

A Forrester Total Economic Impact™  
Study Commissioned By Kronos  
March 2020

# The Total Economic Impact™ Of Kronos

Cost Savings And Business Benefits  
Enabled By The Kronos Human Capital  
Management Suite

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# Executive Summary

## Benefits And Costs



Savings due to improved workforce optimization:

**\$656,168**



Reduced paper handling costs:

**\$1,250,263**



Licensing fees:

**\$700,463**

Kronos provides cloud-based human capital and workforce management applications that help customers manage their entire workforce, including salaried, hourly, and full-time and part-time employees. Through its Workforce Ready and Workforce Dimensions HCM Suites, Kronos enables organizations to manage their entire employee experience from hire to retire.<sup>1</sup> Kronos commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) that organizations may realize by deploying its Workforce Ready HCM Suite. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of the Workforce Ready HCM Suite on their organization's human capital management practices.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed a customer with several years of experience using the Workforce Ready Suite. The YMCA of the Fox Cities uses the platform to manage a diverse and constantly shifting workforce that includes salaried professionals, full-time hourly employees, and part-time employees (who are often temporary) across over 40 locations. These employees often work in multiple positions with varying rates of pay and certification requirements.

Prior to using the Workforce Ready Suite, the YMCA's payroll and human resource (HR) functions were managed manually, with paper timesheets approved by supervisors, specialists doing data entry, and downloadable PDF forms for recruiting and hiring. When a new HR director joined in 2016, the legacy systems in place made it very difficult for them to make progress automating these processes. Despite some improvements in job posting and recruiting, executives were aware that the organization was still dealing with antiquated HR systems. In addition to the strain this put on the team, it made managing employee rosters, schedules, and overtime difficult for supervisors, who therefore failed to empower their employees.

Using Kronos' Workforce Ready Suite, the YMCA has both improved the speed and accuracy of its payroll with mobile timekeeping and empowered its supervisors with workforce management data. The organization has also decreased hiring costs and bureaucracy and expanded its analytic and reporting capabilities, as a result of easier access to more HR data.

## Key Findings

**Quantified benefits.** The YMCA of the Fox Cities experienced the following risk-adjusted present value (PV) quantified benefits:

- › **Savings due to improved workforce optimization were \$656,168 and provided more opportunity for employees.** With an employee database that was only accessible by HR, it was impossible for hiring managers to search for available employees across the organization. Thus, they often hired new employees even though there were good candidates already on the payroll in different locations. In the year following the launch of the Workforce Ready Suite, the YMCA was able to offer 120 employees expanded job opportunities and save the cost of hiring and onboarding for those roles.



**ROI**  
**311%**



**Benefits PV**  
**\$3.1 million**



**NPV**  
**\$2.3 million**

- › **Avoided payroll errors saved over \$584,721 and created an improved employee experience.** The complicated and onerous payroll system that was in place prior to Kronos introduced human error from time to time, despite an experienced and diligent payroll team. Aside from the expense of investigating and fixing those mistakes, errors in pay eroded the trust between employer and employee.
- › **Reduced paper handling costs saved \$1.25 million.** The organization's reliance on a completely manual timekeeping system meant that HR dealt with over 65,000 pieces of paper each year. Every employee submitted at least one timesheet every pay period. If they worked in more than one function, they submitted a timesheet for each job. Forrester estimates that the risk-adjusted cost of the paper, handling, and potential misfiling issues amounted to \$585,000 each year, all of which was saved by automating the paper-based system.
- › **Improved payroll processing productivity resulted in \$306,536 in savings.** Before investing in the Workforce Ready Suite, two payroll specialists worked overtime for at least three days every pay period. Kronos was able to cut this down to just one specialist working 1.5 days, reducing stress on the team and allowing payroll specialists to focus on other tasks, such as providing analysis and reporting for tax and accounting teams. The organization's 80 supervisors were spared hours each pay period reviewing, approving, and signing stacks of paper timesheets, freeing them up to engage with YMCA members or improve the overall management of their teams.
- › **Avoided cost of unearned benefits worth \$279,005.** The incumbent employee database was not easy to update, and the HR team was not able to purge it frequently. As a result, people who were not actively employed at the YMCA were still able to take advantage of benefits such as discounted or free memberships, classes, and childcare. The organization saved \$100,000 in Year 1 by correcting the statuses of some 350 individuals.

