

A Forrester Total Economic Impact™
Study Commissioned By ADP
October 2017

The Total Economic Impact™ Of ADP Workforce Now

Cost Savings And Business Benefits
Enabled By Workforce Now

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Executive Summary

In the digital age, workforces expect a technology-driven employee experience that reflects the level of innovation in consumer-grade customer experiences. Simultaneously, businesses are constantly being asked to do more with less. This presents a unique challenge to HR managers — how do they deliver a seamless and enriched experience to employees while increasing efficiency and decreasing costs across HR processes?

ADP Workforce Now® provides a cloud-based human capital management solution that helps its HR customers streamline and simplify management of the complex employee lifecycle while saving time, budget, and resources. ADP commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) companies may realize by deploying Workforce Now.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed five customers with several years of experience using Workforce Now. The solution includes several modules: HR Administration, Benefits Administration, Payroll, Time and Attendance, and Talent Management. Together these modules provided customers with technology to manage back-office HR processes as well as tax, regulations, and Affordable Care Act (ACA) compliance.

Prior to using Workforce Now, these customers leveraged combinations of earlier versions of ADP software or competitive solutions with several manual HR processes.

Key Findings

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

- › **HR teams automated key processes and provided employees with self-service functionality, such as updating employee addresses, reducing the time spent on general HR administrative tasks.** Streamlining and offloading once manual, one-off tasks, such as changing an address, changing a beneficiary, or looking up vacation balances, saved an average of 200 hours each year for HR managers.
- › **Fully automated payroll and time and attendance processes saved HR resource time.** Interviewees' previous solutions provided some digital support for payroll, but Workforce Now fully automated the process, removing all manual steps and providing the checks and balances that eliminated time-consuming errors. Payroll automation saved an average of 350 hours per year.
- › **Moving from paper-based benefit enrollment to digital self-service tools saved time for HR staff.** Previous benefit enrollment processes required thousands of printed pages, hand-written form completion, and repetitive manual entry into multiple systems. Workforce Now provided digital tools to automate these processes and carrier connections that updated each insurance provider with all the necessary details, eliminating duplicate entries. Between open enrollment and new hire benefit enrollment, HR managers saved an average of more than 600 hours per year.

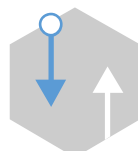


- › **Streamlining and digitizing recruitment processes reduced resource time required to hire new employees.** Prior to implementing Workforce Now, interviewees managed the entire hiring process manually, with paper resumes shuttled to hiring managers. Workforce Now's Talent Management functionality digitized resume sharing, removing over 1,040 hours of effort each year.
- › **Formalizing annual goal setting and moving it from paper to digital reduced HR and manager effort during performance reviews.**

Benefits And Costs



ROI
81%



Payback Period
10 months



Total HR admin time savings
over three years:
5,800 hours

- › admins and managers pulling files and shuffling papers around each year, looking for edits, feedback, and changes. Moving everything to a digital system standardized the process and removed over 300 hours of manual effort and enabled managers to track employee progress against goals throughout the year.
- › **Shifting process from manual to digital saved thousands in printing and shipping costs.** Open enrollment, new hire enrollment, time cards, paychecks, and resumes were all moved from hard copies to digital, eliminating thousands of printed sheets and hundreds of mailings each year.
- › **The self-service aspect of digitized processes saved end users several hours each year.** Employees saved time filling out benefit forms and reduced wait time for completing HR admin tasks, such as changing their dependents or beneficiaries.
- › **Tax management and compliance features eliminated missed deadlines and errors, reducing fines.** Interviewees eliminated previous struggles with differing state tax laws, saving thousands in late fees and reducing expensive administrative fees from their certified public accountants (CPAs).
- › **Moving onto Workforce Now allowed interviewees to retire their previous solution, saving annual licensing costs.** Retiring their previous HCM solution saved \$35,000 per year.

Unquantified benefits. The interviewed organizations experienced the following benefits, which are not quantified for this study:

- › **Enhanced talent management processes allowed hiring managers to find the right candidate, hire them faster, and keep them focused on company goals.** Without shuffling paper resumes around, HR managers and hiring managers found and interviewed qualified candidates faster, which reduced the time to hire, delivering value to the business sooner. Then once the new employees were hired, the performance management module allowed interviewed companies to introduce performance goals that kept employees focused on company priorities and helped them develop their own skill sets.
- › **Self-service offerings improved the employee experience.** End users no longer had to wait for HR managers to update addresses, change 401(k) deductions, or complete any other administrative items, improving their perception of internal employee services.
- › **Access to insights enabled data-driven business decisions.** Workforce Now's system of record and analytics feature delivered insights into benefits usage, labor costs, compensation, and attrition, which interviewees used to make strategic business decisions.

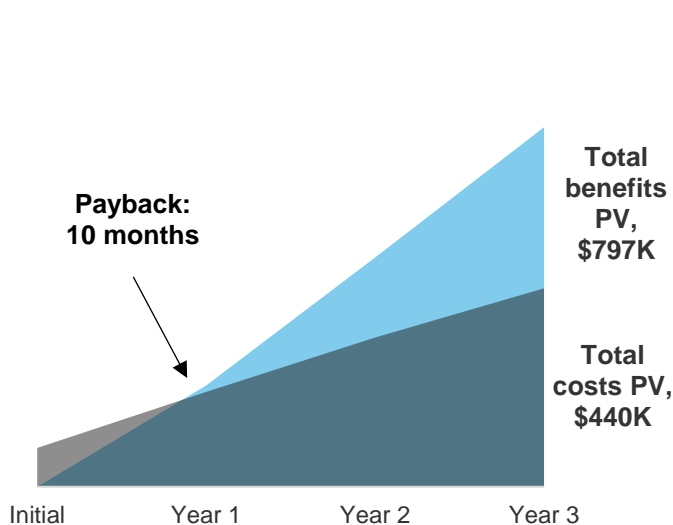
Costs. The interviewed organizations experienced the following risk-adjusted costs:

- › **Technology fees.** Interviewees paid annual fees to ADP for the use of Workforce Now. Fees were determined by the number of users and the modules implemented.
- › **Implementation and customization.** HR team members collaborated with ADP to implement Workforce Now and paid ADP a nominal implementation fee. Once the solution was implemented, it spent several weeks setting up key processes.

