INSIGHT WORKS

Enhanced Time Collection
White Paper

Time is Money: Justifying the Switch to Automated Time Collection

Can I Justify Switching to Automated Time Collection?

Every employee in your organization is affected by how time and attendance data is collected; yet for many businesses, time collection – time capture, job costing, and employee attendance – is still a manual process.

The common perception is that time collection only affects how employee attendance is recorded and processed.

While this is a major component, time collection encompasses much more than that. Salespeople need accurate job progress data to quote deliverable dates, planners require detailed and available information to measure the effectiveness of production, and jobs have to be properly costed in order evaluate margins and pricing.

Traditional manual collection is the status quo for many organizations, but the inefficiencies of a manual system become apparent when compared to modern automated systems. Aside from time wasted on data entry and processing (let alone the errors this involves), manual systems make important information hard to find or in many cases impossible to calculate accurately. This leaves analysts and decision makers in the dark, often waiting too long for information that should be readily available.

The question is: With multiple vendors offering automated time collection solutions, are the benefits of an automated system large enough to justify the financial outlay associated with updating to a more modern system?

Manual vs. Automated Time Collection

Automated Collection

Implementing an automated system can alleviate nearly all of the problems associated with manual time collection. Accurate real-time data ensures that all departments stay connected to the same clear picture, and any errors are quickly realized and resolved. Reductions in the labor necessary to manage a manual time collection system give a quantifiable ROI within a reasonable amount of time, and this is only one benefit of many others:

- Accurate Data for Job Costing and Scheduling
- Less Labor Devoted to Time Entry and Analysis
- Interdepartmental Transparency (Payroll, Manufacturing, Scheduling, Analysis)
- Real-time Data for Decision Makers

Manual Time Collection

Manual time sheet processing can prove time consuming and therefore detrimental to the bottom line of any organization. Furthermore, the individual processes involved in manual entry are wide open to both human error and employee "creativity", at all points from the shop floor to payroll. There are numerous issues associated with using a manual time and attendance system:

- Data Entry Errors
- Inefficient Labor Usage
- Inaccurate Planning
- Limited Transparency
- Inaccurate Job Costing
- Delayed Reaction to Time Collection Issues

Benefits

Reduced Errors and Labor Cost

Manually tracking employee attendance is not only inefficient, it is a labor-intensive process that is error-prone and susceptible to manipulation. Automating the process significantly reduces data entry errors and the labor costs associated with manual entry.

A typical manufacturing facility with 100 employees will have at least one full-time employee (FTE) processing time card entry and managing hourly payroll, at a cost of $40,000/year. By automating time and attendance that workload is reduced to 1-2 hours a day. Given that many automated time collection systems cost between $10,000 and $50,000,

ROI on an average system would be less than one year, and that's only when taking into account the reduction in staff hours. When the intangible benefits (transparency, error reduction, better planning) are considered, justifying the switch to an automated system is easy.

	100 Employees
FTE (Payroll)	1
FTE Salary	$40,000
Hours/Day (Manual)	8
Hours/Day (Automated)	2
Hourly Savings/day	6
Yearly Savings (Hours)	1,560
Yearly Savings ($)	**$30,000**

Transparency

Everyone in the organization, from the shop floor to payroll, accounting, and scheduling, has the same accurate, realtime information. If a customer inquires about the progress of an order, salespeople are able to easily track work in progress to give accurate delivery quotes. Production planners have visibility into shop-floor production and material needs, and payroll has more insight into the day-to-day time and attendance situation across the organization.

Scheduling Accuracy

Schedules can be made confidently knowing that time and cost estimates are based on time-tested data. Budgeting and management tools empower decision makers and analysts, which can have a positive effect on profit, customer satisfaction, and material procurement, among other things.

Job Costing

Some operations require companies to record the number of hours spent on specific tasks, referred to as job costing. Automated time collection seamlessly tracks hours spent on the vwarious tasks that together constitute an entire job. Being able to quickly examine this data empowers salespeople, analysts, and decision makers with accurate data to evaluate existing processes and make reliable projections.

Automatic Compliance

All automated time collection systems have an element of customization, which you can configure to reflect local labor laws regarding overtime, absences, holidays, etc. By configuring the system parameters, you can guarantee your time collection methods are fully compliant.

Safety

In the event of a workplace emergency, having real-time insight into employee attendance is extremely valuable. From a mobile device, users can access attendance data and quickly assess whether all employees are accounted for.