**Unquantified benefits.** The YMCA also experienced the following benefits, which are not quantified for this study:

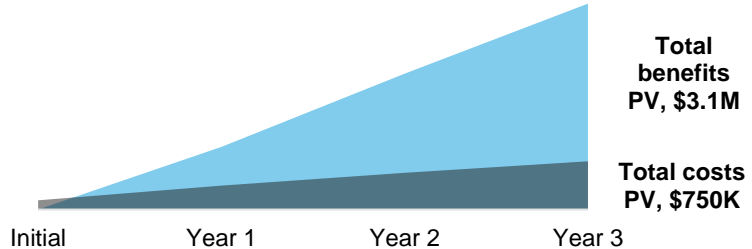
- › **Empowering supervisors to do their jobs better.** Before the deployment of the Kronos Workforce Ready Suite, supervisors had no visibility into their employees' data without requesting specific reports from the HR team. Now they can use the platform to run reports that let them see patterns of absenteeism, overtime, and/or tardiness and, thus, manage teams and schedules more effectively.
- › **Faster time to productivity for new employees.** Once a manager has submitted a new hire request, they are usually anxious to get that employee onboarded and contributing. The Workforce Ready Suite not only facilitated the recruiting and hiring process, it also allowed the YMCA to onboard new hires much more quickly, resulting in a three- to four-week faster start for its 600 to 700 annual new hires.
- › **Simplified compliance reporting.** Before investing in the Kronos platform, HR specialists spent too much time creating reports for regulatory compliance. Using the organization's outdated human resource information system (HRIS) required hours of searching for and preparing data for these reports. With the Workforce Ready Suite, these reports are virtually available at the touch of a button and with a higher degree of reliability than the manually generated reports from the past.

**Costs.** From its interview, Forrester has determined that an organization the size and type of the YMCA of the Fox Cities would experience risk-adjusted PV costs as outlined below:

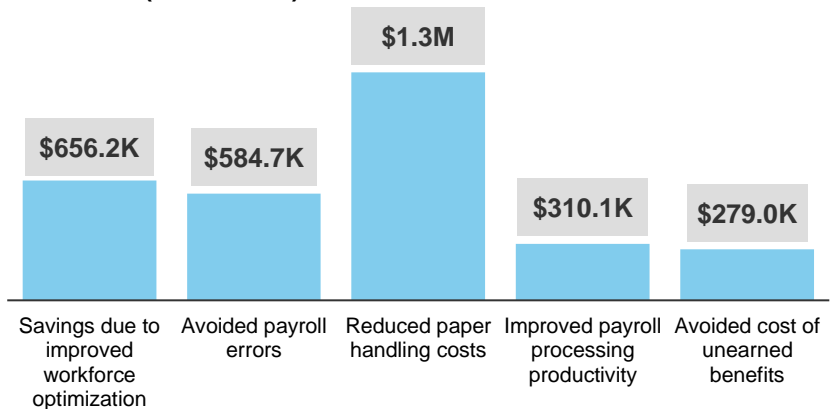
- › **Annual licensing fees, based on number of active employees and modules deployed, of over \$700,000.** Fees cover support, access to knowledge bases, and updates. A one-time initialization cost of \$120,000 would cover environment configuration, data loading, setting up business rules, and initial training.
- › **Employee training costs of \$33,354 supported the introduction of new practices that touched every employee in the organization.** Because the platform and app are very user-friendly, the required training for the majority of employees is minimal and the learning curve is not steep. Supervisors and HR specialists required a few more hours of training upfront and some on-the-job experimentation time.
- › **Purchase of time entry hardware was \$16,100 for the YMCA, involving only the placement of backup connected devices at key locations.** Since virtually all employees use their smartphones to access Kronos, the YMCA only invested in a limited number of iPads and Chromebooks as a backup for the few employees who might need them to enter their time.

Forrester’s interview with an existing customer and subsequent financial analysis found that the interviewed organization experienced benefits of \$3,076,693 over three years versus costs of \$749,917, adding up to a net present value (NPV) of \$2,326,776 and an ROI of 311%.

**Financial Summary**



**Benefits (Three-Year)**



The TEI methodology helps companies demonstrate, justify, and realize the tangible value of technology investments to both senior management and other key business stakeholders.

## TEI Framework And Methodology

From the information provided in the interview, Forrester constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing Kronos' Workforce Ready Suite.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Kronos' Workforce Ready Suite can have on an organization:



### **DUE DILIGENCE**

Interviewed Kronos stakeholders and Forrester analysts to gather data relative to the Workforce Ready Suite.



### **CUSTOMER INTERVIEW**

Interviewed an organization using the Workforce Ready Suite to obtain data with respect to costs, benefits, and risks.



### **FINANCIAL MODEL FRAMEWORK**

Constructed a financial model representative of the interview using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewed organization.



### **CASE STUDY**

Employed four fundamental elements of TEI in modeling Kronos Workforce Ready Suite's impact: benefits, costs, flexibility, and risks. Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

## DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Kronos and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in Kronos' Workforce Ready Suite.

Kronos reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

Kronos provided the customer names for the interviews but did not participate in the interviews.

# The Workforce Ready Suite Customer Journey

## BEFORE AND AFTER THE WORKFORCE READY SUITE INVESTMENT

### Interviewed Organization

For this study, Forrester interviewed the HR director of the YMCA of the Fox Cities:

- › The YMCA of the USA uses a federated business model where it is its own entity, and individual local YMCAs operate as their own business. The YMCA of the Fox Cities is located in Appleton, WI and operates five branches, a daycare center, and an overnight camp. It also operates 36 afterschool programs in local schools.
- › The organization employs 1,600 to 1,700 people, with many being part-time or temporary employees. Employment is often seasonal, although the seasonality differs for each part of the organization. A majority of those employees are also considered minors.
- › The HR team comprises five people, including the director, a benefits analyst, a human resources generalist, a part-time recruiter, and a payroll specialist.
- › This YMCA deployed the Workforce Ready Suite in 2017, beginning with the payroll module. They are now also using core HR, recruiting, onboarding, payroll services, accruals, and ACA (Affordable Care Act) modules.



