in 2004, Mansurov knew that Stonebridge had to find a standardized way of tracking time. The existing method not only was inherently inefficient but also couldn't support Stonebridge's plan to grow its business significantly. After evaluating a number of time and attendance systems, Stonebridge opted for Workforce Central, a workforce management suite from Kronos. Using Kronos in conjunction with outsourcing payroll resulted in immediate benefits. "From having no system whatsoever to moving over to Kronos, the ROI payback period was less than a year," Mansurov said.

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Stonebridge still needed to streamline the payroll process as well as its financials, so in 2007 the company implemented an ERP system to handle HR and payroll. While consultants initially recommended using the ERP's time module, Mansurov argued that the process of importing the historical data from Kronos into the ERP would be too unwieldy. And more important, Mansurov said, the Kronos software is relatively easy to configure for Stonebridge's specific time and attendance needs. For example, it's not unusual in the hospitality industry to have an employee work in three to five different jobs — a level of complexity, Mansurov added, that is not easily accomplished in an ERP system without a lot of customization. "I can create a payroll run in about half an hour," he said. That kind of flexibility is important for a company used to growing by development and acquisition.

Another reason why Mansurov wanted to stay with Kronos is its ease of use. In light of the hospitality industry's traditionally high turnover rate, Stonebridge doesn't have to make significant investments in time or money to train managers on how to use the system; Mansurov said that managers can be trained on the Kronos system within two hours because the system is "easy and intuitive."

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Stonebridge relies on an interface between Kronos and the ERP system that integrates time and attendance data with HR and payroll information. "We upload the hours through Kronos to the ERP interface, which I built with one of the Kronos consultants," said Mansurov. Hours for each employee are extracted from Kronos daily. Stonebridge has grown to 1,600 employees in 40 locations; it takes about one hour to process the entire payroll. (Salaried employees are not included in the Kronos system.) Mansurov said that prior to developing the interface between Kronos and the ERP, Stonebridge spent an entire day processing the payroll. Then the company would spend the next two weeks on follow-up, cutting various checks for employees whose hours were missed due to master data, interface and other issues. Overall, Mansurov estimates that payroll processing is now 99% accurate.

Now that Stonebridge has its payroll processes optimized, the company is looking to implement workforce analytics as a way to optimize its labor. "We don't have to be as concerned about fixing issues," Mansurov said. "We're now more concerned about efficiencies for the company."

Cameron International Corp.

For Cameron International Corp., a global company with approximately 18,500 employees, having a consistent workforce management system is important. In 2006, the Houston, Texas-based manufacturer of equipment for the oil and gas industry began to upgrade its existing time and attendance system to the Workforce Central suite from Kronos. According to Thomas Nonhof, Cameron's IT director, the primary reason for the upgrade was to drive consistency across the company's far-flung locations. "Rather than maintaining multiple and different software at different locations," Nonhof said, "we wanted to bring everybody current [on one system] for one support staff and future rollouts."

Consistency is important, Nonhof added, because Cameron International wanted to streamline its support staff — which means standardizing on products as much as possible. "We recognized that labor data collection and production data collection, along with time and attendance, is a core function of a shop floor," Nonhof said. "Rather than having 20 different packages with 20 different support people, it's more to our advantage to have one solution with two or three support people." (Cameron International has three IT employees who are dedicated to supporting various aspects of the Kronos system.)

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As a company that typically grows by acquisitions, Cameron International has a history of maintaining multiple solutions for time and attendance. As the company expanded with sites around the globe, consolidation onto a single system became a strategy a few years ago. The company opted for the Kronos solution due to both its own global perspective and the vendor's global perspective. "[Kronos] is a global company," Nonhof said. "Cameron is a global company, so we had to obviously work with a solution provider that could hit all our markets around the world."

Currently, Cameron International uses the Kronos Workforce Central suite for time and attendance. The company has migrated 33 sites to Kronos, with plans to migrate other sites as well. To collect time and attendance data, the company has deployed Kronos 4500 badge terminals. Cameron also has an ERP system for other HR-related data, and Nonhof said that Kronos on the front end enables more proactive management. "If I use Kronos, everything is real time," he said, as opposed to the batch processing of the ERP system. "If an employee forgets to clock in, I can notify management five minutes after the shift starts that an employee has not clocked in." That kind of real-time notification allows managers to take appropriate action quickly, rather than respond reactively well after the fact, Nonhof added.

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In addition to real-time capabilities, Nonhof said that Cameron International has been pleased with the stability of the Kronos software and the system's ease of use among employees and supervisors who have access to all necessary functions in one place. And of course, having three IT employees support the system across the organization has enabled Cameron International to streamline its support requirements.

As further rollouts of the Kronos Workforce Central suite continue at Cameron International, Nonhof advises others who are considering a similar move to work with a single instance of the software for all locations rather than having multiple servers with multiple instances. Cameron International is combining all global instances of

Kronos into two primary instances of Kronos; in 2010 the company will combine the two primary instances into a single global instance. He also recommends establishing rules in the system that serve as a global standard and then allowing some localized configuration on a site-by-site basis. Because Cameron International is a global company, Nonhof said, its various sites are subject to different statutory requirements in terms of time and attendance. So setting standard rules around how labor data is to be collected and interpreted — and then allowing some modification as necessary — has proven more efficient and effective than creating a custom system for every site.

