

December, 2010

## Ultimate Software Users Exceed Best-in-Class Results in Key HR Metrics

Since August 2009, Aberdeen has conducted research on hundreds of organizations to determine best practices for managing core HR functions. The resulting benchmark reports, *Future of Core HR: Building the Business Case for Automation and Integration* (2010), and *Core HR Systems* (2009) found that Best-in-Class companies are able to balance the need to control HR service costs with the need to improve employee satisfaction with service, and reduce the administrative burden placed on HR personnel. Analysis revealed that one of the keys to success was empowering employees and managers via self-service tools. This document summarizes the survey results from 292 responding organizations, 10% of which use Ultimate Software as the primary system for managing core HR functions.

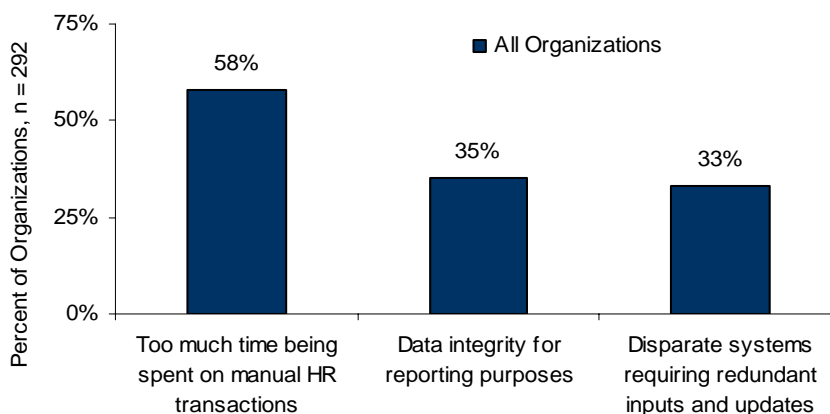
### Research Brief

Aberdeen's Research Briefs provide a detailed exploration of a key finding from a primary research study, including key performance indicators, Best-in-Class insight, and vendor insight.

### Business Context

Since December 2008, Aberdeen's research has continuously found that the top barrier to making the HR department more strategic is too much time spent on tactical activities. At the same time, organizational leaders are still looking to the HR function to aid in achieving the strategic objectives of the company. When asked to cite the top two pressures that are driving core HR efforts, 76% cited economic conditions forcing organizations to better deploy labor and control HR costs. In addition to the tactical burden on HR, *data integrity for reporting purposes* and *disparate systems requiring redundant inputs and updates* top the list of internal challenges (Figure 1).

**Figure 1: Organizational Challenges Facing Core HR Functions**



Source: Aberdeen Group, June 2010

The drivers and obstacles of implementing core HR center on the ability to strategically enable decision makers to make operational decisions. Consequently, efforts and investments in this function must ensure having the data and freeing up resources to focus on aligning HR initiatives and processes with the objectives of the company. In the case of the Best-in-Class, as well as the organizations using Ultimate Software's solutions, performance gains around key metrics are directly correlated to empowering employees by providing them real-time access to their data, and enabling managers through visibility into critical employee and HR data that is required to operate their businesses.

## Ultimate Users Outperform Best-in-Class Companies in Key Metrics

Aberdeen defines Best-in-Class results as those organization's HR practices which are in the top 20% of aggregate performers. Upon closer examination of the responding organizations utilizing Ultimate's solutions for primary core HR functions, the data shows that they clearly outperform Best-in-Class companies across five Key Performance Indicators (KPIs) that are commonly used to gauge the effectiveness of core HR functions.

**Table I: Year-over-year Performance Improvements**

Mean Change in KPIs	Best-in-Class	Industry Average	Ultimate Users
Employee satisfaction with HR services	+8%	+5%	+9%
Compliance rates	+4%	+3%	+9%
Employee retention	+1%	+2%	+5%
Cost of HR administration per employee (reduction)	-3%	+1%	-6%
Number of manual HR transactions per month (reduction)	-10%	1%	-13%

Source: Aberdeen Group, June 2010

As shown in Table I, compared to Best-in-Class organizations, companies using Ultimate's solutions have experienced 13% greater improvement in employee satisfaction, twice the reduction in the cost of HR administration, and 30% greater decrease in the number of manual transactions handled by HR personnel. In addition, these companies improved compliance (defined as increase in audit scores over previous audit) by 9%. As we will see in the next section, these impressive gains are due to certain capabilities and tools that are focused on empowering employees and managers and providing the visibility needed to free up HR personnel from tactical transactions and enable operational managers through data access and reporting.

