



**NUCLEUS
RESEARCH**

RESEARCH NOTE D67

ROI ANALYSIS YOU CAN TRUST™

ROI Case Study: Kronos Workforce Timekeeper Gorton's, Inc.

THE BOTTOM LINE

By upgrading to Kronos Workforce Timekeeper, Gorton's was able to improve the efficiency of its scheduling, auditing, and reporting functions. The organization's main returns have come through the increased productivity of its payroll, managerial, and technical staff.

ROI: 101%

Payback: 1 year

THE COMPANY

Gorton's, Inc. is a consumer packaged goods company specializing in seafood products since 1849. Gorton's is headquartered in Gloucester, Massachusetts, and is one of the most recognized names in the retail seafood industry.

THE CHALLENGE

Gorton's main facility in Gloucester, Massachusetts, had been using the Kronos Timekeeper Central solution to manage functions such as production scheduling, payroll reporting, and auditing. While Timekeeper Central supported the majority of the facility's labor management needs, Gorton's realized that there was an opportunity to increase the efficiency of certain processes by addressing the following aspects of the system:

- **Scheduling.** Plant managers needed timely access to updated labor information in order to ensure that plants were adequately staffed to meet production targets. While scheduling was possible with the existing system, this task consumed significant personnel time — taking up to two days when several hundred employees had to be scheduled.
- **Auditing.** Supervisors and managers needed advanced capabilities for reviewing schedules in order to track and regulate unplanned overtime. In addition, they needed a way to verify whether past staffing decisions had been authorized by the appropriate personnel.
- **Intuitiveness.** Many Gorton's employees accessed Timekeeper Central only occasionally. Because returning users would not always remember how to use the system, it was important that the solution provide familiar interfaces and features that infrequent users could quickly grasp and utilize.

Gorton's realized that it needed to provide its users with enhanced and easy-to-use functionality for supporting the improved execution of scheduling, auditing, and other tasks that contributed to the effective operation of different plants.

THE STRATEGY

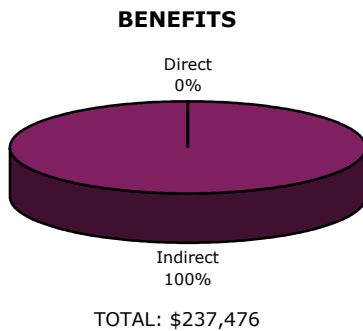
In April 2002, Gorton's began considering a migration to the Kronos Workforce Timekeeper solution that was due to be released. The

organization closely reviewed various features of the new product and eventually decided to upgrade to Workforce Timekeeper for the following reasons:

- Workforce Timekeeper incorporated advanced scheduling functionality.
- The solution possessed increased capabilities for configuration.
- Workforce Timekeeper was a Web-based solution with a faster response time than the client-server-based Timekeeper Central.
- The tool's ability to push alerts out to employees with scheduling responsibilities would be of significant value to managers.

In July 2002, the organization began planning its upgrade to Workforce Timekeeper with the help of Kronos consultants, an internal database administrator, and one business systems employee. The project team worked on conducting a test conversion of the product and was ready to go into production by the beginning of August.

To ensure smooth user adoption of the upgraded system, Gorton's decided to complete all product-related training before rolling out Workforce Timekeeper. As part of the training program, three super users from Gorton's attended a 3-day course covering the solution's functionality, reporting capabilities, and ongoing support and maintenance requirements. In addition to super-user training, 11 employees received an hour-long training session that covered the new look and feel and upgraded features in Workforce Timekeeper.



