ULTIMATE ULTIPRO WARREN EQUIPMENT COMPANY

ANALYST
Brent Skinner

THE BOTTOM LINE

Dealing in the sales and maintenance of construction equipment, Warren Equipment Company turned to Ultimate Software to replace ADP for payroll, core HR, and an applicant tracking system (ATS). By displacing ADP Enterprise Platform 3 with UltiPro, the employer also gained additional functionality across a wide breadth of human capital management (HCM). Warren Equipment Company realized a significant return on investment (ROI) through a decrease in its payroll error rates, and considerable improvements in efficiency and employee participation in the process across a broad cross-section of HCM.

ROI: **188%**
Payback: **7.2 months**
Average annual benefit: **$842,384**

•••

THE COMPANY

Founded in 1971, Texas-headquartered Warren Equipment Company is parent to four companies: Warren CAT, Ignition Systems & Controls, SITECH Texoma, and Perkins South Plains. Together, these organizations employ more than 1,350 in staff. A sizeable number of these employees are non-exempt. Previously a user of ADP Enterprise Platform 3, Warren Equipment Company needed more functionality across a wider breadth of HCM and, in general, modern technology where ADP's product was making the company's HCM-related operations difficult. These

challenges led Warren Equipment Company to Ultimate Software and the vendor's suite, UltiPro, choosing it over competition from Workday and Oracle.

THE CHALLENGE

The ADP solution that Warren Equipment Company had in place was rife with inefficiencies. Additionally, for a yearly cost of nearly a quarter of a million dollars, the outgoing solution offered relatively limited functionality. Furthermore, payroll through ADP was not automated, which allowed the possibility of errors for Warren Equipment Company. ADP's system also lacked user-friendliness. This tempted employees to circumvent the system; especially with the ATS, user participation was indeed low. Related, employee and manager self-service (ESS and MSS) in ADP-sourced core HR was counterintuitive, creating manual workarounds as employees communicated with HR outside the system to create administration-heavy tasks. Additional lack of functionality saddled HR with other heavy inefficiencies for several necessary activities, such as benefits administration, performance management, and employee onboarding. All this contributed to an overall drag on productivity that only pronounced the cost of ADP.

Cost : Benefit Ratio | **1 : 2.8**

THE STRATEGY

Seeking more user participation, more functionality, and far greater efficiency across a far broader cross-section of HCM, Warren Equipment Company turned to UltiPro. By eliminating unnecessary administrative tedium impeding HR staff's ability to contribute strategically to the organization, the idea was to elevate the department's standing at Warren Equipment Company. Beginning implementation in April 2015, the employer deployed UltiPro just three months later – in July 2015. For several reasons, UltiPro was an apt solution for Warren Equipment Company:

- For less cost, deeper functionality across a far greater breadth of HCM.

- Greatly improved, virtually error-free payroll process requiring less labor.

- Elimination of productivity-impeding, administrative-heavy inefficiencies.

- Detailed view into the workforce, enabling HR to steer workforce-related strategy – rather than react to it.
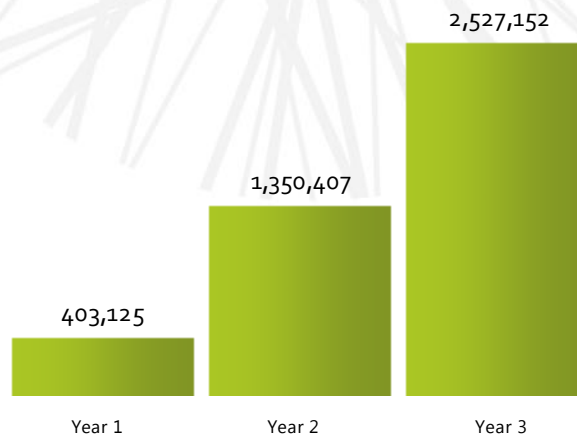
TYPES OF BENEFITS

Direct 96%
4% Indirect

Despite the favorable difference in cost, Brian Gee, senior human resource manager, noted that increasing functionality, not the cost savings, was his department's primary goal. For Warren Equipment Company, functionality in UltiPro includes that of the outgoing solution plus much more. A human resource information system (HRIS) underpins the following: MSS and ESS, performance management, online benefits enrollment, organizational charts, real-time management dashboards, compensation management and planning, reporting and tracking, document management, online system training, payroll, ATS, and employee onboarding.

