

ULTIMATE ULTI PRO PRIVATE HOLDING COMPANY

ANALYST

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THE BOTTOM LINE

Facing an upgrade of Oracle technology for human capital management (HCM), a holding company replaced the system with UltiPro. With UltiPro in place, the employer experienced a reduction in printing and mailing costs, a decrease in its payroll error rate, and gains in productivity across payroll, core HR, benefits administration, and recruiting.

ROI: **142%**

Payback: **6 months**

Average annual benefit: **\$3,737,466**

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THE COMPANY

With approximately 300 locations in the western United States, the organization is a privately held holding company of oil- and travel-related facilities together employing more than 5,000 staff.

THE CHALLENGE

In 2013, the organization faced an expensive upgrade of its legacy, Oracle-based technology for HCM. Concurrently, the employer was using a homegrown system for time and attendance at its fueling and convenience stores and Paychex to process payroll companywide. Union preferences at some of the subsidiaries had the employer using Kronos for time and attendance functionality where the homegrown system was not present. Problematic integrations between all these systems were causing difficult manual workarounds. Post-upgrade, the Oracle system would have enabled the employer to do away with Paychex and the homegrown system. It also would have

spanned additional areas of HCM immediately in need of attention at the organization. However, the resulting solution would have left the company with both cloud-based and on-premise functionality, an undesirable combination. Plus, challenging integrations with Kronos would have remained an issue.

Cost : Benefit Ratio | 1 : 2.6

THE STRATEGY

In mid-2013, the organization began an effort to overhaul its HCM system and quickly eliminated the Oracle upgrade from consideration. The employer later determined that neither Paychex nor Kronos provided the necessary simplicity, depth, or breadth. This led the company to UltiPro, which the employer chose for the following reasons:

- Cloud-based functionality for immediate needs. Out of the box, UltiPro was capable of providing the functionality the organization wanted right away: core HR, payroll, time and attendance, onboarding, and recruiting. Furthermore, with UltiPro being fully cloud-based and delivered via software-as-a-service (SaaS), the employer looked forward to moving on, finally, from on-premise functionality.
- Straightforward, less expensive implementation. The employer determined that UltiPro would be relatively straightforward to implement and less expensive than a redeployment of Oracle. Implementation and first-year costs for Oracle would have been 60 percent higher, whereas UltiPro would require no third-party consultants.
- Simplicity and flexibility. The organization wanted the flexibility to deploy succession planning and additional functionality later, and in UltiPro found a single suite covering all of HCM. In addition, the employer determined that UltiPro would readily integrate with Kronos where union obligations forced them to keep it.

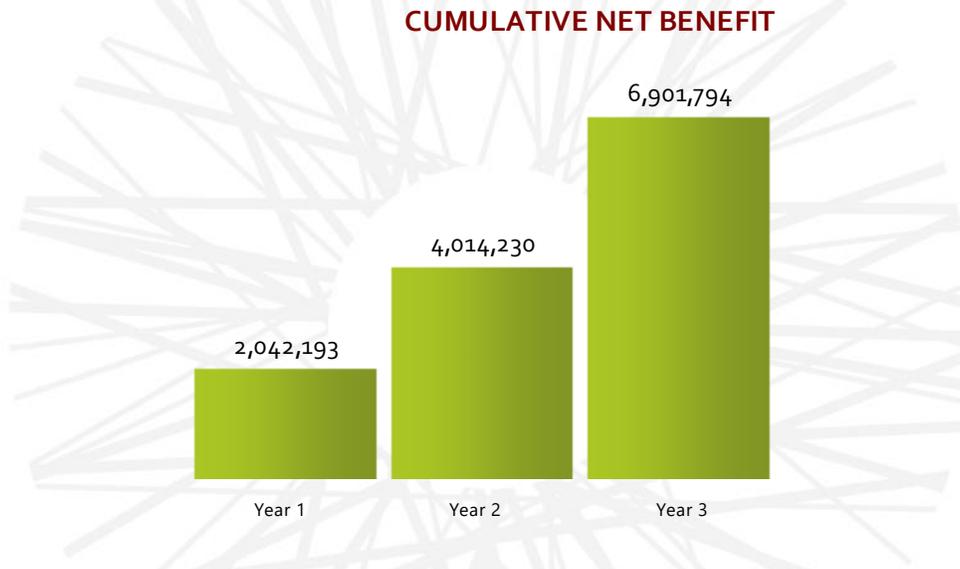
TYPES OF BENEFITS



The employer’s complex organizational structure necessitated a large internal team for implementation. Work began in March 2014. The chief human resources officer (CHRO) spent 100 percent of her time leading the effort. Supporting her were several staff members who spent anywhere from a portion to all of their time during implementation, depending on their role. At most of the subsidiaries, functionality for

core HR, time and attendance, payroll, onboarding, and recruiting was deployed in July 2014. Deployment at fueling and convenience stores occurred in September 2014.

Upon deployment, approximately 300 fueling and convenience store managers each spent a half hour training in the UltiPro recruiting module. All of the company’s more than 5,000 employees spent a half hour each training in UltiPro-based employee and manager self-service (ESS and MSS). Ongoing, an HRIS manager maintains UltiPro with the help of a time and attendance administrator, and the director of HR operations oversees their work. HR and payroll staff use UltiPro daily, as do store managers at the fueling and conveniences stores’ various locations for that subsidiary’s high-volume recruiting needs. Most of the rest of the organization’s employees use the system daily for HR-related self-service.



