



# ULTIMATE ULTI SMS EQUIPMENT

ANALYST

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## THE BOTTOM LINE

**SMS Equipment Inc. deployed UltiPro to replace an aging system for human capital management (HCM) that struggled to handle the company's increasingly complex needs.** By turning to Ultimate Software, SMS Equipment saved considerably on its subscription cost for HCM technology. Additionally, the employer experienced an array of gains in productivity in core HR, payroll, employee and manager self-service (ESS and MSS), performance management, and recruiting.

ROI: **109%**

Payback: **1 year**

Average annual benefit: **\$1,563,970**

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## THE COMPANY

Founded in 1986, SMS Equipment provides parts, rentals, service, and accessories for customers in the construction, forestry, mining, and road and mineral industries. With locations across Canada, it is the largest dealer of Komatsu equipment in North America. The company employs approximately 2,000 salaried and hourly staff.

## THE CHALLENGE

By 2011, largely because of its age, an ADP solution that SMS Equipment implemented and deployed in the previous decade had become a liability. Functionality across core HR and payroll was either nonexistent or weak. The result was a heavy administrative load that impeded productivity.

Cost : Benefit  
Ratio | **1 : 2.5**

Employees and managers companywide lacked access to information on the basics of their employment. Fielding related queries and dealing with frequent manual workarounds, staff in HR, payroll, and related roles couldn't carry out their work proactively. Their visibility into the workforce was minimal, and they lacked confidence in the accuracy of the data. A lack of automation left HR and payroll reporting not only limited in scope, but also time-consuming to carry out.

## THE STRATEGY

In summer 2012, SMS Equipment began to seek a replacement, investigating solutions from Ultimate competitors such as upgrading to ADP Workforce Now. Users of SMS Equipment's technology for enterprise resource planning (ERP) recommended a look at Ultimate. The team began evaluating Ultimate's demos in January 2013, and implementation of UltiPro began in May 2013. UltiPro offered more comprehensive HCM for a lower cost than ADP's proposed replacement.

### TYPES OF BENEFITS



Ultimate handled the two phases of implementation directly, first working on the employer's several West regions and, then, proceeding to the one East region. A group of five staff from HR, payroll, and benefits administration led the internal implementation team at SMS Equipment. During both phases, IT and additional HR staff assisted as needed. The first payroll on UltiPro ran in November 2013. This is when functionality for core HR and performance management also deployed. Recruiting went live in June 2015, in the employer's West region. Succession management is slated to go live in the future.

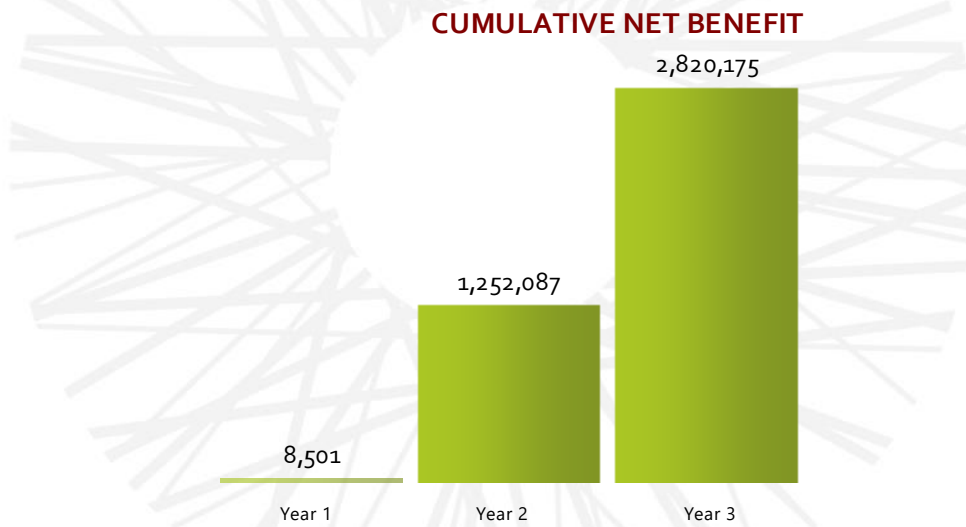
## KEY BENEFIT AREAS

This was a platform-to-platform rip-and-replace project. Key benefits included:

- Lower recurring costs for more functionality. UltiPro spans more HCM functionality than that of the previous ADP solution, which covered just core HR (including time and attendance) and payroll. Yet the software-as-a-service

(SaaS) subscription fee for UltiPro has been significantly less than the previous solution’s annual licensing and other recurring fees. In the second full year of UltiPro deployment, when recruiting went live and the employer began paying for succession management, the SaaS subscription fee for UltiPro was more than 25 percent less than the previous solution’s last full-year costs.

- Productivity gains companywide. Staff in HR, payroll, benefits, and recruiting saw significant gains in productivity. These came about as automation from UltiPro eliminated manual workarounds and introduced newfound efficiencies to workflow in these departments. In addition, managers and other salaried staff, as well as hourly-paid supervisors and their hourly staff, saved time with the new technology. Cumulatively, the effect has been considerable, gaining SMS Equipment yearly productivity gains equal to well over \$1M. In conducting reviews of employees’ performance, for example, managers and HR staff have seen a significant gain in productivity. In talent acquisition, another example, recruiters are saving approximately an hour of time per new hire.

