KRONOS®

Workbook

BUILDING A BUSINESS CASE

for a Time and Attendance Solution

Introduction

Have you ever made a time and attendance or other data automation proposal to management and had it rejected, even though you were convinced you had provided overwhelming evidence of the benefits of, and the acute need for, the recommended solution? Have you ever made a proposal only to have it linger at the bottom of your IT department's list of priorities — without hope of having it come up for serious discussion, much less implementation, for years to come? Or is this your first time building a business case to justify an automation solution and you're looking for tips on how to go about the process? If you answered "yes" to any of these scenarios, then this guide is for you.

HOW THIS GUIDE CAN HELP

An automated time and attendance solution can help you control costs, minimize compliance risk, and improve workforce productivity. But how do you get it on your executives' radar and acquire their critical buy-in? The answer is to prepare a formal business case. This guide walks you step by step through the process of gathering the insight, evidence, and support you'll need to present a persuasive proposal for change that will successfully capture the attention of your executive decision makers.

Your executives have many competing projects to evaluate and finite resources available to them. By understanding and implementing the principles in this guide, you'll be able to build and present a business case your executives will listen to — and move your time and attendance project up the stack of organizational priorities.

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Chapter 1

WHAT IS A BUSINESS CASE?

Before we jump into the process of building a business case, let's agree on what a business case is. Although the size and scope of different cases vary, the following definition is a good place to start:

"A business case is a decision support and planning tool that projects the likely financial results and other business consequences of an action."[1]

In building a business case, you must show both the financial benefits as well as the business problems that automation will help your organization solve. While executives will be most swayed by evidence of positive financial results, you should also detail any desirable but nonquantifiable business improvements you foresee. We will examine financial and business results in detail in Chapter 4 of this guide.

Why does a business case matter?

A complete, formal business case can help you break through typical management roadblocks to "yes" — by demonstrating the objective value to the organization that an automated time and attendance solution can provide.

"Having an employee's information in one place rather than on five paper timecards across multiple departments and centers helped us ***cut our payroll costs by $1.5 million*** *in less than a year."*

Judith Sol-Dyess, Senior Director of Information Systems
YMCA of Chicago

[1] Marty J. Schmidt, *The Business Case Guide* (Boston: Solution Matrix Ltd., 2002).

What are the core components of a business case?

1) **Conduct business review:** This step, which is also called discovery, helps you thoroughly understand your organization and the impact of your current processes and systems. The point of discovery is to uncover organizational pain points that can be eliminated by a time and attendance solution.

2) **Develop approach:** In this step, you organize all the information you've collected during discovery, mapping your current process, systems, business issues, and needs — checking for alignment across your organization. During this stage, gaps between your current state and your desired end state become readily apparent so you can begin to formulate high-level business requirements and a proposal to meet these requirements.

3) **Assess value of approach:** This step defines and quantifies the financial and business value of an automated time and attendance solution. For example:
   a) Automating and centralizing processes, so you have a single "system of record" for all your workforce-related data
   b) Obtaining accurate, real-time data you can act on
   c) Closing gaps and eliminating manual workarounds associated with semi-automated systems

As you evaluate the potential impact of other tactical and strategic business benefits — controlling labor costs, minimizing compliance risk, and improving workforce productivity — you can prioritize the rollout of "quick win" solutions that provide the biggest bang for the buck and address your organization's most pressing pain points.

4) **Develop roadmap:** This step determines the best way to implement your automated solution. Resource constraints such as time, money, limited expertise, insufficient systems infrastructure, and organizational change all have an impact on how much change and automation can be attempted in a given time frame. During this stage, you also identify all costs involved with the purchase, implementation, and maintenance of the recommended solution.

Chapter 2

BUILD THE BUSINESS CASE

Before you begin, step back and assess what it is you're trying to accomplish and why. The case you make to your executives must clearly articulate the critical business issues that you intend to solve and demonstrate why solving them is important to the organization.

There are three main areas to focus on as you articulate your core business issues: the subject, the business issues, and the objectives.

Subject: What do you want to talk about?

Identifying the subject of your business case is "job one." What are you investigating? What is the chief component, process, or system you are examining? What decision do you want to make — or what action needs to be taken? In this case, the subject would probably be something like "determining the cost and benefits of replacing a manual time and attendance process with an automated system." Be prepared for your subject to evolve as you begin to build your team and explore the actual situation and business issues at play in your organization.

What are the driving business issues? Why should anyone care?

What are the driving factors, issues, and objectives? What business opportunities could the organization take advantage of by going forward with the project? What threats could be eliminated or mitigated?

This section of the business case must convincingly answer the question: *Why should the organization spend its time and money investigating and implementing the proposed solution?* For time and attendance, typically the business goals include cutting costs, improving compliance and control, and eliminating error-prone manual processes.

BUSINESS DRIVER CHECKLIST

As an exercise, consider the typical business drivers below and mark those that you see in your organization:

- ☐ **Increase compliance and control:** The organization senses significant exposure to FLSA or FMLA compliance violations or to an actual grievance, audit, or fine.
- ☐ **Reduce payroll error:** Facilitate correct and consistent payments. Complex work, leave, and pay rules are difficult to administer manually — exposing the organization to error and rework, which often leads to overpayments, excess unauthorized paid time off, and payroll inflation.
- ☐ **Reduce costs** associated with employee, supervisor, payroll, and HR time processing activities.
- ☐ **Eliminate missing or late timesheets and punches:** These common forms of employee oversight, whether intended or not, result in significant payroll inflation and adjustment work.
- ☐ **Manage absenteeism and tardiness:** High rates can indicate significant business issues — lowered productivity and quality, unscheduled overtime, aligning schedules with demand, and managing leave — that are almost impossible to manage and control without automated tools.
- ☐ **Promote employee satisfaction with consistent attendance policy enforcement:** Complex attendance policies with incident thresholds are extremely difficult to administer fairly and consistently across the organization.
- ☐ **Improve business visibility through labor reporting:** Management may lack visibility into the up-to-date, sufficiently detailed information they need to manage their labor expenses in time to take meaningful action.
- ☐ **Boost productivity:** Gain visibility into workforce utilization; understand what workers are actually spending their time on during the day. Uncover opportunities to reduce labor expense and improve workforce performance.

