How companies justify the value of HCM technology:
a study of customer results

Steven T. Hunt, Ph.D.
Click to follow my posts: www.linkedin.com/in/steventhunt

"What value do companies gain from using human capital management (HCM) technology solutions?" This may be the most commonly asked yet most poorly answered question in the field of HCM. The question sounds simple, but the answer is complex. First, there are many different results one might get from HCM technology. These include process efficiency, workforce productivity, regulatory compliance, technology platform simplification, centralized reporting, and dozens more. Second, it is difficult to assign value to many of these results. What is the financial value of retaining a high potential employee? How do you measure the value of having real-time access to data on employee costs, performance, engagement, and career objectives? HCM technology is fundamentally about maximizing the value of people, and people are not easily reduced down to financial formulas.

Despite the complexity of measuring the value of HCM technology, HR/IT departments still have to answer questions about the ROI of money spent on HCM solutions. So how do they do this? This was the focus of a recent study conducted at SAP SuccessFactors. The study looked at data our customers use within their own organizations to demonstrate the value of HCM technology. Unlike most ROI studies, we did not ask people to fill out standardized surveys or estimate results using pre-defined questions and categories. Instead we looked at the actual metrics customers use within their own companies to show the value of their solutions.

The study reviewed hundreds of customer case studies, presentations and documents from customer events and internal project review meetings. This generated a data set of 305 specific results reported by 105 different customers. The majority of results were outcomes that would be difficult to generalize to other companies. For example, "replaced 60 disparate HR/IT systems with a single platform", "supported 15,000 career moves in the first 1.5 years" or "achieved $433,242 savings by delivering learning online". When it comes to showing the value of HCM technology, companies emphasize results that are unique to their specific organization.

We did identify 89 results that fit into 11 common categories. These 11 categories are listed below in order of frequency along with the relative percentage of results that fell into that category. The most common results are things that are relatively easy to measure such as deployment speed and user adoption. This was followed by staffing metrics such as turnover. A smaller number of companies looked at less tangible results such as employee engagement and user experience.

> **Deployment speed.** Months required to implement a new HCM solution from initial project kick-off to solution go live (20%)
> **Process speed.** Percentage reduction in time required to complete HCM processes (16%)
> **User adoption.** Percentage of managers and employees actively using HCM processes (11%)
> **HR time savings.** Percentage reduction in time HR professionals spend administering HCM processes. (10%)
> **Employee turnover.** Relative reduction in annual percentage of employees leaving the organization (9%)
> **Employee performance.** Percentage increase in measures of overall employee productivity, customer service, and sales (8%)
> **Internal staffing rates.** Percentage of open positions filled through internal promotions or transfers (6%)
> **HCM data quality.** Percentage improvement in the completeness and accuracy of HCM data (6%)

Employee engagement. Relative increase in employee engagement scores (6%)
Manager process efficiency. Percentage reduction in time spent by line managers on HR processes (6%)
User experience. Percentage of employees who found HCM processes easy and simple to complete (3%)

This study provides a "real world" view into how companies assess the value of HCM technology. All the data in this study came from companies looking to understand the value of their existing solutions. The following are a few additional insights drawn from this research:

- **Measures of value tend to be company specific.**   Customers tend to focus on benefits tied to their company's particular challenges.
- **Financial benefits are often implied, but not articulated.** The majority of results did not include specific financial numbers. This was true even for metrics such as turnover and time savings where financial benefits might be fairly easy to estimate.
- **There are a lot of ways to measure value.** The results ranged from common HR metrics such as engagement and turnover to more IT centric metrics such as deployment sped and data quality.

The full study results including performance metrics can be found here [insert hyperlink].   We hope this research will spur further work into defining and measuring HCM ROI. And perhaps ultimately help address the perennial question that has always plagued human resources, "what is the true financial value of creating better work environments?"