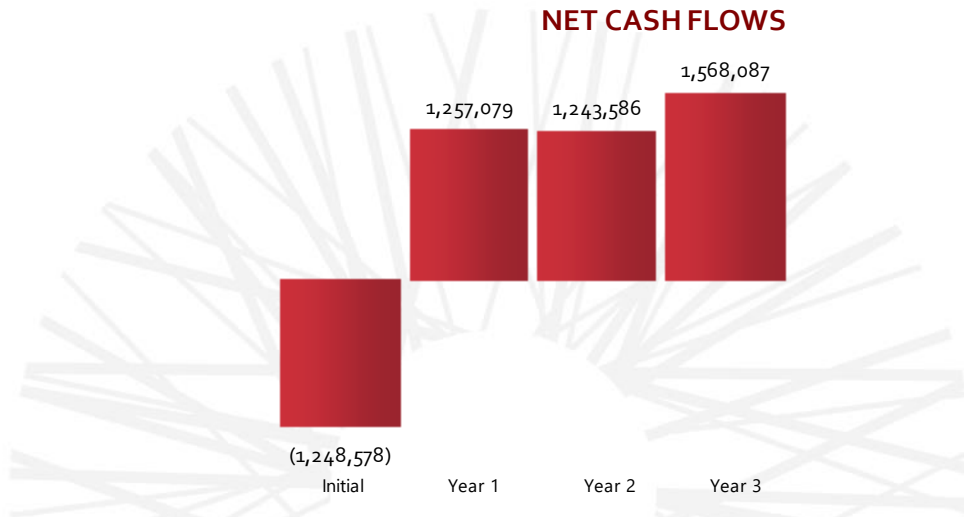


- Elimination of costs for printing and courier. Now that pay-related information is available to all employees for viewing in the new ESS, SMS Equipment has eliminated printing and courier fees for manually distributing pay stubs. Staff in HR, payroll, and elsewhere cumulatively saw a related time savings equivalent to nearly one-third of a year’s worth of work by one full-time team member.
- Improved processes. In addition to the financially quantifiable benefits captured in this analysis, SMS Equipment has seen vast improvements in various HCM-related processes. Reporting on business intelligence as it pertains to the workforce is far more advanced and accurate than it used to be. In-the-moment

adjustments to payroll are far easier to undertake. All this has freed associated staff to devote more time to more strategic activity in analytics and reporting.

## KEY COST AREAS

Costs of the project included annual software subscription fees, an implementation fee paid to Ultimate, labor expenditure at SMS Equipment, and travel for training. (Training itself is included at no additional cost in the Ultimate implementation fee.)



## BEST PRACTICES

In keeping with other deployments Nucleus has analyzed, SMS Equipment, too, ran payroll through UltiPro and the old system simultaneously before doing away with the outgoing ADP solution. Additionally, a test environment enabled the employer to thoroughly vet new UltiPro functionality ahead of deployment—making sure it worked perfectly before any glitch caused problems in real time. Notably, a test environment was unavailable to SMS Equipment from ADP. Nucleus’s analyses of the ROI of deployments in technology for HCM find test environments particularly critical for organizations that employ large numbers of people across many regions.

As SMS Equipment found in moving from an old solution to UltiPro, any system predating the era of modern technology for HCM—e.g., in the cloud, SaaS-delivered, unified applications for all functional areas—is a liability. Older technologies for HCM are incapable of adapting to today’s typical employer’s circumstances as UltiPro has, the findings here show.

## CALCULATING THE ROI

Nucleus quantified the initial and ongoing costs associated with implementation, software subscription, a test environment, itemized service requests for customized reports and other information, travel for employee training, and internal staff. Direct benefits quantified included the elimination of recurring costs associated with the solution that SMS Equipment replaced with UltiPro, and with printing and courier costs related to the elimination of hardcopy pay stubs and their distribution to staff. The indirect benefits quantified included increases in productivity for staff in HR, payroll, benefits administration, and recruiting, as well as for hourly and salaried managers and employees companywide. These productivity savings were quantified based on the average annual fully loaded cost of various roles at SMS Equipment. In making these calculations, Nucleus employed a correction factor to account for the inefficient transfer between time saved and additional time worked. This correction factor is a variable that hinges on the role of employee experiencing the gain in productivity and the type of impediment whose removal led to the gain.

# FINANCIAL ANALYSIS

## SMS Equipment Inc.

Annual ROI: 109%

Payback period: 1.0 years

BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	472,064	472,064	472,064
Indirect	0	1,087,464	1,092,231	1,096,023
<b>Total per period</b>	0	1,559,528	1,564,295	1,568,087

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
<b>Total per period</b>	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
<b>Total per period</b>	0	0	0	0

COSTS - EXPENSED	Pre-start	Year 1	Year 2	Year 3
Software	339,450	302,450	320,709	0
Hardware	0	0	0	0
Consulting	0	0	0	0
Personnel	556,433	0	0	0
Training	352,695	0	0	0
Other	0	0	0	0
<b>Total per period</b>	1,248,578	302,450	320,709	0

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
All government taxes	45%			
Cost of capital	7.0%			
Net cash flow before taxes	(1,248,578)	1,257,079	1,243,586	1,568,087
Net cash flow after taxes	(686,718)	691,393	683,972	862,448
<b>Annual ROI - direct and indirect benefits</b>				<b>109%</b>
Annual ROI - direct benefits only				21%
Net Present Value (NPV)				1,260,867
<b>Payback period</b>				<b>1.0 years</b>
Average Annual Cost of Ownership				623,912
3-Year IRR				89%

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