### Interviewed organization:

- 1,600 to 1,700 employees
- Heavily part-time/hourly employment
- 5-person HR team
- 2017 deployment of Workforce Ready Suite

### Key Challenges

The HR director came into a human resources function in which almost everything was done manually, from paper timesheets, to 28-page downloadable PDFs of open positions, and an HRIS system that functioned as a static database with little functionality and no employee access outside HR. Their key objectives were to empower the YMCA's workforce and supervisors and to improve the HR team's productivity and efficacy. Among the key issues to address were:

- › **Significant time, energy, and stress around payroll processing.**  
The existing manual process used color-coded paper timesheets which supervisors spent hours each pay period reviewing and approving. The payroll specialists would then spent three to four days, working overtime, to enter the data and process the payroll. It was not an optimal use of management's time, and it took an emotional toll on those involved.
- › **Lack of clarity around employee time and pay accuracy.**  
Employees completed their own timesheets, often estimating their start and finish times after the fact. Since several locations had no supervisors on site, there was often no way to verify actual times to the minute. Finally, the number of times any one record was touched and moved from location to location almost ensured that some would be misfiled or lost.

"We had an HRIS system, but it just functioned as a database. We could search for basic employee profiles, but it didn't have any workflows and was not web-based — and we weren't able to give supervisors access to it."

*HR director, YMCA of the Fox Cities*





- › **Inefficient recruiting, hiring, and onboarding processes.** As an organization that hires 600 to 700 employees each year, the YMCA of the Fox Cities was unable to effectively communicate its job openings on its own website, and it made the process of applying for a job needlessly cumbersome. Onboarding was also lengthy, and not a positive employee experience. New employees were required to come to a facility for several hours of paperwork. Managers were frustrated and looking for faster speed to productivity and results.

## Solution Requirements

The YMCA of the Fox Cities searched for a solution that could:

- › Make a noticeable impact on the payroll issues in the short term.
- › Provide scalability and room to grow as the team implemented a plan to automate and streamline its human resources processes within the constraints of a nonprofit's budget.
- › Demonstrate familiarity with the unique structure and business processes of the YMCA.
- › Partner with the organization and help make them better, rather than just automating current systems. As the HR director explained: "I knew we would need a good partner because we have a small team, and this would be so new for them. We liked Kronos' support model because it's pod-based, so we always work with the same people who know our business."

After an extensive RFP and business case process evaluating five vendors via phone, in person presentation, and in-depth demonstration, the YMCA of the Fox Cities chose Kronos' Workforce Ready Suite and began deployment:

- › Deployment began with the payroll module, and it went quite rapidly. The team felt comfortable using the software and at ease with its ability to handle a variety of scenarios after two to three months.
- › Since then, the YMCA has continued to pursue its plan with the addition of core HR, recruiting, onboarding, accruals, ACA, and payroll servicing modules.

## Key Results

The interview revealed that key results from the Workforce Ready Suite investment include:

- › **A more reliable time and attendance system, feeding an automated payroll process.** With Kronos, employees now clock in and out on their own mobile phones. When their work is done for the period, they submit their timesheet and their supervisor can immediately review and approve it on his or her phone. The payroll is processed digitally, and reports are generated for compliance and budget tracking. The HR director told Forrester, "We used to have two payroll specialists working at least three 12-hour days every pay period, and now one does it in a day and a half."

"I knew we would need a good partner because we have a small team, and this would be so new for them. We liked Kronos' support because it's pod-based, so we always work with people who know our business."

*HR director, YMCA of the Fox Cities*



"We used to have two payroll specialists working at least three 12-hour days every pay period to process payroll, and now one specialist does it in a day and a half."

*HR director, YMCA of the Fox Cities*





- › **A better employee experience for managing employees' time.** Employees not only have an easier way to record their time, but they can also use Kronos to check their schedules, monitor remaining time off, and confirm benefits status. Supervisors are relieved of the need to answer these questions for employees and, in turn, no longer need to ask HR the same questions since the supervisors have access to all the employee information they need to manage effectively.
- › **More effective recruiting processes.** Using the talent acquisition module of the suite, the YMCA of the Fox Cities is now attracting twice as many qualified candidates as before. The searchable career site, integrated job postings, and candidate tracking improve both the sourcing process and the candidate experience, which results in better attraction and retention of job seekers.
- › **Better managers armed with the right information.** Supervisors who previously had virtually no information about employees and their effectiveness can now easily query the platform to find performance issues, including patterns of absenteeism, scheduling bottlenecks, and other problems. The HR director said, "I think just that user accessibility has been really responsibility-changing for our supervisory staff." They can manage their teams more effectively, as well as schedule and budget with more accuracy.

"I think just that user accessibility has been really responsibility-changing for our supervisory staff."

