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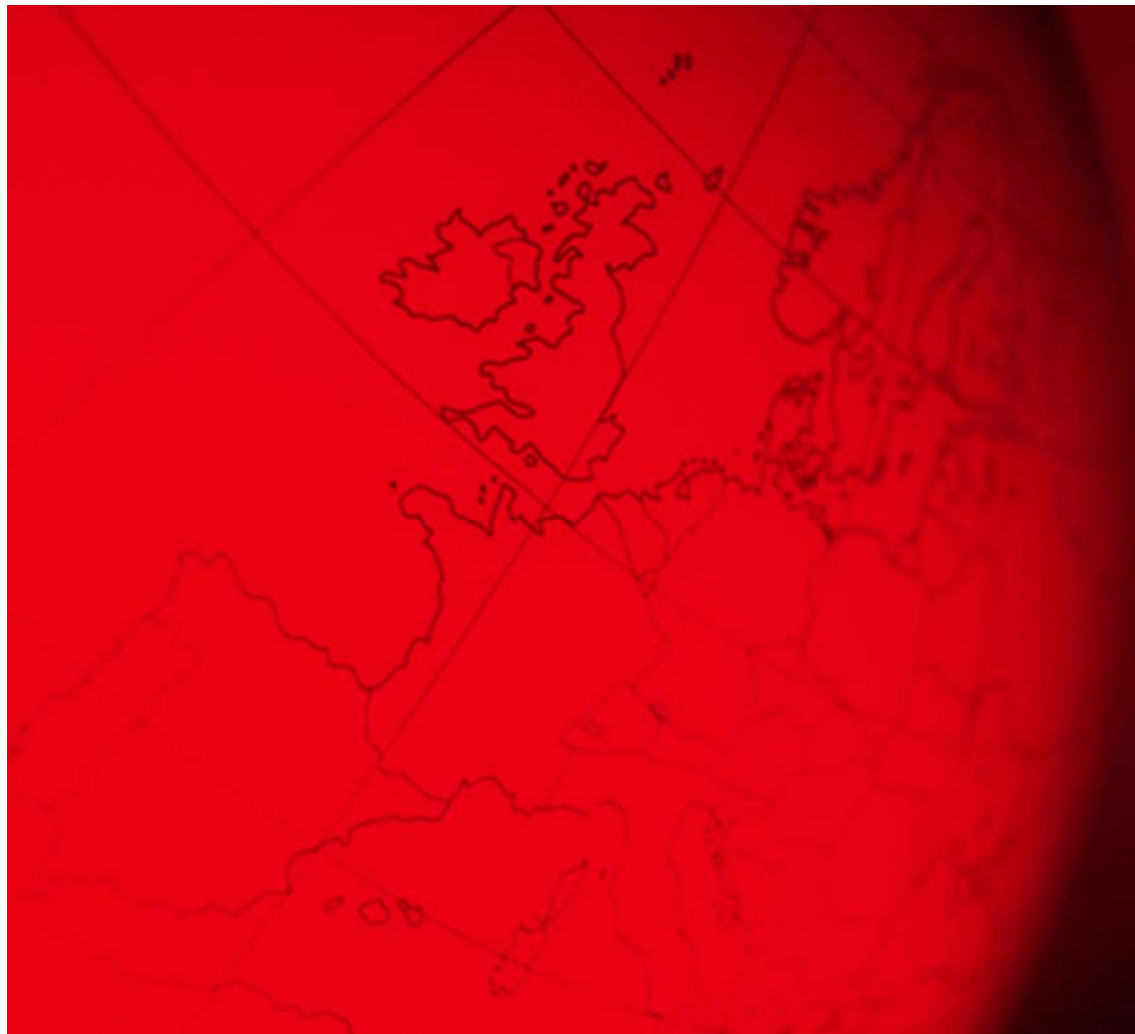
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# **GUIDEBOOK**

## **ADP**



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**TOPICS**Employee Management  
Applications

