Building the Business Case for Strategic Talent Investment
How to Obtain and Measure the Right Results from Your Business Execution Software

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How to Obtain and Measure the Right Results from Your Business Execution Software

Executive Summary

One answer to the question, “What can business execution software do for me?” is simply, “What do you want it to do?” Business execution (BizX) technology has a proven impact across a large number of functional areas, from focusing the workforce on the things that matter, to increasing employee productivity, facilitating learning and development, improving staffing, and enabling faster, higher quality recruiting.

With such a diverse set of options, it is not always immediately apparent what the best way is to use this technology. Given all the things you can do, what things should you do first? This requires asking the deeper and more profound question, “What do I WANT business execution software to do for me?” The answer to that question is, “Whatever is required to support the execution of your business strategy.”

We have identified six key Execution Drivers: Alignment, Productivity, Efficiency, Sustainability, Scalability, and Governance. In any given business situation, one or two of these will stand out as critical for achieving your strategic goals, as opposed to just being important and nice to be good at. How your enterprise makes money should dictate what you should leverage BizX software for.

There is a straightforward mapping from these Execution Drivers to which Talent Capabilities the HR function needs to excel at to best support strategy execution, and thus business strategy. Our framework for thinking about Talent Capabilities centers around how HR impacts individual performance by getting the right people to do the right things, in the right way, with the right development. We call this the 4R Framework for Talent Capabilities.

Once you have defined what Talent Capabilities need to be built, it is time to understand how Business Execution Software supports that transformation. Examples of results include 1.5-5% lower turnover, 5% more high performers, 5% more time spent on strategic priorities, 14% higher on-time project completion, and 25% more internal promotions.

Although the strongest reason to improve your talent capabilities is to support your strategic direction, there is also often a need for a financial justification for the investment. We have developed more than 1,500 business cases to support such decisions, and present our framework for quantifying the financial impact of Business Execution Software. This model also plays a key role in tracking, driving, and sustaining the change that you need to achieve your goals.
What Your Strategy Is Determines How You Execute on It

How you do something depends on what you are trying to do. This is clearly an obvious statement, but the reality of corporate life is that we rarely take the time to reflect on whether we are doing the right things in the right way, rather than just running as fast as we can in the direction we were already heading. Many companies also apply this “heads-down” approach to their strategic choices, indicating that nothing ever gets deselected – implying that every goal is of equal value to the organization. But with a set quantity of limited resources, this approach will significantly limit your ability to obtain positive results in the areas where BizX solutions can really make a difference for your company.

Figure 1. By aligning business strategy, execution, and HR capabilities, you can drive productivity and ultimately increase shareholder returns. The top, yellow triangle points downwards, because business strategy determines execution, which determines which capabilities are needed. The bottom blue triangle points upwards, because capabilities drive execution, which drives business results.

There is no single process or set of metrics that fully captures the full extent of business execution capabilities. Rather than trying to find the “one thing” that enables business execution, companies must examine and develop multiple processes to support all of the different capabilities that drive the kind of execution their strategy requires.
SuccessFactors Research has identified six main ways¹ of executing on a given strategy. We call these “Execution Drivers.” These are described in Figure 2. These six BizX drivers are obviously an over-simplification of all the possible things that impact business execution, but we have found this to be a useful nomenclature that helps drive constructive decisions for our customers when translating strategies into execution priorities.

Let’s examine each of these six drivers in greater detail:

- **Alignment. Are the different parts of your organization working in the same direction?**
  Alignment requires the ability to rapidly and systematically communicate business goals to your employees throughout the organization so they can see the connection between the enterprise’s high level strategies and how they spend their time at work. Does everyone in your company know what goals they are expected to accomplish? Do they understand why their goals are important to the company’s overall strategy? Achieving alignment requires creating communication processes between senior leaders and employees around the company strategy and defining what each individual employee can do to support it.