Cleveland State University

As an institution of higher education, Cleveland State University faces a complex array of workforce management challenges that don't typically occur in private industry. For starters, the university maintains a workforce of approximately 2,000 employees, but throughout the year, the workforce may actually peak at about 5,000 employees due to peripatetic student employees. The students — who make up much of the workforce — work at various locations, have various pay rates, and often hold multiple jobs. Some full-time employees are also lecturers, and faculty members may teach in different cities and therefore are subject to different tax codes — a particular challenge in Ohio with its many tax jurisdictions. The university also employs union workers whose pay, benefits, and work rules are dictated by bargaining agreements.

In 2006, it became apparent to the university's administration that the paper-based process used in conjunction with the existing ERP system was no longer sufficient for tracking time and labor. At that time, the decision was made to implement the Workforce Central suite from Kronos.

"[The executives] wanted to get a better handle on the amount of overtime that we were paying out and where those hours were going," recalled Miro Humer, a senior business analyst in the university's Information Services and Technology department. "We had several internal audits that pointed to problem areas." The vice president of administration championed the university's efforts to transform the paper-based process into an efficient electronic system. The goal of deploying Kronos, said Humer, was to provide more visibility into labor tracking so that university officials would have better control.

Visibility and control were certainly lacking with the legacy process. The previous paper-based system "was very inefficient," Humer recalled. Employees recorded their own hours on paper; supervisors then signed the paper and handed it over to a departmental payroll clerk who collected all such documents from supervisors and reentered the data on a separate timesheet. That form was then sent via interoffice mail to the payroll department where employees spent three days entering the data into the ERP system. "Every department on campus had one person who was collecting all of the timesheets," Humer said.

The manual system was marked by inaccurate pay, inconsistent policy enforcement in areas such as lunch breaks and sick time accruals, and an inability to readily determine where overtime was occurring. While the university's existing ERP system had timekeeping and labor tracking modules, Humer said that Cleveland State's

unique needs would have required time-consuming and expensive modifications. "We have students with 12 jobs," Humer said. "They all have to be able to record time for each job individually."

The ability of Kronos to record multiple jobs with the Multiple Jobs Allocation module was one of the primary reasons Cleveland State selected Workforce Central, which currently is used by all employees except for graduate assistants and contract lecturers. (The university uses Kronos for time collection and scheduling, and managers use all the Kronos tools needed to approve timecards.) In addition, Humer said the solution integrates with the existing ERP system, allowing the data entry of timecard information to be reduced from three days to five minutes. Further, supervisors have visibility into time recording and labor tracking. "We can now see where dollars are being spent for labor, where there is overtime, who is approving it, how it is happening, and who is using sick and vacation time," Humer said. Managers can look at information for their direct reports as well as for employees who report to their direct reports. "Managers have much more information at their disposal," he added. This access to information allows managers to notice problems — for example, if an hourly employee punches in twice — and take corrective action before those problems snowball into larger issues such as the need for corrected payroll checks.

The information made available through Kronos enables the university as a whole to enforce many of the workforce rules that previously were not applied consistently. In addition, some individual employees have seen a change as a result of Kronos. Those employees who used to be responsible for collecting timecards are now able to spend their time on higher-level tasks. One employee who works in the athletic department, for example, was promoted to supervisor; rather than just shuffle paper, she now is responsible for hiring other student employees and for approving student employee timecards, among other duties.

CHALLENGES/CONSIDERATIONS

Even though there are many benefits associated with real-time workforce management, there is an appeal to having a single vendor to hold responsible and a single data source for all facets of HR and workforce management that a single ERP solution may afford. Kronos will need to continue to demonstrate that the benefits of a specialized workforce management environment outweigh the benefits of a single-provider solution.

IT may favor having fewer vendors and interfaces, so the benefits of real-time access, integrated data collection devices, and ease of use need to be compelling and reach the IT buyer, not just the HR buyer. Kronos will need to convey the right benefits to various constituencies and fashion appropriate strategies accordingly.

Many organizations continue to operate HR in various silos. It is often difficult to challenge the status quo, especially in tough economic times. Kronos needs to address and attack the status quo with both use case benefits and evidence of cost savings if buyers are to be able to justify the investment in new or improved workforce management solutions.

CONCLUSION

Even in a down economy with high unemployment, organizations have to manage their workforce resources like any other strategic asset. Organizations that efficiently and effectively manage their workforce can achieve various benefits in terms of cost savings, productivity gains, compliance efforts, and alignment between employees and corporate goals. However, many organizations are hampered by a lack of visibility into workforce management caused by manual and nonintegrated processes.

Optimizing workforce management processes through real-time automation can result in a number of benefits, including integrated processes, matching labor to the work for optimal use of resources, a reduction in human intervention in the process (which also reduces errors and improves productivity by reducing administrative tasks), and improved compliance efforts. Workforce automation can also provide organizations with visibility into the real cost of a job as well as tools that empower management decision making. Ultimately, organizations that deploy workforce automation tools will experience a reduction of costs associated with workforce management processes.

The Kronos Workforce Central suite of workforce management tools is designed to offer customers automation; ease of use; integration with existing ERP, HR, payroll, and financial systems; and real-time data processing for quick validation.

METHODOLOGY

The basis for this white paper is IDC's ongoing research into the challenges associated with workforce management processes and the deployment of software tools designed to improve those processes. Our research includes interviews with software vendors, as well as their partners and customers, to understand the key attributes and benefits of workforce management systems.

In addition, IDC conducted in-depth interviews with three Kronos customers.

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