The Total Economic Impact™ Of ServiceNow
HR Service Management
How a $4 billion Healthcare Provider Saves $9 million by Consumerizing the Employee Service Experience
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ABOUT FORRESTER CONSULTING
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Executive Summary

ServiceNow commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by implementing ServiceNow HR Service Management to transform HR operations and consumerize the employee service experience. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of ServiceNow HR Service Management on transforming HR service delivery, reducing HR operating costs, increasing efficiency, and improving the employee service experience within their organizations.

To better understand the benefits, costs, and risks associated with ServiceNow, Forrester interviewed a U.S. healthcare organization with $4 billion in revenue that has been using ServiceNow HR Service Management for two years.

According to the vice president of HR operations at the healthcare organization, “ServiceNow has standardized our HR processes across all our regions, significantly reducing HR service costs, and made HR services available 24x7 rather than just during working hours.” Prior to using ServiceNow, the organization had disparate HR operations across eight regional divisions, which led to inconsistencies in administering and managing policies, duplication of HR resources, a poor HR service delivery experience, and an HR workforce focusing most of its time on repetitive administrative tasks. With ServiceNow, the healthcare organization implemented a user-friendly employee service portal that provided 24x7 self-service access to HR information, helped automate HR processes, and integrated HR case management, improving productivity and the quality of HR services delivered.

An investment in ServiceNow HR Service Management helped a $4 billion healthcare organization reduce HR operation costs, improve HR service quality, and increase HR productivity. With 20,000 employees on ServiceNow HR Service Management and only 130 HR resources, the healthcare organization realized the following three-year benefits:

- Total benefits: Over $9.9 million
- Reduction in HR cases by 50%
- Increased efficiency in servicing HR cases by 30%
- Payback time < 1 year
- ROI: 400% +

SERVICENOW HR SERVICE MANAGEMENT INCREASES HR PRODUCTIVITY, LOWERS HR SERVICE DELIVERY COSTS, AND IMPROVES THE EMPLOYEE SERVICE EXPERIENCE

Our interview with a large healthcare organization and subsequent financial analysis found that it experienced risk-adjusted ROI and benefits shown in Figure 1.

The analysis points to a three-year ROI of over 400% and benefits of over $9.9 million. The benefits realized by the large healthcare organization from their investment in ServiceNow are driven by a reduction in total HR cases, improved efficiency in servicing HR cases, and reduction in audit and compliance costs. The organization realized a payback for the investment within one year of implementing ServiceNow HR Service Management.

### FIGURE 1
Financial Summary Showing Three-Year Risk-Adjusted Results

| ROI: 400% + | 3-Year Benefits $9,925,934 | Reduction in HR Cases 50% | Increased Efficiency in Servicing HR cases: 30% |

Source: Forrester Research, Inc.
Benefits. The large healthcare organization experienced the following quantified three-year risk-adjusted present value (PV) benefits (further detailed in the Benefits section):

- **Increased capacity equivalent to 48 full-time HR resources, or $3.9 million per year.** Prior to the investment in ServiceNow, on average, the organization’s HR team handled five HR cases per employee across 20,000 employees, for a total of 100,000 cases a year. These cases cover areas such as employee benefits, workforce administration, learning and development, payroll, performance management, general HR policies and procedures, and rewards management. The organization estimated that its HR resources were spending 57% of their time on administrative tasks. By implementing ServiceNow HR Service Management, they reduced the number of cases by 50%. The employee portal makes them more self-reliant, providing them with the ability to access general HR forms, review policies, and obtain approvals without having to submit a request and wait for a response. Additionally, the case management capabilities allowed the healthcare organization to increase the efficiency of handling the remaining HR service requests by 30%. The organization realized these efficiency gains by improving services that span core HR and ancillary functions such as benefits, employee onboarding, and performance management. It was able to replace inefficient manual processes with automated and lower-cost servicing options. HR resources now focus more of their time on higher-value strategic issues such as employee retention and workforce planning. This helped the organization gain additional capacity equivalent to 48 FTEs, or 37% of its current HR staff, which results in over $9.7 million over three years.

- **Reduction in audit and compliance costs of $225,000.** The healthcare organization estimated an annual savings of $100,000 per year on external auditing costs as a result of its investment in ServiceNow HR Service Management. Prior to its investment, the organization did not have centralized reporting capabilities, and external auditors would have to travel across each region and manually access data to ensure HR data adhered to compliance rules and guidelines, which inherently resulted in costly errors. With ServiceNow, the organization was able to consolidate HR reporting, enabling external auditors to quickly review and approve HR data and processes to ensure it was in accordance with compliance standards.

