



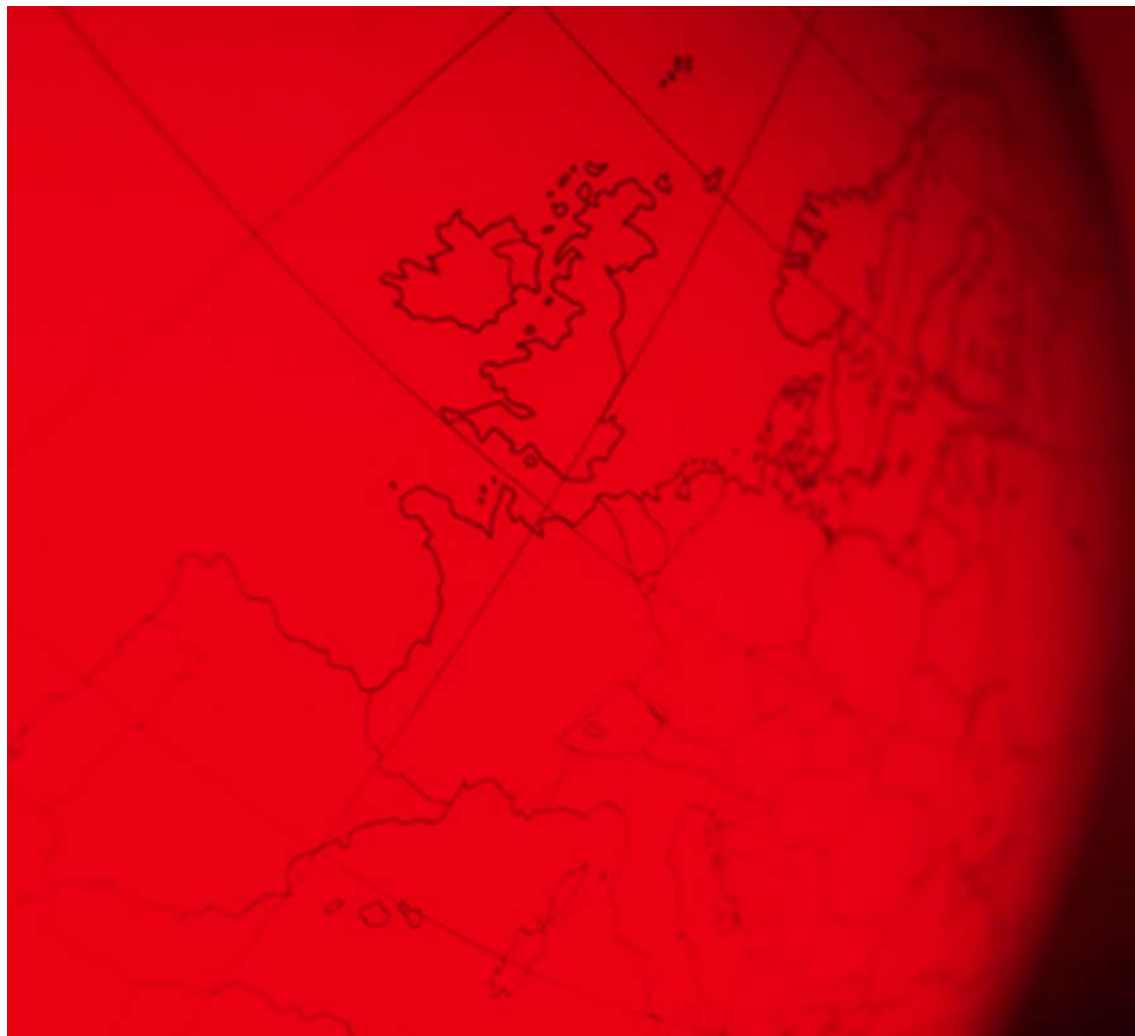
NUCLEUS
RESEARCH

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REPORT

EXTEND THE VALUE OF ORACLE TO LABOR MANAGEMENT



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THE BOTTOM LINE

Most companies have pay rule environments with some complexity, such as multiple states and shift differentials or collective bargaining agreements. Nucleus found such companies achieve a greater ROI by adopting Kronos rather than Oracle products for time and attendance management because they can deploy faster, better reduce their payroll error rate, and reduce application costs.

