Case Study: Chiquita Brands and McKee Foods

Five Years in the Cloud with Workday

Best Practices from Two Early Cloud HCM Pioneers: Chiquita Brands and McKee Foods

By R “Ray” Wang
Principal Analyst and Chairman

Content Editor: Holger Mueller
Copy Editor: Maria Shao

November 19, 2013
Chiquita Brands and McKee Foods were early pioneers in the cloud. Both organizations faced similar challenges in upgrading existing human resources (HR) technologies amid a changing economic climate. However, both organizations used the cloud through Workday’s solutions to drive cost savings and innovate.

**Problems**
- Worsening economic conditions
- Aging technology infrastructure
- Lack of capital to invest in HR technology modernization

**Solutions**
- Core HCM, including Benefits, U.S. Payroll, Time and Expense, Talent Management, Safety, Project Management

**Benefits**
- Chiquita gained visibility into the workforce; reduced HR tech and IT HR support FTEs from 25 to 6; achieved cost savings of 30 percent a year compared with previous systems, including saving $1 million to $2 million a year on recruiting costs
- McKee saved $1.5 million since 2006 and invested in strategic HCM
- Both customers gained access to rapid innovation and capital expenditures avoidance

**the COMPANY**

**Chiquita Brands**, based in Charlotte, N.C., is an American producer and distributor of fresh fruit, packaged salads and healthy snacks. Kevin Ledford is Senior Vice President, Information Technology & Chief Information Officer.

**McKee Foods** is a privately-held United States snack food manufacturer. Mark Newsome is the Director of Corporate Human Resources for McKee Foods Corporation and Affiliates.

**Company:** Chiquita Brands

**Headquarters:** Charlotte, N.C.

**2012 Revenue:** $3.07 billion

**No. Employees:** 20,000 (worldwide)

**Industry:** Producer and distributor of fresh fruit and pre-packaged salad and healthy snacks

**Other:** Founded in 1899. Acquired Fresh Express in 2005.

**Company:** McKee Foods

**Headquarters:** Collegedale, Tenn.

**2011 Revenue:** $1.2 billion

**No. Employees:** 6,000 (U.S.)

**Industry:** Privately-held snack food manufacturer

**Other:** Founded in 1934. Best known for Little Debbie Snacks
the

CHALLENGES

Chiquita Brands and McKee Foods Faced Massive Business Disruptions Six Years Ago

In 2007, Chiquita and Kevin Ledford, senior vice president for IT and CIO, were faced with a tough challenge. The venerable food brand had sought to bridge the different cultural facets of a global operation through its existing HR systems. Adding to the chaos, Chiquita had acquired Fresh Express, which makes fresh pre-packaged salads, in 2005. HR faced a monumental task - address performance and talent management across multiple cultures while also integrating the Fresh Express business. Unfortunately, the existing collection of legacy HR systems did not come close to addressing the challenge. Moreover, the firm lacked the capital to invest in a comprehensive HR system. Chiquita was running blind on people data. The existing system could not track the number of total employees, the cost of employees and the status of contingent workers. Chiquita needed a different approach if it were to keep growing in a very competitive market.

Meanwhile, at McKee Foods, Mark Newsome, director of corporate human resources for McKee Foods Corporation and Affiliates, also confronted a significant challenge. The push to healthy food snacks, changes in political climate and economic malaise converged to create a crisis for this privately-held company. The HR organization faced rightsizing of nearly 1,500 employees. The aging version of Peoplesoft 8.3 needed a serious upgrade. The team had embarked on an extensive planning process with a goal of optimizing business processes and moving to strategic human capital management (HCM) capabilities. Plans included the implementation of benefits administration, addition of employer manager self-service and inclusion of a new recruiting module. Alas, the previous vendor came back with a quote for an upgrade that was 2.5 times the cost of the last upgrade. The self-service functionality lacked critical employee and manager self-service features. McKee Foods’ HR team was finding it difficult to know who their support contacts were. The proposed upgrade was a no-go, yet McKee Foods needed to make a change soon.

