

The Value of Human Capital Management Technology

An Analysis of Business Results Reported by
SAP SuccessFactors Customers



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Demonstrating the financial value of investing in human capital management (HCM) solutions is an enduring challenge in the field of human resources (Baron, 2011). This challenge is rooted in the difficulty of accurately measuring the value of employees in monetary terms (Cascio, 2000). Nevertheless, companies need some way to estimate the likely return on investment (ROI) from HCM solutions. One of the easiest ways is to look at the gains reported by other companies using similar solutions. That is the purpose of this document.

Background & Summary of Results

This document summarizes results from using HCM solutions reported by SAP SuccessFactors customers. The results came from internal customer studies. The numbers are based on data customers reported themselves. We make no claims about the validity of this data beyond trusting that our customers shared accurate metrics. Most of the data comes from published case studies. Other data was shared during internal customer meetings. To protect customer confidentiality, we report only aggregate customer results.

The methodology for this study was relatively simple. First, we gathered customer results data. We did this by reviewing published customer case studies, scanning through customer presentations from SAP SuccessFactors conferences and customer events, and asking customer engagement executives for SAP SuccessFactors solutions to share data they had seen in internal customer meetings and project reviews. This generated a data set of 305 individual metrics reported by 105 different customers. The second step involved categorizing the 305 metrics into 12 categories based on similarity. For example, all

metrics that focused on reductions in turnover were placed in the same category. Occasionally we had to make assumptions about which metrics to place in a category, but for the most part it was fairly clear which metrics belonged in the same group. The final step was to calculate the average, minimum, and maximum levels of results for each category.

Table 1 summarizes the different categories of results. Many of the results were associated with implementation of multiple SAP SuccessFactors solutions. The remainder of the document discusses the data in Table 1 in more detail.

This document is not intended to show how much value a specific company will get from using SAP SuccessFactors solutions. The answer to that question depends on a range of variables and requires development of a detailed business case. But this document does provide an empirical answer to a question we often hear from customers: “What results have other companies seen from using SAP SuccessFactors solutions?”

Table 1: Aggregated Summary of Results from Using SAP SuccessFactors Solutions

	Average result	Minimum	Maximum
1. Internal staffing rates. Percentage of open positions filled through internal promotions or transfers for specifically targeted roles	65%	28%	90%
2. Deployment speed. Months required to implement a new HCM solution from initial project kick-off to solution go live	6.46 months	2 months	20 months
3. User adoption of HCM processes. Percentage of managers and employees actively using newly deployed HCM processes	90.5%	55%	100%
4. User experience. Percentage of employees who found HCM processes to be easy and simple to complete	85%	81%	90%
5. Process speed. Percentage reduction in time required to complete HCM processes	47%	30%	87.5%
6. Employee turnover. Relative reduction in annual percentage of employees leaving organization one to three years after solution deployment	30.75%	12%	50%
7. Employee performance. Percentage increase in measures of overall employee productivity, customer service, and sales	12.5%	5%	25%
8. HCM data quality. Percentage improvement in the completeness and accuracy of HCM data	61.3%	20%	95%
9. Employee engagement. Relative increase in employee engagement scores following deployment of HCM solutions	34%	12%	58%
10. HR time savings. Percentage reduction in time HR professionals must spend on administering HCM processes.	59.9%	30%	90%
11. Manager process efficiency. Percentage reduction in time spent by line managers on HR processes as a result of deploying HCM solutions	37%	10%	50%
12. Miscellaneous. See this section of the report for metrics that do not lend themselves to data aggregation including cost savings, candidate volumes, learning offerings, system integration, and centralized administration.			

Comprehensive Results

1. INTERNAL STAFFING RATES

Internal staffing rates reflect the percentage of open positions for specifically targeted roles that are filled through internal transfer or promotion of current employees versus hiring external candidates. Internal hires, particularly when it involves promotions, tend to be more productive and far less expensive than hiring external candidates to fill leadership roles (Bidwell, 2011). Higher levels of internal staffing are also associated with more effective career development cultures (Kraimer, Seibert, Wayne, Liden, and Bravo, 2011).