Software as a Service

**THE BOTTOM LINE**

**ADP's workforce management solutions support automating processes such as payroll, benefits, and time and labor management to improve visibility and accuracy. Although time and labor automation often delivers the most significant returns, automating other processes on the same platform can deliver incremental benefit. ADP clients can reduce payroll error while improving payroll staff, manager, and general productivity.**

ADP provides software-as-a-service (saas) applications and services that automate a variety of workforce management activities including:

- Payroll processing
- Tax compliance
- Time and labor management including scheduling, attendance, and leave management
- Human resources and benefits management including 401(k) plan, health and welfare, flexible spending account, tuition, workers compensation, and unemployment compensation management
- Talent acquisition and talent management including recruitment, screening, onboarding, learning, performance, compensation, and succession planning
- Transition management including IRA, COBRA, and executive deferred compensation

ADP also provides complete business process outsourcing.

**THE SITUATION**

When workforce management processes have limited or no automation, they typically become costly and labor intensive for both payroll departments and employees. Some of the challenges include:

- Employee attendance and overtime data must be accurately collected on a timely basis to produce payroll. If employees are submitting that information manually, it must be verified by managers before it can be submitted to payroll.
- Data that must be manually entered into a payroll system from time cards or timesheets is prone to error, so payroll managers must manually correct and review data or risk disputes or overcompensation.
- With manual processes, the time lag makes workforce management a reactive process. Companies often learn about absences, labor shortages, or overtime when it is too late to adjust schedules and resources to complete work or provide the appropriate level of service.
- Without proper documentation of hours worked and company policies, employers are challenged to defend themselves in disputes related to employee favoritism, overtime owed, performance reviews, and other workplace issues.
- HR departments must also manage other employee-related data including new-hire processes, background checks, W-2 data, benefits, and performance review processes. Without automated means to gather and analyze data in a

timely manner, decision makers are challenged to make and justify their labor decisions.

Given the volume of payroll and workforce-management related transactions, even seemingly insignificant inefficiencies or errors can become costly. To help organizations understand the key areas ADP can impact and how to best take advantage of ADP's offerings, Nucleus analyzed ADP deployments at small, mid-size, and large organizations across various industries to develop this Guidebook.

## **KEY BENEFIT AREAS**

ADP solutions can help organizations to increase productivity, reduce overtime, eliminate report building, reduce recruiting costs, and reduce errors that cause overcompensation.

### **Improved productivity**

For many organizations, the automation of previously-manual tasks was the largest benefit of deploying ADP. Companies with manual or even semi-automated time and attendance processes require employees, managers, and payroll administrators to spend time on timecards and payroll with each payroll cycle:

- Employees must record their time worked on punch cards or timesheets
- Managers must review, revise, or authorize work reports
- Payroll administrators must review, rekey, validate, and calculate time worked and pay rules into payroll.

Workforce management processes, such as tracking accrued paid time off, tracking job applicants, and scheduling, are similarly labor intensive. Nucleus finds that when these tasks are automated, many processes are eliminated, others require far less time to complete, and productivity improves. Productivity is also improved because some tasks can be delegated away from the payroll and HR departments to the employees or managers who own the processes or the data, and can therefore complete them more quickly.

### **Payroll and HR staff**

ADP enables organizations to improve the productivity of administrative staff because it automates labor-intensive processes such as entering new hires, updating employee information, enrolling employees in benefit plans, inputting employee time-sheet data, and fielding employee inquiries about compensation. While the most significant productivity improvements identified by Nucleus were related to time and attendance, there were also significant improvements related to tax, annual performance reviews, and paid time off:

- *"Self service has eliminated lots of HR-related tasks for us. Employees can go online for things like check stubs, changing W-2 information, and even open enrollment, which had been a huge annual distraction for our department."*
- *"Payroll staff no longer has to help managers maintain records of how many days of paid time off each employee has accrued and used. This is one less productivity drag for both payroll and the line of business."*
- *"Before ADP we had three people. Now it's just me. ADP eliminated, through automation, things like manually double checking every employee's time sheet,*

*ensuring that we had every employee's time sheet, and manually keying time-sheet data into the payroll system."*

Companies with more than 500 employees can expect to reduce payroll administration headcount by at least one by using ADP to automate time and attendance processes. Companies with fewer than 500 employees can expect to improve payroll administrator productivity by up to 50 percent.