Both companies faced similar challenges such as:

- Poor economic conditions
- Lack of capital to invest
- Aging HR systems
- Need for strategic HCM
- False choices in HR technology options
the SOLUTION

Early Adopters Had to Overcome Security and Technology Concerns

McKee Foods Was Worried Most about Security

“We looked at Workday in its first release in 2006,” said Newsome. “The functionality was better out of the box than expected. While it didn’t have all the features we needed, right away five years ago, we bet on their roadmap and we bet on the management team. With 15 years of PeopleSoft heritage, deep pockets and a clean platform, we felt confident about working with Workday.”

“While it didn’t have all the features we needed right away five years ago, we bet on their roadmap and we bet on the management team.”

Mark Newsome, Director of Corporate Human Resources, McKee Foods Corporation and Affiliates

Newsome and Bill Richards, then IT director and now the vice president of IT, performed a deep analysis and both were equally enthusiastic. They then teamed up with the McKee leadership and sold the plan to them one by one.

However, the biggest hurdle remained data security. Security was the big concern about cloud in 2006. Though Workday claimed that the data was encrypted all the time no matter where it was, until it popped up on the desktop, the McKee team had to perform its own due diligence. While the McKee team was impressed with Workday’s functionality, security remained a concern.

However, after a six-week review of Workday’s data security, the team was impressed that the data was protected in a way that even the database administrators (DBAs) could not read the information, break the secure pass keys, crack the multiple pass keys or even hack the data warehouses. By the time the analysis was finished, the IT director noted that Workday could protect McKee’s data in Workday’s servers better than McKee could within its own firewall. That comment proved to be the icing on the cake in the security review.

the TECHNOLOGIES

- Core HCM, including Benefits
- U.S. Payroll
- Talent Management
- Big Data Analytics (planned)
Chiquita Brands Had to Clear Technology Hurdles

“We took a risk. We talked to them during their second release and went live on their fifth release,” noted Ledford of Chiquita. “We had to basically educate people on what the cloud was.” Similar to McKee Foods, Chiquita’s team had issues about security around the cloud. After much diligence, the team came to the conclusion that security with Workday was as good or better than Chiquita’s. Performance and security issues were also major concerns. The team expected lags in performance from Chiquita’s Latin American and European regions. The team was concerned with performance of the flash/flex GUI running on Citrix.

The Workday team worked with Chiquita to test and overcome each concern. Ledford noted, “We liked Workday’s technology, but more importantly, we loved the customer-centric approach. What we saw was a vendor we could grow with.”

Kevin Ledford, Senior Vice President, Information Technology & Chief Information Officer, Chiquita Brands

The rollout of Workday was very popular in every region. The product sold itself with minimal change management because user adoption was high and the product provided value on Day One. We were hungry for it. We were globalizing all the HR processes,” pointed out Ledford.

The TECHNOLOGIES

- HCM - all modules
- North American payroll
- North American time and expense (Latin America & Europe planned)
- Project Management (live in September 2013)
- Time tracking (planned)

Big and Early Bets on Cloud Provided Big Returns and First Mover Advantages

In general, Constellation has concluded that early cloud clients gain seven pillars of competitive advantage (see Figure 1):

1. **Upgrade cost avoidance.** Most cloud clients achieve cost savings by reducing the cost of upgrades from planning, testing and acceptance.
2. **Access to continuous innovation.** Cloud vendors deliver upgrades from two to six times a year. Customers can consume this innovation at a rapid rate.

3. **Adoption and productivity.** Cloud vendors apply modern design thinking and user experience concepts. Users can expect greater adoption and related productivity.

4. **Improved visibility.** Access to data is immediate. Managers can monitor performance in real time. Employees consume up-to-date data and can make changes as needed.