BUSINESS OBJECTIVES CHECKLIST

Your objective could be simply "to determine the financial cost and benefits and the return on investment (ROI) of automating time and attendance." This objective could be intended to lead to more effective control and reduced costs (your business drivers).

List the objectives that you intend to use to address your key business drivers:

OBJECTIVES:

1) _____

2) _____

3) _____

4) _____

5) _____

6) _____

How to build your team

It is easy to underestimate the importance of building the team you'll need to develop an effective business case. You should conduct your business case initiative as a formal project and staff it with team members who are given sufficient time, apart from their regular duties, to conduct their analyses.

- **Under normal circumstances, it should be possible to complete a business case for time and attendance in three to six weeks.**

IDENTIFY KEY STAKEHOLDERS

Time and attendance is a function that affects every department. So it is critical that you look beyond your immediate functional area and include others in the organization who can recognize the deficiencies and exposures associated with your current processes. Make sure to gain support from finance and pperations management.

The team you select to develop your business case should include the following stakeholders (to begin building your team, put names of potential members next to each description):

SPONSOR _____

A business case usually requires an executive sponsor. The sponsor is typically an executive within the functional organization who is driving the case for change. For time and attendance business cases, the CFO, CHRO, or CIO is often the sponsor.

BUSINESS OWNER _____

The business owner bears the highest accountability for demonstrating and selling the case and providing the resources and guidance necessary to develop it. For time and attendance projects, the business owners are often the director or vice president of payroll (for the timekeeping function) and the director or vice president of HR (for the attendance function), depending on where responsibility for these functions resides in the organization — and depending on where the business issue is most strongly felt.

STEERING COMMITTEE _____

Gaining cross-functional support, in the form of a steering committee, is necessary to justify the expense of implementing your time and attendance solution. This small team (typically three to six participants) is instrumental in lending credibility and influence to your business case. These team members should have records that demonstrate long-term success leading their own functional operations in addition to cross-functional initiatives. And they should be known to have a holistic, strategic outlook that takes into account the overall good of the organization.

PROJECT TEAM _____

The project team will build the business case. This team manages day-to-day project activities, conducts discovery interviews, and analyzes internal and external business demographics and operating metrics. It synthesizes and compiles findings, conducts analyses of these findings, recommends alternative scenarios, and ultimately determines the benefits and cost savings that can be achieved by applying the recommended solution alternatives.

Assess the scope of your project

Now it's time to consider the methodology behind your business case. The items to consider are functions and processes, organizational units, and analytical time horizon.

1) **Functions and processes: What to automate?** Refer to the *Automation Checklist* below for a sample of functions and processes. For each one, the potential value associated with automation extends well beyond simply paying people correctly and maintaining accurate attendance records. A smart approach is to lay a foundation with a time and attendance system on which additional applications such as scheduling, task and activity tracking, and labor and productivity analytics can be layered over time.

AUTOMATION CHECKLIST

Focus on these items as you consider which functions and processes should fall within the scope of your automation project:

- ☐ **Timekeeping:** employee to supervisor to payroll
- ☐ **Payroll:** accuracy, error rates, compliance, cycle time
- ☐ **Time and labor reporting:** sufficiently detailed data to manage the business
- ☐ **Labor expense management:** reducing payroll inflation due to tardiness, breaks, buddy punching
- ☐ **Contingent labor expense management:** overtime; part-time, temporary, agency/contract labor
- ☐ **Labor expense allocation:** project, task/activity, customer, work order, etc.
- ☐ **Labor utilization:** direct and indirect hours to identify pockets of inefficiency and unproductive time
- ☐ **Machines and equipment:** utilization and effectiveness (downtime, scrap, etc.)
- ☐ **Productivity analysis:** quantity and quality of completed work — people and machines
- ☐ **Vacation and paid time off (PTO) management:** attendance discipline/reward management, absence management
- ☐ **Leave management:** policy, process, and documentation (particularly ongoing and intermittent FMLA, workers' compensation, short-term disability, long-term disability, etc.)
- ☐ **Accrual management:** vacation, PTO, leaves of absence

2) **Organizational units: Who benefits?** The process of determining which parts of your organization are within the scope of the project will be relatively straightforward if you operate out of a limited number of facilities or within a narrowly defined geographic area. For more complex, geographically distributed organizations, it's important to identify which areas you wish to target in the business case. Although enterprisewide initiatives can typically demonstrate greater benefits and financial value due to scale, it's not unusual to begin with a limited, or pilot, project in order to demonstrate success and take advantage of "quick wins."

   No matter the initial approach, you should take into account potential broader business needs and long-term benefits associated with extending your time and attendance solution across the entire organization. To help uncover these needs and associated benefits, fill out the *Who benefits?* worksheet below.

3) **Analytical time horizon: When will you realize benefits? How will they be measured?** As you measure the cost and benefit impact of your time and attendance solution, it is essential that you accurately define the time frame you will use in this analysis, so that assumptions about business and environmental changes that occur will be consistent with the true returns associated with the investment. The majority of the purchase and implementation costs are loaded into the first year. But unless you are able to implement your entire time and attendance system completely in three to six months, you won't be able to show the full benefits in your financial analysis — leading to an unrealistically low reported return on investment. Instead, returns on capital expenditures such as time and attendance solutions should be measured over a minimum three-year period. Using this longer time frame will permit you to realize the full value of the solution's benefits and yield more favorable financial data for your business case.

Worksheet: Who benefits?

List the organizational units that stand to benefit from an automated time and attendance solution — and state the potential benefits for each:

Who benefits?	Benefits:
Unit:	
Unit:	
Unit:	
Unit:	

Chapter 3

CONDUCT THE BUSINESS REVIEW: DISCOVERY

The primary purpose of discovery is to find out everything you can about the current state of time and attendance functions and processes so you can identify critical business issues that can be addressed with your automated time and attendance solution.