### Employees

Deployed properly, ADP makes it easier and faster for employees to account for their time worked, what benefits they want, and when they want paid time off. Organizations typically use ADP to track employees who perform such tasks several times a day, so the benefits can be significant:

- *"Now that employees use self service for things like address changes, we've eliminated half a day a week of sorting through these requests and processing them."*
- *"It takes employees at our retail sites less than 20 seconds to punch in and out over the phone. Before they had to keep a time sheet, write it up, total the hours, and send it to their manager. Depending on how skilled they were, it could take up to 30 minutes a week, now it's five or 10 minutes."*
- *"Employees clock in with ADP's biometric time clocks. This takes 10 seconds instead of about 45. There are 80 employees and they check in and out four times a day, so this increases their time on the job."*

### Managers

ADP solutions relieve managers of routine payroll and HR-related tasks, enabling them to spend more time supervising and developing their direct reports. Nucleus found the most significant savings for managers were in the areas of time and attendance, reporting, and scheduling:

- *"We have 1,000 managers. Before the deployment, they spent 30 minutes a week creating a payroll report for cost-accounting purposes. This has been eliminated because of a standard report in ADP that gets generated automatically for each business unit."*
- *"We've deployed ADP's scheduling solution. Because scheduling is automated, rather than on paper or in Excel, it's easier to handle unforeseen events such as an employee calling in sick. So managers spend about one hour instead of two on scheduling tasks."*
- *"Managers used to spend 1.5 hours a week checking and authorizing their direct reports' time sheets. This has been automated away by ADP and these 120 managers now spend only 15 minutes per week on time and attendance."*

Companies can expect to save managers an average of 40 minutes per week per manager by using ADP to automate time and attendance.

### Web-based productivity improvements

Because saas applications like ADP can be accessed from anywhere at any time, processes such as global annual reviews can be streamlined and accelerated – in fact, some organizations found they spent 50 percent less time managing the process.

Web-based self-service also reduces the cost of providing employees with information about their compensation and enables employees to make authorized changes without a visit or call to HR. ADP solutions enabled one client to eliminate three hours a week of work on employees' compensation-related inquiries; another freed up an entire FTE by enabling employees to change their address, withholding, bank, and other details using self service.

### Reduced headcount

Standardizing on an integrated workforce management solution such as ADP often enables companies to go beyond just minutes saved to being able to consolidate tasks and processes and reduce their HR or payroll administrator-to-employee ratio. Companies can expect the number of headcount reductions to increase with the number of ADP solutions deployed:

- *"We've eliminated two FTEs. One is related to time and attendance. The second is because there is so much less data entry going on. Data flows through the lifecycle of an employee relationship; from recruitment to hiring, compensation, benefits, and annual reviews."*
- *"There are so many workflows like time and attendance that have either been automated away or converted to a self-service task completed more quickly by whoever owns the data, such as managers' new-hire tasks. If we didn't have all this automation, my payroll department would have about eight people rather than five, even though we've doubled our employee headcount."*

### Reduced payroll error

Removing human errors from recording, reviewing, entering, and calculating time and attendance data with ADP enables organizations to reduce payroll error. ADP also automates the application of pay rules, which can be highly complex for organizations operating under collective bargaining agreements or in multiple states. In fact, Nucleus finds that payroll error increases organizations' payroll expense by an average of 1.2 percent – and ADP can help drive significant reductions in that error.

Companies can expect to reduce payroll error by 90 percent as a result of adopting ADP time and attendance automation.