- **Productivity: Are people delivering at optimal performance levels?**
  When examining business execution, it is important to differentiate between alignment and productivity. Alignment is fundamentally about setting worthwhile goals and communicating these goals effectively to all employees. Productivity is about defining, evaluating, and improving performance. The distinction between alignment and productivity is the difference between knowing what you should do and actually doing it. Productivity depends on leaders holding employees accountable for results, and employees being given the incentives and resources required to deliver these results.

- **Efficiency: Are we efficiently utilizing our investments?**
  The main goal of business execution is simply to achieve the company’s goals. But it is essential to achieve these results using the fewest possible resources. Efficiency comes from having the right people with the right skills in the right positions, recognizing and retaining superior performers, appropriately managing poor performers, and allocating rewards and resources in a way that maximizes productivity.

- **Sustainability: Are we able to maintain stable, consistent performance over time?**
  One of the biggest threats to business execution is the unplanned loss of critical talent needed to achieve key

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¹ Driving Business Execution Through Integrated Talent Management; Steven T. Hunt, Ph.D., SPHR, Principal Director, Business Execution Practices; SuccessFactors
strategic goals. Determining if a company’s results are sustainable over time requires understanding whether key people in the company are engaged with their goals and fully committed to the organization. It also requires developing processes to effectively manage employee turnover and facilitate knowledge transfer.

- **Scalability**: Do we have processes in place to support smooth growth?
  Scalability is a key element of business execution when companies are in growth mode. It is also necessary to efficiently reduce or reallocate the workforce based on shifting business needs. Effective businesses must be able to increase (or decrease) their workforces to manage changes in business demands and strategic focus. This requires creating processes to attract, develop, and retain the people needed to support the company’s evolving business needs. It also means having methods in place to reduce or re-allocate headcount in an efficient, fair, and productive manner.

- **Governance (security and compliance)**: Is anyone in the company doing things that could create significant liabilities for our business?
  There are many stories of highly successful companies suffering significant financial losses (or even ruination) due to inappropriate behavior by a few employees. Governance is about creating methods that reduce the likelihood of employees doing things that put the company at significant risk or long-term disadvantage. This includes creating processes to eliminate the risk of excluding certain demographic groups of employees from career benefits and opportunities, achieving short-term results through inappropriate methods, or tolerating negligent, unethical, or unsafe behaviors.

A few quick examples will help clarify how different business situations and goals require different execution strategies.

Figure 3. Case Study #1: A company going through a business model transformation.

This company’s margins were eroding because its core product was becoming increasingly commoditized (See figure 3). The management team’s response was to offer a bundle of services and financing together with the product in an attempt to move up the value chain and increase profit margins.

The main driver of successful business execution in this case was alignment. After adding new service and finance capabilities, everyone needed to start working in the same, new direction. Without a focus on alignment, it was likely that a large number of employees would continue working in their old ways.
The secondary driver of execution in this case was sustainability. Large cultural shifts like these are exhausting for all of the people involved, and attrition can often be high – especially in parts of the business that used to be the core, but are now just another component of the bigger picture. The product business still required great, lean execution, and thus needed to motivate and retain key people.

Another case is examined in Figure 4. This company had been successful in its core North American market, and had just launched an expansion initiative into South America. The key drivers of successful execution in this case were very different from the previous example. Here, the main issues were scalability and productivity: finding enough great people to drive the expansion of the company’s already-proven products, and getting new systems and processes in place to help them execute as quickly and productively as possible.

What Execution Means for Your Talent Capabilities
So what do all of these separate execution drivers mean for the HR executive? Just as different business strategies require different execution methodologies – different execution drivers require different talent capabilities. Fortunately there are clear and direct links between each of the six business execution drivers and different talent management processes. To explain these links we need to first explain the SuccessFactors 4R Model for Talent Capabilities.

Thinking about Talent
Talent means a lot of different things to different people, and it is worthwhile thinking about the various ways you can be good at talent. Our way of thinking centers on the standard model for examining individual behaviors, as shown in Figure 5:
Figure 5. Who you are influences how you act, which ultimately influences what you achieve.

