Making the **SHIFT** to the Cloud

How Kronos transformed from a licensed software business to a SaaS powerhouse
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When your business is flying high, with steady growth, strong financials, satisfied customers, and engaged employees, what’s your next strategic move? When Kronos Incorporated found itself in just this situation, it made a bold and risky decision: **to reinvent itself as a cloud software company through an organizationwide change initiative and breakthrough product innovation.**

This paper tells the story of how Kronos successfully transitioned from a leading on-premise enterprise workforce management software company to a customer-first cloud solution provider offering award-winning workforce management and human capital management (HCM) software as a service (SaaS) for small, medium, and large organizations around the globe. The story details the decisions, risks, challenges, successes, and lessons learned along an exciting journey that has positioned Kronos for new levels of success moving forward.
A History of Innovation

Kronos® innovation dates back to 1977, when the fledgling company disrupted an established industry by developing the first patented microprocessor-based time clock that automatically recorded, totaled, and reported employee hours. Through strategic vision and a series of business reinventions, Kronos grew and evolved over the next few decades to become the world’s leading provider of on-premise workforce management software. The Kronos Workforce Central® suite, its flagship product, launched in 2006, soon became the most widely used enterprise workforce management software on the market.

But then a major shift started happening in the software industry: the emergence of cloud computing.
Riding the Emerging Cloud Wave

Cloud computing — the practice of using a network of remote servers hosted on the internet to store, manage, and process data — took off in the first decade of the new millennium, paving the way for SaaS. In the emerging SaaS business model, customers paid vendors monthly subscription fees for features and functionality delivered via the cloud. Rather than paying upfront license fees for software they managed and installed themselves on in-house hardware, customers paid per-user fees and let the SaaS vendors do the heavy lifting of maintaining and supporting the software and infrastructure.

As SaaS gained traction, Kronos took steps to meet the growing market demand. The company set up a small internal team; partnered to provide a private, single-tenant cloud infrastructure; and started offering Workforce Central customers the option to deploy in the Kronos Cloud. More and more customers jumped at the opportunity. By 2011, Kronos was pulling in $25 million from its Workforce Central SaaS offering, and customer demand for the cloud continued to grow.

Meanwhile, the small and midsize business (SMB) market for HCM software was heating up as more organizations recognized the power of people management to drive better business outcomes. Kronos wanted to offer a solution specifically for the SMB market and knew it had to be cloud-based. After an extensive review of available technologies, Kronos acquired SaaShr, a privately held company headquartered in Branchburg, New Jersey. Kronos rebranded SaaShr’s suite of time and attendance, payroll, and human resources applications as the Kronos Workforce Ready® suite and started selling it to companies with 100 to 2,500 employees.

With SaaS offerings for both enterprise and SMB customers, the Kronos transition to the cloud was underway.
Committing to the Cloud

By 2014, approximately 60 percent of new Kronos customers — both large and small — were buying SaaS, and more existing customers were looking to move to the cloud. The future was clearly in the cloud, and new entrants to the SaaS market were starting to disrupt established players. Recognizing a potential threat down the road, the Kronos leadership team made a momentous decision: to rewrite its flagship workforce management solution from scratch. The company committed to developing a next-generation product that was native to the cloud and built from the ground up to leverage the latest intelligent technologies.

Kronos assembled a startup team of experienced employees and new college graduates, gave them a $5 million budget, and located them in an office 15 miles from headquarters so they could focus without distractions. The team talked to customers, researched competitors, picked the brains of industry thought leaders, and became experts in emerging technologies. They brainstormed, debated, and collaborated. After nine months, they presented a proposal for an innovative native cloud product, code-named “Project Falcon.” Company leaders reviewed the proposal and decided to move forward. They assigned 600 employees to Project Falcon and invested a whopping $150 million in bringing the product to life.

Meanwhile, as more customers purchased — or migrated to — Workforce Central and Workforce Ready in the cloud, the people back at Kronos headquarters were facing challenges adapting to the SaaS business model. The company’s internal systems and processes were set up for collecting upfront licensing revenue and charging hourly fees for professional services — not processing per-user-per-month subscriptions. Plus, the entire organization was trying to figure out how to shift from a transaction-based customer engagement model to one that focused on delivering value throughout the customer lifecycle. In the SaaS world, customers had different expectations, and Kronos needed to provide an exceptional experience at every phase of their journey in order to drive satisfaction and retention.