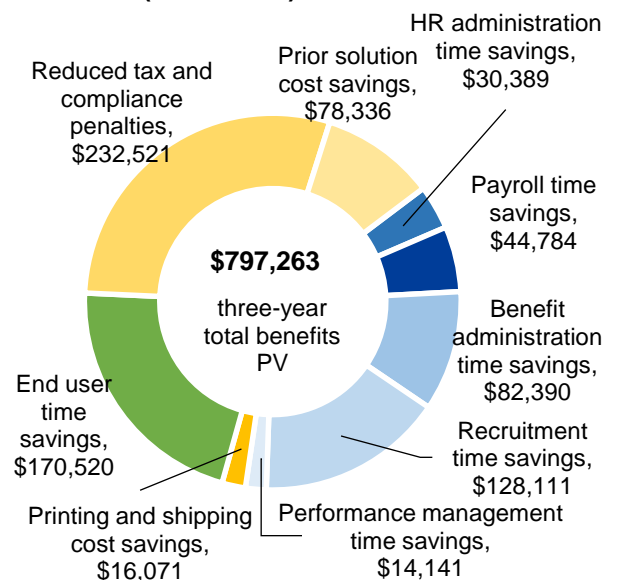
- › **Training.** Both HR team members and employees attended trainings on how to execute the programs and leverage the self-service tools.
- › **Ongoing management.** HR team members spend minimal time each week liaising with ADP and ensuring that the tools are functioning as expected.

Forrester's interviews with five customers and subsequent financial analysis found that an organization based on these interviewed organizations experienced benefits of \$797,263 over three years versus costs of \$440,139, adding up to a net present value (NPV) of \$357,124 and an ROI of 81%.

Financial Summary



Benefits (Three Year)



The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TEI Framework And Methodology

From the information provided in the interviews, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing ADP Workforce Now.

The objective of the 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 that ADP Workforce Now can have on an organization:



DUE DILIGENCE

Interviewed ADP stakeholders and Forrester analysts to gather data relative to Workforce Now.



CUSTOMER INTERVIEWS

Interviewed five organizations using Workforce Now to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewed organizations.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewed organizations.



CASE STUDY

Employed four fundamental elements of TEI in modeling ADP Workforce Now's impact: benefits, costs, flexibility, and risks. Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by ADP and delivered by Forrester Consulting. It is not meant to be used as 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 ADP Workforce Now.

ADP reviewed and provided feedback to Forrester, but 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 of the study.

ADP provided the customer names for the interviews but did not participate in the interviews.

The Workforce Now Customer Journey

BEFORE AND AFTER THE WORKFORCE NOW INVESTMENT

Interviewed Organizations

For this study, Forrester conducted five interviews with ADP Workforce Now customers. Interviewed customers include the following:

INDUSTRY	INTERVIEWEE	SIZE	LENGTH IN USE	FEATURES
Financial services	Director of human resources	150 employees	2 years	HR Benefits Payroll Time and Attendance Talent Management
Financial services	CFO	300 employees	2.5 years	HR Benefits Payroll Time and Attendance
Athletics	Senior director of HR and payroll	900 employees	2.5 years	HR Benefits Payroll
Reseller	Human resource manager	400 employees	3 years	HR Benefits Time and Attendance Payroll Talent Management
Education	Executive vice president	450 employees	3 years	HR Payroll Time and Attendance Talent Management

Key Challenges

Prior to implementing ADP's Workforce Now, interviewees were faced with:

- › **Inefficient processes.** Organizations were shuffling paper forms back and forth between HR teams and employees, many of whom were remote or traveling frequently. Critical tasks, such as benefits enrollment, were leveraging too many resources and too much time to complete.
- › **Inadequate solutions.** One interviewee wasn't getting the functionality she needed out of the previous solution. The organization was frequently on the phone with service technicians and occasionally overpaid employees or filed taxes incorrectly.
- › **Compliance issues.** One interviewee frequently incurred costs for state and federal taxes that were either not filed correctly or on time. With the business growing and expanding into even more states, she needed a solution that would file taxes correctly. In addition, interviewees needed help staying compliant with the Affordable Care Act.

Key Results

After an extensive search, interviewees chose to invest in Workforce Now based on peer recommendations and functionality. Their adoptions of the solution delivered:

- › **The digitization of key processes.** Interviewees shifted several manual processes to digital self-service processes, including payroll and benefits enrollment. Not only did this remove bulky paper forms, but it also ensured tasks were completed faster and with greater accuracy.
- › **A holistic system of record.** Workforce Now consolidated several different systems onto one database, allowing HR managers to access all employee records and pull comprehensive reports from the same place.
- › **HR manager and end user efficiencies.** With the removal of slow, paper-based processes and the ensuing errors, HR managers eliminated hours of administrative work. They could funnel this time back into strategic initiatives, such as budgeting.
- › **Tax expertise and management.** Interviewees welcomed Workforce Now's built-in knowledge of US state and federal tax regulations and its ability to prepare and file employee taxes.