For most companies, adopting ADP time and attendance automation led to significant improvements in payment accuracy:

- *"We track payroll error. The deployment reduced payroll error from approximately 1.8 percent to 0.2 percent."*
- *"Because we've automated the time and attendance process, the number of checks cut because of errors has declined by 90 percent."*
- *"Our payroll error rate used to be between 5 percent and 10 percent. I'm confident it's less than a quarter of a percent now."*

### Reduced payroll inflation

Companies can use ADP to reduce payroll inflation in two key areas. First, electronic capture of time and attendance data reduces buddy punching or clock-rounding practices that are often prevalent with more traditional systems:

- *"We've upgraded from bar-code swipe terminals to biometric devices. We estimate this has eliminated 30 minutes worth of buddy punching a day by about 3 percent of our employees."*
- *"We've eliminated between 95 percent and 98 percent of buddy punching and clock-rounding abuse."*
- *"By installing bar-code clocks and programming rounding rules carefully, we've probably eliminated 15 minutes per day per employee in clock rounding."*

Second, ADP helps reduce compensation inflation in the form of unearned time off. In the absence of automated record keeping, managers often don't know how many days of paid time off their direct reports have accrued at any given time. In order to avoid violating workplace rules or state laws, managers sometimes grant employees' time off requests if the true amount of accrued time off can not be verified. ADP tracks and updates this data for managers; one user that achieved this benefit eliminated an average of three unearned days off per year per employee.

### **Reduced overtime**

Automating time and attendance can help managers to reduce overtime by using reports and alerts based on predefined thresholds so they can adjust schedules before employees go into overtime. Some organizations require employees to request overtime in advance so managers can choose to approve or deny the request before overtime is incurred. In fact, Nucleus found that organizations that focused on reducing overtime were able to reduce it by an average of 88 percent. Some organizations reduced overtime costs as a result of an overtime reduction initiative:

- *"Several years ago, before the deployment, a typical bi-weekly pay period included \$45,000 in overtime. That has been reduced to between \$1,000 and \$2,000. It is zero during some pay periods."*
- *"Managers permit employees to incur overtime only after using ADP's scheduling tool and the approaching-overtime report. They decline more requests, so annual overtime has decreased from approximately \$500,000 to \$50,000."*

Organizations that use ADP to support overtime reduction efforts can expect to reduce overtime by an average of 88 percent.

### **Lower compliance and report development costs**

Because ADP provides a library of standardized reports as well as the ability to create ad-hoc reports, companies spend less time reporting on labor data and supporting regulatory compliance. For many organizations, ADP reporting made it easier to document compliance with state laws, federal regulations, or collective bargaining agreements:

- *"There are lots of helpful standard reports. You can compare peoples' schedules to time-clock data and find out who is arriving late or leaving early. This helps with handling discipline issues."*
- *"If we have a back-wage claim or an audit by the department of labor, the reports we need are already there in ADP."*

- *"I can instantly run a census report that tells me the compensation levels and benefits of every employee. Before, we did this manually by cobbling together Excel reports and it took a day or so."*

### **Lower recruiting and hiring costs**

Clients can use ADP to reduce recruiting and hiring-related costs by outsourcing to ADP the process of recruiting on Monster.com or other sites and outsourcing background checks and drug tests. Companies can also outsource all HR responsibilities to ADP by using ADP's comprehensive HR services.

ADP can deliver these services at greater economies of scale than even a large HR organization, and can negotiate volume based-rates:

- One organization using ADP's outsourcing service reduced the administrative time required per new employee from 17 hours to three and said, *"ADP manages all of our-new hire processing such as validating pre-employment data and performing background checks. They also manage our drug-free workplace policy."*
- Another user found that outsourcing drug testing to ADP cut the cost per test by more than 50 percent.

Onboarding new hires and their data is also streamlined. One user said, *"We only have to enter new-hire data once. Our old set of systems required us to enter this data multiple times, which was time-consuming and caused inconsistencies."*

### **THE ADP DELIVERY MODEL**

ADP delivers its solution on a saas basis; its applications can be accessed from anywhere at any time and pricing is on a subscription basis. Unlike some other traditional application service providers that simply host applications (without domain knowledge), ADP provides both application and domain-specific expertise. ADP is also unique because the scale of its operations includes hundreds of thousands of hosted clients, resulting in economies of scale that reduce both the initial and ongoing costs of a deployment.