*HR director, YMCA of the Fox Cities*



# Analysis Of Benefits

## QUANTIFIED BENEFIT DATA

Total Benefits						
REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Savings due to improved workforce optimization	\$216,000	\$270,000	\$315,000	\$801,000	\$656,168
Btr	Avoided payroll errors	\$235,125	\$235,125	\$235,125	\$705,375	\$584,721
Ctr	Reduced paper handling costs	\$360,000	\$585,000	\$585,000	\$1,530,000	\$1,250,263
Dtr	Improved payroll processing productivity	\$124,688	\$124,688	\$124,688	\$374,063	\$310,079
Etr	Avoided cost of unearned benefits	\$85,500	\$114,000	\$142,500	\$342,000	\$279,005
Total benefits (risk-adjusted)		\$1,021,313	\$1,328,813	\$1,402,313	\$3,752,438	\$3,080,236

## Savings Due To Improved Workforce Optimization

Before the investment in the Workforce Ready Suite, the supervisors at the YMCA of the Fox Cities had no visibility into an internal talent pool. Each manager simply went to the market and hired a new employee if they had an opening.

In fact, there were often multiple employees on the books, working in other departments and locations, who would have taken additional hours or a new position. As the HR director explained: "Our supervisors can now pull up information and see who is working as school aids, healthcare, development, or others, and tap into those people. Before Kronos, we would get new hire paperwork for someone who was already one of our employees."

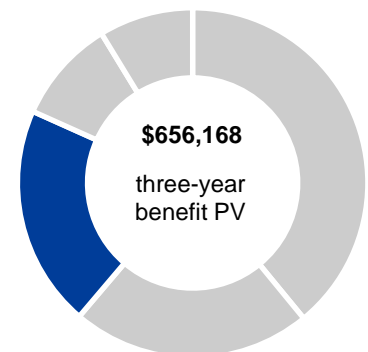
Based on the interview, Forrester determined that the YMCA:

- › Filled 20% of its 600 new hires each year with employees who were already on the books.
- › Avoided the cost for hiring each new employee of \$2,000 (including posting, interviewing, selecting, onboarding, and training). This is below industry average, as many of the YMCA's part-time and seasonal hires are less expensive to acquire.

Other organizations' experience with avoiding these costs will vary based on their rate of new hire activity, the costs of external hiring in their industry or geography, and the extent to which they have incumbents who could fill the required openings (in addition to their current jobs).

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$656,168.

The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the interviewed organization expects risk-adjusted total benefits to be a PV of nearly \$3.1 million.



**Savings due to improved workforce optimization: 20% of total benefits**

Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

### Savings Due To Improved Workforce Optimization: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
A1	Outside new hires avoided		120	150	175
A2	Cost to hire a new employee		\$2,000	\$2,000	\$2,000
At	Savings due to improved workforce optimization	A1*A2	\$240,000	\$300,000	\$350,000
	Risk adjustment	↓10%			
Atr	Savings due to improved workforce optimization (risk-adjusted)		\$216,000	\$270,000	\$315,000

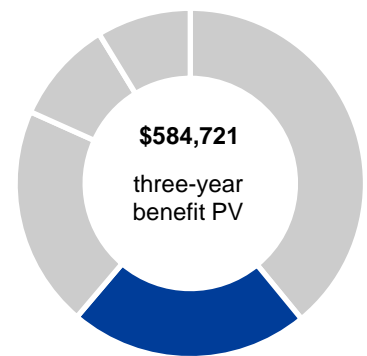
### Avoided Payroll Errors

The YMCA of the Fox Cities had a relatively complex payroll task with a workforce that was fluid and included employees working multiple jobs at different rates of pay. The company's reliance on a manual system of recording and approving employees' time made it virtually impossible to avoid errors and disputes about pay, including employee errors in entering time, supervisor errors in approving timesheets, and payroll team errors in entering data. While the YMCA does not currently have access to the full cost of payroll errors in the years prior to deploying the Workforce Ready Suite, the American Payroll Association estimates these costs are up to 8% of total payroll.

Forrester made the following assumptions in calculating the value of this benefit to the YMCA.

- › The organization's total payroll is \$16,500,000.
- › It saves a conservative 1.5% of payroll by avoiding manual errors each year after the introduction of the Kronos software.

Another organization's results may vary based on the complexity of its workforce and the nature of the controls in place to prevent manual errors, by employees, supervisors, and payroll processing teams. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of \$584,721.



**Avoided payroll errors:  
22% of total benefits**

### Avoided Payroll Errors: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
B1	Full year of payroll		\$16,500,000	\$16,500,000	\$16,500,000
B2	Percent savings due to payroll errors avoided		1.5%	1.5%	1.5%
Bt	Avoided payroll errors	B1*B2	\$247,500	\$247,500	\$247,500
	Risk adjustment	↓5%			
Btr	Avoided payroll errors (risk-adjusted)		\$235,125	\$235,125	\$235,125

## Reduced Paper Handling Costs

The paper-based payroll system that the YMCA of the Fox Cities was using before its investment in Kronos generated over 2,500 color-coded paper timesheets each pay period (65,000 sheets of paper each year). Each of these documents was moved several times between and within locations as employees, supervisors, and data entry and payroll specialists played their role in the process. They made their way to the HR organization where two specialists spent hours on data entry and digitizing the information. The paper timesheets were then archived for future retrieval, if necessary.

Forrester based its estimate of the value of this benefit on the YMCA's ability to completely eradicate the use of paper timesheets within a few months of its deployment of Kronos' payroll module.

- › Using industry estimates of the cost of generating, handling, filing, retrieving, and disposing of documents (including finding or recreating missing documents), Forrester used a conservative figure of \$10 per sheet to capture the total cost of using a paper-based manual system.
- › The YMCA was able to eliminate paper timesheets within a month of deploying the Workforce Ready Payroll module, saving the total value of those costs each year.

