

SAP SuccessFactors HCM Suite Offers Positive Returns For Medium-Sized Companies

Forrester Consulting conducted a Total Economic Impact™ (TEI) study to provide readers with a framework to evaluate the potential financial impact of how the SAP SuccessFactors HCM Suite benefits medium-sized companies. To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed several global medium-sized customers with experience using the SAP SuccessFactors HCM Suite. This summary is based on a full TEI study, which can be downloaded here.

Through these customer interviews and data aggregation, Forrester concluded that the SAP SuccessFactors HCM Suite for medium-sized companies has the following potential three-year impact: \$1.9 million in benefits versus costs of \$1.1 million, resulting in a net present value (NPV) of \$0.8 million and an ROI of 68%.

Quantified benefits. The following risk- and present value-adjusted quantified benefits are representative of those experienced by the companies interviewed:

- › Employee Central and Payroll: \$402,397 over three years.
- › Recruiting and Onboarding: \$417,487 over three years.
- › Performance, Goals, and Compensation: \$462,756 over three years.
- › Learning, Succession, and Development: \$624,793 over two years.



ROI
68%



Benefits PV*
\$1.9 million



Costs PV
\$1.1 million



Payback
18 months

*PV is present value

SUMMARY

Based on a commissioned study, “The Total Economic Impact Of SAP SuccessFactors HCM Suite For Medium-Sized Businesses.”

METHODOLOGY

The objective of the TEI framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact of the SAP SuccessFactors HCM Suite, including interviews with SAP stakeholders, and several current SAP SuccessFactors customers. Forrester constructed a financial model representative of the interviews using the TEI methodology.

COMPOSITE ORGANIZATION

This analysis uses a composite organization, based on the interviewees, to present the aggregate financial analysis.

RISK ADJUSTMENT

Forrester risk-adjusted the financial model based on issues and concerns of the interviewed organizations to account for uncertainties in benefit and cost estimates.

The SAP SuccessFactors HCM Suite Customer Journey

For this study, Forrester conducted interviews with four SAP SuccessFactors medium-sized customers. Interviewed customers include the following (each requesting anonymity):

INDUSTRY	REGION	INTERVIEWEE	NUMBER OF ADMINS TO EMPLOYEES
Automotive services	Puerto Rico	Technology manager	1 to 400
Software implementations	USA	Chief customer officer	2 to 300
Financial services	Australia	Organization capability manager	4 to 750
Healthcare	Australia	Head, people and culture	2 to 2,500

In addition, Forrester interviewed three larger SAP SuccessFactors customers (see below) for a separate study, and we reported similar benefit and ROI results, indicating that as medium-sized organizations grow, they can expect to see similar results related to their use of SAP SuccessFactors.

INDUSTRY	REGION	INTERVIEWEE	NUMBER OF ADMINS TO EMPLOYEES
Transportation	Headquartered in Europe	Director of HR	3 to 4,000
Manufacturing	Headquartered in Europe	Group HR services director	2 to 3,000
Outsourcing provider	Headquartered in EMEA	Head of human resources	4 to 4,000

Composite *Organization*

For this TEI study, Forrester created a medium-sized composite *Organization* to illustrate the quantifiable benefits and costs of investing in SAP SuccessFactors HCM. The composite *Organization* is a medium-sized enterprise in the products and services business. It has operations in one country and has 1,200 employees. It has been using SAP SuccessFactors HCM for three years to integrate its people-related business process activities.

Key Challenges And Pain Points Specific To Medium-Sized Customers

The composite medium-sized *Organization* shared the following challenges with the interviewed customers:

- › The *Organization* did not have a fully staffed human resources organization; not all HR functions were adequately staffed.
- › Fewer staff meant more experienced, and more expensive, senior staff were needed to ensure all high-level tasks were accomplished. (There's not a lot of room for entry-level clerical staff in medium-sized businesses.)
- › A myriad of HR-related systems and/or unconnected spreadsheets meant no single source of truth.
- › The *Organization's* manual, paper-based processes hampered efficiency and productivity.

"For the first time, leaders have access to real-time employee data, enabling them to make more-informed performance, development, and compensation decisions."

Chief customer office, software implementation company



- › The *Organization* struggled to keep up with regional compliance and regulatory issues such as GDPR.
- › The *Organization* struggled to grow the business (recruiting, learning, and development).
- › Limited transparency into open roles within the company slowed down internal and external recruitment.
- › There was a higher risk of human error on employee data.
- › There were high attrition levels and recruitment spend, due to inefficient processes and disparate systems.