“I saw software companies that had started from nothing go into markets where there was a clear leader and disrupt them relatively quickly. I was worried someone would try to do that to us, so the only thing to do was put ourselves out of business by innovating first.”

Aron Ain, Kronos CEO
Chart the course to success

The Kronos culture encourages people to ask for help when they’re stuck, and when it came to running a cloud software business, the time had come to call in the experts. Kronos engaged Boston Consulting Group (BCG) to examine all aspects of its business and identify what needed to change to ensure success as a cloud solution provider.

BCG consultants spent weeks analyzing the Kronos current state. They interviewed employees — from sales, marketing, customer support, professional services, information technology (IT), and finance staff all the way up to senior executives. They talked to new and longtime customers. They observed Kronos workers on the job. And they compared what they saw to the functions, behaviors, and culture of world-class SaaS organizations. Simply put, there was a lot of work to be done to shift the company’s processes, systems, and customer approach in order to do SaaS right.

BCG consultants developed a comprehensive roadmap with critical workstreams to guide Kronos in making a successful shift to SaaS.
Establish a TMO to lead the charge

Based on BCG recommendations, the first order of business was setting up a transformation management office (TMO) to coordinate and lead this massive change program. Kronos was making a huge investment in this transformation and needed a centralized way to manage cross-functional interdependencies, drive visibility and transparency, and keep things moving forward.

Underscoring its corporate commitment, Kronos appointed a full-time head of the TMO to oversee the program and set priorities. The company chose a seasoned professional with a proven track record for working cross-functionally and earning the respect of peers across the organization. In addition, Kronos designated a member of the executive committee to work closely with the TMO head, promote leadership engagement, and send a signal to employees that the company was serious about the transition to the cloud.

Work was organized into workstreams, each with a team leader responsible for keeping initiatives on track, updating stakeholders, and engaging employees to achieve targets and embrace change. All workstream leaders reported weekly to the TMO on the status of deliverables. Given that more than 300 Kronos employees would work with the TMO over the course of the three-year transformation journey, the constant oversight and coordination were critical to success.

Critical Transformation Workstreams

- Simplify Quote-to-Cash Process
- Accelerate Customer Time to Value
- Deploy New IT Systems to Support SaaS
- Adopt SaaS-Focused Metrics
- Align the Organization
- Focus on Customer Success
- Innovate the Future of Workforce Management
Lessons Learned

• Don’t be afraid to get outside help when you’re stuck. Enlisting the help of objective outside experts saves time and leads to better-quality outcomes.

• Real change won’t happen without support and investment from the top. Make sure leaders demonstrate a commitment to the cloud transformation from the start and continue to make it a corporate priority.

• Hard decisions need to be made, and delaying them won’t help. When it becomes clear that current practices, skills, or tools won’t support the goal, focus immediately on identifying the problem and arriving at a solution. Problems won’t go away; they’ll just get bigger — and more difficult to fix — over time.

• Establish a transformation program rather than a series of projects. Stand-alone workstreams are not as powerful or impactful as a centralized program that considers and coordinates all these projects as part of a cohesive whole.
Creating a Culture Shift

Implementing a large-scale transformation program across a 5,000-person global organization is an ambitious undertaking. Kronos had the vision, but leaders needed to align the workforce behind that vision and keep everyone informed through effective, ongoing communication.

The “5” in the Kronos “Make the 5HIFT” campaign name denoted the fifth major reinvention in the company’s 40-plus-year business evolution — a nod to the past with an eye to the future.

Communicate the vision

The TMO launched a multifaceted communications campaign called “Make the 5HIFT” to inform, inspire, and connect all employees — or “Kronites,” as they are known internally — throughout the transformation. The primary campaign focus was twofold: to make sure Kronites worldwide understood what it meant to be a cloud company that puts customers first and to build excitement so employees would enthusiastically embrace the new SaaS-centric culture.

Working with the in-house creative team, the TMO branded the Make the 5HIFT campaign and emblazoned the logo on magnets, posters, and T-shirts. The campaign reached out to different employee segments — from executives to individual contributors — with messages and information on the initiatives, progress, timelines, and “asks.” The TMO used targeted communication channels — ranging from in-person meetings and workshops to webinars and videos to email, blogs, and social platform groups — to get the word out as clearly and effectively as possible.