Composite Organization

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an associated ROI analysis that illustrates the areas financially affected. The composite organization is representative of the five companies that Forrester interviewed and is used to present the aggregate financial analysis in the next section. The composite organization that Forrester synthesized from the customer interviews has the following characteristics:

The regional business is headquartered in one US state but has several local offices across state lines. It employs 400 people, many of whom travel frequently and four of whom comprise the HR department. The average fully-loaded salary for the HR team is \$120,000.

The organization is growing at a rate of 10% each year and sees about 15% attrition each year. Prior to implementing Workforce Now, the composite organization leveraged another HCM software solution that provided some payroll automation, but the company still conducted many HR-related tasks by hand.

The organization implemented HR, Benefits, Payroll, and Time and Attendance for Year 1 and then expanded with Talent Management in Year 2. As part of its Talent Management expansion, it started using recruitment features in Year 2 and performance management features in Year 3.

“We are not just buying software from ADP; we’re buying competence and experience and expertise backing up the software.”

*Director of human resources,
financial services firm*



Key assumptions

Regional organization
Offices in several states
400 employees
10% growth rate
15% attrition rate

Financial Analysis

QUANTIFIED BENEFIT AND COST DATA AS APPLIED TO THE COMPOSITE

Total Benefits

REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	HR administration time savings	\$7,788	\$11,683	\$18,173	\$37,644	\$30,389
Btr	Payroll and Time and Attendance time savings	\$15,577	\$18,173	\$20,769	\$54,519	\$44,784
Ctr	Benefit administration time savings	\$30,210	\$33,231	\$36,554	\$99,994	\$82,390
Dtr	Recruitment time savings	\$0	\$79,962	\$82,558	\$162,519	\$128,111
Etr	Performance management time savings	\$0	\$0	\$18,822	\$18,822	\$14,141
Ftr	Printing and shipping cost savings	\$5,525	\$6,800	\$7,225	\$19,550	\$16,071
Gtr	End user time savings	\$62,524	\$68,776	\$75,654	\$206,955	\$170,520
Htr	Reduced tax and compliance penalties	\$93,500	\$93,500	\$93,500	\$280,500	\$232,521
Itr	Prior solution cost savings	\$31,500	\$31,500	\$31,500	\$94,500	\$78,336
Total benefits (risk-adjusted)		\$246,624	\$343,625	\$384,755	\$975,004	\$797,263

Administration Time Savings

Prior to implementing Workforce Now, the HR team completed all HR-related administrative tasks by hand. For example, when an employee needed to change an address, he emailed HR. An HR staff member then had to update that address with each carrier and within the company's own system of record. The process was time-consuming and prone to errors.

- › Interviewed organizations eliminated these timely processes by leveraging Workforce Now's HR Administration module and its comprehensive system of record. The module allowed them to offer employees self-service tools, eliminating time required from HR staff.
- › Interviewees cited significant time savings, ranging from 20 minutes per employee per year to an hour for each requested change (such as a beneficiary or address).

For the composite organization, Forrester assumes that:

- › The HR team saved 150 hours in Year 1 as employees adjusted to using the self-service tool. This number increased to 225 hours in Year 2 and 350 in Year 3 as more employees adopted the tools and the company grew.

The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total benefits to be a PV of more than \$797,000.



Automating HR management freed up an average of 300 hours per year.

An organization's ability to achieve these benefits will vary based on:

- › Whether its previous HCM software solution offered digital features for HR admin tasks.
- › Employee adoption of the self-service functionality.
- › The average fully loaded salaries of its HR staff.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$30,389. See appendices for [calculation tables](#).

Payroll And Time And Attendance Time Savings

The organization's previous HCM solution offered some payroll functionality, but many components were manual, and the system lacked checks and balances, which led to frequent mistakes. When the company migrated off that solution and onto Workforce Now, HR managers gained a centralized processing center for payroll that managed time off, delivered paychecks digitally, and, when integrated with Time and Attendance, allowed for digitized time cards.

- › Interviewees cited time savings of 15% to 20% per year, which equates to about 400 hours or 52 working days. This estimate includes moving off batch entries and eliminating timely errors. A senior director of HR and payroll also noted that payroll used to take 6 hours per week but now requires only 10 minutes.
- › The human resources manager from a reseller estimated that she saved 78 days per year between payroll and time cards.

For the composite organization, Forrester assumes that:

- › It saved an average of 300 hours per year.

An organization's ability to achieve these benefits will vary based on:

- › The payroll features offered in its previous HCM solution.
- › The average fully loaded salaries of its HR staff.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$44,784. See appendices for [calculation tables](#).

Benefit Administration Time Savings

Prior to implementing Workforce Now, interviewees managed paper-based benefit enrollment, both for new hire enrollment and annual open enrollment for existing employees. With offices in multiple locations and employees traveling for business, this meant lengthy forms shipped through the mail and extensive wait periods. As with any manual process, there was plenty of room for data entry errors. For the HR managers, benefits enrollment took hours each year to plan and execute.

Workforce Now allowed interviewees to completely digitize the process. Employees logged into a portal to add or change selections, and data was passed to the right systems and carriers. Interviewees cited the following time savings associated with the improvement:

Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.



Workforce Now managed the entire payroll process, avoiding an additional 300 hours of effort each year.