What is discovery?

Discovery is a critical component of the business case. During discovery, you examine the current state of your operations, uncovering pain points that are affecting your organization. The typical discovery and analysis process includes:

THINGS TO THINK ABOUT ...

During the discovery process, you'll examine current:

- Policies, processes, systems, and technical infrastructure
- Issues, constraints, opportunities, and business threats
- Alignment with strategic and corporate goals
- Alignment with departmental and operational goals
- Attainment of operational performance metrics
- Cost of operations and variance from budget
- Cost of operations and variance from industry benchmarks
- Critical, organizationwide business issues

You'll need to use the following resources and methods to get the information you need:

- Existing documentation: policies, processes, systems, management reports
- Interviews with representatives from all primary areas involved in your time and attendance process
- Process review and analysis
- Demographic and financial data
- Operational metrics and reports
- Process and compliance audits
- Industry operational benchmark statistics

Get a feel for the current state of things

During discovery, you should interview a representative sampling of all the individuals involved in administering each of the functional processes being investigated. It is critically important to interview all levels of management from the executive level down to line managers and supervisors. You should also interview those who are responsible for creating the policies that govern processes.

It is usually necessary to conduct interviews in only two or three different locations or units to get a representative understanding of what's going on in the organization and to identify current issues and pain points. It is a good idea to choose one location that is recognized as high-performing, one that is seen as average in its output, and a third that is deemed a poor or low producer. You can learn a lot from understanding the scope of issues that might be contributing to the differences in performance; you can use this understanding to extrapolate expected cost savings and other business benefits across your organization.

Essential elements of discovery

There are several components of discovery:

1) Documentation review and analysis
2) Interviews
3) Process review and analysis
4) Data review and analysis
5) Operational metrics and reports
6) Process and compliance audits
7) Industry operational benchmark statistics

1) Documentation review and analysis

First assemble and review all available policy, execution, systems infrastructure, and management reporting documentation. This will provide important background information prior to conducting your discovery interviews and will serve as a baseline for the expected current state. It will also give you an indication of the standardization and complexity of the policies currently in place.

The quality and comprehensiveness of the available documentation indicate the degree to which your organization's policies are being successfully interpreted, administered, and enforced — or the degree to which they are not. If this documentation is not available or is seriously outdated, there will be more work to detail the current state of operations. But it could also help you uncover additional consistency and control benefits the organization could realize by implementing an automated solution.

Documentation worksheet: Business challenges and opportunities for improvement

Each of the documented areas below can shed light on the potential opportunities automation provides for controlling labor costs, minimizing compliance risk, and improving workforce productivity.

As you review the documentation in these areas, consider how your labor rules and policies support or hinder the proper functioning of your business.

RULE AND POLICY CATEGORIES

- **Work rules:** work schedules, rest and meal breaks, shift swaps, overtime selection, job and line transfers, certification and skills requirements
- **Pay rules:** employee/job classification, base pay rates, overtime pay, incentive pay, special pay rates (shift differentials, units of productivity, trips, mileage, hazard)
- **Leave rules:** vacation, PTO, sick time, miscellaneous time off, leaves of absence (including FMLA, WC, STD, LTD), absence/tardiness disciplinary programs
- **Bargaining unit agreements:** work, pay, and leave rules, plus any seniority rules that apply to vacation, overtime, and job and line transfers

Review each of the following items and list functional business challenges and corresponding opportunities for savings, productivity gains, and other forms of improvement.

Execution

Work management: changes to schedules, shifts, jobs, lines (processing time, efficiency, and effectiveness)

Business challenges:	Opportunities:

Timekeeping and payroll management: employee to payroll (accuracy, timeliness, integrity)

Business challenges:	Opportunities:

Payroll: manual checks and prior-period adjustments

Business challenges:	Opportunities:

Personal time off: vacation and other PTO requests, approval, and accrual management (equitable administration, consistency, control, record keeping)

Business challenges:	Opportunities:

Leaves of absence: requests, approval, and accrual management — particularly FMLA documentation, notification, accrual tracking, and reporting

Business challenges:	Opportunities:

Attendance: absence, tardiness, long breaks, early departures (awareness, notification, and accrual management)

Business challenges:	Opportunities:

Systems infrastructure

Current time and attendance applications (if automated): major functions, features, processing requirements, data requirements, and integration interfaces

Business challenges:	Opportunities:

Current technical infrastructure showing primary architectural platform and systems with which time and attendance functions are integrated (e.g., HRMS, payroll, manufacturing execution systems, ERP, general ledger), together with architectural and application-development standards and constraints

Business challenges:	Opportunities:

Ongoing workforce management

Employee presence: who is or isn't on premises as scheduled; document OSHA and safety exposure

Business challenges:	Opportunities:

Missed punches and punch control: if manual time clocks are used

Business challenges:	Opportunities:

2) Interviews

Interviews are the most critical part of discovery. The best place to start is with the executives, followed by payroll and human resources, before moving on to interview the remaining corporate, line, and field operations areas. This will give you a better understanding of corporate objectives and critical business issues, which will help you determine the degree of alignment with these organizational goals. Each discovery interview should take no more than an hour. However, the HR and payroll departments could each take up to several hours, since these are the departments that typically maintain oversight of the timekeeping and attendance functions.