KEY BENEFIT AREAS

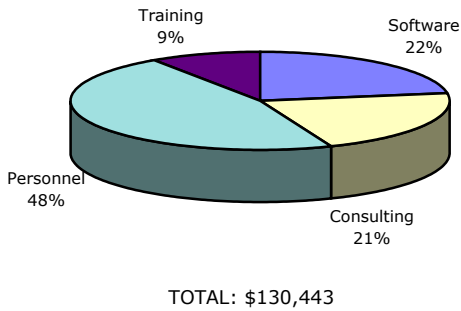
Upgrading to Workforce Timekeeper has increased the efficiency of various labor management functions at Gorton's while simplifying the task of ongoing solution maintenance. Key benefits from the solution include the following:

- Reduced time spent on scheduling. Using Workforce Timekeeper, plant managers and administrators are able to complete labor scheduling in a third of the time it used to take, increasing productivity and ensuring that production targets are met.
- Increased productivity of payroll staff. Personnel in the payroll department can now quickly review requests for paid time off, automatically generate weekly payroll reports, and speedily rectify errors in the entry of employee time — resulting in a significant time savings while reducing the cycle time for the processing of requests.
- Increased productivity of IT staff. With Workforce Timekeeper, IT staff no longer have to travel to multiple locations and complete client installations on each and every PC that needs to be upgraded or set up.

KEY COST AREAS

Key costs areas were personnel, software, consulting, and training. Personnel made up the largest cost category, accounting for 48 percent of total project costs. Software costs made up 22 percent of the organization's investment in the upgrade. Gorton's engaged

COSTS



consultants from Kronos to help develop, test, and deploy the solution, and consulting was the third-largest expense to Gorton's. Training provided to various users and super users at the organization constituted the remainder of project costs.

LESSONS LEARNED

In the final stages of its migration to the Workforce Timekeeper solution, Gorton's was conducting its software and database conversion simultaneously — undertaking a two-step process at once. Gorton's found that the key to the smooth completion of such an upgrade was ensuring that the required hardware components and other resources were readily available so as not to slow down the test system and delay the rollout. In particular, Gorton's found that the ability of Kronos to anticipate the requirements for the upgrade process contributed to speedy implementation.

In addition, Gorton's staff have found that they can derive value from the Workforce Timekeeper solution not only by using its increased capabilities for performing routine functions such as scheduling and auditing, but also by actively using the technology for performing in-depth analyses of such aspects of the business as payroll and labor costs.

CALCULATING THE ROI

Nucleus quantified the costs of software, consulting, personnel, and training over a 3-year period to quantify Gorton's total investment in the Workforce Timekeeper solution. The organization's main returns have come through the increased productivity of payroll staff, plant managers, and IT personnel. Indirect benefits including increased productivity of employees were calculated based on the average fully loaded cost of employees. Time savings associated with reduced time spent on scheduling, auditing, and other tasks were multiplied by a productivity correction factor to account for the inefficient transfer of time from time saved to additional time worked.

SUMMARY

Project:	Kronos Workforce Timekeeper
Annual return on investment (ROI)	101%
Payback period (years)	0.99
Net present value (NPV)	34,394
Average yearly cost of ownership	43,481

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	0	0	0
Indirect	0	79,159	79,159	79,159
Total Benefits per Period	0	79,159	79,159	79,159

DEPRECIATED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Total per Period	0	0	0	0

DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Total per Period	0	0	0	0

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	0	9,750	9,750	9,750
Hardware	0	0	0	0
Consulting	28,000	0	0	0
Personnel	12,840	16,050	16,050	16,050
Training	12,203	0	0	0
Other	0	0	0	0
Total per Period	53,043	25,800	25,800	25,800

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
Net cash flow before taxes		53,359	53,359	53,359
Net cash flow after taxes		26,679	26,679	26,679
Annual ROI - direct and indirect benefits				101%
Annual ROI - direct benefits only				-49%
Net present value (NPV)				34,394
Payback (years)	0.99			
Average annual cost of ownership		78,843	52,321	43,481
3-year cumulative ROI	130%			
3-year IRR	85%			

FINANCIAL ASSUMPTIONS

All government taxes	50%
Discount rate	15%

All calculations are based on Nucleus Research's independent analysis of the expected costs and benefits associated with the application profiled in the accompanying case. Financial modeling tool, format, and methodology copyright Nucleus Research Inc., all rights reserved.