Seven customers reported metrics associated with increased internal staffing rates. Some of the metrics were in the form of absolute values such as “15,000 career moves supported in the first 1.5 years” or “250 managers mobilized internally per year.” The challenge with these metrics is that they lack a basis of comparison. For example, 250 internal manager promotions would be impressive in a company with 300 manager positions, but not very impressive in a company with 5,000 manager positions. Five customers reported percentages of openings filled with internal talent for key roles where the company was seeking to maximize internal staffing rates. These are summarized below:

Average: 65%
Minimum 28%
Maximum 90%

Not all positions can be filled with internal talent. But increased high internal staffing rates for certain key roles is associated with effective career development, learning, performance management, and succession management practices. The optimal level of internal staffing will change

depending on the nature of the job, the growth of the company, and the nature of the company’s existing workforce. But in general, higher internal staffing rates are generally considered to be a sign of a healthy, learning-oriented organization.

2. DEPLOYMENT SPEED

Deployment speed measures the time from starting a configuration project to deploying the system to end users. Eighteen customers reported deployment speed metrics. These were measured in terms of time required to deploy one or more modules from project kick-off to project go live.

Average: 6.46 months
Minimum: 2 months
Maximum: 20 months

Deployment speed is a metric where faster is not always better. How long a deployment should take depends on the complexity of the process, the level of change management required, and the number and nature of the solutions being implemented. The shortest deployments typically involved a single module in a relatively uncomplicated organizational structure for a single country. Longer deployments involved multiple modules, complex organizational structures, and multinational organizations. Nevertheless, even longer, more complex deployments often took less than a year.

3. USER ADOPTION OF HCM PROCESSES

User adoption metrics indicate the use of HCM tools and solutions by managers and employees. An HCM process cannot generate value if people do not use it. Higher levels of adoption are also associated with processes that are perceived as simple, intuitive, and valuable by users.

Customers reported 10 metrics associated with adoption. Most of the data focused on adoption of SAP SuccessFactors talent solutions and were reported in terms of percentage of the employee population using the system within a year or less.

Average: 90.5%
Minimum: 55%
Maximum: 100%

High rates of adoption depend on effective process design and deployment practices. Adoption metrics tend to be higher for performance management and goal management. Career development had the lowest rate of adoption. The main conclusion we draw from this data is that 100% adoption is a realistic goal that can be attained when SAP SuccessFactors solutions are appropriately designed and effectively deployed.

4. USER EXPERIENCE

User experience metrics reflect perceptions regarding the simplicity and effectiveness of HCM tools and processes. Six customers reported metrics related to improved user experience. Most of these metrics focused on HR professionals such as “300% improved recruiter experience” or “68% of administrators find it easy to create curriculums.” Three of the metrics reported looked specifically at employee perceptions regarding the usability of the solutions. These are summarized below.

Average: 85%
Minimum: 81%
Maximum: 90%

When looking at user experience metrics, it is important to consider the types of solutions being evaluated. Many HCM processes involve performing tasks that managers and employees are unlikely

to find highly enjoyable per se. For example, it is hard to imagine every manager or employee in a company being enthusiastic about creating a goal plan or enrolling in a training course. But these tasks should be easy to perform, even the task itself is not intrinsically rewarding.

5. PROCESS SPEED

Automation using SAP SuccessFactors solutions can significantly reduce the time required to complete HR processes. Sixteen customers reported metrics reflecting increases in the speed of HR processes. The most dramatic results were associated with reporting, with customers sharing that it now takes “2 seconds to generate HR reports instead of three weeks” or that it takes “1.5 hours to complete compensation reports compared to 2 weeks in the past.” Fourteen customers shared data indicating the overall percentage decrease in time required to complete larger HR processes such as hiring and onboarding new employees, conducting performance reviews, or completing compensation cycles. These results are summarized below.

Average: 47%
Minimum: 30%
Maximum: 87.5%

The ability to rapidly complete HR processes not only saves time for companies, it also increases organizational agility and enables organizations to explore alternative and more effective HR methods. For example, reducing time required to complete compensation cycles makes it possible for organizations to explore using more frequent, ongoing rewards instead of limiting rewards to a “once a year” activity. Gains in process speed should not just be thought of as gains in efficiency, but also gains in process flexibility.