Soon after the campaign launched, employees provided feedback that messages coming from a centralized corporate organization like the TMO were far less impactful than those communicated directly from their managers and functional leaders. This led the TMO to create “meetings in a box” — packaged content including slide decks, memos, discussion questions, and other collateral — that leaders at all levels could use in their own team meetings to communicate campaign messages and generate excitement.
Align the organization

By far the hardest part of making the 5HIFT was engaging and aligning all Kronites in a way that would lead them to feel they were part of a positive transformation that would drive the future success of the company. As Kronos increased targeted hiring to bring in needed SaaS skills, the organizational alignment workstream focused its efforts to:

- Build awareness of the transformation, its progress, and its goals
- Enable desired behaviors and effective leadership enterprise-wide
- Maintain high engagement and performance while driving widespread change

From the start, the TMO recognized the need to get the workforce thinking and behaving differently — all while maintaining the inspiring culture that had always made Kronos a great place to work. It was inevitable that some changes would be popular, whereas others would generate fear and discomfort, especially among those who had never worked in the cloud.

Changing Behavior to Drive SaaS Success

The SaaS readiness assessment identified five target behaviors for ensuring a successful cloud transformation:

- **Customer focus.** Be proactive in meeting customer needs, and provide a unified Kronos voice across all parts of the customer journey
- **Collaboration.** Share information openly and consistently while accepting accountability together
- **Standardization.** Promote an offering that is “configurable” versus “customizable,” and deliver value by being prescriptive about what a customer needs
- **Delegation.** Empower activity owners to make more decisions in order to reduce escalations and streamline approvals
- **Accountability.** Apply holistic, companywide thinking to each core process and customer interaction, and evaluate individuals on success and performance — not on project completion
The Organizational Alignment workstream implemented specific programs to recognize and promote target behaviors companywide.

**Courage to Lead Program and Awards**

This program trained top leaders in effectively leading their teams to make the 5HIFT and in recognizing progress toward that goal.

**5HIFT Shout-Out Awards**

This program encouraged employees to nominate fellow Kronites who exhibited target behaviors. Nominees were recognized with a shout-out at company meetings and with a quarterly prize drawing.
Lessons Learned

• Driving cultural and behavioral change is really hard. Don't underestimate the amount of vision setting, communication, and education required to get employees to work, think, and act in new ways — especially across a large, established global company.

• Make it clear from the start that organizational alignment does not mean organizational redesign. This will go a long way toward reassuring employees and minimizing anxiety about job losses or reassignments.

• Ask employees for input. Then be prepared to change course based on their feedback.

• Don’t rely solely on communications sent from corporate to employees. Messages that come directly from an employee’s boss often have a greater impact, so provide managers with the tools they need to communicate consistently and effectively.
Rethinking IT Operations

The transformational roadmap included key workstreams aimed at driving major operational changes across the Kronos organization. As work got underway, however, it became clear that outdated IT systems were creating obstacles across nearly every workstream. When the Make the SHIFT initiative began, Kronos was attempting to run its rapidly expanding SaaS business by modifying existing IT systems, but this approach just wasn’t getting the job done. The legacy systems had been designed for selling and supporting a traditional licensed software model — not SaaS — and they didn’t have the right functionality, tools, or integrations needed to provide a 360-degree view of the customer journey.

Build a new IT infrastructure

The TMO added an IT Systems workstream, and the team leader ordered a formal gap analysis to identify challenges and pinpoint system limitations. The findings highlighted the need for a new IT infrastructure capable of supporting a nimble, customer-first cloud business and culture. So the team set out to implement a fully integrated, state-of-the-art system landscape spanning processes and functions across the entire customer lifecycle.

Standardize on Salesforce

After exploring solutions to support its SaaS business processes, the IT and business teams unanimously agreed that Salesforce was the way to go. The Salesforce platform would give employees across the organization access to the right data with the right processes contributing to the right business model.

Restructure the IT organization

Meanwhile, Kronos was also making changes to the makeup and structure of the IT department. With the move to the Salesforce platform, IT needed fewer developers and more program managers, project managers, and business analysts. Team members were assigned to specific IT services — customer relationship management, configure-price-quote (CPQ), services, community, financials, and areas not powered by the Salesforce platform, such as HR and marketing automation — to build subject-matter expertise and offer consistent, high-touch service to internal clients and end-users.
Lessons Learned

- Make sure to include IT in the upfront SaaS readiness assessment. An IT infrastructure capable of supporting the SaaS business model organizationwide is essential for moving all cloud initiatives forward.
- Start by defining an end-to-end process and clear IT system requirements. Technology can’t solve every problem, so focus on 80 percent of the use cases, and don’t let edge cases derail the project.
- Data quality is key. IT systems are only as good as the data that flows among them.
- Whenever possible, look to simplify business processes and support efficient workflows through effective use of technology.
- Establish strong relationships with your chosen technology vendor and partners, especially when pushing the limits of what the solutions have previously done.
Driving Sales Readiness

As Kronos transitioned to the cloud, sales readiness became a top priority. Although the sales organization had long enjoyed great success in selling licensed on-premise solutions to enterprises around the globe, SaaS sales were a whole new ballgame. The company needed to take steps to enable and incentivize the sales team to sell its SaaS offerings as well as entice existing customers to move to the multi-tenant cloud.