Key Results

The customer interviewees revealed high-level and beneficial results attributed to their investments in SAP SuccessFactors's solutions, as follows:

- › Standardized HR processes across the company, enabling the achievement of strategy alignment and execution and establishing a single source of truth.
- › Replaced disparate benefits management systems.
- › Provided access to real-time data, allowing leaders to manage virtual teams across buildings, enabling improved communication and collaboration.
- › Introduced employee self-service, enabling staff to manage their personal details and check their benefits.
- › Digitized and automated processes; and freed staff members from repetitive manual tasks, allowing them to focus on value-add activities.

Based on Forrester's experience, the 18-month payback period and 68% ROI numbers are strong when compared to other cloud implementations. In addition, the interviewed customers that migrated from SAP HCM on-premises software to the SAP SuccessFactors cloud solution had even better benefit results.

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Here is a summary table of the quantified benefits which are discussed below.

Total Benefits						
REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Employee Central and Payroll benefits	\$99,000	\$198,000	\$198,000	\$495,000	\$402,397
Btr	Recruiting and Onboarding benefits	\$102,713	\$205,425	\$205,425	\$513,563	\$417,487
Ctr	Performance, Goals, and Compensation benefits	\$113,850	\$227,700	\$227,700	\$569,250	\$462,756
Dtr	Learning, Succession, and Development benefits	\$0	\$396,000	\$396,000	\$792,000	\$624,793
Total Benefits (risk-adjusted)		\$315,563	\$1,027,125	\$1,027,125	\$2,369,813	\$1,907,433

- › **Employee Central and Payroll benefits.** According to the interviewed customers, the SAP SuccessFactors Employee Central and Payroll solution offers the following benefits: intuitive self-service for managers and employees; mobile strategy to increase employee engagement; increased efficiency of transactional services; real-time data and a single source of truth; and the enablement of HR as a strategic partner of the business. Based on customer interviews, the composite *Organization* will save one HR staff FTE annually, with one-half FTE in Year 1 due to change management processes and adoption curves, and one payroll FTE annually, with one-half FTE in Year 1.
- › **Recruiting and Onboarding benefits.** According to the interviewed customers, the SAP SuccessFactors Recruiting and Onboarding solution offers the following benefits: the ability to post jobs internally or externally to preferred recruitment agencies and job boards; Boolean searches can be applied to internal candidate databases; candidates can be coded to show internal referrals, agency submissions, and external candidates; and improved two-way communication with candidates via automatic emails. In addition, there's a compliant pre-onboarding platform to collect signed contracts and employee information, as well as give new employees access to their onboarding plan. And before having access to the SAP SuccessFactors solution, internal recruiters spent too much time on administrative tasks rather than on headhunting and attracting the best candidates.

With SAP SuccessFactors Recruiting and Onboarding solutions, recruiters are saving 7 hours of time and effort per candidate during the interview cycle and HR staff are saving 5 hours for each employee onboarding cycle.

- › **Performance, Goals, and Compensation benefits.** These solutions (sold separately) offer the following benefits: greater goal alignment to ensure that each employee is aligned with the cascading business/organizational goals; compensation programs aligned with business objectives; faster execution of the performance appraisal process; recognition of top performers; and modeling and managing competitive compensation programs with a goal of reducing employee turnover. With Performance, Goals and Compensation solutions the medium-sized *Organization's* HR staff could save 750 hours per year (only 375 hours in Year 1 due to change management and learning curves). Across the medium-sized *Organization*, each of 110 managers was able to save 35 hours per year or 3,850 total hours (only 1,925 hours in Year 1 due to change management and learning curves). These time savings are compared to previous manual processes.

“SAP SuccessFactors was adopted quickly by our employees, and they really like the increased engagement they have with colleagues and managers.”

Head of human resources, outsourcing provider



- › **Learning, Succession, and Development Benefits.** According to interviewed customers, the SAP SuccessFactors Learning, Succession, and Development solutions (sold separately) offer the following benefits: personalized learning plans with deadlines and priorities assigned to individual employees; the ability to fill open positions more quickly by identifying and retaining valuable employees; and the ability to provide employees with structured training programs that also track certifications for regulatory and compliance purposes. At the beginning of Year 2, the Learning, Succession, and Development solutions were activated:
 - **Learning.** The *Organization* was able to personalize learning plans for all 1,200 employees. Compared to the pre-SAP SuccessFactors environment, the *Organization* is saving two development administrator FTEs beginning in Year 2.