- › The director of human resources at a financial services organization, claiming benefit administration was “the single biggest benefit,” saw an hour savings for each employee, both new hire and open enrollment.
- › Interviewees noted that open enrollment periods prior to ADP were often three to five weeks long, allowing ample time to mail the forms to remote employees and wait for traveling employees to have time to get home, complete them, and return them. With Workforce Now and the ability to access and complete forms digitally, interviewees reduced this period to 10 to 14 days.
- › In addition to reducing the length of open enrollment, interviewees estimated that they saved an hour per employee now that they don’t have to enter each form by hand.
- › Workforce Now’s benefits administration feature also simplifies new hire enrollment, eliminating lengthy forms and manual entry processes for each new hire, saving 3 hours per new employee.

For the composite organization, Forrester assumes that:

- › HR administrators save 1 hour per existing employee and 3 hours per new employee on benefits enrollment.
- › The composite organization started with 400 employees and grew at a rate of 10% each year.
- › Attrition is 15%, with each position being backfilled.

An organization’s ability to achieve these benefits will vary based on:

- › The current effort required for its new hire and open enrollment processes.
- › End user (employee) adoption of the new processes.
- › The average fully loaded salaries of its HR staff.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$82,390. See appendices for [calculation tables](#).

Recruitment Time Savings

The recruitment feature within Talent Management module allowed interviewees to digitize their efforts to fill open jobs. Previously HR managers would post jobs and receive resumes, then print them and share them with hiring managers. Not only was it time-consuming, but resumes would get lost, risking the loss of highly qualified candidates.

Interviewees shared a variety of estimates for the time savings. The director of human resources at a 150-person financial services firm said it saved 5 hours per week, while the human resource manager at a 400-person reseller said she’d have to hire a fulltime talent management associate. Both said hiring managers save 4 to 5 hours per open req.

For the composite organization, Forrester assumes that:

- › The HR team saved 20 hours per week.
- › Hiring managers saved 4 hours for each open position.
- › The organization grew at 10% each year, opening 40 roles in Year 2 and 44 roles in Year 3 from growth.
- › The organization saw 15% attrition and backfilled each role.



The benefits administration system removed an average of over 600 hours from the new hire and open enrollment processes each year.



HR and hiring managers filled positions more quickly and with reduced effort by adding automated reviews and sharing of resumes.

- › The average fully loaded salary for the hiring managers was \$150,000.
- › Benefits began in Year 2.

An organization's ability to achieve these benefits will vary based on:

- › The number of open position it fills each year.
- › The efficiency of its hiring process prior to implementing Workforce Now.
- › The average fully loaded salaries of its management and HR teams.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$128,111. See appendices for [calculation tables](#).

Performance Management Time Savings

Interviewees who used the performance management features within the Talent Management module brought standardization and efficiency to their annual performance review processes. Previously, managers drafted goals, printed hard copies, reviewed them with HR, edited them, shared them with employees, edited them again, printed them again, and finally gave them back to HR to file for next year, possibly with a few more time-consuming rounds of edits in between. It was an arduous process that left goals sitting away in a cabinet for the year.

Workforce Now removed the back-and-forth with paper, eliminating hours from the process. The CFO and director of HR at an education firm that employs 50 full-time employees said his HR team saved 10 hours per year and his hiring managers saved 30 minutes for each direct report.

For the composite organization, Forrester assumes that:

- › The HR team saved 60 hours per year.
- › The hiring managers saved 30 minutes per employee.
- › There are 484 employees in Year 3.
- › The average fully loaded salary for the hiring managers was \$150,000.
- › Benefits began in Year 3.

An organization's ability to achieve these benefits will vary based on:

- › The efficiency of the performance review process prior to Workforce Now.
- › Manager adoption of the new functionality.
- › The size of the organization.
- › The average fully loaded salaries for HR and the management team.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$14,141. See appendices for [calculation tables](#).



The performance management feature within Talent Management standardized and digitized annual performance reviews, saving close to 300 hours between HR and hiring managers.

Printing And Shipping Cost Savings

Eliminating manual processes removed paper forms from several processes, hiring benefits administration, payroll, recruiting, and performance management. Interviewees shared a variety of estimates, up to \$8,000 per year for payroll and benefits.

For the composite organization, Forrester assumes:

- › It saved \$6,000 in Year 1 when using just Payroll and Benefits.
- › It saved \$8,000 in Year 2 when it eliminated the paper associated with Talent Management's recruiting features and \$8,500 in Year 3 when it incorporated Talent Management's performance management features.

While not experienced in years 1 through 3, the composite organization can expect to save on storage costs in the future.

An organization's ability to achieve these benefits will vary based on:

- › The amount of paper it required for its previous processes.
- › How many forms were shipped to employees' homes.
- › Its adoption of Workforce Now modules.
- › Its size.

To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year risk-adjusted total PV of \$16,071. See appendices for [calculation tables](#).

End User Time Savings

The digitization of key HR processes also benefited employees. Interviewees noted that:

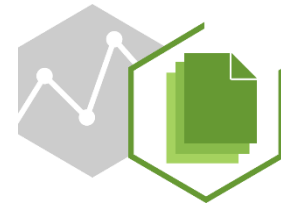
- › Employees could now use self-service tools to look up paid time off (PTO) balances, change addresses, change deductions, and more, saving between 15 minutes and an hour per employee each year.
- › Employees no longer had to complete lengthy paper benefit forms during new hire and open enrollment, saving an average of an hour per employee per year.
- › Employees could review paystubs and/or clock in and out digitally, saving up to 30 minutes per month.