THINGS TO THINK ABOUT …

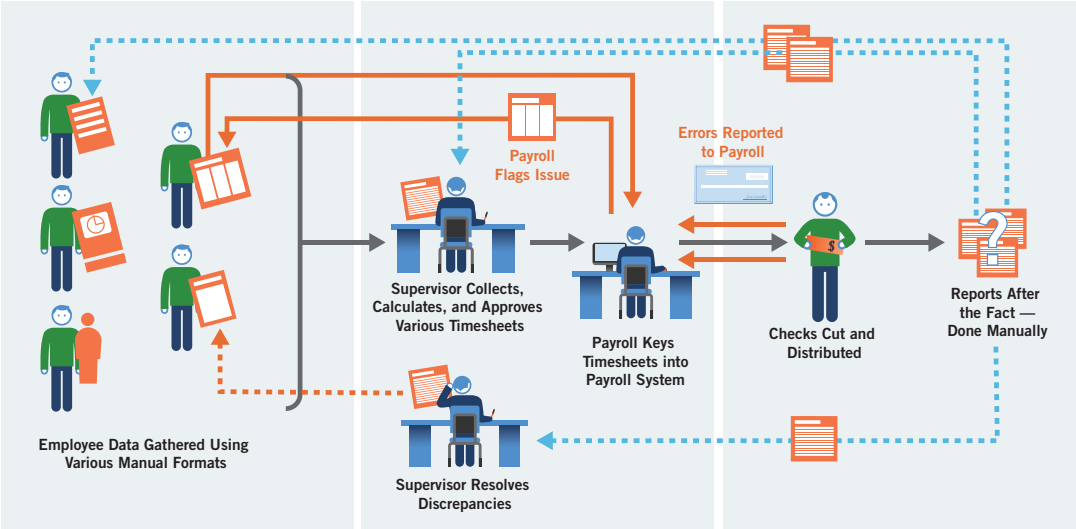
During the interview process, bear in mind:

- **Labor management issues:** labor supply, unscheduled absenteeism and tardiness, grievances, turnover, employee morale, productivity, labor expense management
- **Timekeeping and pay practices:** validate processes, policy adherence, time requirements, payroll errors, policy, process and control issues, information needs
- **Attendance and absence management practices:** validate processes, policy adherence, time requirements, issues associated with equity and control, unscheduled absences, early or late arrival, early or late departure, extended meals and breaks, unapproved overtime
- **Management reporting:** current reports, adequacy in facilitating real-time management decision support, the granularity of data required for analysis of labor expense and cost accounting, other deficiencies and needs

3). Process review and analysis

It is a good idea to document, graphically if possible, process workflows for each of the functions in your current approach to managing time and attendance. The graphical workflow illustrations can take almost any form, provided they portray the sequence of the major process steps, who performs them, what their inputs and outputs are, and the tools and vehicles employed at each step (e.g., paper documentation, reports, electronic systems, telephone communications). The primary purpose of illustrating these process flows is to identify all the players involved in managing the policy or process, the time required by each player at each step in the process, all the control-exposure areas, and all the costs associated with the processes within the scope under review. By mapping out your process workflows in this way, you will be able to uncover any problems in your current approach, identify redundant steps, and locate gaps in the system that you can fill with an automated time and attendance solution. Closing these gaps can help you eliminate manual, repetitive work and maximize quality and control.

Sample process workflow



4) Data review and analysis

In order to quantify the dollar value of cost savings and other tangible benefits of your proposed automation solution, you'll need to gather a variety of organizational demographic data and financial information.[2] By pursuing this data down to the line and field levels, you'll be able to objectively measure the business opportunities that exist across the organization — which you can then address with your proposed time and attendance solution. The financial data you gather and present will have the greatest persuasive impact on the executives who will evaluate your business case.

5) Operational metrics and reports

Within each functional area it's helpful to review key operating metrics and reports, particularly those that deal with labor expenses and variance from budget. Areas showing high labor expense, high variance from budget, or high levels of overtime and contract labor expense often represent good targets for an automated time and attendance system.

It's also useful to evaluate the quality of information and reporting currently available for managing labor expense in areas where there are high concentrations of hourly workers. In dynamic organizations with multiple shifts or 24/7 operations, or in which there are daily fluctuations in demand for labor, line supervisors and managers are frequently handicapped by a level of information that is insufficient to manage their operations. Often managers spend too much of their time each day monitoring employee availability and utilization. These managers need tools to help them understand which workers are present or not and available or not, when employees are scheduled, what employees' actual arrival and departure times are, and who's approaching overtime.

Automated time and attendance tools can provide the real-time reports and information necessary to optimize workforce utilization and balance labor supply and expense according to demand. Carefully explore the productivity and cost savings that can result from employing automation so you can prominently display the results in your business case.

6) Process and compliance audits

Many organizations perform process and compliance audits in the payroll department, particularly with respect to timekeeping and proper employee payment. Make sure to review any previous audits that are available to uncover areas where your current processes open you up to potential risk, including any quantifiable statistics on the degree of observed exposure. This exposure can result from many different factors — including highly complex forms of work, leave and pay rules that are difficult to interpret or execute with manual processes, intentional abuse, or unintentional oversight in the execution of policy and process. An automated time and attendance solution can successfully manage many of these areas. It is also essential to consider the results of any formal compliance investigations performed by the Department of Labor or any other regulatory body.[3] A major benefit of automated time and attendance solutions is their capacity to minimize compliance risk by helping the organization facilitate compliance with government and industry regulation.

7) Industry operational benchmark statistics

Benchmark statistics related to labor expense and key operating metrics often exist for individual industries. If these statistics are available for your industry, you can use them to compare your organization's operating performance with that of others in your sector. This data can be helpful in determining whether or not your organization is performing competitively.

[2] Refer to the Appendix for information on the specific metrics and financial data that compose this part of the business review.
[3] Refer to the Appendix for more information on compliance audits.

Chapter 4

WHAT ARE YOUR COST-SAVINGS OPPORTUNITIES?

It's now time to lay out the areas of opportunity in your current processes. This means identifying potential cost savings that an automated solution can produce. You'll want to capture significant but nonquantifiable business benefits — which we'll discuss at the end of this chapter — as well.

Direct and indirect cost savings, defined

Cost-savings opportunities are typically organized into direct ("hard") and indirect ("soft") categories.

Direct cost savings have an immediate, tangible impact on the bottom line: They reduce expenses, such as payroll dollars for hourly workers. These direct cost savings will likely represent the most persuasive part of the business case you make to your executives.

