

## **Perspective: You Can't Manage What You Don't Measure—Highlights From KronosWorks UK**

---

PERSPECTIVE #MIVC60T  
Lorenzo Veronesi

---

### **IN THIS PERSPECTIVE**

This IDC Manufacturing Insights Perspective provides a brief outline of the KronosWorks UK 2011 end-user conference, with a particular focus on workforce management on shop floors.

---

### **You Can't Manage What You Don't Measure: Highlights From KronosWorks UK**

Kronos is a global company that offers point solutions for workforce management. Kronos aims to reduce manufacturers' costs, manage compliance with local legislation, and improve productivity related to workforce administration tasks by providing centralized and integrated tools for workforce management that collect data and provide labor analytics in real time.

Kronos has a very large footprint in the manufacturing space, with around 25% of its \$741 million revenue in 2010 coming directly from the manufacturing sector, with customers such as Caterpillar, Hozelock, Kellogg's, Sandvik, Ford, Honda, Volkswagen, Sunseeker, B&D, Coca-Cola, and PepsiCo.

Kronos' manufacturing offerings are geared around three main areas:

- **Planning and scheduling.** Planning and scheduling labor required on the shop floor, ensuring the right personal are deployed with the right skills at the right time.
- **Time, absence, and exceptions management.** Providing clear visibility of holidays, sick leave, and not-fit-to-work periods. Monitoring hours of work, lateness, breaks, working time directives, overtime and premiums, and managing flexible working and annualized hours schemes.
- **Activity management.** Providing real-time visibility of which job is currently being performed by each worker, monitoring the labor standard, scrap, rework, and direct-indirect labor, and reconciling worked time with payroll.

---

## **The Global Business Case for Workforce Management Applications**

Nowadays, the big question Western manufacturers have to deal with is how to deal with the post-crisis environment or, if you like, the "new normal." This is mainly characterized by fluctuating demand in home markets and surging competition from emerging economies.

Therefore manufacturers need to make the most of any hidden benefits from their organization. This doesn't just have to do with reducing and streamlining, but rather with optimizing — in other words, rightsizing and synchronizing. This concept can be applied to information, the supply chain, inventory, warehouse, and to the workforce as well.

Labor costs are becoming more important for global companies, as labor models are rapidly evolving worldwide, with costs growing by up to 25% annually in some areas of China and India. Labor costs, therefore, are becoming an issue even with former low-cost countries.

**Caterpillar**, for example, has deployed Kronos applications as a part of its global optimization strategy across the U.S., Mexico, Canada, India, and Europe for a total 11,000 users.

---

## **Manufacturers' Challenges**

Our research shows that manufacturers face three critical challenges:

- **Inefficient and inflexible processes.** Over time, processes become burdened with special rules and considerations that, although probably introduced with good intent, often end up complicating those processes and creating waste. As a result, a major pain point for manufacturers is streamlining processes. **Hozelock**, one of the biggest U.K. garden equipment suppliers, deployed Kronos as part of its business streamlining process, in an effort to remedy its "9-day problem" — managers at Hozelock received productivity reports with a 9-day lag. With Kronos, managers were able to produce time-to-employee-level productivity reports within a few days.
- **Lack of skilled people.** In the past couple of decades, the manufacturing industry hasn't attracted enough young talent. Graduates have found other, more fashionable sectors such as financial services and media. On top of this, the manufacturing sector has an aging workforce, and companies are striving to find product engineers, skilled technicians, and line workers. This is creating a talent shortage and is driving up the costs of skilled labor.

- **Lack of timely and accurate information.** Our research shows that if data collection is not an issue for manufacturers, the real challenge is their lack of understanding of what data represents. What most manufacturers lack is an adequate way to analyze and interpret collected data in terms of the potential impacts and risks on the business. This was the case with **Biomet**, which produces artificial human implants and joints. The company wanted to meet rigorous targets in terms of cost reduction and productivity, but it had a very rigid cost structure (many of its product components come from gold or platinum). By deploying Kronos, the company was able to make financial benefits through improved visibility of its most controllable cost: the workforce.

---

## **Workforce Management on the Shop Floor**

### ***Competing Applications***

The IT software market provides manufacturers with many alternatives for their plant floor workforce management besides best-of-breed applications. ERP providers have been integrating labor management modules in their core products for many years. At the same time, most MES providers offer labor scheduling modules, with labor management one of the 11 areas that MESA includes in the core MES features.

Traditionally, companies reconcile ERP production data with HR payrolls to compute metrics such as hourly labor cost, labor productivity, and the labor component of the cost of goods. But this provides only average values, with no insight into the individual performance variance within each department.

At the same time, MES labor scheduling modules are extremely detailed and effective, but are not designed for cost control activities.

### ***Attainable Benefits***

There are some reasons manufacturers may want to apply a best-of-breed workforce management solution on their shop floors, rather than trying to "stretch down" the ERP functionalities or to rely on their MES resource management modules.

- **Gain visibility of workforce activities.** Manufacturing plants are often very flexible environments, where a single worker can change several lines and positions within the same week or even the same day. Therefore, a significant benefit of having a granular vision of workforce activities and individual productivities is to be able to compute the exact true cost of labor on products, accurate payroll, root cause of scrap generation, and the cost of reworking, regardless of how many people operated on it.