For the composite organization, Forrester assumes that:

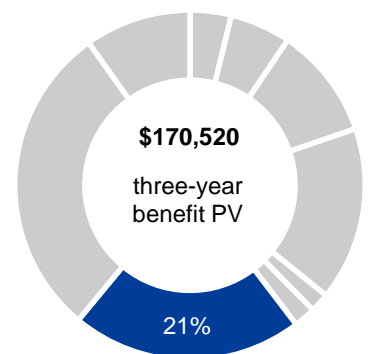
- › Each employee saved 15 minutes per year on HR admin tasks.
- › Each employee saved 3 hours per year between payroll and time and attendance.
- › Each employee saved an hour a year on benefits enrollment.
- › The average salary for the entire employee base is \$90,000.

An organization's ability to achieve these benefits will vary based on:

- › The amount of time employees dedicated to each process prior to Workforce Now.
- › The success of change management efforts to change employee behavior and drive adoption.



By moving off hardcopy benefit forms and payroll, organizations saved over \$6,500 each year in printing and shipping costs.



End user time savings:
21% of total benefits

- › The modules implemented.
- › The average fully loaded salary of employees.

To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year risk-adjusted total PV of \$170,520. See appendices for [calculation tables](#).

Reduced Tax And Compliance Penalties

Prior to implementing Workforce Now, several interviewees struggled to file state taxes correctly, suffering steep fines. The senior director of HR and payroll at an athletics organization noted that, with her previous payroll software, her firm often received notices from the state and federal government that they had not paid the correct amount for employees and that they had not filed on time. These errors were costly to correct and, for the HR managers, impossible to avoid without hiring someone with tax expertise.

With the switch to Workforce Now, these organizations gained the expertise built into the software. Taxes were now filed in the right states at the right time with the correct amounts paid.

For the composite organization, Forrester assumes that:

- › It saved \$10,000 each year in late fees, incorrect payments, and effort to fix errors.
- › It avoided incremental billing with their CPA to administer taxes, saving \$100,000 per year.

An organization's ability to achieve these benefits will vary based on:

- › Its size.
- › The number of states in which it operates.
- › Whether or not it has tax expertise in house.
- › The ability of its existing solution to manage tax filings correctly.

To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year risk-adjusted total PV of \$232,531. See appendices for [calculation tables](#).

Prior Solution Cost Savings

When organizations began using Workforce Now, they stopped using a previous solution and therefore stopped paying for it. Interviewees estimated the fees for that solution to be approximately one-third of the Workforce Now fees.

For the composite organization, that equates to \$35,000 per year.

Readers are encouraged to consider the costs they are paying for their current solution.

To account for some variance, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$78,336. See appendices for [calculation tables](#).



Organizations reduced errors in tax filings and associated fines with Workforce Now.

Enhanced Talent Management

The digitization of the recruitment and performance management processes drove efficiencies, as the time savings outlined above show. However, these efficiencies also led to faster hiring and more focused goal setting, which allowed the interviewed organizations to fill key positions faster with more qualified candidates and focus employees on company goals and personal growth. When discussing recruiting, a director of human resources noted, “Having a shorter time to hire helps us get the qualified candidates we want and need, before they go somewhere else.”

Speaking to performance management, a CFO and director of HR remarked: “More people are doing self-appraisals. It’s allowing us to move to a goal-oriented organization that measures and tracks performance.” This aligns with a current trend in employee performance that Forrester has identified in its HR technology research.¹ Modern performance management is moving from periodic to continuous, enabling more frequent feedback and better tracking of progress against goals.

The sooner candidates start working, the more qualified they are, the more focused they are, and the more value they deliver to the business.

Improved Employee Satisfaction

The elimination of manual tasks for HR admin processes and the ensuing time savings removed hassle from employees in their day-to-day and, in turn, changed their perception of the HR team. Feeling better supported and reducing wait time and errors improved their satisfaction with HR and, as a result, the organizations themselves. One interviewee said: “Taking full advantage of the technology to make my employees’ lives easier has greatly improved the customer service that HR is able to deliver to our employees. They no longer see emails from HR and think, ‘This is going to create a lot of work for me.’”

Insights And Analytics

Workforce Now’s system of record and analytics feature delivered insights into benefits usage, labor costs, compensation, and attrition, which interviewees used to make strategic business decisions.

One interviewee used the data to analyze the profitability of several different product lines. He found some to be profitable while others operated at a loss. For example, in 2015 one line of business was operating at a \$26,000 loss. After his product-level analysis with Workforce Now insights, his organization dropped a product from the business. They lost nearly half their revenue but turned that \$26,000 loss into a \$70,000 gain – nearly a \$100,000 improvement.



With Workforce Now, Organizations delivered value to the business faster and more effectively by hiring the right candidates sooner and focusing them on company goals and personal development.

Flexibility

The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. There are multiple scenarios in which a customer might choose to implement Workforce Now and later realize additional uses and business opportunities, including:

- › **Bandwidth to focus on strategic initiatives.** With HR admin, manager, and director time freed up from manual processes, they have more time to focus on value-add projects for the business, such as culture change, employee engagement, wellness, and leadership.
- › **Access to benchmarking.** Interviewees expressed interest in implementing and using ADP's benchmarking feature. They noted it would provide key insights for strategic planning.

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to do so.

