

ULTIMATE SOFTWARE CONCORD HOSPITALITY

ANALYST

Barbara Peck

THE BOTTOM LINE

Concord Hospitality Enterprises Company deployed Ultimate Software's Ultipro to replace a legacy system and centralize payroll activities for all locations. Nucleus found the project enabled the company to reduce technology costs, standardize processes and reporting, and significantly increase staff productivity.

ROI: **205%**

Payback: **6 months**

Average annual benefit: **\$1,300,568**

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THE COMPANY

Concord Hospitality Enterprises was founded in 1985 to develop and acquire high-end hotel properties and provide comprehensive hotel management services throughout the United States and Canada. Operating under brands such as Marriott, Hyatt, and Hilton, with 90 properties and more than 4,000 associates, it is headquartered in Raleigh, North Carolina. Concord Hospitality Enterprises was recently named "Best Workplace for Women and Millennials" by Fortune 100.

THE CHALLENGE

Rapid growth led Concord Hospitality Enterprises to a point where the existing Ceridian payroll system could not meet the needs of the company nor achieve the company's desire to become 100 percent paperless in support of the global sustainability initiative. Centralization of the function was essential to meet the

operational, reporting, and compliance challenges of a bi-national company. Concord recognized that to support its future growth and drive greater efficiency, it needed a singular solution that could support standardized processes while being flexible enough to adapt for future business needs.

**Cost : Benefit
Ratio | 1 : 3.0**

THE STRATEGY

The company began exploring potential solutions in early 2010 and interviewed vendors such as Ceridian, ADP, and Ultimate Software. Ultipro was selected and implementation began in January of 2011`.

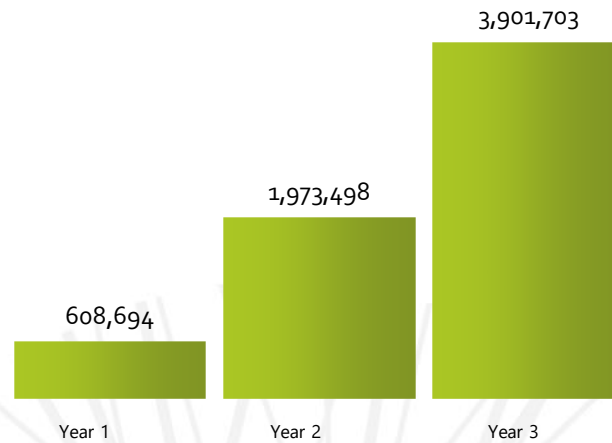
- **Cost.** Ultipro was the most cost-effective solution, and its predictable implementation process, reasonable subscription fees, and lack of disruption for the organization all factored in the decision.
- **Modern technology for HCM.** Assistant general managers are responsible for payroll activities, oversight, and employee interactions at the various locations. By replacing an aging legacy system, the Ultipro platform would greatly reduce the manual, time consuming administrative burden for HR and the on-site staff.
- **Operational efficiencies.** Ultipro would effectively eliminate an array of printing, filing, and other expenses for HR, managers, and employees. The integration of US and Canadian data was crucial for efficient and real-time data analytics across the company. The new solution also promised to streamline onboarding by automating required forms for new hires, sparing clerical workers significant aggregate time in processing these employees.

TYPES OF BENEFITS



Debra Punke, Senior Vice President of Human Capital for Concord, noted that the company was looking for a “hire to retire” solution. During implementation, multiple issues with tax reporting caused by the legacy program were identified, and additional staff was engaged to support resolution of this issue.

CUMULATIVE NET BENEFIT



KEY BENEFIT AREAS

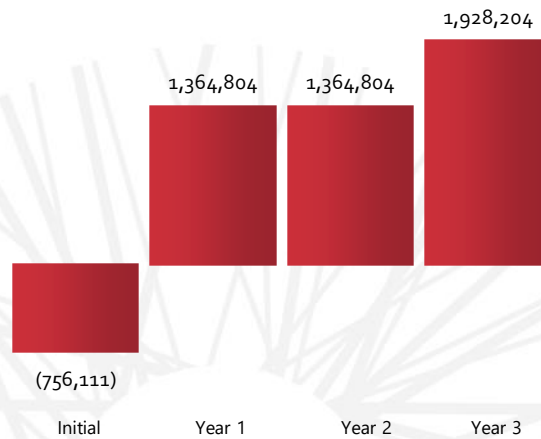
The deployment of Ultipro brought much-needed automation to payroll, and related activities now take far less time to complete

- Significant cost savings. Software costs per employee were reduced by 33 percent, while audit and accounting expenses were also reduced substantially. Elimination of I-9 (employment eligibility verification), filing, photocopying, and printing all supported the cost savings experienced. Concord Hospitality Enterprises was also able to eliminate the expense of vendor telephone support, included in the Ultipro subscription.
- Increased productivity. A typical assistant general manager previously spent a full day per week on payroll and employee issues. The automation delivered by Ultipro reduced this to one hour or less per week. Additionally, onboarding new hires was reduced from two-plus hours to less than thirty minutes. These savings enable the staff to focus on revenue-building activities such as sales and enhancing customer satisfaction.
- Improved HR reporting. With the previous solution, HR reporting was a tedious process. Manual workarounds weighed down on HR staff, who spent excessive time running necessary, routine, and recurring reports. With Ultipro, these frustrations have been alleviated and the time needed to complete the reports has decreased. Additionally, HR staff has gained previously unavailable insights into workforce trends allowing HR to become proactive, rather than reactive.

KEY COST AREAS

The primary costs of this project included a fee paid directly to Ultimate for Ultipro's implementation and on-going subscription fees. Costs of the project also included third party consulting, as well as later expenses for personnel to implement, train, and support the application.