Machine Time

Not all automated time collection systems have the ability to allocate time across jobs in a batch, but those that do are able to accurately appropriate costs and time spent.
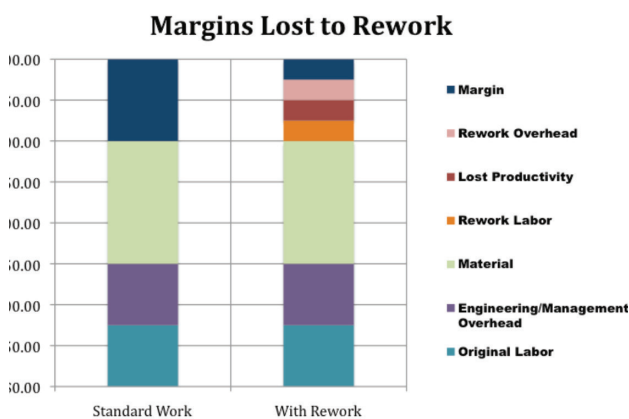
Rework

In a manual system, calculating rework (the amount of time spent repairing defective product) can be extremely tedious or hard to determine. An automated system provides readily available insight into not only how much rework is taking place, but also which employees were responsible for the initial production. Traditionally, this process would involve manually sorting through time cards to determine the root cause, at a significant cost to the organization.

Assuming you pay your shop floor employees $25/hour, how much would you say an hour of rework costs you? You may be surprised:

- Original work time: **1 hour**
- Rework time: **1 hour**
- Overhead related to managing rework: **1 hour**
  (discussions, possible engineering time, logging NCR, etc.):
- Lost productivity doing rework: **1 hour**
  (opportunity cost)

So in fact a single hour of rework by a $25/hr employee can easily cost you $75. What's even more troubling is the amount of new sales required to pay for that rework. Assuming you have a 25% profit margin, you would have to create $300 in new sales just to pay for that single hour of rework (25% x $300 = $75 of rework).

Increased visibility into production makes it easy to drill down and pinpoint the root cause of rework issues. In a manual system this process could take days to complete, further adding to the costs associated with rework. Automated systems make it easy to quickly analyze the problem and make the necessary adjustments.

Margins Lost to Rework

Legend:
- Margin
- Rework Overhead
- Lost Productivity
- Rework Labor
- Material
- Engineering/Management Overhead
- Original Labor

Categories shown: Standard Work, With Rework

As an example: A welding shop is experiencing higher than average customer returns due to failing welds. After a quick review of time recorded for the work orders in question, the system is able to pinpoint that the welds are attributed to a workstation adjacent to an open bay door. Wind blowing through the open door is causing the welds to fail, and the problem is quickly rectified.

Roadblocks to Implementation

Despite the obvious benefits of adopting an automated time collection system, there are still potential roadblocks to implementation. From the shop floor to accounting and payroll departments, employees may be averse to changes that disrupt the status quo. Potential roadblocks include:

Adoption Issues

With so many departments affected by implementation of an automated system, there are bound to be groups that are reluctant to learn new technologies and ways of doing business. However, much of the time collection software available today is intuitive, with a limited learning curve. Look for a provider who is willing to educate your staff on a potential automated solution, while also offering post-implementation support.

Financial Outlay

As with any project, benefits have to outweigh costs. As outlined earlier, the benefits of upgrading to an automated time collection, both quantifiable and otherwise, easily justify the necessary expense and provide a realistic ROI, regardless of vendor. Transparent communication of these benefits should alleviate any concerns over the financial outlay necessary to upgrade your time collection system.

What to Look for When Selecting an Automated System

Find a Provider that Understands Your Business

Automating time collection is not a one-size-fits-all solution. Your business has distinctive requirements and any automated system needs to reflect this. Both software and hardware suppliers should look to address your needs with a solution that encompasses the best products for your needs.

Does the Provider Have Experience with Hardware or Software, or Both?

A provider should have experience with both hardware and software. Understanding all of the parts that make up an efficient time collection system helps a provider to better realize what your exact needs are. Experience in your industry is an added bonus, as hardware implementations often depend on your working environment.

Is the Solution Scalable?

As your workforce expands or contracts– whether seasonally or over a period of years – a proper automated system has the ability to grow and adjust with your changing needs. This allows all aspects of data collection, scheduling, budgeting and management needs to be met on a consistent basis.

Will the Solution Integrate With Your Current Support Systems?

Any reliable time and attendance solution should integrate seamlessly with your existing payroll and administrative support systems. To achieve all the benefits associated with an automated system, all departments must be able to have on-demand access to relevant information.

About Insight Works

Founded in 2008, Insight Works began as a collection of professionals with decades of combined experience developing and implementing productivity solutions. With a well rounded collective skill set, Insight Works has quickly become one of Canada's fastest growing companies by putting our customers' success above all else.

Put Our Domain Expertise To Work For You

Insight Works has extensive experience developing productivity solutions for clients in the manufacturing and distribution industries. It's what we know and what we do well. Based on our experience and industry feedback, we have developed a collection of add-ons for Microsoft Dynamics NAV that promote operational efficiency from the shop floor to the boardroom.

We've Been There

Because we've been on both sides of the implementation experience, we understand the unique needs of all users. At Insight Works, our "shop floor to the top floor" approach is what makes our employees and our products so responsive.

Gold Certified

We're proud to uphold the strict standards that the Microsoft Gold ERP Certification requires as it speaks to our ability to develop world-class products that make a positive impact for our clients.

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Always Up To Date

As Microsoft NAV evolves, so do our products. You and your clients can be sure that you're working with up-to-the-minute tools that reflect the most current ERP technology.

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