Gee and his counterpart of the same job title worked together, with Ultimate, to get UltiPro up and running. The implementation was smooth and predictable, in keeping with Nucleus' investigations into the experience of other customers of Ultimate (Nucleus Research *p150 – Anatomy of a decision – Ultimate Software UltiPro*, August 2015). UltiPro additionally replaced a non-ADP solution for compliance with the Occupational Safety and Health Administration (OSHA). Here, the discarded solution came with its own shortcomings and a separate price tag. It's additionally notable that the document management component that came as a part of UltiPro replaced another product, with its own separate price tag, too, for Warren Equipment Company. Also, the employer implemented a learning management system (LMS) available through TTN, a partner of Ultimate Software.

CUMULATIVE NET BENEFIT

	403,125	1,350,407	2,527,152
	Year 1	Year 2	Year 3

KEY BENEFIT AREAS

For Warren Equipment Company, the performance of UltiPro stands in stark contrast to the previous solution. Efficiency, effectiveness and accuracy all have improved by several orders of magnitude where UltiPro replaced functionality found in ADP. In the many areas of HCM where the employer previously had no technological solution whatsoever, UltiPro has elevated HR's standing within the organization:

- Improved productivity and reduced error rate in payroll by reducing manual input. Using UltiPro, Warren Equipment Company has been able to reduce the number of employees conducting payroll from four to two. Furthermore, with their time these two staff members are also able to carry out benefits administration and tend to administrative workflows associated with core records. Meanwhile, whereas the payroll error rate with ADP hovered around 2 percent, with UltiPro that has decreased to nearly 0 percent. Notably, the very first time Warren Equipment Company ran payroll through UltiPro, all employees received the correct pay.

- Streamlined, intuitive workflows. UltiPro improved workflows not only for HR staff, but with modern technology for ESS and MSS, for managers and their staff across the organization, too. Here, benefits enrollment has seen the biggest changes, with the equivalent of four weeks of time saved yearly for a team of HR administrators. The team previously wrestled with cumbersome packets of papers, but now workflow is contextual, and staff is able to make changes incrementally.

- Newfound functionality in talent management. This replaced clunky, homegrown or ADP-based solutions. For instance, prior to deploying UltiPro, Warren Equipment Company's IT department created an automated system for performance management. This required HR to send IT static, email-based files. Even for a fee, ADP could not develop a way for the employer then to import these native forms into the ADP system. Using UltiPro, Warren Equipment Company recreated its homegrown process, which now takes significantly less time for HR staff, as well as employees and managers alike, to complete. Furthermore, UltiPro's flexibility will enable Warren Equipment Company to capture greater nuance in its performance reviews as the employer executes on its roadmap to do so.

- Intuitive recruiting. Previously, Warren Equipment Company used ADP-sourced Virtual Edge for an ATS. Workflow was confusing, and the vast majority of hiring

managers didn't like it. Consequently, HR would just do the work for these managers. Very little occurred in real time, and when it did, errors necessitated HR-led manual workarounds. Additionally, back and forth between the employer and ADP was tedious and cumbersome and produced its own errors. UltiPro replaced all this with a new-hire wizard that has cut HR managers' involvement by half.

"What we wanted to do was change how our business viewed HR. We were a necessary evil beforehand and wanted to become a service department for the organization. The second week of UltiPro implementation, a manager told us we'd knocked it out of the park. The business asked us to join in on key initiatives, as a partner. During my tenure, we never had that happen with the previous solution."
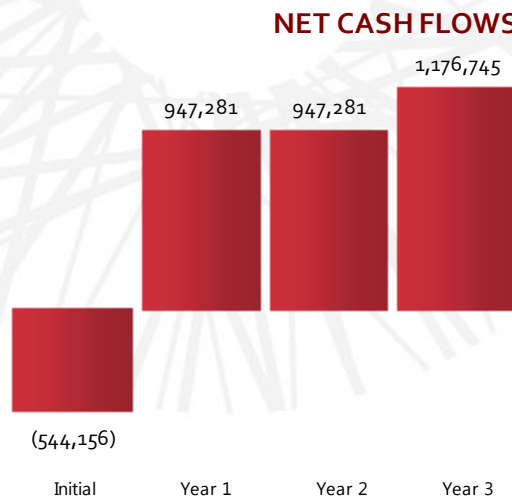*– Brian Gee, Senior HR Manager, Warren Equipment Company*

- Automated onboarding. Warren Equipment Company's previous workflow for onboarding was entirely manual – even to move a new hire into core HR. Notably, the process lacked electronic signatures. With UltiPro, most of onboarding occurs online, within the system. The only partially manual process is I-9 completion, and this is because of government requirements. The elimination of these manual processes to comply with the law and company policy has enabled HR to focus on higher-touch onboarding-related activities, effectively providing customer service to new hires and other stakeholders, such as hiring managers.