> By implementing ServiceNow HR Service Management, the organization reduced the number of cases by 50% and increased the efficiency of handling the remaining HR service requests by 30%.

~ Vice President HR Operations, large healthcare organization

“Fifty-seven percent of our HR resources were doing routine, repetitive administrative tasks. With ServiceNow, we have automated many of our processes and provided a self-service portal to our employees, which has led our HR resources to focus on more strategic value-added tasks such as strategy, talent management, and consultation.”

~ Vice President HR Operations, large healthcare organization
Costs. The large healthcare organization experienced implementation and on-going yearly costs that are highlighted below. For confidentiality reasons, these costs are not quantified in the study. For more information regarding ServiceNow HR Service Management pricing, please contact your ServiceNow representative.

› Initial implementation and upfront costs of ServiceNow HR Service Management. The healthcare organization called upon internal resources such as business analysts, HR managers, and IT resources to spend a portion of their time assisting with integrating ServiceNow HR Service Management into its environment. The implementation took only four months. The organization was then able to start monitoring cases online, redirect its employees to the HR portal, and incorporate reporting and analytics into HR processes.

In addition, the healthcare organization incurred fees using a professional services firm to assist with integrating ServiceNow HR Service Management with existing onboarding, benefits, performance management, and open enrollment solutions that the healthcare organization had in place. The professional services team helped develop a centralized HR shared services model to drive consistency of processes across the organization, create models to accurately forecast staffing levels, and generate more capacity to focus on proactive talent services.

“ServiceNow HR Service Management is so easy that we did not face much pushback from our employees and HR teams to adopt the solution. It’s a very simple, intuitive, and powerful HR solution that is easy to implement and quick to roll out.”

~ Vice President HR Operations, large healthcare organization

› Annual license fees and internal labor costs of ServiceNow HR Service Management. The healthcare organization incurs an annual subscription service fee for the ServiceNow HR Service Management cloud service for its 130 HR resources and 20,000 employees. This fee provides the organization with access to case management, knowledge base, document repository, reporting and analytics, and employee self-service capabilities. It also includes routine upgrades and maintenance. In addition, the healthcare organization dedicates a portion of two full-time employees’ time to manage ServiceNow HR Service Management on an ongoing basis. The organization has one knowledge management resource whose responsibility includes updating the employee portal with HR policies, documents, and guidelines. It also dedicates an analyst to manage ServiceNow HR Service Management to ensure the solution is continually in line with its business requirements.
Disclosures

The reader should be aware of the following:

› The study is commissioned by ServiceNow 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 ServiceNow.

› ServiceNow 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.

› ServiceNow provided the customer name for the interview but did not participate in the interview.
TEI Framework And Methodology

INTRODUCTION

From the information provided in the interview with a large healthcare organization, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing ServiceNow HR Service Management. The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision, to help organizations understand how to take advantage of specific benefits, reduce costs, and improve the overall business goals of winning, serving, and retaining customers.

APPROACH AND METHODOLOGY

Forrester took a multistep approach to evaluate the impact that ServiceNow can have on an organization (see Figure 2). Specifically, we:

 › Interviewed ServiceNow HR management, marketing, sales, and/or consulting personnel, along with Forrester analysts, to gather data relative to ServiceNow and the marketplace for ServiceNow HR Service Management.

 › Interviewed a large healthcare organization that is currently using ServiceNow to obtain data with respect to costs, benefits, and risks.

 › Constructed a financial model representative of the interviewee using the TEI methodology. The financial model is populated with the cost and benefit data obtained from the interview.

 › Risk-adjusted the financial model based on issues and concerns the interviewed organization highlighted in the interview. Risk adjustment is a key part of the TEI methodology. While the large healthcare organization provided cost and benefit estimates, some categories included a broad range of estimations or encountered a number of outside forces that might have affected the results. For that reason, some cost and benefit totals have been risk-adjusted and are detailed in each relevant section.

Forrester employed four fundamental elements of TEI in modeling ServiceNow HR Service Management: 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.

![Figure 2](Source: Forrester Research, Inc.)
Analysis

LARGE HEALTHCARE ORGANIZATION

For this study, Forrester conducted an in-depth interview with a large healthcare organization’s VP of HR operations, whose portfolio includes managing the organization’s HR functions across workforce planning and administration; employee benefits, payroll, learning, and development; employee performance management; and HR compliance efforts. The interview and our analysis are focused on the organization’s investment and use of ServiceNow HR Service Management. This cloud service includes case management, knowledge management, and employee self-service capabilities. The overall profile of the interviewed organization is as follows:

› It is a US-based healthcare provider with over $6 billion in assets and $4 billion in annual revenue.