In this very simple and universally accepted model of employee performance, who you are drives how you act, which ultimately influences what you achieve. An organization’s talent strategy can interact with this model at all three stages of the process. This is shown in Figure 6:

Figure 6. SuccessFactors 4R Model for Talent Capabilities includes getting the right people, doing the right things, in the right way, with the right development.

There are four basic ways you can influence employee attributes, competencies, and goals: hire the right people, focus them on the right things, ensure they are doing things the right way, and foster the right development. Let’s examine each of these in more detail:

1. **Hire the right people.** It is essential to staff positions with employees whose personal attributes match the competencies and goals associated with their jobs. This is the primary focus of recruiting, workforce planning, and certain aspects of succession management.

2. **Focus employees on the right things.** You need to clearly identify and communicate the goals you want employees to achieve and then measure and reward employees against these goals. This is the focus of goal management.
3. **Make sure people are doing their job the right way.** It is essential to define the competencies employees must display to achieve their job goals or support the desired company culture, and then provide feedback and other resources that encourage them to demonstrate these competencies. This should be the primary focus of performance management.

4. **Provide job experiences and resources that drive the right development.** You need to create a work environment that helps employees develop the attributes that influence competency performance and goal accomplishment. Put people in jobs and assign them goals so they acquire experiences and obtain the formal and informal training needed for future job roles. This is the primary focus of career development and certain aspects of succession management.

The right people, right things, right way, and right development reflect the four fundamental pillars of an integrated talent management system. These activities roughly correspond with the “traditional” talent management processes of staffing, goal management, performance management, succession management, and career development. However, they avoid the problem of using HR terms that are often poorly defined. For example, succession management in one company may focus on identifying and promoting people (right people), while in another it may emphasize building leadership capabilities (right development).

**Mapping Execution to Talent**

For HR to be a full business partner that aligns with the overall business agenda, it is crucial to establish a tight linkage between business strategy, execution, and talent capabilities. Some examples of how the final step in that mapping can work are shown in Figure 7:

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**Figure 7.** It is important to map execution to talent capabilities, in order to identify any capability gaps.
As one example of translating execution drivers to the need for talent capability development, let's revisit the first customer example discussed in this paper: a company needing to focus on alignment and sustainability to support the transformation of its business model. To support alignment, clearly the most important component is to do the right things, and similarly to support sustainability, people need to work in the right way with the right development.

Getting from Here to There

So then, how do you get from where you currently are to where you need to be to fully support the execution of your company's business strategy? The key to any successful transformation is to establish solid metrics for where you start out and where you need to be, and then regularly track the progress. This is often more complicated than it sounds, as many real-world corporations struggle with even fundamental facts like how many employees they have, (let alone in which country they work and what they are paid).

We have found that a key enabling technology in this journey is workforce analytics. Working across all your software systems, it enables you to compile and analyze in detail what the current status of your Talent Capabilities is, to monitor progress, and to take corrective action. One customer described the difference as racing down a highway in the dark, and then finally turning the headlights on. Suddenly you realize where you are, when the road turns, and where the obstacles are.

We have now established a framework for defining what HR needs to do in order to best support the business, and discussed enabling technology for driving that transformation. The rest of this paper will provide examples of tangible results that SuccessFactors customers have achieved in closing these gaps.

Actual SuccessFactors Customer Results

So after making sure you are doing the right things for the right reasons, what kind of help can you expect from your business execution software? To discuss those results, we like to use the SuccessFactors Research Value Matrix©, shown in Figure 8.

![SuccessFactors Research Value Matrix](image)

Figure 8. SuccessFactors Research Value Matrix© illustrated the process improvements and impact for HR administrators and line managers.
This matrix separates the values created from business execution software into distinct areas to avoid overlap and increase clarity. The left hand side of this matrix displays process improvements. These are the effects of workflow automation, manager automatic coaching, and better targeting of spend. Within this area, we break out the effects for the HR organization as well as for line managers.