Key ROI Value Areas

Savings Potential

- Average payroll error rate is 2% of payroll; savings range is 0.5% (low) to 4% (high)[4]
- Average number of inquiries per year/per employee is 11; average cost of resolving inquiry is $28.1 and 1.5 days[5]

Savings

Payroll Error	Leave Time
Payroll Inquiries	Control Overtime
Payroll Processing Time	Payroll Inflation

Target savings areas: Opportunities for quick returns on automating time and attendance functions

[4] IOMA, *Payroll Benchmarks and Analysis Report* (IOMA, 2011), Chapter 5.
[5] IOMA, *Payroll Benchmarks and Analysis Report*, Chapter 5.

Indirect cost savings typically derive from salaried exempt employees for whom productivity savings are generated by controlling unrecorded excess paid time off. The extra time goes away, but the salary hasn't changed. In this way, a decrease in labor expense could be realized if these savings were applied across a large enough employee population, by removing the need to add additional employees in times of growth. These savings can lead directly to increased available capacity and productivity.

Cost-savings worksheet

An automated time and attendance solution can provide measurable cost savings. Using the data collected during discovery, assign current cost values[10] to each of these potential problem areas, which will enable you to derive the savings that can result from automating your current processes.

Direct cost savings

Cost savings resulting from:	Your opportunity for savings:
Reducing payroll error — with 4 to 15 percent of timesheets containing errors, reducing errors can help minimize overpayments[11]	

Cost savings resulting from:	Your opportunity for savings:
Reducing payroll inquiries – with a median ratio of .2 payroll staff to 100 employees, minimizing calls and questions to payroll can help improve staff productivity and reduce the cost of responding to inquiries[12]	

Cost savings resulting from:	Your opportunity for savings:
Reducing compliance exposure associated with grievances, audits, and fines	

Cost savings resulting from:	Your opportunity for savings:
Reducing hourly payroll inflation associated with lack of controls and overpayment for time not worked (buddy punching, long meals and breaks, time clock rounding rules, unauthorized overtime)	

Cost savings resulting from:	Your opportunity for savings:
Reducing absenteeism in general, leaves of absence, unrecorded PTO (and minimizing the cost of replacement workers)	

[10] Refer to the Appendix for assistance in quantifying costs and cost savings.
[11] IOMA, *Payroll Benchmarks and Analysis Report*, 106.
[12] IOMA, *Payroll Benchmarks and Analysis Report*, 10.

Cost savings resulting from:	Your opportunity for savings:
Reducing the dependence on, and overpayment of, agency, contract, and temporary labor — by improving management information. A 10 to 15 percent savings can be expected here.	

Cost savings resulting from:	Your opportunity for savings:
Reducing manual checks; include total dollar value and process-time costs	

Cost savings resulting from:	Your opportunity for savings:
Reducing prior-period payroll adjustments; include dollar value and process-time costs	

Cost savings resulting from:	Your opportunity for savings:
Reducing controllable overtime linked to insufficient management information. A savings of 10 to 25 percent or more can be expected here.	

Cost savings resulting from:	Your opportunity for savings:
Reducing administrative processing time associated with time and attendance for hourly workers (payroll, HR, and line supervisors)	

Cost savings resulting from:	Your opportunity for savings:
Eliminating paper timecards (cost of printing, distributing, handling, storing, accessing)	

Cost savings resulting from:	Your opportunity for savings:
Reducing salaried-employee payroll inflation linked to insufficient attendance controls and excess, unrecorded paid time off	

Cost savings resulting from:	Your opportunity for savings:
Reducing administrative processing time and increasing the productivity of salaried workers, especially supervisors and managers	

Nonquantifiable business benefits and how to measure them

Additional benefits that cannot be quantified but that help achieve critical business objectives should also be defined. These items can often be tied to the attainment of defined, measurable business objectives. One way to persuasively present these types of benefits is to use current statistics or measures concerning your functional operations and assign a percentage reduction or improvement you can expect in each area. Another method is to assign relative values (e.g., high, medium, low) to the potential magnitude of improvement in each area and the potential impact on the company.

NONQUANTIFIABLE BUSINESS BENEFITS CHECKLIST

Check off the important but nonquantifiable business benefits associated with implementing automated time and attendance functions that apply to your organization:

- ☐ Greater employee satisfaction due to employee self-service tools, real-time access to information, and high-quality, timely, equitable administration
- ☐ Reduced employee turnover resulting from the boost in employee satisfaction
- ☐ Increased customer satisfaction stemming from the capacity to meet customer needs consistently with a properly staffed and trained workforce
- ☐ Higher revenue resulting from increases in customer satisfaction
- ☐ Improved labor negotiation position derived from more accurate and detailed statistics on the workforce's scheduled and unscheduled absenteeism rates, tardiness, attendance, and leaves of absence
- ☐ Operational process improvement resulting from visibility into the location and magnitude of excessive indirect labor hours, which often point to unproductive activities or process issues
- ☐ Better cost accounting and margin analysis resulting from the availability of detailed data on labor hours and expenses — broken down by product, project, customer, work order, and process
- ☐ More accurate cost allocation and staffing projections stemming from the ability to properly assign and cross-charge costs for exempt staff, external consultants, and contract labor associated with internal projects

Chapter 5

RECOMMENDATIONS AND INVESTMENT REQUIREMENTS

At this point, you've identified, detailed, quantified, sorted, and prioritized all known quantifiable business benefits into their respective direct and indirect cost-savings areas — and determined the relative business impact and value of each nonquantifiable benefit to the organization.