A number of factors could influence another organization's ability to benefit to the same extent, including:

- › Software that does not enable it to eliminate its paper system, or to eliminate it as quickly as the YMCA could.
- › Less heavy reliance on paper before deploying the software.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$1,250,263.



The YMCA eradicated the use of paper timesheets within a few months of deploying Kronos' Workforce Ready Suite.

### Reduced Paper Handling Costs: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
C1	Paper timesheets filed per year		65,000	65,000	65,000
C2	Cost of paper filing and maintenance		\$10.00	\$10.00	\$10.00
C3	Paper timesheets eliminated		40,000	65,000	65,000
C	Reduced paper handling costs	C2*C3	\$400,000	\$650,000	\$650,000
	Risk adjustment	↓10%			
Ctr	Reduced paper handling costs (risk-adjusted)		\$360,000	\$585,000	\$585,000

## Improved Payroll Processing Productivity

The manual, paper-based payroll system in place at the YMCA of the Fox Cities before its investment in Kronos' Workforce Ready Suite required many hours of work, especially for supervisors and payroll specialists. Supervisors received a stack of timesheets at the end of the pay period and had to review them, resolve issues with employees, and sign their approval before sending the sheets to the main office for processing. As stated anecdotally by one YMCA supervisor, many of them spent the bulk of their Monday morning approving timesheets.

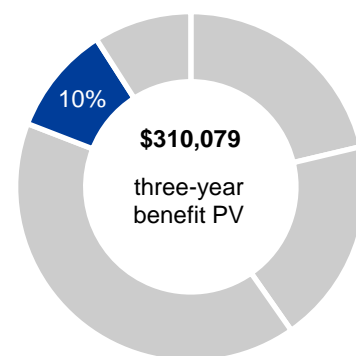
Two payroll specialists would then have to work for three days to enter and process the payroll in time to get it to the bank so paychecks could be cut. This system was not only laborious, it was also very stressful for the payroll team and made it impossible for them to attend to any personal or family issues during that time. Once the Workforce Ready Suite payroll module was in place, however, supervisors received timesheets on their mobile phone as soon as an employee finished its last shift, so they could review and approve on the spot.

There was no longer any need for manual data entry, and the time to prepare the payroll for the check processing was cut down to 1.5 days (regular 8-hour day). Overall, the YMCA got back 346 hours of valuable employee time every two weeks. And the payroll specialist is now able to take a family vacation whenever they want.

Forrester projected the value of this benefit to the organization based on the following assumptions:

- › Eighty (80) supervisors, whose time spent approving timesheets dropped from 4 hours per pay period to 15 minutes per pay period.
- › Two (2) payroll specialists, one spending 3.5 12-hour days and one spending 2.5 8-hour days every pay period, whose combined payroll processing hours were reduced to one person working 12 hours over the course of two days each period processing the payroll.
- › Average annual salary of \$40,000 for both the supervisors and the payroll specialists.

Organizations' own experiences may vary depending on the degree of manual processing required in their system, as well as the number of employees on the payroll, and how it is processed. To account for these risks, Forrester adjusted the benefit downward by 5%, yielding a three-year, risk-adjusted total PV of \$310,079.



Improved payroll processing productivity: 10% of total benefits

"You can see the difference for our payroll specialist. Everything was on her shoulders before Kronos, and it was really impacting her personally."

*HR director, YMCA of the Fox Cities*



## Improved Payroll Processing Productivity: Calculation Table

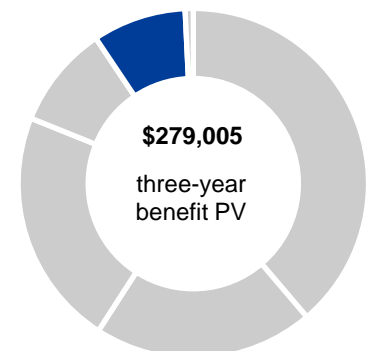
REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
D1	HR hours to input and run each payroll before Kronos	1 FTE at 3.5*12-hour days; 1 FTE at 2.5*8-hour days	62	62	62
D2	Supervisor hours to approve each payroll before Kronos	80 FTE*4 hours	320	320	320
D3	HR hours to process each payroll after Kronos	1 FTE at 1.5*8-hour day	12	12	12
D4	Supervisor hours to approve payroll after Kronos		20	20	20
D5	Total hours saved per pay period	(D1-D3)+(D2-D4)	350	350	350
D6	Pay periods per year		26	26	26
D7	Payroll processing hours saved	D5*D6	9,100	9,100	9,100
D8	Percent captured		75%	75%	75%
D9	Average annual salary		\$40,000	\$40,000	\$40,000
Dt	Improved payroll processing productivity	D7*D8*D9/2,080	\$131,250	\$131,250	\$131,250
	Risk adjustment	↓5%			
Dtr	Improved payroll processing productivity (risk-adjusted)		\$124,688	\$124,688	\$124,688

## Avoided Cost Of Unearned Benefits

The YMCA of the Fox Cities provides its employees with company-related perquisites, including benefits such as free or discounted memberships, program fees, and childcare fees. With a HRIS system that made it difficult and time-consuming to access workforce data, and an onboarding process that sometimes took weeks, the YMCA's employee roster had swelled over the years. As a result, a number of people who were no longer actively working for the YMCA were able to continue to access free and discounted programs.