› It has over 42,000 employees operating across eight regions with operations in Latin and South America. ServiceNow HR Service Management was initially deployed to support its U.S.-based operations.

› It implemented ServiceNow HR Service Management in 2014 for 130 HR resources and 20,000 employees. The healthcare organization estimates that in 2017 it will have a total of 28,000 employees on the solution. The solution was implemented within four months of engaging with ServiceNow.

Prior to its investment in ServiceNow, the large healthcare organization was facing the following challenges within its HR division:

› Inconsistent HR processes and application of policies across the eight regional divisions led to a fragmented HR experience for employees.

› Policies, documents, and forms (e.g., for tuition reimbursement) were housed across multiple SharePoint and intranet sites. The organization lacked a centralized repository for all of its HR-related information.

› Duplication of resources existed across all the regions, and the organization did not optimally leverage its HR resources and practices.

› Regional HR resources were spending 57% of their time on repetitive/ administrative tasks and had little time to focus on strategic activities such as proactive talent services.

› Employees had no centralized location, and no 24-hour access, for submitting HR requests, obtaining HR forms and information, and seeking approvals. For each HR-related case, they had to either email or phone their designated HR resource during working hours. This led to a poor employee service experience and inefficiencies in managing HR processes for the organization.

“Our employees love the HR portal, and ServiceNow has improved our employee service experience as it relates to working with HR. Our internal survey has highlighted that the tool is rated favorably by over 90% of our employees.”

~ Vice President HR Operations, large healthcare organization
A lack of standard integrated reporting and data around employee license/certification verification, work status, and immigration processing led to increased auditing and compliance costs.

A lack of technology support for common HR service delivery processes and reporting systems resulted in HR resources spending too much time on administrative tasks, which reduced productivity and increased errors and compliance issues.

INTERVIEW HIGHLIGHTS

The interview with the large healthcare organization revealed that ServiceNow HR Service Management:

- Helped significantly increase the efficiency of the processes it used to support all types of HR requests. Prior to ServiceNow, the healthcare organization had no common HR service delivery system, and they used different technologies across the regions.

- Helped automate a large proportion of the HR processes that had previously relied on human touch-points. These manual interactions had previously caused unnecessary delays and increased the costs of managing even the simplest of HR requests.

- Provided a centralized HR case management solution to reduce the time to service cases as well as eliminate routine cases.

- Reduced administrative and repetitive tasks completed by HR resources across eight regional divisions, allowing them to focus more time on value-added activities such as HR strategy, workforce planning, and talent services.

- Transformed the employee service experience with a self-service portal, 24x7 access, and faster issue resolution.

- Was up and running in only four months and accessible to all employees across the healthcare organization’s eight U.S. regions.

- Augmented the larger HR transformation strategy that included building out a centralized shared services unit to reduce HR operational and servicing costs, and shift from manual to automated.

- Integrated seamlessly with other HR systems within the large healthcare organization including benefits, payroll, workforce administration, and performance management, requiring minimal effort from the healthcare organization’s IT team to support and maintain the platform post implementation.

The organization is considering transitioning more services and life-cycle events to ServiceNow, including onboarding, transfers, job changes, termination, service award administration, and tuition reimbursement.
The large healthcare organization experienced a number of quantified benefits in this case study:

- Increased HR capacity equivalent to 48 full-time resources, or $3.9 million per year.
- HR audit and compliance savings of $100,000 per year.

**Increased HR Capacity With ServiceNow HR Service Management**

The interviewed healthcare organization has reduced both the number of HR requests, through its self-service portal, and the cost of servicing HR requests, through automation, tracking, and replacing its manual and fragmented HR service delivery model with a shared service approach. The healthcare organization successfully reduced the number of human interactions required to manage HR case work, which resulted in significant operational cost savings.

The organization has rolled out ServiceNow HR Service Management across 20,000 employees. Prior to investment in ServiceNow, the organization was averaging five HR cases per employee for a total of 100,000 yearly cases. It had operated HR functions in silos across each of its divisions, which led to duplication of tasks, inconsistent processes, and inconsistent application of policies; about 57% of tasks completed by HR resources were routine and administrative in nature. These cases range from simple requests such as access to tuition reimbursement policies and general employee benefits to more complex HR requests. With ServiceNow HR Service Management, the healthcare organization was able to consolidate its HR policies, leverage an integrated knowledge base, and automate case management to route employee service requests to the right generalists and specialists, which freed HR resources to focus more on value-added activities such as talent management and workforce planning.