Determine your desired state of operations

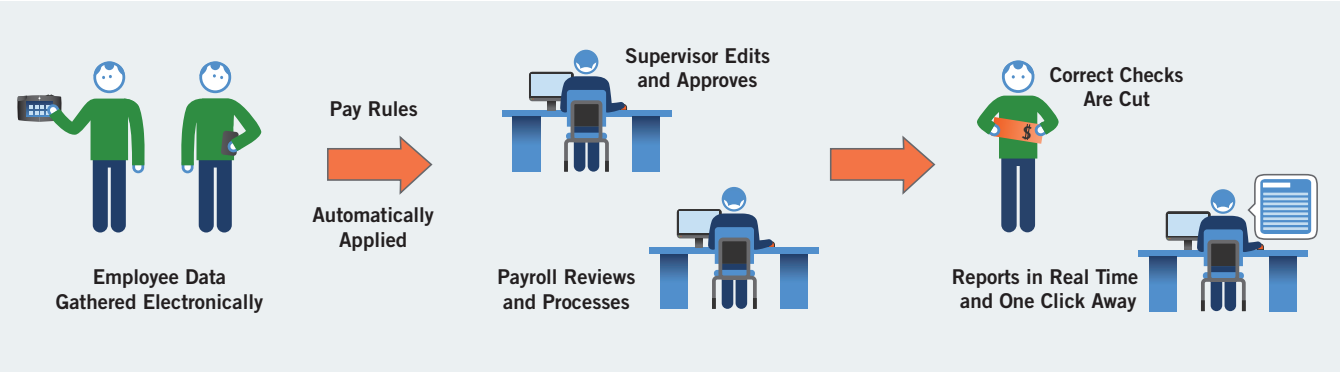
Now you're ready to outline and document your desired state of operations. Consider developing workflows and systems diagrams to show your future state. As you document and determine how the future state should look, take into consideration broader and longer-term business needs, such as expanding functionality and uses or potential growth in the number and type of users.

Document future-state workflow and benefits

Just as in the discovery stage, your future-state process workflows should contain all major process steps and system-processing components as well as show inputs to, and outputs of, each step. Future-state process workflows should also detail the decisions to be made at each step — by whom and when — including why, how, and how much time will be involved.

At each stage in the process, indicate all the manual and redundant steps that will be eliminated.

Typical Automated Process



Show in each step where:

- Compliance will be improved
- Control exposure will be removed
- Cycle times will be decreased
- Error and rework will be eliminated
- Missing information will be prohibited
- Management will get real-time information

Use the policy, process, and reporting documentation you've collected, plus the process workflows and interview notes, together with the current costs and cost-savings information to create your prioritized feature/function requirements list. This will form the basis for your evaluation of automated solutions and solution providers.

Speak your CFO's language …

Once you've projected the investment requirements for the proposed solution (use the *Investment Cost Breakdown Checklist* to guide you), you're ready for the next step: financial modeling and analysis. Financial analysis models are important because they can provide management with an objective basis for business decisions, permitting comparisons of investments and returns for multiple projects competing for the same funds. If you hope to be able to successfully influence your CFO and CEO, you should "use their language".

INVESTMENT COST BREAKDOWN CHECKLIST

Solution:
- ☐ Software license fee
- ☐ Hardware expense

Implementation resources:
- ☐ Internal project resources
- ☐ Software provider
- ☐ Implementation consultants

Change management:
- ☐ Communication
- ☐ Training

Recurring expenses:
- ☐ Software maintenance
- ☐ Ongoing operational maintenance

Note: Hosted, application solution provider (ASP)-based, and software as a service (SaaS) delivery models feature a different set of cost factors; they are not covered in this checklist. Additional information on Cloud-based offerings are covered throughout other parts of this guide.

Speak your CIO's language …

In addition to considering the traditional costs of investing in an automated solution, it is important to note the impact this investment will have on your IT organization. Implementing and maintaining solutions in-house can be complicated, costly, time-consuming, and a drain on already stretched resources, therefore many organizations are looking toward cloud-based offerings to alleviate some of the burden on their IT staff. Understanding the various options available for how a solution can be deployed and maintained will help in building your business case. Common solutions are:

- Hosted solutions (hosted externally, managed internally)
  Benefits: no IT infrastructure investments needed
- Managed solutions (hosted internally or externally, managed externally)
  Benefits: reduce burden on IT staff for upgrades and system monitoring
- Cloud solutions/software as a service (SaaS) model (subscription-based access to system)
  Benefits: pay per employee, per month; lower upfront capital expenditures

Determine financial analysis model and metrics

Organizations use many types of financial models. What follows is a brief look at some of the more common financial models appropriate for use in evaluating investments in time and attendance automation. When it comes to cases for time and attendance automation, organizations most often use a combination of two or more financial models to evaluate the investment decision. The models typically used are net present value (NPV), return on investment (ROI), and payback period. All these are founded on the concept of cash flow (CF).

CFO LINGO YOU NEED TO KNOW ...

Cash flow is essentially the difference between the costs of an investment and the gain or loss resulting from that investment, for each given time period, over a specified period of analysis. CF can be either positive or negative, since cash flows either in or out of the organization. The CF model for an investment in time and attendance automation would reveal the difference between each year's investment cost and the value of the cost savings produced by the investment — over a period of three to five years. The sum of the cash flows across the entire three- to five-year period is known as the net cash flow or cumulative net cash flow. By looking at CF activity over time, you'll see important trends with respect to the investment, which will clearly show the degree to which the automation solution is having the desired effect on financial results.

Net present value is the cumulative sum of the cash flows for each year, discounted to reflect the time value of money at that time period. Typically, the value of money earned in the future is worth less than the value of money earned today due to the fact that money in hand today can be invested for business-related gain or for interest. Since money gained in the future cannot be invested until the future, in financial NPV analysis, future cash flows are discounted by an appropriate rate — typically equal to a company's cost of capital, or interest, in order to make comparisons between investments based on the timing and magnitude of cash flows.