6. EMPLOYEE TURNOVER

Turnover refers to the percentage of the workforce that voluntarily or involuntarily leaves the organization over the course of a year. Decreasing turnover provides substantial financial benefits associated with reduced hiring and onboarding costs, better customer service, better safety, increased workforce performance, and improved company profitability (Hancock, Allen, Bosco, McDaniel, and Pierce, 2013). SAP SuccessFactors solutions decrease employee turnover primarily by improving the selection of job candidates (Barrick and Zimmerman, 2005) and more effectively engaging employees after they are hired (Griffeth, Hom, and Gaertner, 2000).

Eight companies reported decreases in employee turnover rates that were attributed to the use of SAP SuccessFactors solutions. The decreases reflect relative changes in turnover as opposed to absolute changes in turnover. For example, an absolute decrease in turnover from 10% to 5% would be reported as a 50% decrease in the relative turnover rate. These turnover rates were calculated for specific employee populations within the workforce as opposed to the general population overall. Most of the decreases were based on tracking turnover for two to three years after deployment of SAP SuccessFactors solutions.

Average: 30.75%
Minimum: 12%
Maximum: 50%

Although the concept of turnover is simple to understand, a variety of factors make tracking changes in turnover a somewhat complicated exercise (Cascio, 2000). The type of solutions deployed and how they are used will have a major impact on their effectiveness in decreasing turnover.

Other moderators that can influence changes in turnover include the type of jobs included in the sample (for example, hourly versus professional), changes in local labor markets, the company's historic rate of turnover, and the number of years used to calculate turnover changes.

7. EMPLOYEE PERFORMANCE

The greatest value gained from implementing SAP SuccessFactors solutions comes from increasing the performance of the workforce. Seven customers reported metrics associated with studying how the use of SAP SuccessFactors solutions impacted productivity for key jobs in their organizations. These metrics were based on percentage changes in broad measures of overall performance, productivity, customer service, and sales. The results of these seven metrics are summarized below.

Average: 12.5%
Minimum: 5%
Maximum: 25%

Employee performance could potentially be affected by almost every SAP SuccessFactors solution. Most of the increases included in this study were related to improved staffing, performance management, learning, and development. The level of performance increase that companies experience from using SAP SuccessFactors solutions will vary widely depending on what solutions are used and how effectively they are deployed, adopted, and utilized. What is clear is that effective use of these solutions can have a significant impact on employee performance.

8. HCM DATA QUALITY

A common benefit that customers report after implementing SAP SuccessFactors solutions is

increased HCM data accuracy. This increase in accuracy is result of several factors. First, the use of cloud technology enables the collection of data across different regions and departments using a single, standardized, user-friendly system. Second, integration of different HCM solutions onto one platform enables cross-checking of data and the automatic transfer of data from one system to another. Last, SAP SuccessFactors solutions increase the visibility and utilization of HCM data, which in turn leads to greater detection and correction of data errors. Five customers reported metrics reflecting percentage improvement in data quality. The summary of this data is reported below.

Average: 61.3%
Minimum: 20%
Maximum: 95%

Improvements in data quality resulting from the use SAP SuccessFactors solutions are influenced by existing HCM data quality levels. Data quality improvements will also vary across different data sources and will be affected by how the data is collected and used. In general, the more data that is used to make important organizational decisions the more accurate people will be when submitting the data. It is also worth noting that many customers reported that before they implemented SAP SuccessFactors solutions they did not have clear or easy access to HCM data and could not even determine data quality, let alone improve it.

9. EMPLOYEE ENGAGEMENT

Employee engagement reflects the degree to which employees feel an emotional and motivational commitment to their jobs and the organization. Employee engagement is typically mea-

sured through surveys and has been shown to significantly predict outcomes such as turnover (Schaufeli and Bakker, 2004), personal initiative and proactive learning (Sonnentag, 2003), and job performance (Christian, Garza, and Slaughter, 2011). Many talent management practices have been shown to directly impact engagement. These include giving employees meaningful goals, providing them with coaching and training support to help them succeed at work, and recognizing their contributions through praise, rewards, and career development opportunities. Five customers provided metrics indicating how employee engagement changed after deployment of SAP SuccessFactors solutions. Although it is not always specified, we suspect these metrics reflect relative increases compared to previous engagement scores, and not absolute increases. For example, a 10% absolute increase in employee engagement from 40% to 50% would represent a relative increase in engagement of 25% since 10 is 25% of 40.