Total Costs

REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Jtr	Technology fees	\$0	\$100,000	\$120,000	\$130,000	\$350,000	\$287,754
Ktr	Implementation and customization	\$65,904	\$12,738	\$2,654	\$0	\$81,296	\$79,678
Ltr	Training	\$20,112	\$11,500	\$10,805	\$2,499	\$44,916	\$41,374
Mtr	Ongoing use	\$0	\$12,600	\$12,600	\$12,600	\$37,800	\$31,334
	Total costs (risk-adjusted)	\$86,015	\$136,838	\$146,059	\$145,099	\$514,012	\$440,139

Costs

Technology Fees

Fees to ADP for Workforce Now are based on the number of employees in a company's HR database and the number of modules installed. The composite organization started with HR, Payroll, Benefits, and Time and Attendance for 400 employees. In Year 2, it added Talent Management and grew its employee base to 440 people. By Year 3, its employee count was up to 484.

The model assumes that it paid \$100,000 in Year 1, \$120,000 in Year 2, and \$130,000 in Year 3.

The fees will vary based on the size of the organization and the modules installed. ADP provided realistic quotes for this study, so the costs have not been adjusted for risk.

The three-year total PV is \$287,754. See appendices for [calculation tables](#).

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total costs to be a PV of more than \$440,000.

Implementation And Customization

To take advantage of the Workforce Now solution, interviewees had to partner with ADP to install the software and then spend time customizing the processes to fit their business.

- › Implementation required installing the software, cleaning up data, uploading data, and integrating with other systems. Interviewees noted that this process took about a month and required nearly full-time support from one or two employees.
- › Customization, defined as setting up payroll, new hire enrollment, open enrollment, HR admin, etc., required several additional months and support from a part-time resource. Interviewees estimated that customization could take anywhere from three to nine months.
- › Interviewees had to pay for carrier connections, either with custom built APIs or in annual fees. These fees ranged from \$500 a month to \$20,000 in upfront fees.

For the composite organization, Forrester assumes that:

- › It installed the HR, Payroll, and Benefits modules prior to launch (in Year 0). One and half full-time equivalents (FTEs) were dedicated to the four-week task.



Five months
Total implementation
and customization time

- › Also in Year 0, it spent 14 weeks with one resource dedicating half its time to customization.
- › At the end of Year 1, when it added Talent Management in preparation for a Year 2 launch, the implementation required one FTE for two weeks.
- › Customization for the recruitment features took place immediately after the implementation of Talent Management and required half an FTE for three weeks.
- › At the end of Year 2, it customized the Performance Management features (which had been installed the previous year as part of the Talent Management Module), which required half an FTE for two weeks.
- › It paid \$10,000 to ADP upfront for the initial implementation and \$3,000 in Year 1 to add Talent Management.
- › It spent \$15,000 upfront to build out API connections with its carriers.

These costs will vary based on an organization's:

- › Size.
- › Use of different modules.
- › Requirements for carrier connections.
- › Experience of HR resources to support implementation and customization.
- › Average fully loaded salaries.

To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year risk-adjusted total PV of \$79,678. See appendices for [calculation tables](#).

Training

Interviews often cited the importance of training, stating that HR staff and employees had to know how to use the solution to extract the expected benefit from it. Most interviewees encouraged their HR staff to participate in online courses offered by ADP and delivered training to their managers and employees to encourage adoption and proper use of self-service tools.

For the composite organization, Forrester assumes that:

- › The four HR resources each spent a day in training in years 1 and 2. In Year 3, two resources each spent 2 hours in training.
- › Managers each spent 2 hours in training in Year 1, preparing to use the recruiting module, and 2 hours in Year 2, preparing to use the performance management module. There were 66 managers in Year 1 and 73 managers in Year 2, with an average fully loaded salary of \$150,000.
- › Existing employees spent an hour in the upfront period learning how to use the HR, Benefit, and Payroll self-service tools. New hires spent 30 minutes of their new hire training on the self-service tools. The average fully loaded salary for all employees is \$90,000.

These costs will vary based on an organization's:

Implementation risk is the risk that a proposed investment may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates.



HR admins spend about a day each year learning how to use Workforce Now.

- › Size.
- › Use of the different modules.
- › Average fully loaded salaries.

To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year risk-adjusted total PV of \$41,374. See appendices for [calculation tables](#).

Ongoing Management

To ensure the solution continued to function properly and deliver the expected outcomes, interviewees dedicated part of a resource's time to managing Workforce Now. That resource's responsibilities included managing the system itself, answering end user queries, and running reports. Interviewees estimated this effort required between 1 and 5 hours per week.

For the composite organization, Forrester assumes a resource dedicated 4 hours per week.

These costs will vary based on an organization's:

- › Size.
- › Average fully loaded salaries for HR.
- › Employee's adoption and follow-up support required.

To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year risk-adjusted total PV of \$31,334. See appendices for [calculation tables](#).