The healthcare organization also developed an employee self-service portal that provided centralized access to common service requests, including the ability to quickly access HR forms and information without submitting a request and waiting for a response; this reduced the number of cases by 50%. In addition, by automating HR processes and routing HR requests to the right individuals, the healthcare organization achieved its service level agreements (SLAs) and used more cost-effective channels to service each HR request. It also saw an additional 30% in savings by managing HR requests through automated case management.

By reducing HR requests through case deflection and managing HR requests more efficiently, the healthcare organization saves about $4.3 million annually (see Table 1). It saw an increase in capacity equivalent to 48 HR resources, or 37% of its current HR work force. Due to the inherent uncertainty in estimating capacity and servicing costs, Forrester has applied a risk adjustment of 10%, lowering the cost savings that similar organizations can achieve to about $3.9 million per year.
<table>
<thead>
<tr>
<th>Ref.</th>
<th>Metric</th>
<th>Calculation</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Total number of HR resources</td>
<td></td>
<td>130</td>
<td>130</td>
<td>130</td>
</tr>
<tr>
<td>A2</td>
<td>Percentage of time dedicated to administrative activities prior to ServiceNow</td>
<td></td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
</tr>
<tr>
<td>A3</td>
<td>Number of resources dedicated to HR administrative activities</td>
<td>A1*A2</td>
<td>74</td>
<td>74</td>
<td>74</td>
</tr>
<tr>
<td>A4</td>
<td>Reduction in capacity required to manage HR cases by using the ServiceNow employee self-service capabilities</td>
<td></td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>A5</td>
<td>Improved efficiency from managing remaining HR cases with ServiceNow case management capabilities</td>
<td></td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>A6</td>
<td>Increased capacity of full-time HR resources from ServiceNow HR Service Management</td>
<td>(\frac{A3*A4}{A3'(1-A4)*A5})</td>
<td>48</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>A7</td>
<td>Average annual salary of HR resource</td>
<td>Forrester assumption</td>
<td>$90,000</td>
<td>$90,000</td>
<td>$90,000</td>
</tr>
<tr>
<td>A8</td>
<td>Increased capacity from reduction in HR servicing costs and improved HR case management efficiency</td>
<td>A6*A7</td>
<td>$4,334,850</td>
<td>$4,334,850</td>
<td>$4,334,850</td>
</tr>
<tr>
<td>Atr</td>
<td>Increased capacity by reducing HR service delivery costs and improving HR case management efficiency (risk-adjusted)</td>
<td></td>
<td>$3,901,365</td>
<td>$3,901,365</td>
<td>$3,901,365</td>
</tr>
</tbody>
</table>

Source: Forrester Research, Inc.
HR Audit And Compliance Savings

The interviewed large healthcare organization was able to realize significant cost savings by reducing the amount paid to external auditors to ensure the organization was in compliance. The organization had to pay external regulators to audit its HR departments across all of its eight regions including affirmative action reporting, staff licensing and certification verification, and immigration processing. The healthcare organization estimated savings of $100,000 per year (see Table 2) by implementing ServiceNow HR Service Management, as it provides a central repository for auditors to verify compliance. Total risk-adjusted annual auditing savings are estimated at $90,000 per year for the large healthcare organization.

<table>
<thead>
<tr>
<th>Ref.</th>
<th>Metric</th>
<th>Calculation</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>External auditors annual costs</td>
<td>$150,000</td>
<td>$150,000</td>
<td>$150,000</td>
<td></td>
</tr>
<tr>
<td>C2</td>
<td>Percent reduction in audit and compliance costs</td>
<td>67%</td>
<td>67%</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>Ct</td>
<td>Direct cost avoidance</td>
<td>C1*C2</td>
<td>$100,000</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Ctr</td>
<td>Direct cost avoidance (risk-adjusted)</td>
<td>↓10%</td>
<td>$90,000</td>
<td>$90,000</td>
<td>$90,000</td>
</tr>
</tbody>
</table>

Source: Forrester Research, Inc.

Total Benefits

Table 3 shows the total of all benefits across the areas listed above, as well as PVs discounted at 10%. Over three years, the large healthcare organization expects risk-adjusted total benefits to be a PV of more than $9.9 million.