The HR director explained: "It used to be such an onerous process to rehire, for instance, a seasonal employee, that supervisors would just leave them on the books for a year or two until they needed to call them back again. We discovered that, because people were hanging out as active employees on our list, we were giving away about \$100,000 in discounts that weren't being earned." With the implementation of the Workforce Ready Suite, the human resources team was able to identify and purge lapsed employees more easily.

Kronos also enabled a much simpler rehiring process that removed the incentive for supervisors to keep inactive employees on the books. All of this lowered the overall cost of providing these popular benefits for the YMCA's workforce.



**Avoided cost of unearned benefits: 9% of total benefits**

The value of this benefit to the YMCA is in the table below.

- › The cost of perquisites averages \$300 per employee.
- › Three-hundred inactive employees removed from the roster in Year 1.
- › An additional 200 employees removed over the course of Year 2 and Year 3.

The value of this benefit to any given organization will be affected by:

- › The cost of the perquisites offered.
- › The number of inactive employees suspected to be on the books.
- › The reasons for having inactive employees on the books, and the extent to which they can be resolved with HR management software.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of \$279,005.

“We discovered that, because people were hanging out as active employees on our list, we were giving away about \$100,000 a year in discounts that weren’t being earned.”

*HR director, YMCA of the Fox Cities*



### Avoided Cost Of Unearned Benefits: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
E1	Cost of discount benefits per employee		\$300	\$300	\$300
E2	Lapsed employees purged		300	400	500
Et	Avoided cost of unearned benefits	E1*E2	\$90,000	\$120,000	\$150,000
	Risk adjustment	↓5%			
Etr	Avoided cost of unearned benefits (risk-adjusted)		\$85,500	\$114,000	\$142,500

## Unquantified Benefits

- › **Empowering supervisors to better manage teams and meet objectives.** Before the deployment of the Kronos Workforce Ready Suite, supervisors did not have information at hand to manage their teams effectively. Without asking for reports from HR, they could not see where else in the organization their employees worked, who had unused time off, or who may have been habitually late. Now that the platform provides all that information for them quickly and easily, supervisors can manage teams and schedules much more proactively. This also freed up time for them to spend with members, thus improving members’ experience.
- › **Faster startup time for new employees.** A frequent complaint among supervisors was that new employees often did not begin work until weeks after they were hired. The organization’s manual onboarding process required new employees, even those being rehired from a previous summer or holiday, to physically come to the office and fill out paperwork that could take an hour or more to complete. The Workforce Ready Suite allows new hires to complete much of their “paperwork” remotely, and it greatly reduces the number of forms required for rehires; this results in new employees becoming productive and contributing to the YMCA’s business goals three to four weeks earlier than before.



The Workforce Ready Suite gives supervisors the data they need to manage their workforce effectively.



- › **Simplified compliance reporting.** The YMCA must comply with certain regulations in the delivery of reports that prove compliance. There are significant fines for failing to file and for filing late or erroneously. The YMCA also receives grants from charitable organizations and must file reports to earn and maintain those grants. The YMCA's HR director explained: "It was really difficult to pull out the data that was needed. We had to pull multiple reports, then sort them, count them, and combine them. Now it's really just a click of a button in Kronos."
- › **More accurate and reliable budgeting.** After bringing Kronos on board, the YMCA quickly discovered that its wage budgets were out of line. Without access to reliable data, managers were hard-pressed to accurately project their needs. As the HR director recalled: "The system helped our supervisors see 'this is what so-and-so is actually working.' With our benefits costs, retirement plan costs, and the like, we're able to be much more accurate in budgets than ever before." Since managers tended to overbudget in the past, this improvement in accuracy has freed up funds for the YMCA to deploy in other areas.

"We had to pull multiple reports, then sort them, count them, and combine them. Now it's really just a click of a button in Kronos."

*HR director, YMCA of the Fox Cities*



"We're just able to be much more accurate in our budget than we ever were before."

*HR director, YMCA of the Fox Cities*



## Flexibility

The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. There are multiple scenarios in which a customer might choose to implement the Workforce Ready Suite and later realize additional uses and business opportunities, including:

- › **Ability to expand operations by attracting new grants.** The improvements the YMCA has made regarding its hiring, workforce management, and wage budgets stand it in good stead to attract additional grants from charitable organizations. These organizations want to ensure the money they provide is well used and monitored, and the YMCA's investment in the Kronos platform demonstrates its commitment and ability to do that. Such new money would allow the YMCA to offer additional services for the community's benefit.

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to do so.