Put incentives in place

The first thing sales leaders did was restructure compensation plans so sales representatives were paid a higher commission for selling subscriptions than for selling on-premise licenses. At the same time, Kronos rolled out a conversion program with incentives such as special pricing, delayed billing, and flat-fee discounts on professional services engagements to get existing on-premise customers to begin migrating to the cloud — before the next-generation Falcon product was available. For those customers who chose to move from an on-premise platform to the cloud, the company put safeguards in place to make sure they would not be double-billed during the migration process.
Gear up the sales team

Kronos put aggressive sales enablement programs in place to educate the sales organization about SaaS and how to sell it. Because SaaS customers trust the software provider to manage their data and applications in the cloud, they have expectations and requirements markedly different from those with licensed software. The pre-sales and sales teams needed to know how to pitch value throughout the customer experience and how to address cloud infrastructure concerns related to security protocols, data encryption, interoperability, scalability, availability, performance, and disaster recovery. Kronos enlisted cloud experts and SaaS sales coaches to give in-depth workshops at sales meetings and online. In addition, sales leaders provided their teams with FAQs, presentations, playbooks, and other helpful resources.

Because there was a lot to learn, and because cloud technology is always evolving, it soon became apparent that the sales team needed help through the transition and beyond. Kronos established a cloud sales overlay team of SaaS experts — aligned with specific verticals — who were knowledgeable about both Kronos applications and “all things cloud.”

These experts were involved at every stage of the sales process, jumping on calls or visiting prospects to answer technical questions and handle objections. They helped conduct total cost of ownership (TCO) analyses, respond to requests for proposals, negotiate the commercial terms of SaaS contracts, and hammer out the details of service level agreements. In fact, the team proved so invaluable that it is still in place today, helping the sales organization navigate the rapid advances and changing requirements related to cloud technology and infrastructure.

Align business systems and processes

Because SaaS customers expect ongoing value at every stage of their relationship, the entire Kronos organization needed a 360-degree view of every customer. As IT standardized on the Salesforce platform to make that happen, the Quote-to-Cash workstream worked to simplify the process of configuring quotes and booking orders while streamlining approvals and aligning sales with finance and renewals. With the implementation of Salesforce CPQ & Billing, the organization was able to move away from complex spreadsheets and standardize on a fully automated process for configuring, pricing, quoting, and invoicing offers. What’s more, a cross-functional governance committee was formed to address the financial and process implications of changing offers, bundles, and terms and conditions moving forward.
Lessons Learned

- SaaS sales require knowledge that extends far beyond application features and benefits to include data center infrastructure, security, interoperability, availability, disaster recovery, and other cloud-related topics.
- SaaS customers have higher expectations of their software providers, so it’s important that the sales organization be prepared to sell a value-added experience — not just a product.
- The SaaS business model requires a deeper partnership with customers, who are trusting their software providers with the safety and security of their applications and data.
- A dedicated cloud sales overlay team is not just a bridge through the transition; it’s also a critical corporate resource for staying ahead of rapid advances in cloud technology and infrastructure.
**Accelerating Time to Value**

SaaS customers expect to be up, running, and realizing value from their cloud solution quickly. Although SaaS solutions don’t require the same large, upfront capital investment as on-premise systems, customers are still paying money from the minute they sign the contract. And without that major initial cash outlay, it’s easier for them to terminate the relationship if they don’t see some return on investment within a reasonable timeframe.

In the on-premise world, customers have historically been more willing to tolerate longer implementation cycles — and the pricing model for licensing and professional services fees reflected this reality. But in the SaaS world, customer expectations for time-to-live are much higher. The more standardization a cloud software company can achieve, the faster it can get customers deployed and realizing value from their investment. Ultimately this allows the SaaS company to realize more profit from each account.