<table>
<thead>
<tr>
<th>Ref.</th>
<th>Benefit</th>
<th>Initial</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Total</th>
<th>Present Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atr</td>
<td>Increased capacity: reduction in HR service delivery costs and improvement in HR case management efficiency</td>
<td>$0</td>
<td>$3,901,365</td>
<td>$3,901,365</td>
<td>$3,901,365</td>
<td>$11,704,095</td>
<td>$9,702,117</td>
</tr>
<tr>
<td>Btr</td>
<td>Audit and compliance savings</td>
<td>$0</td>
<td>$90,000</td>
<td>$90,000</td>
<td>$90,000</td>
<td>$270,000</td>
<td>$223,816</td>
</tr>
<tr>
<td></td>
<td>Total benefits (risk-adjusted)</td>
<td>$0</td>
<td>$3,991,365</td>
<td>$3,991,365</td>
<td>$3,991,365</td>
<td>$11,974,095</td>
<td>$9,925,934</td>
</tr>
</tbody>
</table>

Source: Forrester Research, Inc.
FLEXIBILITY

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for some 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. There are multiple scenarios in which a customer might choose to implement ServiceNow and later realize additional uses and business opportunities. Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

With ServiceNow HR Service Management, organizations can quickly add and scale users and other HR services as required. Additionally, its ease of use and compatibility with systems provide flexibility if organizations want to change their policies and internal systems that need to link with ServiceNow HR Service Management. This is all performed using configuration utilities native to the solution and does not require developer assistance. The underlying platform lets organizations easily leverage other ServiceNow cloud services—for IT, Security, and Customer Service—as well as rapidly build other business applications with reusable components.

RISKS

Forrester defines two types of risk associated with this analysis: “implementation risk” and “impact risk.” Implementation risk is the risk that a proposed investment in ServiceNow may deviate from the original or expected requirements, resulting in higher costs than anticipated. Impact risk refers to the risk that the business or technology needs of the organization may not be met by the investment in ServiceNow, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for cost and benefit estimates.

<table>
<thead>
<tr>
<th>TABLE 4</th>
<th>Benefit Risk Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>Adjustment</td>
</tr>
<tr>
<td>Increased capacity: reduction in HR service delivery costs and improvement in efficiency</td>
<td>↓10%</td>
</tr>
<tr>
<td>HR audit and compliance savings</td>
<td>↓10%</td>
</tr>
</tbody>
</table>

Source: Forrester Research, Inc.

Quantitatively capturing implementation risk and impact risk by directly adjusting the financial estimates results provides more meaningful and accurate estimates and a more accurate projection of the ROI. In general, risks affect costs by raising the original estimates, and they affect benefits by reducing the original estimates. The risk-adjusted numbers should be taken as “realistic” expectations since they represent the expected values considering risk.

Table 4 shows the values used to adjust for risk and uncertainty in the cost and benefit estimates for the large healthcare organization. Readers are urged to apply their own risk ranges based on their own degree of confidence in the cost and benefit estimates.
About ServiceNow HR Service Management

The following information is provided by ServiceNow. Forrester does not validate the claims by ServiceNow.

Today’s workforce expects consumer-grade service experiences. ServiceNow HR Service Management makes service delivery more efficient for HR and provides fast and personalized employee service, even for cases that require action from other departments. Companies like Campbell Soup, Cox Automotive, CHRISTUS Health, Envision Healthcare, Overstock.com, and Sally Beauty have chosen the ServiceNow solution to increase employee productivity and satisfaction, as well as HR’s reputation.

With ServiceNow HR Service Management, employees benefit from a single location for quickly getting help, making requests, and finding information. By providing instant answers to commonly asked questions, HR teams are able to reduce their case load. Knowledge portals, along with automated case management, allow HR agents to be more efficient and support more employees. By automatically routing cases to the right subject matter experts, HR teams can improve their efficiency, accuracy, and time to resolution. The solution helps automate workflows across multiple departments and systems to create a seamless service experience for complex processes like employee onboarding. ServiceNow HR Service Management enables the delivery of a personalized service experience to employees—available anytime, on any device—which improves satisfaction, engagement, and productivity. ServiceNow customers also benefit from rich reports and dashboards that provide visibility into the volume and types of service requests, allowing HR to make better resource decisions and proactively improve services.

Most organizations take a phased approach to transforming HR operations—beginning with a focus on enabling HR to manage employee interactions, then equipping their employees to be more self-reliant, and finally moving on to create smart services that require the orchestration of tasks across multiple departments.

