

ULTIMATE ULTI PRO NEBRASKA FURNITURE MART

ANALYST

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THE BOTTOM LINE

Nebraska Furniture Mart deployed Ultimate Software's UltiPro to replace an inefficient, legacy solution from ADP for human capital management (HCM). With UltiPro, the employer gained a fully integrated cloud-based technology. Nucleus's analysis found that UltiPro-based functionality across a broad cross-section of HCM has brought Nebraska Furniture Mart an array of productivity gains and a significant return on investment (ROI).

ROI: **158%**

Payback: **9.6 months**

Average annual benefit: **\$1,473,128**

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THE COMPANY

Nebraska Furniture Mart was founded in 1937 in Omaha, Nebraska, by Rose Blumkin, a Russian refugee who believed that selling could be done with quality furniture and personal integrity. Since then, the operation has grown to a total of four stores, with the other three in Iowa, Kansas, and a recently opened location in Texas. Nebraska Furniture Mart is the largest furniture retailer in each of its markets. The company currently employs more than 5,000 people. Omaha investor Warren Buffett (owner of Berkshire Hathaway) owns a majority stake in Nebraska Furniture Mart.

THE CHALLENGE

In 2011 Nebraska Furniture Mart recognized the administrative burden of working with an inefficient ADP-based system for payroll and other various aspects of HCM that

were struggling to deliver a cohesive user experience. Additional issues developed as upgrades failed to meet expectations. These circumstances threatened to impede the HR department's ability to scale to company growth, which was poised to spike with the opening of a new store, in Texas. To meet the requirements for an expanding workforce, a new solution had to be scalable and flexible.

**Cost : Benefit
Ratio | 1 : 2.1**

THE STRATEGY

In late 2012 Nebraska Furniture Mart initiated a search for a single provider with a fully integrated platform providing a wide breadth of HCM functionality. Several vendors were investigated, including ADP, Ceridian, and Spectrum. Ultipro was selected. Implementation began in April of 2013, and in October core HR, recruiting and onboarding deployed. Functionality for performance management deployed later, with Nebraska Furniture Mart's sales group being last to migrate.

In choosing Ultipro, the employer expected to see its situation improve in a number of ways, including:

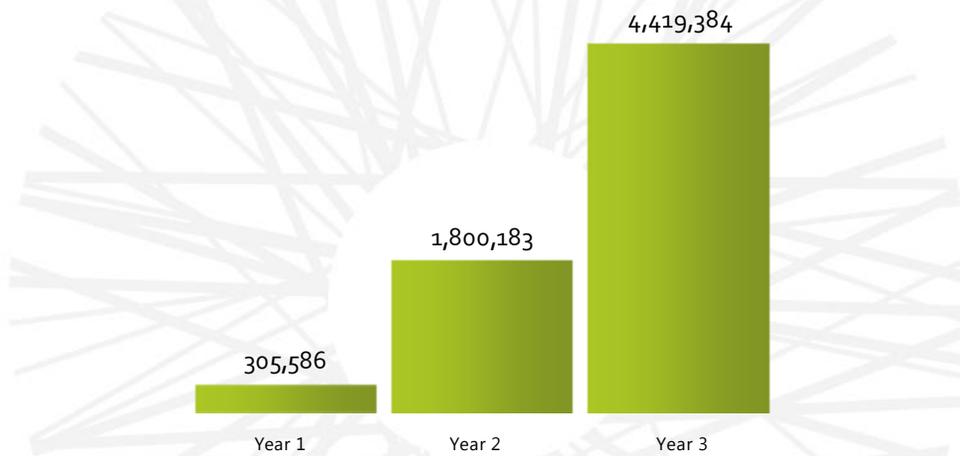
- Modern technology for HCM. By replacing an aging, legacy solution, UltiPro promised to drastically reduce a debilitating, error-prone administrative burden for HCM, broaden functionality, and streamline workflow to improve the productivity of managers, sales staff, and HR.
- Operational efficiencies. In performance management, for instance, UltiPro would effectively eliminate an array of printing expenses for HR, managers and employees. The new solution also promised to streamline onboarding by automating required forms for new hires, sparing clerical workers significant aggregate time in processing these. UltiPro would bring efficiencies to annual open enrollment for employee benefits, as well.
- Affordable, predictable implementation. To remain with ADP, Nebraska Furniture Mart faced a required upgrade whose implementation cost and subscription fee were difficult to justify given that functionality after that deployment was likely to remain suboptimal. Furthermore, compared to UltiPro, the ADP upgrade promised to be complicated.

TYPES OF BENEFITS



Jody Shipley, HR manager for Nebraska Furniture Mart – and the internal lead for implementation – noted that the deployment went smoothly. During implementation, she and an HRIS analyst, as well as a payroll manager, spent a large portion of their time carrying it out. A benefits manager contributed significant time, too. Once deployed, the system required minimal training. To gain a basic understanding of the system within the company, a group of managers viewed a related webinar.