**Improve the sales-to-service transition**

The Accelerate Customer Time to Value workstream reinvented processes to ensure a smoother sales-to-service transition and more efficient customer implementations. As soon as a deal is signed, a cross-functional and vertically aligned team from pre-sales, sales, and professional services works together to transfer all knowledge about the customer — so the implementation proceeds quickly and seamlessly, and there is no need for repetition. As a result, the customer and the project team can get off to a fast, strong start.
Automate the configuration process

The next challenge was to standardize configuration of Kronos SaaS solutions. A pivotal moment occurred when team members realized they could leverage the implementation and configuration data of thousands of on-premise Workforce Central customers — tagged using metadata — to tackle the challenge through automation.

The result was Kronos Paragon™, one of the biggest successes in the Make the 5HIFT transformation. Paragon is an automated tool that recommends customer configurations that have been proven to work based on decades of historical data, resulting in greater consistency and fewer escalations to the executive level.

A Kronos professional services adviser enters specific parameters, such as industry, size, and location, and Paragon recommends a standard configuration for that customer profile. This recommendation provides a solid starting point for discussing features and functionality and then tweaking the configuration to meet customer-specific requirements. Paragon also includes automated test scripts and documentation as well as an online collaboration workspace to further accelerate value.

The Paragon methodology required professional services, especially project managers, to take a more elevated and consultative role with customers. As the organization assumed greater responsibility for the overall customer experience, management conducted extensive training and coaching to retool skills, redefine success, and change the way team members approach their work with customers.

Paragon reduced the median time from customer order to go-live by 50%.
Lessons Learned

• Aim for standardization in your configuration process to streamline implementations and accelerate time to value.

• Although each customer is unique, capitalize on the similarities that exist across organizations. Customers appreciate knowing that they are deploying a solution built on best practices, so don’t be afraid to be prescriptive.

• Customers rely on their software provider for guidance on how to get the most from their solution. Implement processes to capture and communicate critical knowledge about customers that you can use to drive value throughout their journey.

• As you introduce new technologies and methodologies to accelerate time to value, make sure you have the skill sets in place to align with the current needs of the organization and your customers.
Measuring Success with Metrics

As business shifted to the cloud, Kronos leaders needed to understand the economics of subscription- versus license-based software sales and what that meant within the context of the company’s profit and loss statement. Conventional licensed software metrics proved wholly inadequate for tracking the progress of a SaaS company with the goal of generating predictable revenue through subscriptions.

Instead, the company needed to track direct revenue and costs associated with a unit economics model, using metrics such as PEPM (per employee per month), MRR (monthly recurring revenue), and ARR (annual recurring revenue). For example, PEPM subscription fees, which apply for the life of a contract, needed to be monitored carefully to ensure SaaS deals continued to be profitable. With the ability to predictably anticipate revenue, executives would be better able to plan future investments.

Define a new set of SaaS metrics

The Metrics workstream set out to develop the new SaaS metrics, package them, and educate the organization on how to interpret them along with the traditional software license metrics. One of the biggest challenges in this process was finding the data, capturing it, and bringing it together in a meaningful way to measure performance and drive better business decisions.

Additional metrics — beyond financials— were defined to track the success of transformation initiatives. For example, with the emphasis on accelerating time to value, the team established metrics to measure whether Paragon was reducing implementation time. Similarly, metrics related to churn and net revenue retention became increasingly important for measuring the organization’s ability to engage customers and drive value.
Present key metrics at a glance

Kronos recognized early on that the financial and business metrics needed to work together to demonstrate the challenges and successes of the company’s transformation to the cloud. To that end, the Metrics workstream created all-new SaaS-centric dashboards — displaying metrics related to SaaS bookings, revenue, implementation, customer growth, and retention — for employees across all functions. They also created deeper-dive dashboards that break down performance metrics across key phases of the customer lifecycle.

By taking this cloud metrics approach to management, Kronos was able to narrate a story that covered key areas of the business, highlighted both positive and negative performance, and helped drive continuous improvement.

As part of its cloud transformation, Kronos developed new SaaS metrics to measure success across the entire customer journey.
Lessons Learned

• Don’t assume that employees understand and can interpret new metrics. Provide thorough training to ensure a common definition and consistent interpretation across the organization.

• Calculating new metrics requires a close partnership with IT to enable access to and integration of all required data.