### **Avoided capital expenditures**

Obviously saas approaches eliminate up-front capital expenditures in software and hardware. In its years of experience analyzing on-premise workforce management deployments, Nucleus has found initial capital investments for software can be more than \$200,000; hardware costs can add to the capital expense. Adopting ADP's saas approach enables companies to eliminate this cost and risk.

Companies going with a saas solution such as ADP can avoid capital expenditures of up to \$250,000 compared to an on-premise solution by eliminating the need to invest in software and hardware.

### **Avoided application support costs**

Because ADP's solutions are delivered as a service, rather than deployed on premise, ongoing internal support costs are lower:

- Clients do not have to perform routine maintenance such as backups, patches, or upgrades

- Domain-specific requirements, such as supporting new regulations, are automated by the vendor
- Any problems are managed by the vendor with its subject-matter experts.

Companies adopting ADP can expect to save an average of half a FTE because ADP's saas delivery model enables users to avoid application support tasks typically required by on-premise enterprise applications.

One client who had previously managed an on-premise HR-related deployment and preferred ADP's hosted approach said, *"I don't have to spend time in the data center fixing things where it's harder for vendor support to log in since they are offsite. Because ADP is hosted, problem resolution takes about half the time. When I had an on-premise deployment, sometimes I'd be in the data center troubleshooting a single problem for a day or two."*

### **Avoided integration costs**

Organizations can also avoid the investment and integration efforts to support multiple applications by choosing ADP's breadth of solutions and services. Most of the users Nucleus analyzed acquired features and functionality that would have required multiple vendors had they not selected ADP:

- One organization that used ADP to replace a vendor with a narrower offering said, *"We went with ADP because we wanted functionality like taxes, payroll, and unemployment claims all to come from one platform."*
- One client said, *"Data just flows from one application to another, and we didn't have to build any integrations or custom code."*
- Another client said, *"We used to have a separate scheduling application. Now the data is just automatically exchanged between the scheduling and time and attendance applications."*

Nucleus also found that the ready exchange of data among ADP's solutions eliminated the need to manually enter the same data into multiple applications. This increases productivity and makes it far less likely that there will be conflicting versions of data points entered by different employees.

### **Reduced need for domain experts or external consultants**

ADP's basic support agreement provides access to a variety of domain experts, and many ADP clients told Nucleus that ADP's services enabled them to accomplish more with their HR or payroll departments without adding staff. This is particularly true in cases when customers use ADP's comprehensive HR services.

Fully automating HR and payroll-related functions requires expertise in non-technical areas that include tax, labor laws, payment systems, and regulatory policies such as FMLA. Nucleus finds that when ADP clients have questions in these areas, they can immediately access an ADP expert who can give them the time and knowledge required to answer a question or solve a problem. Nucleus found that this access helped improve productivity in HR departments and reduce reliance on costly outside experts:



- *"I recently had a question about... drug testing an employee that had already been hired and was providing patients medical care. ADP answered this within a day over the phone. I don't know how else I would have researched this."*
- *"They go beyond technical support to the point that it's like Payroll for Dummies. Routine questions get answered rapidly and ADP support team members are empowered to give you any kind of required support. So average troubleshooting time goes from an hour to about five minutes."*
- *"Before, I had to research employment law in every state where we hired someone. Now ADP just gives this to me in a new-hire packet. This has eliminated 80 to 100 hours of research a year, and ADP can do it better than I can."*
- *"I'm routinely getting free advice on the phone from ADP that I use to improve accuracy beyond what I achieved with the original deployment."*

### **BEST PRACTICES**

Nucleus found clients maximized benefits from ADP when they took advantage of the saas model and ADP's domain expertise to follow some common best practices.

#### **Remember this is more than just hosting**

Nucleus found organizations achieved the greatest benefit when they viewed ADP as a partner rather than an outsourcing vendor. In fact, Nucleus found that the most successful deployments leveraged ongoing contact with ADP experts:

- An ADP user at a major national retailer is in daily contact with their ADP account representative and has been able to significantly improve processes related to open enrollment, employee self service, and the management of overtime costs.
- A consumer products company that initially adopted ADP to eliminate payroll error uses ADP's tax filing expertise to eliminate two hours of tax-related work from the weekly payroll process.