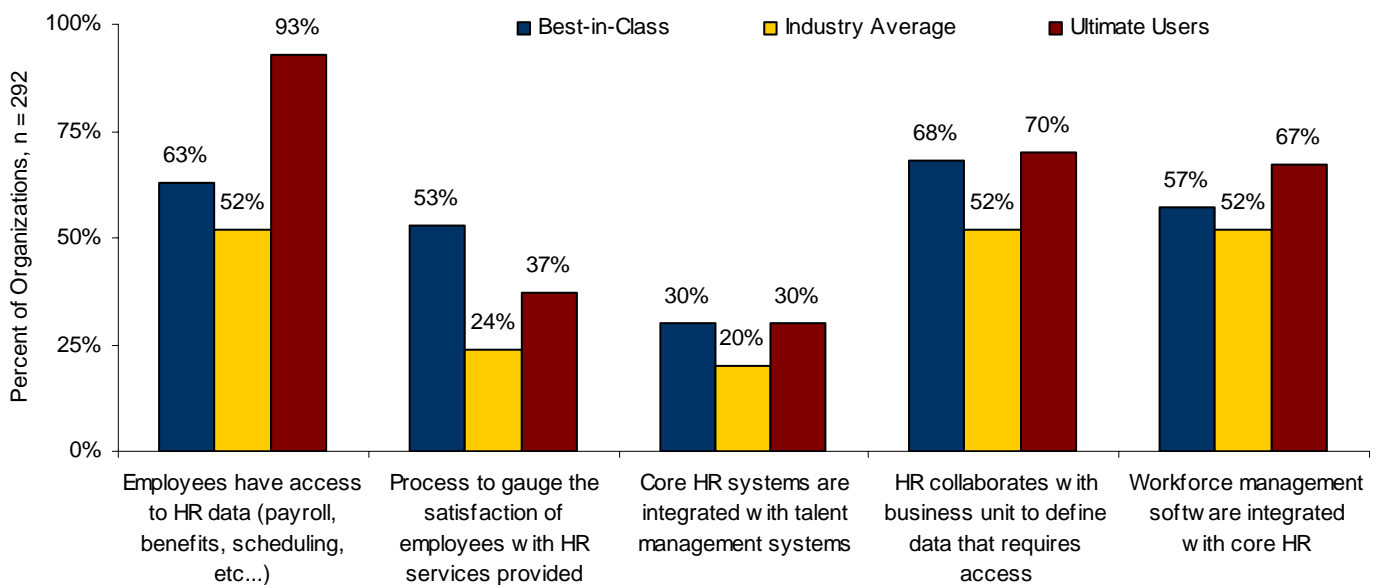
### Fast Facts

- √ On average, organizations using Ultimate's solution experienced twice the reduction in HR costs over previous year
- √ On average, organizations using Ultimate's solution experienced 30% better reduction in manual HR transactions over previous year

## Differentiating Capabilities

Taking into consideration the perspective of the stakeholders - employees, managers, and HR personnel - organizations using Ultimate's solutions for core HR management are more likely to take a people-centric approach to managing these essential tasks. Empowering employees, gaining their feedback and providing visibility to managers are key staples in their arsenal. The capabilities highlighted in Figure 2 show that these organizations are more aggressive - in most cases even more so than Best-in-Class companies - to focus on streamlining HR processes and workflows.

**Figure 2: Key Capabilities**



Source: Aberdeen Group, June 2010

From the HR manager's perspective, companies using Ultimate's solutions are more likely to integrate core HR systems with talent management and workforce management systems (scheduling, time and labor, etc.). Aberdeen has found that there are tangible advantages to integrating core HR/payroll systems with talent and workforce management. For example, in Aberdeen's 2009 report, [Core HR Systems: Flawless Execution Enabling Strategic HR Management](#), findings indicate that organizations integrating workforce management systems with payroll for tracking actual time worked had an error rate of only 1.48% compared to 2.58% for those companies that did not integrate those systems.

From an employee's perspective, companies using Ultimate solutions are 48% more likely than Best-in-Class organizations to provide employees with self-service access to payroll data, benefits, timesheets, etc. In Aberdeen's 2009 study on core HR, Aberdeen recommended all organizations take advantage of employee self-service. In fact, companies that used these tools

"It is important to understand the business strategy, challenges, environment and culture in order to plan a proactive approach in aligning human resources."