• Financial metrics are not the only indicators for measuring the success of large-scale initiatives. Metrics like customer satisfaction scores, time to value, and churn take on new importance in the SaaS business model.
Focusing on Customer Success

As the workstreams dug deep into their Make the 5HIFT initiatives, a breakthrough realization bubbled up through the organization: Above all else, the Kronos Cloud transformation was about putting the customer first in everything the company did. When customers are paying a subscription, they will not hesitate to switch vendors if their current provider is not meeting their expectations. Therefore, in the SaaS world, a great customer experience is vital to creating value and driving long-term loyalty.

With this realization, a new Customer First workstream was born. The TMO chose a leader with extensive customer engagement experience, whose first order of business was conducting focus groups with Kronos Cloud customers. The goal was to find out what the company could do to help customers achieve more value from their workforce management solution. The findings led to three major investments: the establishment of two new organizations — customer success and customer renewals — and the development of a new and improved online customer community.

Take the Customer's Perspective

Delivering a great customer experience starts with understanding what customers expect from their cloud solution provider. Here’s what Kronos customers had to say:

Know me. Take the time to understand my situation. Listen and ask the right questions. Capture what you learn, and share it across the organization.

Lead me. Set expectations at every stage, and define a shared path to success. Guide me to the right solution, and teach me proven practices for my industry. Always be proactive and consultative.

Connect me. Provide a variety of ways for me to connect with Kronos experts, industry peers, and thought leaders who can help me achieve my goals.

Empower me. Give me tools to help me be successful and do more for myself — from accessing information and solving problems to networking and getting more from my Kronos solution.
Create a customer success organization

In a traditional licensed software business, various functional areas own pieces of the customer experience. For example, sales owns the business component, services owns implementation, global customer support owns ongoing support, and finance owns billing. No single group focuses on the health of the overall customer relationship. With SaaS, however, this approach to customer management simply just doesn’t cut it. To succeed as a cloud solution provider, Kronos needed to create a dedicated customer success function — one that had an equal voice at the executive table alongside sales, professional services, global support, and marketing — to guide and support customers throughout their journey.

In November 2016, Kronos hired its first vice president of global customer success, and within six months, the company restructured new and existing resources into a best-in-class customer success organization aligned with vertical markets.

Customer Success segmented the customer base into three tiers based on how much each account was spending in subscription or license fees, resulting in a scalable program that delivers a proactive and personalized experience for all customers. In a critical new role, customer success managers (CSMs) work with a predefined number of accounts to:

- Proactively guide cloud customers through all phases of the customer journey — from onboarding and training through advocacy and value optimization
- Support on-premises customers to ensure their continued satisfaction through the Kronos Cloud transition

In addition, Customer Success established an operations team to develop resources and processes used by CSMs when interacting with customers — both online and in the field.
Build a new and improved online community

Creating a new online customer community was another important component of the customer-first transformation. Although Kronos had a gated, forum-like customer portal where customers could go when trying to resolve a support issue, it wasn’t the kind of collaborative, intuitive, online community that SaaS customers had come to expect from their solution providers.

When Kronos standardized on the Salesforce platform, the Customer First workstream moved full speed ahead with deploying Salesforce Community Cloud. Within a year, the company launched the Kronos Community, a vibrant and ever-expanding online space where customers can:

- Connect with fellow Kronos users, partners, and product experts
- Explore product-specific content, and share, comment on, or search ideas
- Create a support case, or search for specific product support information
- Access Kronos training, tutorials, webinars, calculators, and more

Right from the start, Kronos Community played a big role in how the Customer Success organization interacts with customers, especially smaller accounts, to help them achieve their business goals. Purpose-built workgroups within Kronos Community provide a highly efficient yet personalized way to engage with customers to answer questions or resolve issues.

The Kronos Community now boasts 50,000-plus members — with more users joining every day. Member participation has generated more than 45,000 peer responses and surfaced product ideas from active members, including more than 300 enhancements released or scheduled for release and 200 more listed on product roadmaps.
Take a new approach to customer renewals

The shift to the cloud and its accompanying focus on ARR increased complexity when it came to renewals. Kronos found itself having to renew both 12-month maintenance contracts for on-premises customers and multiyear subscription contracts for cloud customers. The company was introducing levers like delayed billing and phased deals to support the momentum of its cloud offerings. Furthermore, it was facing different expectations for the SaaS experience — uptime, accessibility, and more — that sometimes triggered cost-versus-value proposition discussions during negotiations. All these challenges demanded a new approach to renewals and a closer partnership with the finance group to improve visibility and reporting.