- Repurposed travel to achieve more strategic face-to-face training objectives. Without a proper LMS to manage this, HR managers traveled to the company's many locations to conduct face-to-face aspects of training, which previously focused primarily and mostly on lower-level compliance-related issues. Furthermore, employees struggled with multiple online destinations to complete remaining portions of this training. Since, by deploying an LMS from Ultimate-sourced partner TTN, compliance training has become more streamlined, and Warren Equipment Company has been able to refocus face-to-face training efforts on managerial development – prompting the employer to

increase HR managers' travel. (The elimination of administrative inefficiencies and confusion in onboarding have freed HR managers' time for this.)

- Streamlined, more accurate workforce reporting and tracking. Previously, through ADP's system, HR was conducting these in a largely manual fashion. The process was time-consuming and not replicable; every time staff needed to run the same report, they'd have to create it from scratch. Some reports kept department members at the office well into the evening. Warren Equipment Company has yet to fully deploy this functionality from UltiPro, but retention is a strategic area where Warren Equipment Company expects improvement from the rollout. Through UltiPro, recurring reports can be automated and scheduled.

KEY COST AREAS

Key costs for the project include subscription fees paid to Ultimate and directly to TTN (for the LMS), a "quitter's" fee for data tapes from ADP, and the labor that Warren Equipment Company's two senior human resource managers expended during implementation. Warren Equipment Company also paid an implementation fee to Ultimate Software and to TTN. There is no fee from Ultimate for training in UltiPro. Warren Equipment Company, however, did incur cost here in the form of paid time that managers and employees companywide, plus HR staff, spent learning the new system's many capabilities.

NET CASH FLOWS

1,176,745

947,281   947,281

(544,156)

Initial   Year 1   Year 2   Year 3

BEST PRACTICES

This deployment is emblematic of the very best in best practices that modern HCM technology brings to employers that turn to it. For one, the implementation – a

significant one – lasted just three months, among the shortest Nucleus has seen in the field for projects of this scale. Furthermore, the new solution encompasses much more of HCM than the outgoing one did, and at a lower overall cost to license. The drastic reduction in Warren Equipment Company's payroll error rate is also typical of rip-and-replace HCM deployments where employers move from legacy technology to one in the cloud (Nucleus Research *m108 – Cloud delivers 1.7 times more ROI*, September 2012). As expected, the employer is now seeing equally drastic improvements in productivity across the areas of HCM touched by the new system. These have enabled the HR department to become strategic and gained it an invitation to play a pivotal role in carrying out initiatives set forth by Warren Equipment Company's executive leadership – yet another hallmark result when organizations turn to the latest innovations in HCM technology (Nucleus Research *p150 – Anatomy of a decision – Ultimate Software UltiPro*, August 2015).

CALCULATING THE ROI

To calculate Warren Equipment Company'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.

A portion of direct cost savings were related to a reduction in the employer's payroll error rate. Specifically, to account for the impact on ROI of now-eliminated overpayments, Nucleus applied a likely percentage typical of its investigations into ROI where a modern, integrated solution for payroll, such as UltiPro, replaced an older legacy technology.

Additional direct benefits quantified include the eliminated cost of the ADP subscription fee, as well as those paid separately, to other vendors, for OSHA compliance and document management. Where appropriate, associated savings in internal staff reassignments were determined. Indirect benefits quantified included an array of savings in productivity having to do with the employer's gaining control over a broader cross-section of HCM following elimination of the previous system.

Not quantified were the additional efficiencies and savings Warren Equipment Company will likely gain from UltiPro as the company begins availing itself of additional functionality included in the existing subscription fee. Among these are document management, compensation planning and management, and tools for OSHA compliance and document management.

FINANCIAL ANALYSIS
Warren Equipment Company's UltiPro Project

Annual ROI: 188%
Payback period: 0.6 years

BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	1,251,527	1,251,527	1,251,527
Indirect	0	50,421	50,421	50,421
Total per period	0	1,301,948	1,301,948	1,301,948

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	440,414	229,464	229,464	0
Hardware	0	0	0	0
Consulting	0	0	0	0
Personnel	43,684	125,203	125,203	125,203
Training	60,058	0	0	0
Other	0	0	0	0
Total per period	544,156	354,667	354,667	125,203

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
All government taxes	45%			
Cost of capital	7.0%			
Net cash flow before taxes	(544,156)	947,281	947,281	1,176,745
Net cash flow after taxes	(299,286)	521,005	521,005	647,210
Annual ROI - direct and indirect benefits				**188%**
Annual ROI - direct benefits only				179%
Net Present Value (NPV)				1,171,016
Payback period				**0.6 years**
Average Annual Cost of Ownership				459,564
3-Year IRR				169%

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

NUCLEUS RESEARCH