SITUATION

For most companies, there are a number of reasons to consider automating their time and attendance functions:

- Complexity. In order to accurately complete time and attendance tasks, managers need to track — for a large number of employees — complex variables including hours worked, wage rates, pay rules, and leave time (such as sick days and vacation time).
- Payroll inflation. Because of the complexity of time and attendance tasks, manual systems are vulnerable to costly employee fraud and errors such as buddy punching or extra sick or leave days that are incorrectly given because managers are overloaded with work-rule complexity and attendance data.
- Productivity. In the absence of automation, time and attendance and payroll functions are labor intensive and costly. Employees must fill out time sheets that are then collected and re-keyed by payroll clerks into a payroll system so that checks can be cut.
- Compliance. Most work environments are subject to rules arising from collective bargaining agreements and state, local, or federal regulations. Achieving and documenting compliance is both difficult and time consuming, and noncompliance can result in costly penalties.

In selecting a vendor for the automation of time and attendance functions, companies often face a choice between deploying a new, best-of-breed solution that is specially built for time and attendance functionality or extending their existing ERP system to employees whose time will be tracked. Companies, and in particular CFOs, often view extension of an ERP system to be a low-cost option, since most of the deployment costs have already been incurred. Additionally, ERP vendors such as SAP and Oracle often propose extending their ERP deployments at little or no additional cost. Deploying a new, best-of-breed time and attendance application such as Kronos is often viewed as the more costly route, since it involves a new software purchase and deployment.

Over the course of analyzing numerous deployments of time and attendance systems, Nucleus Research has learned that many companies with ERP deployments also have deployments of best-of-breed time and attendance solutions. In order to learn why companies choose a solution such as Kronos when automating time and attendance, Nucleus analyzed companies that chose to adopt Kronos rather than extend their Oracle deployments with a time and attendance solution from Oracle, PeopleSoft, or JD Edwards. Companies analyzed in this report include Foster Wheeler, Chester County PA, Brigham Young University, Genesis Healthcare, Five Star Quality Care, and Dresser Rand.

TOPICSEmployee Management
Applications

Enterprise Applications

WHY COMPANIES CHOOSE KRONOS OVER ORACLE

Nucleus found that using Kronos to automate time and attendance workflows rather than Oracle products translated into a number of key returns involving lower software costs, better data acquisition, and less customization. In fact, Nucleus found that Oracle users tended to adopt Kronos as a way to extend their ERP platform to time and attendance functions and leverage more value from their original investment in Oracle products.

Specific benefits from using Kronos as either an alternative to Oracle or an extension of it included:

- Greater payroll reduction
- Lower overall costs
- Faster time to deployment
- Improved productivity
- Better data acquisition
- Better reporting
- Lower training costs.

Greater payroll reduction

A major factor in companies' selection of Kronos rather than Oracle was Kronos's rule management capabilities, which significantly increases a company's ability to achieve ROI by reducing payroll error. Rules management is important because every workplace is subject to rules from a wide variety of sources — including collective-bargaining agreements as well as federal, state, and local laws — that determine how each employee should be paid for the time they've worked. Because Nucleus has found the average company without automated time and attendance overpays its employees by an average of 1.2 percent and companies that deploy an automated time and attendance system tend to substantially reduce this cost, the more accurately and readily pay rules are programmed into the system, the higher the cost savings from a time and attendance deployment will be.

Given most companies' complex payroll environments, the more complexity a time and attendance management system can handle, the greater the reduction in payroll error.

Better rules management also reduces the costs of both initially deploying a time and labor management system and subsequently managing rules after it is deployed.

Companies tend to select Kronos because it not only enables non-technical payroll staff to set the pay rules in the solution — even during the initial deployment — but it also can accurately handle relatively high levels of rule-environment complexity. For example, if a company were to conclude annual renegotiations of one of several union agreements, the payroll calculator in Kronos could be readily reprogrammed by a member of the payroll department, regardless of the number and complexity of changes that needed to be made to variables such as shift differentials, seniority, tardiness penalties, sick days, overtime rates, holidays, or legal regulations.