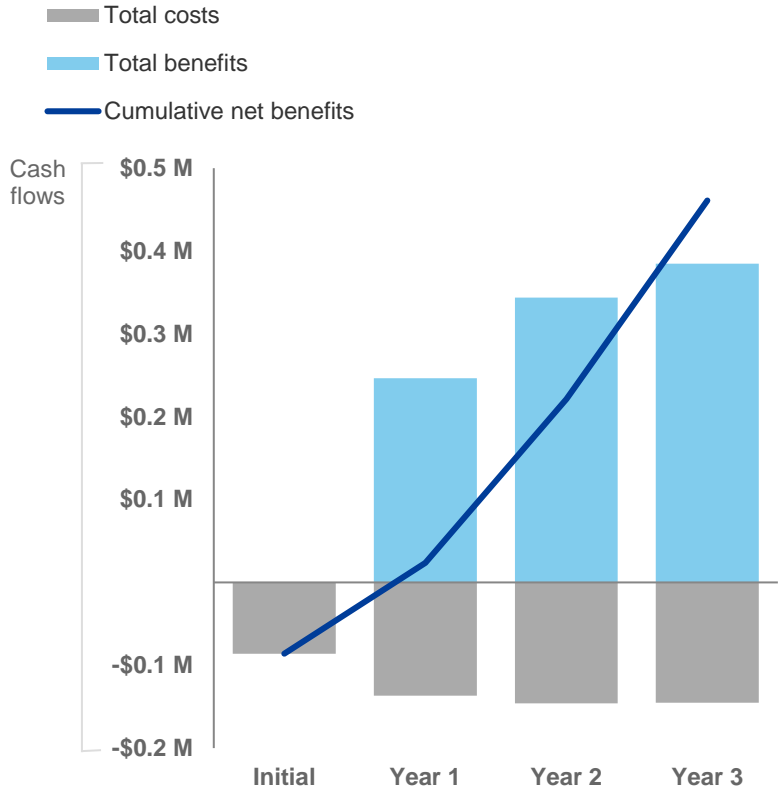


One FTE
spent 10% of her time
on ongoing
management of
Workforce Now

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



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. Forrester assumes a yearly discount rate of 10% for this analysis.



These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Table (Risk-Adjusted)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	(\$86,015)	(\$136,838)	(\$146,059)	(\$145,099)	(\$514,012)	(\$440,139)
Total benefits	\$0	\$246,624	\$343,625	\$384,755	\$975,004	\$797,263
Net benefits	(\$86,015)	\$109,786	\$197,565	\$239,656	\$460,992	\$357,124
ROI						81%
Payback period						10 months

ADP Workforce Now: Overview

The following information is provided by ADP. Forrester has not validated any claims and does not endorse ADP or its offerings.

ADP Workforce Now® is a human capital management suite built to help reduce administrative chores and compliance, allowing its customers to free themselves from the mundane and focus on its people to help drive business results. ADP gives customers the tools not just to track information, but to help manage the workforce and make data-driven decisions. These tools include the recruiting, compensation, and talent management tools; the software and unique data analytics; and the power to shape a workforce matched to business strategies and needs. As businesses grow, HR managers, finance leaders, and business owners can add the functionality they need to more effectively manage their workforces.

- › **Human resources.** People are the lifeblood of organizations' successes. With configurable workflows and online document storage, HR managers can reduce the time spent with paperwork and increase the time managing and transforming their people. Self-service functions empower employees and managers alike to be efficient with their tasks so they can be more productive and collaborative.
- › **Benefits administration.** Administer benefit plans and collect the data required to be compliant with the ACA. Easy-to-use dashboards keep ACA compliance front and center. Easily create eligibility rules and make online open enrollment available to employees. Manage benefits budget by easily monitoring billing discrepancies to help stop premium overages.
- › **Payroll.** Quickly and accurately process payroll. ADP Workforce Now is engineered to help support compliance obligations and is ready to scale as businesses grow.
- › **Talent.** With a solid recruiting strategy, branded career sites, and intuitive dashboards, organizations can make hiring decisions in a snap. Create a pay-for-performance culture by aligning employees to goals and tracking progress. Spot trends, and identify candidates for career growth. Reward high performers with a simplified merit and bonus process, complete with compensation guidelines to help enforce your policies.
- › **Time and attendance.** Manage labor costs, boost productivity, and simplify compliance by automating timekeeping, attendance tracking, and scheduling. Fast and convenient online and mobile access improves visibility, saves time, makes it easier to manage coverage, expedites approvals, and improves timecard and payroll accuracy.
- › **Analytics.** With Payroll, Human Resources, Benefits, Time, and Talent information in one system, organizations can gain real insight and make data-driven business decisions. ADP benchmarks lets organizations see how they compare to similar companies so they can confidently make strategic decisions.

Appendix A: Total Economic Impact

Total Economic Impact 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.

Total Economic Impact Approach



Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.



Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.



Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.



Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.



RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

Calculation Tables

HR Administration Time Savings: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
A1	Annual hours saved on administrative tasks		150	225	350
A2	Average fully loaded salary		\$120,000	\$120,000	\$120,000
At	HR administration time savings	$A1 * A2 / 2080$	\$8,654	\$12,981	\$20,192
	Risk adjustment	↓10%			
Atr	HR administration time savings (risk-adjusted)		\$7,788	\$11,683	\$18,173

Payroll And Time And Attendance Time Savings: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
B1	Annual hours saved on payroll administration		300	350	400
B2	Average fully loaded salary		\$120,000	\$120,000	\$120,000
Bt	Payroll and Time and Attendance time savings	$B1 * B2 / 2080$	\$17,308	\$20,192	\$23,077
	Risk adjustment	↓10%			
Btr	Payroll and Time and Attendance time savings (risk-adjusted)		\$15,577	\$18,173	\$20,769

Benefit Administration Time Savings: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
C1	Number of employees	10% growth rate	400	440	484
C2	Number of open positions from growth each year	Current year-previous year	36	40	44
C3	Number of open positions from attrition each year	Previous year*15%	55	60	66
C4	Total new hires	C2+C3	91	100	110
C5	Annual hours saved on benefit enrollment (open enrollment and new hires)	C4*3+(C1-C4)*1	582	640	704
C6	Average fully loaded salary		\$120,000	\$120,000	\$120,000
Ct	Benefit administration time savings	C5*C6/2080	\$33,566	\$36,923	\$40,615
	Risk adjustment	↓10%			
Ctr	Benefit administration time savings (risk-adjusted)		\$30,210	\$33,231	\$36,554