NET CASH FLOWS



BEST PRACTICES

To scale for future growth, Concord Hospitality Enterprises was aware that the technology for its HR processes required modernization. The company determined that a new system was needed to deliver an automated process that could accommodate employees throughout the United States and Canada. Nucleus found that Concord sought a vendor with a similar culture that would integrate well with the company's processes. Nucleus also recognized the value of a dedicated point-person to manage the project, as a best practice solution to ensure the success of the deployment.

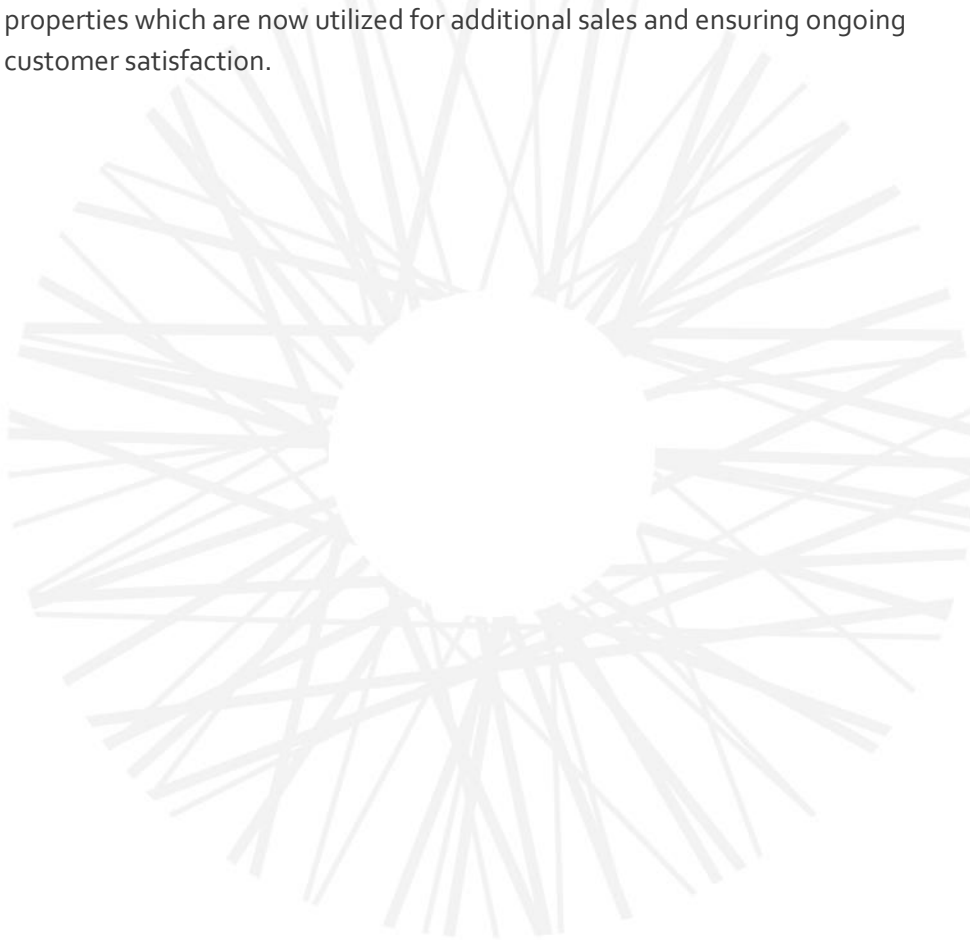
CALCULATING THE ROI

Nucleus quantified the initial and ongoing costs, over a 3-year period, of software license subscription fees, third party consulting, implementation costs, training, and the time it took personnel to implement and support the application.

Direct benefits quantified included the elimination of the previous payroll technology as well as reductions in accounting and auditing expenses. Savings

related to a reduction in the employer's payroll error rate were not quantified, but were experienced. Elimination of printing costs related to paychecks, employees' tax documents, additional clerical miscellany, verification of new hire eligibility, and vendor support calls were also factored in as direct benefits.

Indirect benefits quantified included increased productivity for assistant general managers, HR, and employees, all calculated based on the average annual fully loaded cost of an employee using a productivity correction factor to account for the inefficient transfer of time between time saved and additional time worked. Other indirect benefits included increased revenues achieved by time savings at the properties which are now utilized for additional sales and ensuring ongoing customer satisfaction.



FINANCIAL ANALYSIS

Ultimate Software - Ultipro

Annual ROI: 205%

Payback period: 0.6 years

BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	1,068,827	1,068,827	1,068,827
Indirect	0	871,943	871,943	871,943
Total per period	0	1,940,769	1,940,769	1,940,769

COSTS - CAPITALIZED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
Total per period	0	0	0	0

COSTS - DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
Total per period	0	0	0	0

COSTS - EXPENSED	Pre-start	Year 1	Year 2	Year 3
Software	240,000	504,000	504,000	0
Hardware	0	0	0	0
Consulting	225,000	0	0	0
Personnel	104,026	71,965	71,965	12,565
Training	33,508	0	0	0
Other	153,577	0	0	0
Total per period	756,111	575,965	575,965	12,565

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
All government taxes	45%			
Cost of capital	7.0%			
Net cash flow before taxes	(756,111)	1,364,804	1,364,804	1,928,204
Net cash flow after taxes	(415,861)	750,642	750,642	1,060,512
Annual ROI - direct and indirect benefits				205%
Annual ROI - direct benefits only				90%
Net Present Value (NPV)				1,807,008
Payback period				0.6 years
Average Annual Cost of Ownership				640,202
3-Year IRR				178%

All calculations are based on Nucleus Research's independent analysis of the expected costs and benefits associated with the solution.