Kronos customers are able to rapidly configure Kronos for their complex pay rule environments:

- *"The main reason we went with Kronos is that there was so much more flexibility there to define exactly what pay rules will be applied to every hour we pay for."*
- *"Going with Kronos was driven by the fact that in our institutions site managers needed a physical time clock with biometrics to prevent buddy punching."*
- *"PeopleSoft would have required a lot of custom code development in order to accommodate our rules environment. In fact, it would have required about three developer-years worth of work, with no guarantee that we'd get it right."*
- *"We're reducing payroll not by attacking payroll error, but using the work-volume information from Kronos Activities to fine tune how many people we have working, and where, at any given time."*

The benefit of calculating pay accurately despite a complex pay rule environment has benefits that go beyond reductions to payroll error. When companies make fewer payroll mistakes, it improves morale, reduces rework costs, and improves union relationships. One customer said, *"30 percent of our workforce is union. So if we have a widespread payroll error, we're going to hear about it in the next round of negotiations and it will hurt us."* Another customer said, *"Getting payroll right has a retention benefit. We have to avoid payroll errors because even if there are only one or two errors, nurses will start job searching, and they are really difficult to replace."*

Lower overall costs

When selling their ERP systems, vendors often sell multiple components as part of one contract and market the add-ons as additional value for free. This tactic is pursued in order to accelerate sales cycles, drive up adoption, and disrupt the sales efforts of best-of-breed vendors. Nucleus finds that there are often problems with the free software offered by ERP vendors — it either never gets deployed or is deployed only after lengthy delays, extensive customization, or expensive code development.

Companies deciding whether to use Kronos or Oracle should be careful to consider the hidden development and customization costs of "free" software offered by ERP vendors.

The customers who stated that Kronos's capacity for rule environment complexity was a factor in selecting Kronos also said the extensive customization and consulting costs required to deploy Oracle was an important factor. These customers pointed out that any customization in Oracle requires custom code development by Oracle DBAs. Additionally, once such custom code is deployed, it is costly to upgrade, modify, and maintain.

In addition to ease of configuration, customers readily identified features and functionality that enabled them to minimize deployment and operating costs:

- *"It's easier to set up security in Kronos. We need to make sure that only certain employees can see the pay rates of other employees. Our IT group*

wasn't sure if we could do this in JD Edwards, or how much this would cost to create with customization."

- *"If we had programmed all our rules with custom code in PeopleSoft, every modification and upgrade would have been complex. We would have had to set aside one FTE just for all this maintenance."*
- *"One reason for going with Kronos was centrality. All our sites live in one database. Before the deployment, they each had their own, and some employees were in more than one database. The non-Kronos vendors weren't pitching this functionality."*
- *"Kronos is one of the approved PeopleSoft providers. So we knew there would be lower deployment and integration costs."*

Faster time to deployment

Using Oracle or PeopleSoft to acquire time and attendance data requires extending ERP — and all its complexity — to all of the departments and people whose time and attendance will be recorded. This can be a significant and costly undertaking, involving developers, architects, consultants, and departments other than personnel or payroll.

All of this adds up to inflexibility and complexity that lengthens and complicates a time and attendance deployment if a company selects Oracle as its vendor. ERP deployments are often multi-year projects, whereas Kronos deployments typically take less than a year. This means choosing to get time and attendance functionality from a multi-year Oracle deployment can be a costly decision for a CFO. For example, if a company with a \$10 million payroll delays reduction to a payroll error rate of 1.2 percent for just six months, potential savings of \$60,000 would be lost.

Because payroll is typically a company's largest cost, even a month's delay in automating time and attendance can have a significant impact on the bottom line.