Return on investment provides a good comparative understanding of the magnitude of cumulative incremental cash gains resulting from an investment, relative to the cost of the investment over a specified time period. ROI permits you to compare competing projects to determine which stands to provide greater payback. ROI is typically presented as the average of the net yearly benefits or cash flows from an investment over three years, divided by the value of the initial cost of the investment, times 100, or:

ROI = ([net year 1 + net year 2 + net year 3]/3) / initial investment cost x 100

Payback period measures precisely how long it will take to recover the amount of your initial investment from cumulative net cash flows over time, to the point at which your net gain is zero or breakeven. It's a measure of the risk associated with the stated return on your investment. Investments having a shorter payback period are considered less risky since the chance of delivering predicted results falls over time as uncertainty about changing factors in the more distant future rises.

Assemble the financial analysis model

You'll need to look to your finance department to assist you in assembling the financial analysis model for your business case. It will be your job to apply the projected cost savings for each year, over the length of the analysis period, and compare these savings with each year's projected costs in order to determine the projected cash flow for each year. You'll need the following answers from your finance department:

- Financial model(s) to be used: NPV, ROI, payback period, internal rate of return (IRR)?
- Evaluation period in years: three, five, other?
- Pretax or after-tax values?
- Effective corporate tax rate (if after tax)?
- Discount rate: cost of capital?
- Depreciation schedule for software, if depreciated over time: three, five, 10 years?
- Allowable cost savings: direct, indirect, avoiding increases in future costs?
- Financial treatment of nonquantifiable business benefits that resolve or help to resolve critical business issues?

Alternative scenarios

Many organizations require alternative scenarios as part of their evaluation and decision-making process. The alternative-scenario approach can take the form of a comparative evaluation of multiple solutions, parts of the solution from a single provider, or solutions from multiple providers. A simple, practical approach is to use a "no change" or "cost of doing nothing" scenario as your alternative, then assess the financial and business consequences associated with both the automated and the alternative, "no change" scenarios. This approach can be quite helpful in highlighting the need for automating time and attendance.

Chapter 6

PACKAGE AND PRESENT YOUR FINDINGS

Now that you've determined the investment requirements, benefits, and financial impact of your business case, you're nearly ready to present it to management.

Reach consensus before you present your case

Before you present your business case to the executive decision makers, you need to line up the support of your steering committee and key operational stakeholders. The steering committee needs to clearly understand where the team is headed before the formal, written business case is presented. This will help you make certain that all major issues have been covered, that hidden political "land mines" have been recognized and disarmed, and that the steering committee will support the case in the face of any internal opposition.

The following elements should be covered in your business case:

- Executive Summary
- Methodology Highlights
- Major Findings
- Recommendations
- Financial Value Analysis
- Next Steps
- Supporting Documentation and Appendices

Executive Summary

The Executive Summary gives the decision maker reading the document a brief synopsis of the contents. It should hit the reader "between the eyes," citing important supporting evidence. Make sure to feature the following executive "hot buttons" prominently in the Executive Summary. The list of executive hot buttons is organized by role:

- **CEO:** shareholder value, earnings per share (EPS), increased revenue, customer loyalty, employee satisfaction
- **CFO:** shareholder value, EPS, margin, control, compliance, auditability
- **COO:** safety, quality, productivity, margins, labor optimization, expense control
- **CHRO:** compliance, employee satisfaction, employee retention/reduced turnover expense
- **CIO:** IT resource availability, business intelligence strategy, IT direction (cloud versus in-house), infrastructure costs/deployment options, auditability, compliance

Methodology Highlights

The Methodology Highlights section is a summary of how the case was structured and the analysis conducted. It includes the project team and project timeline, scope, interviewees, and an overview of the data collected and reviewed. This section establishes credibility and validates the soundness and comprehensiveness of the approach you've taken.

Major Findings

The Major Findings section is a summary of critical process issues, business issues, and key observations and quotes from the interviewees, together with a documentation review. It provides a holistic perspective on the current state of affairs, outlining and prioritizing the most significant areas of exposure and opportunities for improvement in operations.

EXECUTIVE SUMMARY HIGHLIGHTS

The Executive Summary touches on the following information — much of which you'll treat in greater depth in the body of your business case presentation:

- Subject of the business case
- Business issues
- Methodology
- Major findings
- Recommendation
- Expected results and benefits: financial and nonfinancial
- Next steps

Recommendations

The Recommendations section identifies areas that need to be addressed with the proposed solution, prioritizes the recommendations, and outlines the actions necessary to attain critical business objectives and resolve organizational issues. This section details exactly what kind of system functionality is required and how you propose to get from the current state to the future state you're recommending. It also details the scope of the initiative, in terms of the variables that were considered in the initial design of the business case. Finally, the Recommendations section outlines a high-level implementation roadmap, explaining how the proposed solution will be implemented across which organizational units — divisions, departments — in which geographies, and when.

Financial Value Analysis

This section presents the results of the financial analysis model used to predict the financial impact of the scenarios you evaluated. It outlines the major assumptions supporting the analysis, explains the sensitivity of the calculations to changes in these assumptions and key variables, and spells out the degree of risk that the desired results might not be fully obtained. In this section, you also set forth your prediction of what will happen if nothing changes — if the organization makes no decision — making appropriate assumptions, as above, regarding potential changes in key internal and external variables.

Next Steps

The Next Steps section details the action you are requesting from the executive team or decision-making body evaluating the proposal. Be clear and specific about what you are asking for. What type and quantity of resources do you need (funds, time, people, etc.)? On the assumption that your business case will be approved, list the project team's next steps associated with evaluating solution providers.

Supporting Documentation and Appendices

The Supporting Documentation and Appendices section contains summarized versions of all pertinent materials procured during discovery, including major reports, analysis findings, and detailed financial analysis spreadsheets and models.

Get Started Today

Ready to get started developing your time and attendance business case? Need assistance? Give us a call at **+1 800 225 1561** and find out how Kronos® can help your team identify the ROI potential for your project today.

Appendix: Identify opportunities and quantify costs

The information contained in this Appendix will help you identify hidden process costs and uncover cost-savings opportunities to justify your business case.