#### **Identify high and mid-level champions**

Every technology vendor recommends a high-level management sponsor; however, in the case of workforce management where every employee may be impacted, line-of-business managers will be important deployment champions as well. Ensuring they understand and are incented to drive adoption of the application will be critical to project success.

#### **Know your reality before you deploy**

Having a clear, common view of pay rules and system requirements before deploying a new workforce management system will reduce complexity, accelerate time to value, and smooth user adoption. Deployment teams should have contact with every impacted employee group so that deployment-critical topics such as pay rules, corporate culture, work practices, union contracts, work locations, and training can be fully explored.

Leveraging ADP domain experts can accelerate and improve the quality of pre-deployment research; they have both the experience and perceived neutrality to gather the information needed to make business decisions.

### **Leverage ADP to reduce overtime**

The elimination of entire shifts at overtime rates is not the only opportunity for cost savings. In many organizations, overtime is incurred if an employee arrives late and forces another to work longer than their scheduled shift. Nucleus finds that when organizations use an ADP time and labor management application to identify workers who frequently arrive late, this source of overtime can be significantly reduced.

### **MISTAKES TO AVOID**

ADP's solutions generate the highest returns when clients use as many of the integrated applications as possible and take measures to maximize deployment scope. Nucleus found that organizations were most successful when they recognized this and avoided a few common mistakes.

#### **Don't stop at payroll**

Companies can miss significant cost-reduction opportunities if they stop after a successful deployment of just payroll. Nucleus has identified significant incremental benefits in deploying the major components of the ADP solution — HR, time and attendance, and others — as complements. When combined with other applications and services, these tools enable improvements to additional labor-related processes such as recruiting, hiring, and performance management.

#### **Don't forget about salaried employees**

Organizations should also look to improve the productivity of non-hourly employees. While many salaried employees are motivated to work hard for purposes of job satisfaction or career advancement, a small percentage of employees often find ways to work less. Nucleus finds that when attendance tracking is used for non-hourly employees, the fact that their attendance is being monitored can cause them to work more. This can enable companies to get greater value from their overall existing payroll investment, not just lower-wage variable hourly workers. One client said, *"We've extended the deployment to exempt employees. We want them to know that we're watching when they arrive and leave, even though they are not paid hourly. Because of this, their average work week has increased from 36 hours to 39."*

#### **Don't be afraid to hand over the keys**

Adoption of technologies such as ERP have a reputation for failing because they disrupt internal cultures or their complexity forces changes to day-to-day processes that employees resist. However, Nucleus finds that it is standard practice at ADP to make the technology accommodate the company, rather than force the company to change its processes. One client said, *"ADP had no desire to change our corporate culture or how we completed our hiring, time and attendance, or payment workflows. They just backed us up in making sure they were properly automated."* This focus on adoption simplicity enables organizations to reduce both the length and complexity of a deployment and minimize adoption resistance.

#### **Don't forget to train**

Obviously training is important, but it also needs to be user-specific. Although hourly employees need little training to utilize a time clock, their training can be focused on the benefits of consistency and fairness of compensation that ADP

applications bring. This makes employees less likely to resist deployment. Training for managers is beneficial because it focuses on the reporting and analysis tools they can use to get more productivity out of their workforce. Deployment teams can use training to learn how to best leverage and configure the functionality for their organization.

### **CONCLUSION**

For many organizations, compensation — in the form of both salary and benefits — is the largest expense item on the income statement. As companies look to better manage the cost of their workforce, they are also seeking to minimize capital expenditures. ADP's saas applications for workforce management and the domain expertise it makes available to clients enable organizations to reduce costly inflators of compensation such as payroll error, payroll inflation, unnecessary overtime, and the granting of unearned paid time off. Automation also reduces the cost of completing workforce-related tasks for employees, managers, and personnel departments. Automating other workforce management tasks on the same platform can deliver additional benefits. Companies can expect to achieve these benefits cost effectively because ADP's saas delivery model eliminates the capital expenditures for hardware and software typically required for the adoption of on-premise business applications.