The complexity of Oracle also makes a company's payroll department highly reliant on IT staff, Oracle DBAs, or consultants for tactical tasks such as adding functionality or accommodating changes in pay rules. Because Kronos enables rules configuration by non-technical members of a payroll department and its functionality is far more focused, its deployments are narrower in scope and complexity. Companies found that this minimizes customization, code development, and the involvement of departments other than personnel. As one customer said, *"Kronos was easy to implement. Kronos services did pretty much everything including configuration and setting up the database. They did this in two days and we didn't have to involve any internal resources, which are really scarce."*

Improved productivity

When selecting a time and attendance system, companies need a solution that will not interfere with or complicate workers' productivity. Because Oracle and PeopleSoft were designed for largely white-collar workforces, they are not readily configured for capturing time-related data for workers' arrivals, breaks, departures, and changes from one activity or work category to another. Oracle also lacks point

solutions for leave management, absence tracking, and scheduling. As a result, companies tend to turn to Kronos for productivity-improving applications for these aspects of HR:

- *"We wanted our nurse managers to spend less time on scheduling, and Kronos has a dedicated module for that. PeopleSoft doesn't."*
- *"Before, our workers' activity had to be manually keyed into Microsoft Access databases. Now it just goes into our database, and analytics, from the Kronos-built kiosk."*

Better data acquisition

Companies that use Kronos say that it is easier to gather data than it would have been with Oracle, and that they are able to acquire more data of a higher quality. Kronos acquires data through lightweight, small, and easily-deployed bar code scanners, biometric readers, and purpose-built kiosks. This means that more of them can be deployed at more work areas than would be possible with the PC-based Oracle system. Additionally, because Kronos time clocks are easily customized to refine the data they capture, companies have a great deal of flexibility in determining what time and attendance data points will be gathered.

Companies regard Kronos as such an effective way to collect data that it is often viewed as an ERP complement that can be used to extend the value of existing investments in PeopleSoft or Oracle:

- *"We use Kronos to collect and store data — the way we configure it — and then Kronos Connect is the tool that transfers the data from the Kronos database to the PeopleSoft payroll system."*
- *"We use Kronos to acquire time and attendance data at all our locations so that we can import it to PeopleSoft and JD Edwards."*
- *"Kronos helped us build a kiosk that gathers both attendance data as well as work-volume data from employees. This enables us to get more metrics on more of the activities that we want to model for scheduling purposes."*
- *"We use a touch screen built by Kronos instead of clocks. This is how employees record how much time they work on particular activities or in a department. So we're getting very granular data about where our labor costs are. Oracle doesn't have functionality for scheduling or activities recording."*

Better reporting

Kronos has predefined and end-user driven reporting capabilities that gives companies more flexibility in creating the reports they need with less time spent by Oracle DBAs, developers, or report builders. Companies readily identified the benefits of reporting and analysis enabled by Kronos:

- *"We're using Kronos Visonware for a lot of labor analytics. We use its standardized reports, as well as some Crystal Reports. We're also integrating Kronos with Cognos. The whole objective here is to understand volume so that we neither understaff nor overstaff."*
- *"Because we are gathering so much work-volume data using Kronos's activities application, we have much better work-volume visibility, which helps us schedule better and avoid both understaffing or overstaffing."*

Lower training costs

Because the features and functionality in Kronos are tightly focused on time and attendance, it is far easier to learn to use than time and attendance from Oracle or PeopleSoft, which are designed for technologically sophisticated users and require far more training. One end user said, *"There was basically no training. People access it through a browser and a touch screen, so we didn't have to teach them how."*

CONCLUSION

When selecting a time and attendance vendor, companies should be aware that they can earn a higher ROI as a result of better rules management, lower software costs, and faster deployment by adopting a time and attendance solution from Kronos rather than one offered by Oracle. In fact, companies should consider Kronos as a complement that can extend the value of an existing Oracle investment by gathering labor-related data that can then be utilized by HR and payroll-related applications from JD Edwards, PeopleSoft, or Oracle, as well as business intelligence (BI) applications that can create labor analytics.

Nucleus Research is a global provider of investigative technology research and advisory services. Building on its unique ROI case study approach, for nearly a decade Nucleus Research has delivered insight and analysis on the true value of technology and strategies for maximizing current investments and exploiting new technology opportunities. For more information or a list of services, visit NucleusResearch.com, call +1-617-720-2000, or e-mail info@NucleusResearch.com.