Recruitment Time Savings: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
D1	Annual HR team time savings	20 hours per week		1,040	1,040
D2	Average fully loaded salary (HR team)			\$120,000	\$120,000
D3	Number of employees	C1	400	440	484
D4	Number of open positions from growth each year	Current year-previous year		40	44
D5	Number of open positions from attrition each year	Previous*15%		60	66
D6	Total open positions each year	D4+D5		100	110
D7	Number of hours saved by hiring manager per open position			4	4
D8	Annual hiring manager time savings	D6*D7		400	440
D9	Average fully loaded manager salary			\$150,000	\$150,000
Dt	Recruitment time savings	$((D1*D2)/2080)+((D8*D9)/2080)$		\$88,846	\$91,731
	Risk adjustment	↓10%			
Dtr	Recruitment time savings (risk-adjusted)		\$0	\$79,962	\$82,558

Performance Management Time Savings: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
E1	Annual HR manager time savings (hours)				60
E2	Average fully loaded salary (HR team)				\$120,000
E3	Number of employees				484
E4	Annual manager savings per employee (hours)				0.5
E5	Average fully loaded manager salary				\$150,000
Et	Performance management time savings	$((E1*E2)/2080)/((E3*E4*E5)/2080)$	\$0	\$0	\$20,913
	Risk adjustment	↓10%			
Etr	Performance management time savings (risk-adjusted)		\$0	\$0	\$18,822

Printing And Shipping Cost Savings: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
F1	Printing and shipping cost savings		\$6,500	\$8,000	\$8,500
Ft	Printing and shipping cost savings	F1	\$6,500	\$8,000	\$8,500
	Risk adjustment	↓15%			
Ftr	Printing and shipping cost savings (risk-adjusted)		\$5,525	\$6,800	\$7,225

End User Time Savings: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
G1	Number of employees	C1	400	440	484
G2	Annual hours saved on payroll and time and attendance		3	3	3
G3	Annual hours saved on benefits enrollment		1	1	1
G4	Annual hours saved on HR admin		0.25	0.25	0.25
G5	Average fully loaded salary		\$90,000	\$90,000	\$90,000
Gt	End user time savings	$G1*(G2+G3+G4)*G5/2080$	\$73,558	\$80,913	\$89,005
	Risk adjustment	↓15%			
Gtr	End user time savings		\$62,524	\$68,776	\$75,654

Reduced Tax And Compliance Penalties: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
H1	Compliance cost avoidance		\$10,000	\$10,000	\$10,000
H2	CPA cost avoidance		\$100,000	\$100,000	\$100,000
Ht	Reduced tax and compliance penalties	H1+H2	\$110,000	\$110,000	\$110,000
	Risk adjustment	↓15%			
Htr	Reduced tax and compliance penalties (risk-adjusted)		\$93,500	\$93,500	\$93,500

Prior Solution Cost Savings: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
I1	Fees for previous solution		\$35,000	\$35,000	\$35,000
It	Prior solution cost savings		\$35,000	\$35,000	\$35,000
	Risk adjustment	↓10%			
Itr	Prior solution cost savings (risk-adjusted)		\$31,500	\$31,500	\$31,500

Technology Fees: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
J1	Fees paid to ADP		\$100,000	\$120,000	\$130,000
Jt	Technology fees	J1	\$100,000	\$120,000	\$130,000
	Risk adjustment	0%			
Jtr	Technology fees (risk-adjusted)		\$100,000	\$120,000	\$130,000

Implementation And Customization: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
K1	Fees to ADP		\$10,000	\$3,000		
K2	Resources dedicated to implementation		1.5	1		
K3	Number of weeks dedicated to implementation effort		4	2		
K4	Resources dedicated to customization		0.5	0.5	0.5	
K5	Weeks required for customization		16	3	2	
K6	Average fully loaded salary		\$120,000	\$120,000	\$120,000	
K7	Custom integrations		\$15,000			\$0
Kt	Implementation and customization	$((K2*K3+K4*K5)*K6/52)+K1+K7$	\$57,308	\$11,077	\$2,308	\$0
	Risk adjustment	↑15%	□			
Ktr	Implementation and customization (risk-adjusted)		\$65,904	\$12,738	\$2,654	\$0

Training: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
L1	Number of HR resources		4	4	2	
L2	Training hours		8	8	2	
L3	Average fully loaded salary		\$120,000	\$120,000	\$120,000	
L4	Number of managers	10% growth rate	60	66	73	
L5	Average hours spent in manager-specific training			1.5	1.5	
L6	Average fully loaded salary		\$150,000	\$150,000	\$150,000	
L7	Number of employees	Initial = number of employees during implementation Years 1-3 = new hires (C4)	400	91	100	110
L8	Average hours in employee-specific training hours		1	0.5	0.5	0.5
L9	Average fully loaded salary		\$90,000	\$90,000	\$90,000	\$90,000
Lt	Training	$L1*L2*L3/2080 + L4*L5*L6/2080 + L7*L8*L9/2080$	\$19,154	\$10,952	\$10,291	\$2,380
	Risk adjustment	↑5%				
Ltr	Training		\$20,112	\$11,500	\$10,805	\$2,499

Ongoing Management: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
M1	Number of hours per week			4	4	4
M2	Average fully loaded salary			\$120,000	\$120,000	\$120,000
Mt	Ongoing management	$M1*52*M2/2080$		\$12,000	\$12,000	\$12,000
	Risk adjustment	↑5%				
Mtr	Ongoing management (risk-adjusted)		\$0	\$12,600	\$12,600	\$12,600

End Notes

ⁱ In its February 2016 report, “Transform Employee Performance For Continuous Engagement,” Forrester discusses the transformation of employee performance that is being adopted by many companies.