~ Agnes Itote, HR Analyst - HRIS/Workforce INTRUST Bank

were 67% more likely to be Best-in-Class. These findings were reaffirmed recently in the August 2010 study ([Future of Core HR](#)) which found Best-in-Class organizations are 40% more likely than Laggards to provide employees with self service access. In addition, Aberdeen's 2010 study on [Benefits Management](#) showed that 53% of Best-in-Class organizations enable employees to enroll, change and manage their healthcare benefits via self-service compared to just 43% of Laggard organizations; and organizations that do so, on average, reported 89% employee satisfaction with open enrollment versus 75% for those that don't.

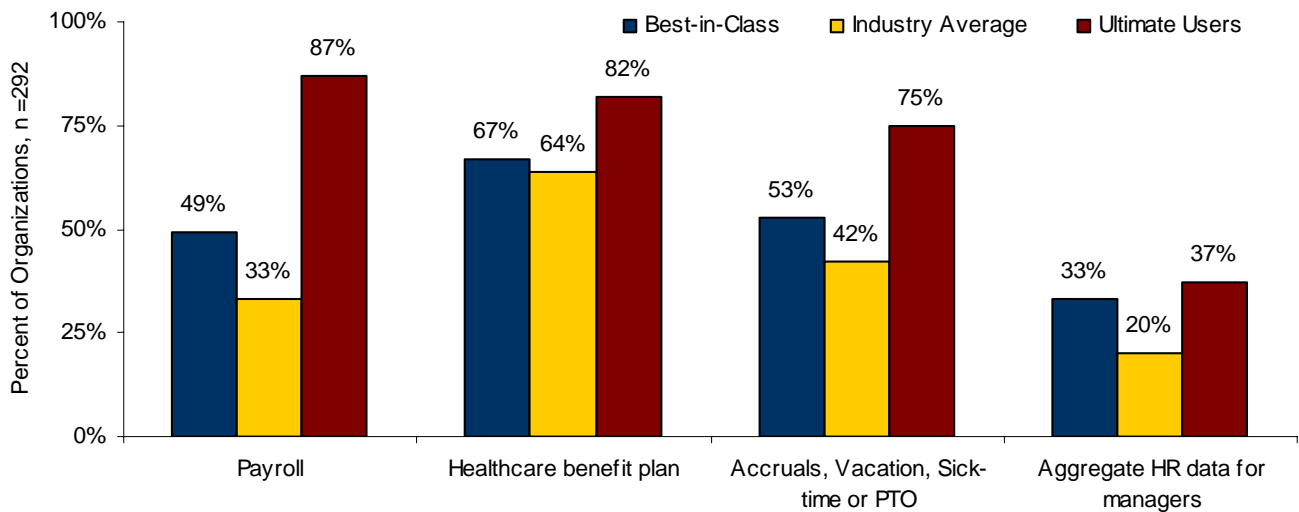
Lastly, empowering employees goes beyond access and visibility. Having a formal process to gauge the satisfaction of employees with HR services can be instrumental in monitoring effectiveness and tracking progress to continuously improve service, offerings, and workflows. Though they still lag the Best-in-Class in this capability, Ultimate's clients are 54% more likely than Industry Average to have it in place.

From an operational perspective, 70% of Ultimate Software users in Aberdeen's data sample ensure collaboration between HR and business managers to define the data the business units needed to make better decisions. This capability is vital to ensure that templates and reports can be customized in a way that best presents this data. In addition, they are slightly (12%) more likely than Best-in-Class and 85% more likely than Industry Average organizations to give real-time self-service access to generate these reports.

**Fast Facts**

√ 82% of Ultimate Software clients are satisfied with their current core HR system compared to 60% of the Industry Average

**Figure 3: Self-Service Access**



Source: Aberdeen Group, June 2010

**Case in Point**

Automated core HR solutions can help organizations streamline interactions, reduce administrative workload, and save resources. Take, for example, one large, US-based engineering / architectural services company.