# Analysis Of Costs

## QUANTIFIED COST DATA

Total Costs							
REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Ftr	Fees paid to Kronos	\$126,000	\$231,000	\$231,000	\$231,000	\$819,000	\$700,463
Gtr	Employee training	\$0	\$23,568	\$7,560	\$7,560	\$38,688	\$33,354
Htr	Purchase of time entry hardware	\$16,100	\$0	\$0	\$0	\$16,100	\$16,100
	Total costs (risk-adjusted)	\$142,100	\$254,568	\$238,560	\$238,560	\$873,788	\$749,917

## Fees Paid To Kronos

The largest portion of the cost of deploying the Workforce Ready Suite was the subscription. Each module was priced separately based on number of employees covered by that module. This ongoing fee included support, access to knowledge bases, and updates. Because it is a cloud-based platform, updates happen automatically and include regulatory, usability, security, and functionality changes. In addition, the organization incurred a one-time initialization fee to cover environment configuration, data loading, setting up business rules, and initial training.

The total fee used in Forrester's cost calculation is representative of the price an organization the size and type of the YMCA of the Fox Cities would pay. An organization's actual costs will vary depending on the number of modules they invest in and the degree of consistency in their workforce. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of \$700,463.

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the interviewed organization expects risk-adjusted total costs to be a PV of nearly \$750,000.

## Fees Paid To Kronos: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
F1	One-time initialization		\$120,000			
F2	Annual license fees			\$220,000	\$220,000	\$220,000
Ft	Fees paid to Kronos	F1+F2	\$120,000	\$220,000	\$220,000	\$220,000
	Risk adjustment	↑5%				
Ftr	Fees paid to Kronos (risk-adjusted)		\$126,000	\$231,000	\$231,000	\$231,000

## Employee Training

The YMCA of the Fox Cities found the Kronos platform very user-friendly and felt its benefits almost from the start. For employees who used the system for timekeeping, the ability to “punch in” on a mobile app had a familiar feel. Supervisors, likewise, found it simple to use the app to review and approve timesheets in real time. After a 1-hour training in the basics, the entire workforce began using the time-recording software immediately. In addition, supervisors required minimal training to begin benefitting from the reporting capabilities of the system.

According to the HR director, “For our managers, we did some basic reporting training, but it’s so user-friendly and so customizable that the learning curve from a supervisor’s perspective was very quick.” For the specialists on the HR team, the learning curve was a bit longer, as they interacted with more features of the software. The director estimates that the team’s payroll specialist was very comfortable using and relying on the Kronos platform within three months.

The YMCA’s benefits specialist interacted with the Workforce Ready Suite across a wider variety of modules and tasks, i.e., they needed to integrate with third parties, such as insurance carriers, so it took them a little more time to explore and become familiar with the platform.

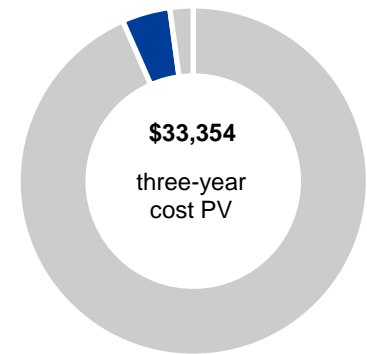
Forrester’s estimate of the cost of training for the YMCA is based on:

- › One-thousand-five-hundred-and-fifty (1,550) nonsupervisory employees, with an average hourly pay of \$12, receiving 1 hour of training for timesheet usage.
- › Eighty (80) supervisors, with an average annual salary of \$40,000, receiving the same training, and 2 hours of additional training on the platform’s reporting capabilities and how to use them.
- › Four (4) HR team specialists with an average salary of \$40,000, receiving the basic 3 hours of exempt training, and 10 hours of on-the-job training over the first three months.

The impact risks in the case of training revolve around:

- › The size of the workforce and their comfort using smartphones/apps.
- › The size of the HR team using the system more extensively.
- › The pay scales of all relevant groups.

To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of \$33,354



Employee training:  
5% of total costs

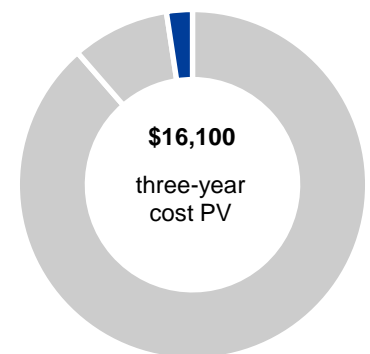
## Employee Training: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
G1	Hours of training per nonexempt employee			1	1	1
G2	Number of nonexempt employees			1,550	600	600
G3	Average nonexempt employee salary (per hour)			\$12	\$12	\$12
G4	Hours of training per exempt employee			2	0	0
G5	Number of exempt employees			80	80	80
G6	Additional on-the-job training for HR team specialists			10	0	0
G7	Number of HR team specialists			4	4	4
G8	Average exempt salary (hourly)	\$40,000/2,080		\$19	\$19	\$19
Gt	Employee training	(H1*H2*H3)+ (H4*H5*H8)+ (H6*H7*H8)		\$22,446	\$7,200	\$7,200
	Risk adjustment	↑5%				
Gtr	Employee training (risk-adjusted)			\$23,568	\$7,560	\$7,560

## Purchase Of Time Entry Hardware

The YMCA of the Fox Cities wanted to ensure that those employees who did not own a smartphone, were not comfortable using one, or had simply forgot to bring their own into work one day, would still be able to accurately enter their time. To this end, they purchased a minimal amount of hardware as backup, placing iPads at five primary locations and buying Chromebooks for those remote locations where another computer was not available. Some organizations might decide this is not necessary for their workforce and others may decide on the purchase of more traditional time clocks.