- **Optimize overtime allocation.** Companies can achieve clear visibility of workers' overtime allocation, and optimize its use. For example, a plant manager can check if he has any available "free" workers on hand, before allocating costly over-time hours.
- **Deploy new metrics.** By using a workforce application, manufacturers may be able to deploy new metrics. Kronos, for example, has enhanced templates to compute "overall labor effectiveness" (OLE), which is derived from OEE ("overall equipment effectiveness"), at the aggregate as well as line, shift, or individual levels — OLE being a compound metric of "percentage of direct time" x "percentage achievement against labor standard" x "percentage of good product".
- **Improve quality.** Lastly, a workforce application can provide significant improvements in terms of quality, ensuring the best available person is working on the most appropriate process, line, or product. This was critical at **Biomet**, as product quality is vital, given that replacing or maintaining an implanted artificial joint is not an easy task. It reported improvements in product quality by deploying Kronos applications.

#### **What About Mobility?**

Kronos moved slightly later than other software providers (in particular considering the labor management space) in mobilizing its applications, but this has enabled it to avoid the mistakes that were part of unsuccessful mobile migrations. These often had to do with a mismatch between the solution characteristics and the mobile device it was delivered from (for example, small screen size, insufficient memory). Kronos is working hard to exploit new smart devices, building up native applications for most common brands.

This is particularly relevant in the manufacturing space, as in today's global manufacturing sector business mobility is not an option. Mobile workers need ready access to corporate information and the ability to collaborate better with head office, local offices, and trading partners. At the same time they must continue to execute their daily activities despite being away from their desks.

It's worth noting that mobility doesn't apply only to employees who travel outside the enterprise. People working at manufacturing operations are mobile workers too. Rather than being tied to desks, they are tied to assets — equipment, material, or process execution. These employees need real-time information at the point of use and easy data entry, and this also involves workforce management. Kronos has currently mobilized its core exception and absence management modules, and plans to release a mobile scheduling solution by the end of 2011. The latter would be of particular use to plant managers who will be able to monitor and manage all line workers "on site."

## **Attract "Gen Y"**

A real pain point for manufacturers is the shortage of young talent. In the past couple of decades, a lot of young talent has gone into the services and banking industries, leaving manufacturers with an "aging workforce" problem. IT can help manufacturers here. Actually, "Gen Y'ers" — who have a natural familiarity with information, communications, media, and digital technologies — are attracted by a real-time, collaborative, and technology-enabled working environment. They show an increasing disregard for the traditional hierarchical organizations and "transactional" processes in favor of new approaches and common, collaborative working practices.

This means new organizations — and the "Gen Y" employees in them — will have to be information-centric and integrate decision making (not just processes) from the strategic to the operational, so that the choices management makes are evidence based. Therefore setting up the right work environment can be very useful for manufacturers to attract, retain, and engage young people in their organizations.

An additional service Kronos offers manufacturers is hiring and support, providing Web-based templates to help companies select employees and identify individuals with the best potential from the moment they submit their CVs.

---

## **Essential Guidance for Manufacturers**

Kronos provides a solid and consistent workforce application that can be of much use to manufacturers seeking to manage their shop floor employees. But there are many competing applications, especially coming from the MES space — labor management is one of the 11 MES domains as specified by MESA. Kronos can leverage its intrinsic integration with HR data, providing off-the-shelf connections between payroll data and shift information. MES providers rarely focus on the cost side of labor management, but as application integration on the shop floor is becoming increasingly important for manufacturers and vendors, Kronos will need to demonstrate the value of its application in an increasingly competitive environment.

## **LEARN MORE**

---

### **Related Research**

- *Business Strategy: Know Your Enemies: IDC's EMEA Manufacturing Security Survey Results* (IDC Manufacturing Insights #MIVC01T, May 2011)
- *The Automotive Assembly Plant of the Future* (IDC Manufacturing Insights #MIOT57T, April 2011)
- *Taking Plant Floor Security Seriously* (IDC Manufacturing Insights #MIOT53T, April 2011)

- *Mastering Complexity, Driving Out Complication* (IDC Manufacturing Insights #MIVC58T, April 2011)
- *Best Practices: Lean Manufacturing and IT* (IDC Manufacturing Insights #AP9397207T, March 2011)
- *Active Decision-Making Environments* (IDC Manufacturing Insights #MIVC57T, March 2011)
- *EMEA Manufacturing Industry 2011 Top 10 Predictions* (IDC Manufacturing Insights #MIAS01T, January 2011)
- *Mobility: Plant Workers Untethered* (IDC Manufacturing Insights #MIVC60S, June 2010)

---

### **Copyright Notice**

Copyright 2011 IDC Manufacturing Insights. Reproduction without written permission is completely forbidden. External Publication of IDC Manufacturing Insights Information and Data: Any IDC Manufacturing Insights information that is to be used in advertising, press releases, or promotional materials requires prior written approval from the appropriate IDC Manufacturing Insights Vice President. A draft of the proposed document should accompany any such request. IDC Manufacturing Insights reserves the right to deny approval of external usage for any reason.