With more and more of the company’s revenue associated with SaaS contracts rather than with software maintenance agreements, Kronos needed a dedicated team with a disciplined approach to renewal negotiations in order to drive positive, predictable outcomes. The existing customer renewals group, which performed back-office functions related to maintenance contracts and invoicing, was reorganized into two teams:

- **Customer renewals** for customer-facing renewal activities aimed at net-revenue retention
- **Operations** for contract management, business process management, and reporting

Kronos hired new leaders and representatives for the customer renewals team and moved most of the existing group to the operations team. To ensure consistency, the company operationalized the renewals process around five critical phases — outreach, consult, deliver, quote, and renewal — that occur based on the customer’s contract renewal date and ARR. With one team managing renewals, Kronos was able to have proactive conversations with customers, address objections by vertical, and achieve better negotiation outcomes to minimize churn and grow the renewal revenue stream.
Lessons Learned

- Recognize from day one that a successful transition to the cloud depends first and foremost on putting the customer first in everything you do — from marketing, sales, and engagement to support, services, and billing to renewals.

- Proactive, personalized account management is key to a great customer experience. A dedicated customer success organization can help you create value and optimize engagement throughout the customer journey.

- Create an active, online community where customers can access helpful resources, exchange ideas, and communicate with solution experts and fellow users. It’s a great way to help customers achieve value and feel part of a welcoming, collaborative tribe.

- Don’t forget about what happens when the customer’s term comes to an end. The SaaS business model requires an increased focus on renewals to drive customer retention.
Innovating the Future

While the TMO workstreams were reinventing every facet of the business to drive a successful cloud transformation, game-changing innovation was taking place to deliver future-ready SaaS solutions for both the SMB and enterprise markets.

The SMB incubator

As the Make the SHIFT transformation got underway, Kronos was gaining traction in the SMB market with its cloud-based Workforce Ready solution. The company established a dedicated SMB business unit — run like an incubator within the larger corporation — where employees could try out new things and quickly assess the impact. The continuing surge in demand for Workforce Ready provided an opportunity to understand the issues of managing millions of employees in a multi-tenant environment — even as new modules were added to the HCM suite. It also helped Kronos develop a cadence and communications strategy for deploying multiple product releases per year to large numbers of cloud customers.

This training ground — and the lessons learned there — enabled Kronos to quickly grow its HCM business and become a major player in the SMB market. At the same time, it helped prepare the organization for the successful launch of its new, native-cloud enterprise software product.
The future of work reimagined

For three years, Project Falcon — the startup backed by the billion-dollar company it sought to disrupt — worked on building the next-generation Kronos workforce management solution. As they designed and developed the product, team members focused on four critical success factors:

**Move to the public cloud.** The team decided to deploy the new solution in the Google® public cloud to leverage the web giant’s substantial investments in global infrastructure, security, and ongoing innovation. From there, the team built up the rest of the cloud infrastructure to manage across multiple tenants at a massive scale.

**Leverage the latest technologies.** From the start, the team incorporated new and emerging technologies to provide breakthrough capabilities. For example, team members used artificial intelligence (AI), machine learning, and predictive analytics to enable real-time insights; more accurate forecasting; and faster, smarter business decisions.

**Rethink the domain model.** Based on decades of domain experience, the team built a reimagined domain model that would allow all objects and their relationships — timecards, schedules, leave cases, and more — to be shared across the suite, consistently delivering all workforce data in context from anywhere in the application.

**Deliver a responsive user experience.** With consumer-grade mobile apps resetting user expectations for workplace technology, the team designed a fully responsive, easily personalized user experience that allows the entire workforce to complete tasks from anywhere — on any device — in the fewest possible steps.

The company formally branded Project Falcon as the Workforce Dimensions™ suite from Kronos and put pedal to the metal in preparing for the public product launch. As the launch date approached, the TMO concluded its three-year implementation of all recommended business, process, infrastructure, and cultural changes to ensure that Kronos was ready to operate as a best-in-class SaaS company.
The big reveal

On November 13, 2017, Workforce Dimensions, the first next-generation workforce management solution of its kind, was unveiled to great fanfare at KronosWorks™, the company’s annual user conference in Las Vegas. The result of strategic, customer-focused innovation, this solution offers a breakthrough employee experience and unprecedented levels of operational insight. Embedded analytics and personalized visualizations provide real-time visibility into compliance and employee engagement, while AI and machine learning provide data-driven recommendations for improved forecasting accuracy, shift recommendations, and employee self-service. The technology infrastructure is seamlessly integrated with foundational applications and extensible with open application programming interfaces to easily adapt to changing business needs.