5. **Capital expenditure reduction.** Customers can save on capital expenses as they move to an operations expense scenario.

6. **Real-time regulatory compliance.** Regulatory compliance is accomplished via updates and upgrades.

7. **Focus on business transformation, not IT maintenance.** Teams can spend more time designing the employee journey instead of reverse engineering integrations and chewing up time on configuration.

**Figure 1. Early Adopters in Cloud Gain Seven Business Benefits**
Chiquita Brands Gained Workforce Agility and Improved Overall Culture

Prior to the Workday deployment, the organization could not estimate the number of employees or contingent workers. Management would often overhire to play it safe. The Workday deployment provided management with the visibility needed to make strategic decisions. The Workday system also allowed Chiquita to smartly add workers. Chiquita now has better data and analytics. This capability resulted in insight on vacation exposure and approvals, talent pool analysis and talent performance. In addition, Chiquita was able to restructure four to five months quicker than it would have been able to because of the visibility provided by Workday.

On a cultural level, the Workday deployment enabled Chiquita to roll out one unified HCM system. The deployment provided a catalyst to unifying the culture. Managers now have the ability to bring resources from different teams and manage the mix. Furthermore, Chiquita reduced the HR tech staff and IT HR support staff from about 25 to 6 FTEs. The result – Chiquita could focus on its mission of “improving lives, loving our planet and leading our industry.”

McKee Foods HR Team Shifted from Transactional to Strategic and to the Business

McKee achieved over $1.5 million in savings since 2006 from upgrade cost reduction, fewer wasted transactions and increased efficiencies. As a cloud customer, McKee received four updates the first year from Workday. Newsome suspected that the upgrades could have unexpected cost implications; so he held $50,000 per upgrade in the budget for contingency. Instead of the usual six- to nine-month upgrade planning cycles, McKee completed the first upgrade with just three days of testing. Today, the team updates in the first wave, using a repeatable process, all without an automated test script. Since that first year, the team no longer holds a buffer fund for upgrades.

The team reduced 2.5 FTEs in HR and was able to reduce overtime to normal work hours. The efficiencies gained from automating several business processes allowed McKee to invest in strategic HCM initiatives. HR now leads the organization in a goal alignment process. Business units build plans in Workday and then move to set strategic goals. Managers can manage performance of departments and individuals. The agility of Workday helped facilitate an orderly reduction of 1,500 employees. When Hostess went out of business, the HCM system enabled McKee Foods to ramp up hiring to meet demand from a competitor who had exited the market. Hiring times decreased from 90 to 45 days, depending on the level of the position. Today, McKee Foods is up to almost 6,000 employees. A unified HCM/Payroll system enables McKee Foods to have 100 percent of the workforce on electronic pay slip delivery, which is a very impressive accomplishment.
Maturity of Cloud Adoption Leads to Greater Innovation

McKee Foods Plans to Add More Workday Modules

Management collaboration served as a key factor in the success of the Workday go-live. The HR and IT departments worked closely with each other during the implementation. The teams continue to collaborate today. In fact, the IT team provides functional support to some of the business units. “Five years ago, I could not imagine never going through an upgrade again,” professed Newsome. The successful deployment of Workday has McKee Foods waiting eagerly for the rollout of Workday’s upcoming recruiting module.

Chiquita Brands No Longer Fears the Cloud, But Embraces Opportunities to Innovate

“Don’t fear the cloud. I feel more secure about my cloud than some of my internal environments. Choose your vendors by their DNA for customer service.”

Ledford recommends that buyers choose vendors by their DNA for customer service. With cloud, you are picking the vendor in as much as you are selecting the product. Cloud vendors appear to deliver more innovation on a regular and consistent basis.