In early 2009, the company wanted to deploy an HCM specific solution in order to compliment their existing ERP system and automate their core HR processes, as well as add self-service functionality. Given their industry, the firm faced several challenges in implementing the system and adoption among its workforce of over 6,500 employees. First, internal IT resources were not available to support a stand-alone HR system. Secondly, two-thirds of its workforce consisted of unionized craft-workers, or non-exempt employees. This required a system that could manage the different regulations associated with both an exempt and non-exempt workforce. Additionally, much of the employee base did not have access to computers during work hours. Due to these constraints, the company elected to deploy a Software-as-a-Service (SaaS) solution that allowed employees to access the system from home. The organization started with benefits enrollment in the fall of 2009 among 2,000 of their employees. This system would soon accommodate paycheck viewing, W2's, and tax withholdings as well. According to the company's HR Manager, "The rollout of UltiPro (from Ultimate Software) actually went off with very little issue. Annual enrollment and paychecks, in particular, were huge successes. And as an added benefit, we were able to manage security groups such that field HR personnel could do data entry as opposed to having it done from one central location. This fit well with the decentralized culture of our company."

From a results perspective, the organization was able to reduce corporate HR records staff to half. In addition, they found that HR administrators were enthusiastic about the ability to easily look up accurate and up-to-date information, and the number of phone calls going to the corporate office dropped significantly.

## Summary and Recommendations

Successful core HR management should balance the needs of the employees, the costs to the company, and the burden of these functions on HR personnel. In two consecutive studies, Aberdeen found that empowering employees and managers to be self sufficient plays a lead role in achieving these goals. Best-in-Class organizations understand the benefits of implementing capabilities and tools to enrich the management of their organizations' workforce. The research indicates clearly that Ultimate Software users demonstrate not only their progressive approach to HR management, but also that they can put in place the capabilities needed to support the technology that can enable the efficiency gains they seek. Still, there are areas of opportunity that Ultimate's clients can tackle to further enhance their performance in core HR management:

- **Formally monitor effectiveness.** In order to determine if any process or technology investments are yielding the intended results, organizations must define and measure key metrics that are relevant to the business. From payroll errors to overtime and paid-time accruals, these metrics impact the financial bottom line of the organization and are directly affected by core HR management.

### Sample Definition

In order to collect and refresh the data and serve as preliminary research for the 2010 study that published August 31, Aberdeen re-launched the 2009 survey on Core HR in June 2010. The analysis presented in this paper is based on data from 292 organizations collected on between September 2009 and June 2010 - including a sample of 28 Ultimate Software users.

After defining key metrics, organizations must ensure that there is a formal process to review the effectiveness of core HR functions. These reviews enable organizations to continuously evolve policies and core HR management by identifying areas of improvements and their impact on employees and the organization.

- Measure employee satisfaction with HR services.** As mentioned earlier, this is an area that Ultimate users can capitalize on. In essence, the HR department is a customer service center for employees. Whereas 52% of Best-in-Class organizations have a process in place to obtain employee feedback on the services provided by the HR department, 37% of Ultimate Software users have adopted such capability. Organizations that currently measure employee satisfaction with HR services have, on average, improved it by 5% since the previous time it was measured.
- Use analytics to plan and budget.** Ultimate Software users have solidified a great chunk of core HR management capabilities and taken advantage of enabling technologies to advance their business objectives. Nonetheless, they have a huge opportunity to make the HR department even more strategic. The data is there. A recommended next step is to begin using planning and budgeting tools to further optimize payroll and HR as well as taking greater advantage of analytics. The data shows that organizations that do so are more than four-times as likely to achieve Best-in-Class status.

**About Ultimate Software**

Headquartered in Weston, Florida, Ultimate Software is a provider of HCM Software-as-a-Service (SaaS) solutions. Its main product suite, UltiPro, offers HR, payroll, recruitment, onboarding, benefits enrollment, performance and learning management, business intelligence and reporting, salary planning, and time management.

For more information on this or other research topics, please visit [www.aberdeen.com](http://www.aberdeen.com).

Related Research	
<a href="#">Future of Core HR</a> ; August 2010	<a href="#">Integrated Talent Management</a> ; December 2009
<a href="#">Workforce Optimization</a> ; March 2010	<a href="#">Core HR Systems</a> ; September 2009
<a href="#">Benefits Management 2010</a> ; February 2010	<a href="#">Workforce Scheduling</a> ; May 2009
Author: Jayson Saba, Research Analyst, Human Capital Management, ( <a href="mailto:jayson.saba@aberdeen.com">jayson.saba@aberdeen.com</a> )	

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