The right hand side of the matrix shows the benefits that having great talent and business execution processes can have on the organization as a whole. Examples include better retention, higher quality hires, and increased productivity.

Now let’s look at tallied results of what actual SuccessFactors customers have achieved when they invested to enhance their existing talent capabilities.

The Right People
By using our Business Execution software to focus on “the right people”, SuccessFactors customers were able to:

- **Cut the time to hire by 10%**. From the time you start looking, to the time you have somebody on board – SuccessFactors software cuts that time by an average of 10 percent, from about 60 days down to 55 days.
- **Reduced bad hires 10%**. On average in North America, “bad hires” are estimated at 3.5% of the people hired were not a good fit for the organization. You need to let them go within the first year. SuccessFactors software reduces the number of bad hires by 10 percent on average.
- **Reduced voluntary turnover 1.5-5%**. SuccessFactors software also reduces the number of people who leave voluntarily by creating an environment where people were more engaged, where they feel they were fairly evaluated, fairly rewarded, and have meaningful work. Turnover reduction, depending on the industry, averages between 1.5 and 5% when using SuccessFactors software.
- **Increased the number of high performers by 5%**. Establishing a tight link between well articulated goals, clear evaluations, and fair rewards creates an environment where a large number of people are motivated to increase their contribution levels, and also strongly reduces high performer attrition. This is a huge gain for the enterprise, since high performers are 3.5x more productive than average performers.
- **Reduced the number of low performers by 14%**. Having clearly articulated goals in a system and transparent tracking of the achievement of those goals forces both low performers and their managers to act to improve performance. On average, SuccessFactors customers achieve a 14% reduction in the number of low performers – either by getting rid of them or providing training and coaching to increase their skill levels.

The Right Things
By doing the “right things”, SuccessFactors customers on average have:

- **Spent 5.5% more time on their strategic priorities**. SuccessFactors helps companies better articulate their existing goals. It also provides the ability to propagate new goals and update older ones throughout the year. If business conditions change, you need to update your employees’ goals. SuccessFactors helps propagate those goals and align the right people with more strategically relevant goals.
- **Shortened the goal cycle by 1-8 weeks**. SuccessFactors also reduces the goal setting cycle by 1-8 weeks on average, depending on how efficient the company was in getting those goals out to employees before implementing the SuccessFactors suite.
The Right Way

By having the right people, doing the right thing, in the right way, SuccessFactors customers have achieved the following benefits:

- **Increased employee collaboration by 140%**. SuccessFactors customers are increasing the frequency of collaboration with someone outside of the employee’s functional group.

- **Achieved 14% higher on-time project completion**. SuccessFactors customers have people more focused on their goals, and more projects completed on time. With SuccessFactors, employees are more often rewarded for finishing their projects on or ahead of schedule in their goal plans.

- **Minimized discrimination liability**. By documenting the grounds for firing someone, SuccessFactors software reduces the chance of discrimination and improper termination lawsuits. By tracking terminations with accurate detail on each employee’s performance inadequacies, liability is substantially decreased.

- **Reduced talent process administration by 10-50%**. With SuccessFactors coaching software modules and other workflow tools, enterprises can cut the time spent on talent process administration in half.

The Right Development

And finally, by enabling employees to increase their skill level with the right development efforts, SuccessFactors customers have:

- **Promoted internal talent 25-50% more often**. SuccessFactors software enables companies to more easily identify who has key capabilities within their organizations and to set up an internal succession plan. This reduces the need to recruit external talent, which costs on average twice as much as promoting internal candidates.

- **Increased the number of people getting the right training by 17%**. SuccessFactors software helps companies integrate the planning of training and the courses people take with the performance review process. So that at the employee’s annual review, if training was indicated, the manager can track to see if there was follow-through on those needs.