The cost estimate for this hardware assumes five iPads and 15 Chromebooks at an average unit price of \$700 each. Another organization's costs in this area may vary depending on the size, location, and digital experience level of its workforce. To account for this variability, Forrester adjusted this cost upward by 15%, yielding a three-year, risk-adjusted total PV of \$16,100.



Purchase of time entry hardware:  
2% of total costs

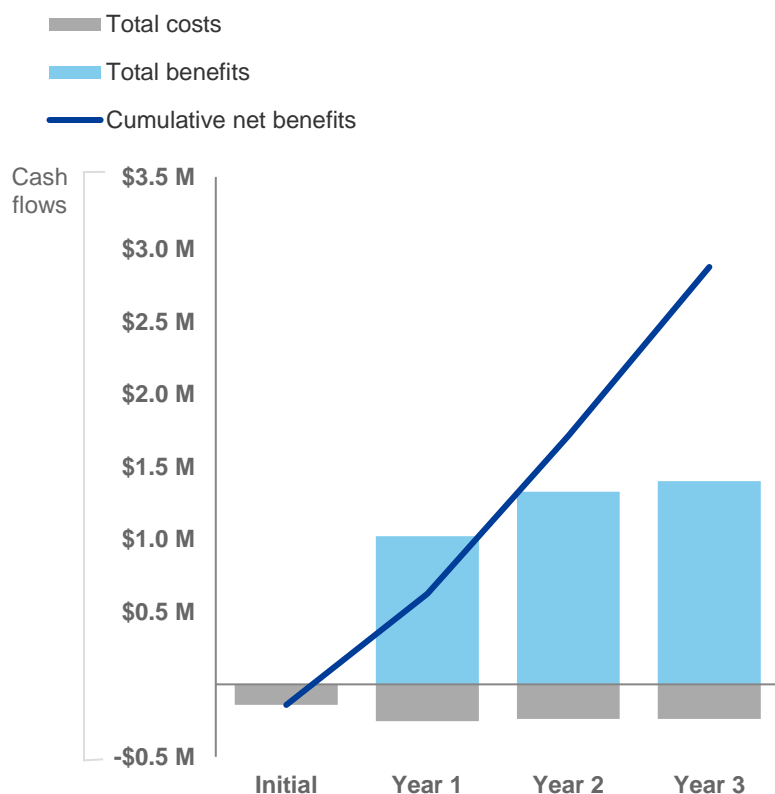
## Purchase Of Time Entry Hardware: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
H1	iPads/Chromebooks purchased for remote locations		20			
H2	Price per iPad/Chromebook		\$700			
Ht	Purchase of time entry hardware	$H1 * H2$	\$14,000	\$0	\$0	\$0
	Risk adjustment	↑15%				
Htr	Purchase of time entry hardware (risk-adjusted)		\$16,100	\$0	\$0	\$0

# Financial Summary

## CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

### Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the interviewed organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.



These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

### Cash Flow Analysis (risk-adjusted estimates)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	(\$142,100)	(\$254,568)	(\$238,560)	(\$238,560)	(\$873,788)	(\$749,917)
Total benefits	\$0	\$1,021,313	\$1,328,813	\$1,402,313	\$3,752,438	\$3,080,236
Net benefits	(\$142,100)	\$766,744	\$1,090,253	\$1,163,753	\$2,878,649	\$2,330,319
ROI						311%

# Kronos Workforce Ready Suite: Overview

The following information is provided by Kronos. Forrester has not validated any claims and does not endorse Kronos or its offerings.

The Kronos Workforce Ready® suite combines the power of workforce management and human capital management (HCM) in one unified cloud platform to help you manage your entire workforce from pre-hire to retire — whether they're salaried, hourly, full time, or part time.

From recruiting, hiring and onboarding, to benefits, performance, time keeping and payroll — Kronos Workforce Ready helps our customers make more informed business decisions, improve efficiency, eliminate risk, and alleviate the tactical burden of critical processes so they can provide a best-in-class employee experience to their people.

Unlike other solutions that only provide one or two of the following benefits, Kronos delivers the most value by providing all four to our customers.

- › **Unified Cloud Platform:** a unified modern cloud platform gives you the flexibility to manage the entire HCM ecosystem while maintaining data consistency with a single employee record.
- › **Intuitive User Experience:** a modern, consumer-grade interface with intuitive workflows ensures greater user adoption and a better employee experience.
- › **Award-Winning Customer Experience:** we build strong, collaborative partnerships with our customers through our support and services teams, customer events, and online communities so you can realize the most value from your Kronos solution.
- › **Industry Expertise:** our solutions are designed with unique industry needs in mind and are supported by people that know your business.



# Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

## Total Economic Impact Approach



**Benefits** represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.



**Costs** consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.



**Flexibility** represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.



**Risks** measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



### Present value (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



### Net present value (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.



### Return on investment (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



### Discount rate

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



### Payback period

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

# Appendix B: Supplemental Material

## *Related Forrester Research*

“The Forrester Tech Tide™: Cloud Human Capital Management, Q4 2019,” Forrester Research, Inc., October 24, 2019.

# Appendix C: Endnotes

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<sup>1</sup> Source: HCM: human capital management.