Average: 34%
Minimum: 12%
Maximum: 58%

Increases in engagement caused by implementing SAP SuccessFactors solutions will depend strongly on the level of engagement and the nature of talent practices that existed prior to using the solutions. Companies that have low levels of engagement and ineffective talent management methods are likely to see the greatest increase in engagement. The level of increase will also depend on which solutions are implemented and how they are configured and deployed. Most of the increases in this study are associated with the use of talent management, learning, and development solutions.

10. HR TIME SAVINGS

One of the most immediate, tangible benefits from using SAP SuccessFactors solutions is the time saved by HR process automation and simplification. Eleven customers reported metrics on time savings. Two of these metrics were in terms of absolute time savings on different tasks: “New PM process saved managers ~ 10 hours per direct report” and “24 hours saved per month by the HR team through automated reports, compared to earlier manual reports.” The other nine customers reported metrics reflecting a reduction in percentage of time spent by HR professionals on administrative HCM processes. These metrics are summarized below.

Average: 59.9%

Minimum: 30%

Maximum: 90%

Most time savings were associated with automation of recruiting and talent management processes that impact large numbers of HR professionals. Some of the most dramatic time savings were associated with reporting activities, although these may affect only a small number of people tasked with creating the reports. Many customers also discussed being able to reallocate HR headcount to new activities by eliminating time required to perform administrative tasks. The time savings customers get through use of SAP SuccessFactors solutions will depend on the nature of existing processes and how the solution is designed. But in general, customers can expect to see a significant decrease in HR time spent on administrative activities after deployment of SAP SuccessFactors solutions.

11. MANAGER PROCESS EFFICIENCY

Manager process efficiency refers to reduction in time spent by line managers performing HR-related tasks following deployment of SAP SuccessFactors solutions. Six customers reported metrics reflecting increased manager process efficiency. Some of the metrics were in the form of absolute values in terms of hours or days saved by implementing SAP SuccessFactors solutions. For example, “the new performance management process saved managers 10 hours per direct report” or “the new process saved managers 1,800 hours of time.” Five customers also provided metrics in the form of percentage decreases in time spent by managers performing HR processes. The following are summary statistics for these metrics:

Average: 37%

Minimum: 10%

Maximum: 50%

The amount of manager process efficiency gained by implementing SAP SuccessFactors solutions will vary depending on the time spent on the previous process, the modules being used, and how they are configured. In situations where a company is implementing a new process, the time spent on HR processes will increase because the process itself is new. The purpose of implementing many HCM solutions is not necessarily to save time. In many cases, a company may want managers to spend more time on something, not less (for example, employee development). Nevertheless, data from customers clearly shows that SAP SuccessFactors solutions can significantly increase manager process efficiency when that is the objective.

12. MISCELLANEOUS RESULTS

In addition to the results summarized in the previous sections, customers shared more than 100 additional metrics reflecting various benefits associated with use of SAP SuccessFactors solutions. These metrics reflect qualitative improvements in company operations or contain data that do not lend themselves to aggregation across multiple customers. The following are examples of some of these other results.

Cost savings

- \$433,242 savings by delivering learning online
- The value of localization in any given process was identified as a minimum savings of 5%
- 40% lower external headhunting costs

Candidate flow

- 14,000 candidates signed up as talent community members
- 160,000 visits to the new careers Web site in the first week of its launch
- 6,000 applications submitted through the Web site in its first week

Learning offerings

- 350+ learning items available in SAP SuccessFactors Learning
- 100 courses offered, including online and instructor-led options
- Twice the number of online classes available

System integration

- One platform for HR IT, replacing 60 disparate systems
- 95% of all global HR processes harmonized
- 15 HR applications consolidated to SAP SuccessFactors HCM Suite

Centralized process design and administration

- One HR system for 52 legal entities
- 22 countries across the group running the hybrid solution
- One global core HR system in 80 countries

Many of these results can be reviewed in more detail among [customer case studies](#) on SuccessFactors.com

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