- **Created easy access to social learning opportunities, freeing up to 20% of subject matter expert time**. By enabling the experts in an organization to easily create training videos and other documentation in an easy to find way, learning increased across the organization. In addition, those experts were involved in redundant one-on-one coach to a much lesser extent.

- **Increased training mix efficiency by 30%**. Training mix refers to balancing the possible training opportunities, including transferring some classroom courses to online training and vice versa. It is also about transferring some of the online content to formal learning created by outside agencies, to populating content on social sites, and encouraging the creation and posting of user generated content.

Cumulative Effects

When you combine the right people, doing the right things, in the right way, with the right development opportunities – many SuccessFactors customers are obtaining amazing results. On average, SuccessFactors customers have achieved:

- **2.2% higher productivity**. The overall effect of implementing the SuccessFactors suite is 2.2% higher productivity, as measured by revenue per headcount. The top quartile result was more than twice that, at 5.4%. This result is mostly due to increasing the number of higher performers and reducing the amount of lower performers, knowing that high performers contribute 2 to 3x more to the organization than the average
performers. Enterprises can get huge leverage on headcount expenditures by increasing the ratio of high to low performers in their organizations.

- **Stock market outperformance.** SuccessFactors has traced its customers and measured their stock market performance for several years. Since October 2008, SuccessFactors customers have achieved 2 to 4x greater stock market performance than the major stock market indices. (See Figure 9.)

**Figure 9. The SuccessFactors Return on Execution Index (SF ROX) comprises the North American publically listed companies that when the SuccessFactors investment was made, had been using more than three modules for more than three quarters, with more than 50% of employees as users.**

**Quantifying the Impact**

In one very important sense, the business benefit of implementing SuccessFactors Business Execution Software is to close the gap between what HR is currently delivering and what the company needs to fully support the execution of its key strategies. However, there is also often a need to conduct an ROI analysis to justify the investment formally. This section of the paper will discuss the SuccessFactors framework for quantifying the potential financial impact of business execution software.
In our experience, successful ROI analyses make sure to clearly separate and articulate the operational impact and the following quantification. For example, we know that the average turnover reduction when implementing business execution software is 1.7% for hospital customers. So what’s that worth? Drawing on third-party research, we know that the cost of turnover is valued at 50-150% of the average salary in an organization. So for a 3,000-employee hospital with an average salary of $66,000/year, this benefit would be worth between:

- 1.7% * 3,000 * 50% * $66,000 = $1.7M; and
- 1.7% * 3,000 * 150% * $66,000 = $5.0M.

It is almost always best to be conservative and use the bottom-end of the range, so we would include $1.7M as the benefit of turnover reduction in the financial ROI business case.

We frequently encounter the question about what savings are hard money and which are soft. We constructed the SuccessFactors Value Matrix© (see Figure 8) to be able to categorize the various kinds of benefits to structure that discussion. In our experience with more than 1,500 customer cases, hard and soft savings really depend on each customer’s unique business model. Some customers will regard some categories as soft savings, while others will regard them as hard. For example:

- **Time savings for managers.** This is a highly relevant and hard savings category for a retail organization, or even more strongly articulated for a professional services firm selling time. This is because it is clear that freeing up managers’ time will enable them to generate more revenues. However, chances are that saving some time for managers in a high tech environment is considered relatively soft, since it is not clear how to trace the direct link of manager hours to revenues or costs.

- **Reducing turnover.** For some companies turnover might be considered solely a hard cost component: turnover drives direct recruiting costs and decreases productivity significantly. As such, it is a key cost to address. However, for other organizations, the key issues relating to turnover are growth issues. If you’re losing talent, you might not be able to grow as planned, especially in environments where you need a very specific talent. In which case, this would be a soft cost.

### Tracking and Measuring

Building a business case with a quantified estimate of the expected return is a great first step (and in many cases a necessary step) to obtain funding and priority to initiate the change. But it is essential that the work doesn’t just stop there. A solid business case can be a great vehicle to drive the necessary changes.