KEY BENEFIT AREAS

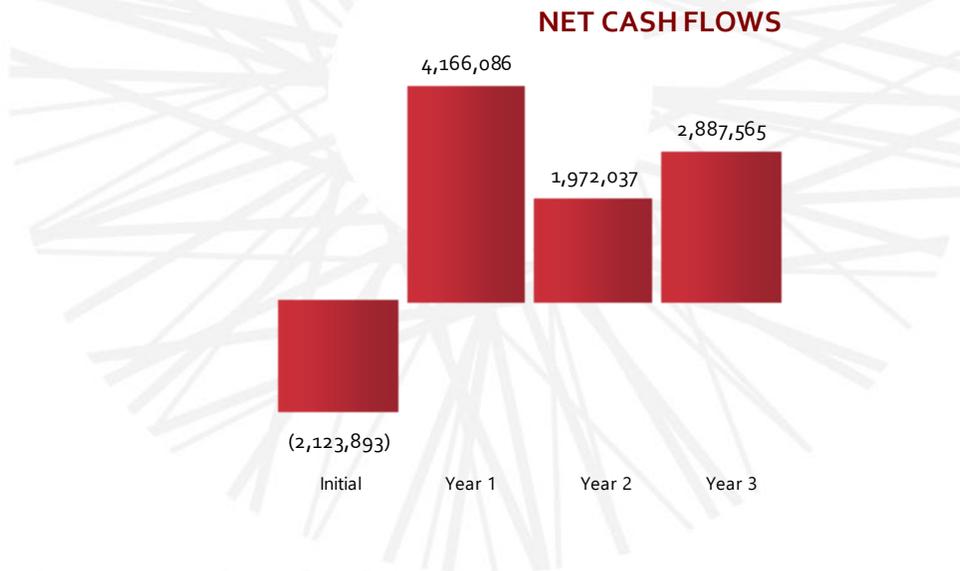
Deployment of UltiPro has helped the employer to reduce costs, and newfound efficiencies have improved workflow. Key benefits include:

- Improved productivity. Productivity has risen at the organization. A payroll manager now saves 10 percent of her time processing W-2 forms. Fueling and conveniences store managers have experienced a 17.5 percent productivity gain through automation of recruiting-related workflow. Benefits administrators save time in their everyday work and by no longer having to print and mail lengthy benefits packages to new employees during the fueling and conveniences stores’ peak hiring months. Through better ESS and MSS, staff companywide have saved time, translating to a significant aggregate productivity gain for the employer.

- Payroll consolidation. Previously, payroll was decentralized at the organization. The employer has since consolidated payroll processing at the parent company. This enabled the company to eliminate the previously necessary involvement of four controllers, who used to spend a significant amount of time processing payroll.
- Avoided and reduced costs. With UltiPro, the employer was able to reduce its payroll error rate and eliminate all costs associated with Oracle, as well as a SaaS subscription fee for Paychex. Additionally, printing and mailing costs have decreased through automation of activities related to benefits administration.

KEY COST AREAS

Primary costs of this project were the implementation and SaaS subscription fee for UltiPro. Additionally, for the complex needs of its fueling and convenience stores, the employer continues to pay a separate, monthly fee to Ultimate for a system test environment. Other expenses included internal personnel costs to implement, support, and maintain the new system. Ultimate does not charge for training, but the employer did incur labor costs to bring staff up to speed in how to use UltiPro.



BEST PRACTICES

During the exploration stage, the employer brought on an independent contractor to help in evaluating alternatives for a new HCM solution. Upon choosing UltiPro, the organization elected to hire this person full-time to be its first CHRO. To accommodate the complex needs of the employer’s fueling and convenience stores during implementation and post-deployment, the company worked with Ultimate to establish a testing environment that would enable the two organizations to fine-tune UltiPro’s effectiveness on an ongoing basis. Additionally, the employer tested UltiPro payroll

alongside the outgoing Paychex system's final two payroll runs. This helped the employer to identify any areas in need of attention before going live solely with UltiPro. Lastly, as mentioned, deployment of UltiPro enabled the organization to consolidate the payroll function, all of which is now processed through the parent company.

CALCULATING THE ROI

To calculate this employer's total investment in UltiPro, Nucleus quantified the initial and ongoing costs of software license subscription fees, implementation fees, and personnel time to implement, learn, support, and maintain the application.

Direct benefits quantified included avoided costs of implementing and maintaining the Oracle upgrade, which would otherwise have been required. Other direct benefits were reductions in payroll errors and in mailing and printing costs. Indirect benefits included productivity gains in ESS and MSS, core HR, benefits administration, and payroll. Productivity gains quantified were measured as time saved per employee and based on the fully loaded cost of a service representative, applying a correction factor to account for the inefficient transfer of time between hours saved and additional hours worked.

Not quantified were the future efficiencies and savings that the employer expects to experience as it eventually deploys additional functionality found in UltiPro.

FINANCIAL ANALYSIS

Anonymous Company

Annual ROI: 142%

Payback period: 0.5 years

BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	3,362,054	1,168,005	1,168,005
Indirect	0	1,838,112	1,838,112	1,838,112
Total per period	0	5,200,166	3,006,117	3,006,117

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	1,549,528	915,528	915,528	0
Hardware	0	0	0	0
Consulting	0	0	0	0
Personnel	475,612	118,552	118,552	118,552
Training	98,753	0	0	0
Other	0	0	0	0
Total per period	2,123,893	1,034,080	1,034,080	118,552

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
All government taxes	45%			
Cost of capital	7.0%			
Net cash flow before taxes	(2,123,893)	4,166,086	1,972,037	2,887,565
Net cash flow after taxes	(1,168,141)	2,291,347	1,084,620	1,588,161
Annual ROI - direct and indirect benefits				142%
Annual ROI - direct benefits only				55%
Net Present Value (NPV)				3,217,066
Payback period				0.5 years
Average Annual Cost of Ownership				1,436,868
3-Year IRR				154%

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