New and longtime customers started flocking to the new solution immediately, propelling overall subscription revenue growth and exceeding expectations by 50 percent in the first fiscal year.

In keeping with its customer-first approach, the company made plans to ease the transition to Workforce Dimensions for its large global base of on-premises Workforce Central customers. These included:

- A public commitment to support the Workforce Central solution for at least 10 years
- Development of an automated utility that migrates about 70 percent of the customer’s configuration while a dedicated services team helps move the other 30 percent
- A buyer protection program, which allowed customers who purchased Workforce Central one year before or one year after the release of Workforce Dimensions to migrate to the next-generation solution at no additional cost
Lessons Learned

- When migrating customers from one platform to another, make sure you have feature parity between the applications, including visibility to any specialized code that may have been developed by professional services, systems integrators, or the customer’s in-house IT team.
- Simply having a SaaS product does not make a SaaS company. The entire organization needs to operate with a SaaS business model and be aligned to meet customer expectations for value, performance, and service.
- Offer a buyer protection plan for customers that selected a non-cloud offering within a specified timeframe around your SaaS product release so they don’t feel misled.
- Special incentives, like discounts or delayed billing, help encourage early adopters to migrate from one platform to another while reducing any perceived risk associated with new technology.
- SaaS customers value innovation, so don’t focus just on what the product does today. Paint a vision of your future strategy and how it will benefit your customers.
Thriving in a Cloud World

The cloud transformation has fundamentally changed the way Kronos operates while making a major impact on overall business results. The company has experienced exceptional SaaS growth, with more than 30,000 organizations worldwide, including nearly all new customers, now leveraging a Kronos Cloud solution — Workforce Dimensions, Workforce Ready, or Workforce Central.

Enthusiastic response to Workforce Dimensions from new and existing customers has helped sustain annual subscription revenue growth of more than 30 percent. The groundbreaking new workforce management solution now represents the fastest-growing part of the Kronos business. At the same time, Workforce Ready is enjoying tremendous growth in the SMB market.

Today, the Kronos commitment to innovation, collaboration, and customer success is stronger than ever. The company continues to evolve its culture, processes, products, and services to provide an unrivaled customer experience. In fact, putting the customer first is the driving force behind everything Kronos does. Based on current and projected business results, it’s a guiding philosophy that will carry the company successfully into the future.

Whether you’re leading or managing within a larger, established company or a startup, don’t just talk about innovation. Dedicate yourself and your teams to rethinking and improving how you operate. Galvanize people to take risks and present new ideas. Invest in those ideas, and execute on them. Be bold. Take risks. Experiment. Put yourself out of business!

Aron Ain, Kronos CEO and author of WorkInspired: How to Build an Organization Where Everyone Loves to Work
SaaS success by the numbers

When it comes to demonstrating the success of the Kronos Cloud transformation, the numbers speak for themselves:

- Approximately **90% of new Kronos bookings** are for cloud solutions
- Subscription revenue, which is now the company’s largest revenue stream, **is growing at about 30% per year**
- Approximately **30% of all new business bookings** come from SMB sales, with a **27% annual growth rate**
- Workforce Dimensions orders **surpassed first-year projections by 50%**
- Workforce Ready revenue has grown from $5 million at the time of the SaaShr acquisition to **more than $200 million today**
- Customer retention across Workforce Dimensions, Workforce Ready, and Workforce Central SaaS solutions **remains strong, at nearly 95%**

Accolades for a job well done

Since the company’s reinvention as a customer-first cloud solution provider, Kronos innovation and achievements continue to be recognized by respected organizations across the globe.

**Great Place to Work for All**
- Leadership Award — 2019
- Top 10 Innovators Award — 2019
  - Lisa Pratt, VP Customer Engagement Marketing

**HRO Today TekTonic Award**
- for innovation and disruption in the world of technology
  - AIMIEE (Artificial Intelligence for Managers and Employees)

**2019 Stevie Awards for Sales and Customer Service**
- Gold — Innovation in Customer Service
  - Kronos Community

**2018 Stevie Awards for Great Employers**
- Best New Talent Management Solution
  - Employee Perspectives

**2018 NorthFace ScoreBoard Award™**
- for superior customer service
  - Kronos Incorporated

**Customer Sales & Service World Awards**
- Best Use of Customer Insight
  - for Customer Service Award
  - Kronos Community