Absenteeism rate — scheduled and unscheduled. This statistic quickly shows if there are problems or abuses in controlling scheduled and unscheduled time off. Automated time and attendance solutions have been proven to significantly reduce absenteeism because they provide control and visibility into workforce information.

Average salary and wage dollars — by specific role, location (salaried, hourly, payroll, HR). This metric is used to calculate cost savings that result from controlling labor-reporting abuses associated with paid time not worked and excess unrecorded PTO, and the cost savings related to productivity enhancements resulting from automating time and attendance for exempt supervisors and HR and payroll employees who administer current processes.

Compliance audits — The results of any previous compliance audits should be considered in the business case. Department of Labor audits regarding FLSA or FMLA grievances are particularly costly. Determine if there have been any audits and, if so, what the direct cost was for restitution of back pay, penalties, and fines — as well as the expense of administering or responding to the complaint and any legal fees associated with defending against it.

Contingent labor expense dollars — by work location (plant, office, store, department, etc.) and type of labor expense (temporary, agency, contract labor). This data quickly reveals areas where absenteeism or scheduling could be a problem. If the absolute dollar value of contingent labor is significant (more than $500,000), if contingent labor represents a relatively high percentage of total payroll (greater than 10 percent), or if there are individual areas outside the norm, there might be room for significant improvement by automating time and attendance. While this data is typically difficult to procure because the associated workers are often paid through accounts payable and not payroll, being able to manage this type of labor with an automated timekeeping and attendance system can provide significant cost savings and tighter control over reconciliation with third-party agencies.

Employee and bargaining unit grievances — This is another area of opportunity for savings. Many employee and bargaining unit grievances stem from issues dealing with the administration and control of work, leave, and pay rules. Many of these grievances can be eliminated with an automated time and attendance solution. The volume and costs (direct and indirect) of administering and responding to these grievances can be quite considerable and should be factored into your business justification.

Employee counts — by specific classification, role, location (salaried, hourly, part-time, union, supervisors, payroll clerks, timekeepers, HR, etc.). These numbers identify the major pockets of hourly workers whose labor expense is most difficult to control with manual processes. This data can also be used to calculate anticipated labor cost savings due to reductions in absenteeism, tardiness, "gaming of the system," unrecorded PTO, and overtime, as well as the value of productivity savings you project supervisors, payroll, and HR will realize.

Leaves of absence — amount by type (workers' compensation, short-term disability, long-term disability, and FMLA). These statistics can reveal potential problems or abuses in the control and proper management of these absence types. Of particular concern is intermittent FMLA, which is most difficult to control. Automated time and attendance systems, as well as more sophisticated leave management tools, can provide significant cost savings and value as they manage these types of leave, even as they improve compliance with internal policies and external regulations. Automated leave management solutions have been shown to significantly reduce unrecorded leave, particularly FMLA.

Overtime dollars — by specific classification, role, and work location (plant, office, store, department, etc.). This data quickly reveals areas where overtime is a problem. If the absolute dollar value of overtime is significant (more than $500,000), if overtime represents a relatively high percentage of total payroll (greater than 10 percent), or if there are individual areas outside the norm, there might be room for significant improvement by automating time and attendance functions. Focusing on overtime often presents excellent opportunities for improvements in control and cost savings.

Paper timesheet costs — Organizations that use paper timesheets incur tremendous processing, handling, and storage costs, not only during the initial pay period, but also down the road as employee challenges and audits lead to the rehandling of these paper records.

Payroll dollars — by specific classification (exempt, hourly nonexempt, overtime, part-time, or contract workers) and location (plant, office, store, department, etc.). This data is gathered to show the payroll distribution across the organization and where the greatest areas of opportunity are. It is the base from which assessments of the magnitude of overtime and contingent labor are made. This data is also gathered to apply industry benchmark cost savings estimates you expect to realize with your proposed time and attendance solution.

Payroll error rate — Payroll timecard audits are often recommended to determine actual error rates and dollar amounts. This rate can be particularly high in organizations with complex pay rules, significant overtime, or frequent job or shift changes that result in differing rates of pay for hourly employees. In addition to reducing the error rate, automated time and attendance tools reduce the exposure to employee grievances and compliance violations for FLSA, bargaining unit agreements, etc.

Payroll manual checks — number and dollar value. These statistics provide a window into the potential magnitude of error and payroll inflation related to lack of controls and unintentional and intentional abuse of the time-recording process. Manual checks are typically the result of deficiencies in the timekeeping process and often represent employee claims of underpayment. Studies have shown that it is a fair assumption that there are as many incidents of unreported overpayments. You can safely assume that the value of overpayments is roughly equal to that of underpayments. Automated time and attendance tools can cut this expense by 100 percent.

SaaS/cloud — SaaS models and cloud computing offer an alternative to traditionally in-house hosted and managed software solutions. SaaS-based models typically include a per-employee, per-month fee for accessing the application on demand. The customer organization is relieved of hosting, managing, updating, and troubleshooting the application. Cloud-based models can either be hosted by the customer in a private cloud or by a third party (including the software vendor) in an external cloud. This model offers flexibility for the customer with regard to who hosts, manages, updates, and troubleshoots the application (either internal IT staff, external resources, or a combination of the two). Both SaaS and cloud offerings can be cost-effective methods of deploying software solutions by helping relieve some of the burden from internal IT staff, eliminate or reduce upgrading efforts and costs, and reduce the amount of capital expenditure related to upgrading or expanding IT infrastructure to support the new solution.

Notes

Notes

Kronos is the global leader in delivering workforce management solutions in the cloud. Tens of thousands of organizations in more than 100 countries — including more than half of the Fortune 1000® — use Kronos to control labor costs, minimize compliance risk, and improve workforce productivity. Learn more about Kronos industry-specific time and attendance, scheduling, absence management, HR and payroll, hiring, and labor analytics applications at www.kronos.com. **Kronos: Workforce Innovation That Works™**.

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Kronos Incorporated 297 Billerica Road Chelmsford, MA 01824 +1 800 225 1561 +1 978 250 9800 www.kronos.com

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