CUMULATIVE NET BENEFIT



KEY BENEFIT AREAS

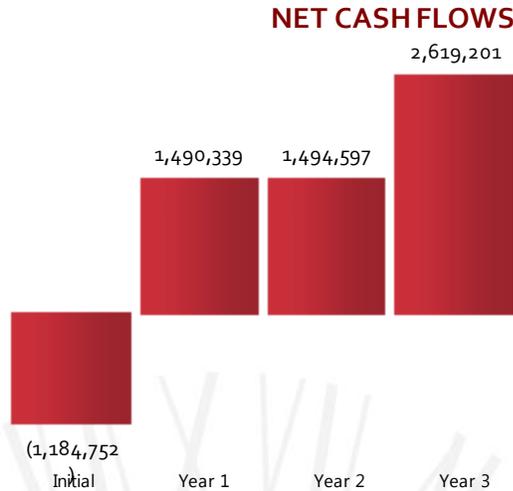
Direct cost savings have been achieved, and productivity gains have been notable. The deployment of UltiPro brought single platform integration to Nebraska Furniture Mart’s HR group. Newfound efficiencies and productivity now permeate payroll, other elements of core HR, recruiting, onboarding and performance management. Members of HR staff now have the time and capability to analyze current data and focus on staffing, to become more strategic. Key benefits included:

- **Value.** The additional flexibility and functionality gained through UltiPro, combined with operational savings, has brought considerable value. Deployment of Ultipro also avoided the costs associated with an upcoming, otherwise necessary upgrade of the ADP system.

- Decreased payroll error rate. ADP-necessitated workflow and processes proved difficult to manage. Following deployment of UltiPro, Nebraska Furniture Mart's payroll error rate was therefore reduced, bringing additional direct savings to the firm. As the staff responsible for managing payroll became more efficient, a productivity improvement was noted as the administrative burden of correcting errors and contending with issues related to employment law diminished.
- Productivity. Processes have been streamlined across all areas of HCM where UltiPro has been deployed, increasing efficiencies. This has improved productivity – by 30 percent in onboarding, for instance. Managers are able to complete performance reviews more quickly – and make them more relevant to employees. Automation and improved functionality for employee self-service have reduced the time necessary to conduct annual open enrollment and to onboard new hires.
- Avoided printing costs. UltiPro immediately streamlined and automated HR processes, creating savings by virtually eliminating related printing costs. For example, prior to deployment, each new hire had to receive and individually sign several company-required policy forms, and return them to HR. With the significant uptick in hiring to staff a new location, in Texas, the resulting savings were considerable. Furthermore, by bringing the performance management process under more capable technology, the employer saved nearly 100 percent of costs on cumbersome quarterly and annual printing, too.
- Improved HR reporting. Analytics were challenging to unearth with the outgoing system. With UltiPro's deployment, HR staff has gained previously unavailable insight into workforce trends, helping the department to identify developments in the employer's workforce and plan accordingly.

KEY COST AREAS

The primary costs of this project are the software subscription fees paid to Ultimate for UltiPro. Additional expenses include the personnel costs to support and maintain the system and staff training to fully utilize the software. Ultimate does not charge for training, but Nucleus factored in the time that employees spent learning UltiPro.



BEST PRACTICES

To scale for future growth, Nebraska Furniture Mart was aware that the technology for its HR processes required modernization. The employer determined that a new system, in order to be considered, needed to resolve issues that had continually dogged HR staff. Nucleus’s analyses into scenarios such as this have found that the ROI potential is great when an older solution is replaced with modern technology for HCM. Employers tend to experience significant gains in productivity once they turn to cloud-based, integrated, automated HCM solutions, such as UltiPro (Nucleus Research *q9 – Ultimate Software UltiPro ROI case study – Warren Equipment Company*, January 2016). Furthermore, the experience of Nebraska Furniture Mart underscores Nucleus’s research showing Ultimate’s customers to be highly satisfied with UltiPro (Nucleus Research *p150 – Anatomy of a decision – Ultimate Software UltiPro*, August 2015).

CALCULATING THE ROI

To calculate Nebraska Furniture Mart’s total investment in UltiPro, Nucleus quantified the initial and ongoing costs, over a 3-year period, of software license subscription fees, the time it took personnel to implement and support the application, and employee training.

Direct benefits quantified included costs associated with eliminating the legacy ADP solution and implementing the otherwise required ADP upgrade. Following deployment of UltiPro, the reduction in payroll errors was also a direct benefit. Finally, dramatic reductions in paper and printing costs had a direct impact on the ROI. Indirect benefits quantified included improvement across most aspects of HCM, such as a streamlined annual open enrollment, improved productivity for managers conducting performance management, newfound efficiencies in the payroll process, and a better

system for onboarding new hires. Increases in productivity were measured as the time saved per employee and based on the fully loaded cost of a service representative, with a correction factor.

Not quantified are the additional efficiencies and savings that Nebraska Furniture Mart will likely gain as the company deploys additional functionality, such as succession management, found in UltiPro.



FINANCIAL ANALYSIS

Nebraska Furniture Mart

Annual ROI: 158%

Payback period: 0.8 years

BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	2,214,005	2,214,005	2,214,005
Indirect	0	547,199	551,457	554,012
Total per period	0	2,761,204	2,765,462	2,768,017

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	1,060,275	1,122,050	1,122,050	0
Hardware	0	0	0	0
Consulting	0	0	0	0
Personnel	124,080	148,816	148,816	148,816
Training	397	0	0	0
Other	0	0	0	0
Total per period	1,184,752	1,270,866	1,270,866	148,816

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
All government taxes	45%			
Cost of capital	7.0%			
Net cash flow before taxes	(1,184,752)	1,490,339	1,494,597	2,619,201
Net cash flow after taxes	(651,614)	819,686	822,028	1,440,561
Annual ROI - direct and indirect benefits				158%
Annual ROI - direct benefits only				111%
Net Present Value (NPV)				2,008,366
Payback period				0.8 years
Average Annual Cost of Ownership				1,291,767
3-Year IRR				125%

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