For the best results, focus in on the most relevant metrics that were used in the initial ROI analysis as your first set of metrics to track over time. Take time to figure out what criteria are most important to your organization, to help execute on the strategy as the necessary precursor to quantifying any impact. With increased access to data and software to support your criteria, you can easily improve the precision and accuracy of those metrics. As an example, you might base the funding decision on the assumption that you can reduce employee turnover by 1%.

Over time, you will have the means to track and correlate individual performance levels and also create a reliable potential assessment score in regards to turnover. You will be equipped to not only drive a reduction in turnover, but also to focus on the “right” turnover. A better goal would be to actually increase the turnover of your weakest performers, and take more radical actions to reduce the turnover from your strongest people. Driving this kind of change is the power you can unleash when you leverage strategic and integrated data about your workforce.
In addition to building out your own specific measures to drive the change, you should use relevant metrics to compare your own ability to execute over time and compare them with what other companies have been able to achieve. Obviously there are not too many of these metrics around that are both highly relevant with solid research backing and with actionable insights without doing specific and costly, one-off studies.

SuccessFactors Research provides companies with the opportunity to measure their ability to execute with the SuccessFactors Execution Index©2. The index provides a specific score in four dimensions, as well as the company’s overall ability to execute. The index has specific benchmarks to help guide customers to the best areas for improvement based on the investment decisions they have already made. By using the research findings on what characteristics drive excess shareholder return, it enables companies to make the right designs for the implementation. And with usage of the execution suite over time, the actual score is computed and analyzed.

The Thirteen Steps to Quantifying and Measuring BizX Software Success

Business execution software can create a significant impact for your enterprise across a large number of functional areas, from focusing the workforce on the things that matter, to increasing employee productivity, facilitating learning and development, improving staffing, to cutting recruiting cycle times. But in order to build a solid framework, you need to quantify and structure these results to support future investment decisions.

The thirteen key steps to quantifying and measuring business executions software success include:

- **Step 1.** Understand your company’s strategy and which execution drivers support it best.
- **Step 2.** Define which talent capabilities you need to develop to best support execution.
- **Step 3.** Build the business case specifically to close the gap between current state and what capabilities need to be developed.
- **Step 4.** Articulate clear operational metrics to achieve.
- **Step 5.** Articulate the benefits of achieving those operational metrics in clear, quantitative terms.
- **Step 6.** Use financial language and assumptions that are being used for other investments your company is making.
- **Step 7.** Include a comparison of various alternatives to achieve your goals.
- **Step 8.** Specifically in software evaluations, compare the total cost of ownership (TCO) between leveraging a SaaS solution with traditional software implementations.
- **Step 9.** Take a conservative approach to quantify the upside.
- **Step 10.** Build scenarios if needed.
- **Step 11.** Don’t try to find every potential benefit. Focus on fewer – but highly relevant – benefits.
- **Step 12.** Get buy-in on assumptions from finance and business owners. (Remember all investment proposals are based on assumptions on future change, whether you’re investing in business execution software or building a new factory.)
- **Step 13.** When you’ve invested time into building the initial case, use that to drive the change and set up a measurement mechanism based on it.

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Summary

The SuccessFactors framework provides companies with logical and consistent methods for quantifying and structuring their business execution software results to support future investment decisions. Thousands of SuccessFactors customers have already achieved substantial benefits from their business execution software, including 2.2% higher productivity, as measured by revenue per headcount, and outperforming the stock market by a factor of 2-4x. By following the steps outlined in this paper, HR leaders can significantly increase business execution capability in their companies.

About SuccessFactors

SuccessFactors is the global leader in business execution software. Our suite of on-demand applications is relied upon by companies of all sizes around the world to align their businesses to their strategies, arm their organizations for success and incite their employees to greatness – every day. For more information, visit www.successfactors.com or call 1-800-9920