The successful Workday experience now enables Chiquita to consume more cloud services. Chiquita now has six systems in the cloud (including Workday), which lets the company quickly move and innovate. Ledford suggests to new cloud buyers to invest in the integration layer to enable connectivity among different systems. He suggests that customers should get engaged on roadmaps. Chiquita works with Workday twice a year to provide input. The company is looking forward to adding Workday’s recruiting modules.
the RECOMMENDATIONS

Successful cloud deployments require organizations to align their business strategies with their apps strategy. While cloud lessens the risk in successful deployment and adoption, Constellation suggests the following three recommendations to optimize the benefits of the cloud:

1. **Find a trusted vendor you can grow with.** The cloud journey spans a long-term lifecycle. The average cloud customer stays with its vendor more than three years and that number is growing.

2. **Invest in upfront planning and design.** Given that organizations replace HCM and financial systems every 25 years, leaders should take advantage of this opportunity to focus on proper design and change management. The good news - cost savings from avoiding upgrades, re-implementation of legacy on-premises and future cost avoidance of regulatory updates provide the needed funding in cost justification models.

3. **Use the Enterprise Cloud Buyer’s Bill of Rights to bring the business, procurement and IT teams together.** Walk through the best practices to establish future cloud procurement policies. CIOs can use the Bill of Rights to establish frameworks for business units to speed up the vendor selection process. Procurement staff can standardize templates to ensure speedy yet compliant purchases.
About Constellation Research

Constellation Research explores the technologies and business models that not only disrupt established players, but also create transformational innovation. We share our research insights with business leaders seeking more than just rubber stamp approval or rearview mirror confirmation by traditional legacy analyst firms. Every piece of research begins by understanding how to deliver business value, applying real world experience and insights and incorporating disruptive technologies and innovative business models as appropriate. Our mission is to identify, validate and share these insights with our clients.

As a result, our research community includes members of boards of directors, C-suite executives, line of business leaders and IT visionaries who are not afraid to challenge the status quo. Most of our clients share a common trait - the passion for learning, innovating and delivering impactful results.

Organizational Highlights

- Founded and headquartered in the San Francisco Bay Area, United States, in 2010.
- Serving over 200 buy-side and sell-side clients around the globe.
- Experienced research team with an average of 21 years of practitioner, management and industry experience.
- Growing firm with 30 members, including 9 research analysts and futurists, 7 sales professionals, 4 professional staff and a board of 10 industry-recognized advisors.
- Creators of the Constellation Supernova Awards - the industry's first and largest recognition of innovators, pioneers and teams who apply emerging and disruptive technology to drive business value.
- Organizers of the Constellation Connected Enterprise - an innovation summit and best practices knowledge-sharing retreat for business leaders.

Website: www.ConstellationR.com
Contact: info@ConstellationR.com
Twitter: @ConstellationRG
Sales: sales@ConstellationR.com

Unauthorized reproduction or distribution in whole or in part in any form, including photocopying, faxing, image scanning, e-mailing, digitization, or making available for electronic downloading is prohibited without written permission from Constellation Research, Inc. Prior to photocopying, scanning, and digitizing items for internal or personal use, please contact Constellation Research, Inc. All trade names, trademarks, or registered trademarks are trade names, trademarks, or registered trademarks of their respective owners.

Information contained in this publication has been compiled from sources believed to be reliable, but the accuracy of this information is not guaranteed. Constellation Research, Inc. disclaims all warranties and conditions with regard to the content, express or implied, including warranties of merchantability and fitness for a particular purpose, nor assumes any legal liability for the accuracy, completeness, or usefulness of any information contained herein. Any reference to a commercial product, process, or service does not imply or constitute an endorsement of the same by Constellation Research, Inc. Unauthorized reproduction of any part of this publication is strictly prohibited.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold or distributed without warranty of any kind, express or implied, including but not limited to, the implied warranties of merchantability and fitness for a particular purpose. Constellation Research, Inc. will not be liable for errors contained herein or for incidental or consequential damages in connection with the furnishing, performance, or use of this material.

© 2013 Constellation Research, Inc. All rights reserved