- **Compliance tracking benefits.** The *Organization* is now able to track employee qualifications and certifications for purposes of adhering to and complying with regulatory bodies such as: FDA compliance, SOX (Sarbanes-Oxley Act), OSHA compliance (Occupational Safety and Health Administration), AGG (General Equal Treatment Act), or GMP regulations (Good Manufacturing Practice). Compared to the pre-SAP SuccessFactors environment, the *Organization* is saving one compliance administrator FTE beginning in Year 2.
- **Succession planning.** With the SAP SuccessFactors Succession solution, there's a database that can be queried at any time to find potential successors, identify levels of readiness, and visually see the overall qualifications of succession candidates. Compared to the pre-SAP SuccessFactors environment, the *Organization* is saving one FTE in years 2 and 3 by automating the succession planning process.

SAP SuccessFactors HCM Suite Costs

The interviewed organization experienced three categories of cost associated with the SAP SuccessFactors HCM Suite investment: license related fees, professional services, and internal labor costs. Over three years, the composite *Organization* expects risk-adjusted total costs to be a PV of \$1.1 million.

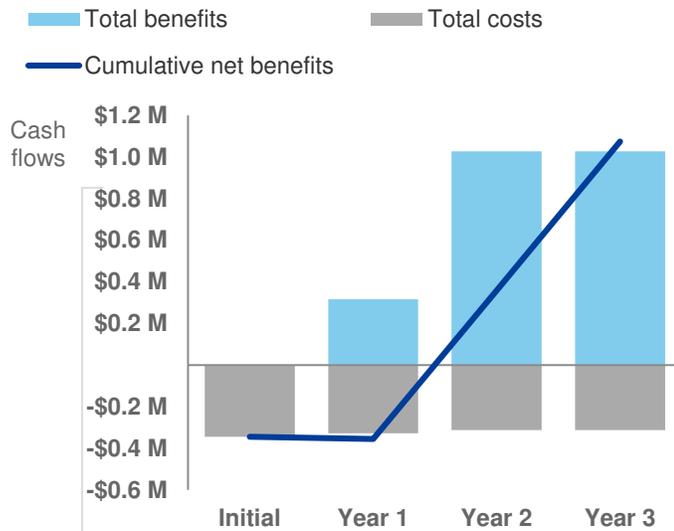
Total Costs							
REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Etr	SAP SuccessFactors license, subscription, and Preferred Success fees	\$0	\$148,882	\$162,374	\$162,374	\$473,630	\$391,535
Ftr	Professional service implementation fees (partners)	\$300,000	\$0	\$0	\$0	\$300,000	\$300,000
Gtr	Internal labor costs to plan, deploy, and maintain	\$27,500	\$162,500	\$135,000	\$135,000	\$460,000	\$388,225
	Risk adjustment	↑5%					
	Total costs (risk-adjusted)	\$343,875	\$326,951	\$312,243	\$312,243	\$1,295,312	\$1,133,748

Forrester risk-adjusted (increased) costs by 5% to reflect the uncertainty associated with pre-environment variables such as the extent to which customers had already adopted human resources information system (HRIS) processes. Also, globally extensive organizations may find their costs higher, reflecting various countries' languages, laws, customs, and regulations.

As Forrester Consulting continues to create TEI case studies for SAP SuccessFactors, we have adapted our approach to more accurately reflect the wide range of SAP SuccessFactors partner implementation fees in the global marketplace. We believe that supplying the TEI case study reader with a range of partner implementation fees allows for more transparency and visibility into the costs of a SAP SuccessFactors implementation, giving readers an opportunity to make the best and most accurate assessment for their business. To that end, we encourage you to read the complete TEI case study with enhanced transparency into the range of partner fees which can be downloaded [here](#).

Financial Summary

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



If risk-adjusted costs, benefits, and ROI still demonstrate a compelling business case, it raises confidence that the investment is likely to succeed because the risks that threaten the project have been taken into consideration and quantified. Assuming normal success at mitigating risk, the risk-adjusted numbers should more closely reflect the expected outcome of the investment.

For more information, you can download the full SAP SuccessFactors HCM TEI case study [here](#).

Disclosures

The reader should be aware of the following:

- The study is commissioned by SAP SuccessFactors and delivered by Forrester Consulting. It is not meant to be a competitive analysis.
- Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in SAP SuccessFactors.
- SAP SuccessFactors reviewed and provided feedback to Forrester. Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning.
- SAP SuccessFactors provided the customer names for the interviews but did not participate in the interviews.

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ABOUT TEI

Total Economic Impact™ (TEI) is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders. The TEI methodology consists of four components to evaluate investment value: benefits, costs, risks, and flexibility. <https://go.forrester.com/consulting/content-marketing-consulting/>

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