Managed Interactions - In the first phase, companies typically focus on improving the way in which HR manages its interactions with employees. This phase often includes the establishment of a shared services operating model. The primary benefits of establishing a shared services center is the ability to document interactions with employees, giving HR better visibility into the quantity and types of cases coming into the center and employees instantaneous access to the status of their cases. ServiceNow HR Service Management is adept at segmenting case content and transactions based on centers of excellence (e.g., payroll, benefits, talent management, employee relations, workforce administration, and HRIT operations) and at auto-routing tasks to the right agents. It also automatically routes and escalates tasks to both employees and managers to get life-cycle events completed. Deploying automated case management and knowledge management capabilities tends to be the first step toward adding structure to HR operations and arming employees with more consistent and accurate information.

Self-Reliance - The next phase in the transformation journey typically involves the HR team recognizing the need to make their employees more self-reliant. Companies leverage the ServiceNow HR Service Management solution to provide their employees with access to HR services, anytime, anywhere — via a portal, email, chat, or phone. HR teams can design and publish custom-branded self-service and knowledge portals. Employees gain access to personalized and searchable content with smart suggestions. The built-in chat functionality within the self-service portal allows ready access to an HR agent. The ability to share attachments and screenshots via chat and create an HR case right from the chat session helps agents expedite case resolution and improve employee satisfaction.

Smart Services - The true power of the ServiceNow HR Service Management is leveraged when companies use the solution to create smart services — that require the orchestration of tasks across multiple departments, including IT, facilities, finance, and legal. ServiceNow HR Service Management automate workflows that span beyond HR and that are typically modeled around life-cycle events. Examples of such processes include those related to onboarding, offboarding, transfers, leave of absence, direct deposit, tuition reimbursement, promotions, address changes, and changes in marital status. The
software provides employees and managers with step-by-step instructions to guide them through processes and delivers end-to-end visibility across these processes.

ServiceNow HR Service Management is rapidly becoming the solution of choice for HR teams looking to consumerize the employee service experience and make it easier for their employees to be employees, serve more employees with fewer resources, and automate workflows that span beyond HR.

ServiceNow HR Service Management is underpinned by the Now Platform which delivers a system of action for the enterprise. Using a single data model, it is easy to create contextual workflows and automate any business process. The ServiceNow Nonstop Cloud is always on. No customer instance is ever offline or taken down for any reason. The unique, multi-instance architecture ensures each customer can fully customize cloud services and perform upgrades on their own schedule. Highly secure, the Nonstop Cloud conforms to the highest levels of compliance and global regulations. And an industry-leading, advanced, high-availability infrastructure ensures instance redundancy between two data center clusters in every geography, scaling to meet the needs of the largest global enterprises.

To learn more about ServiceNow HR Service Management, visit www.servicenow.com/hr.
TEI FRAMEWORK ASSUMPTIONS

Table 5 provides the model assumptions that Forrester used in this analysis.

The discount rate used in the PV calculations is 10% and time horizon used for the financial modeling is three years. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult with their respective company’s finance department to determine the most appropriate discount rate to use within their own organizations.

<table>
<thead>
<tr>
<th>Ref.</th>
<th>Metric</th>
<th>Calculation</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>Average HR resource fully burdened annual cost</td>
<td></td>
<td>$90,000</td>
</tr>
<tr>
<td>F2</td>
<td>Discount rate</td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>F3</td>
<td>Steady state benefits of organizations may vary depending on implementation and adoption. For the analysis, it was assumed that steady state costs and benefits would begin after implementation.</td>
<td></td>
<td>In Year 1</td>
</tr>
</tbody>
</table>

Source: Forrester Research, Inc.
Appendix A: Total Economic Impact™ Overview

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. TEI assists technology vendors in winning, serving, and retaining customers.

The TEI methodology consists of four components to evaluate investment value: benefits, costs, flexibility, and risks.

**BENEFITS**

Benefits represent the value delivered to the user organization — IT and/or business units — by the proposed product or project. Often, product or project justification exercises focus just on IT cost and cost reduction, leaving little room to analyze the effect of the technology on the entire organization. The TEI methodology and the resulting financial model place 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. Calculation of benefit estimates involves a clear dialogue with the user organization to understand the specific value that is created. In addition, Forrester also requires that there be a clear line of accountability established between the measurement and justification of benefit estimates after the project has been completed. This ensures that benefit estimates tie back directly to the bottom line.

**COSTS**

Costs represent the investment necessary to capture the value, or benefits, of the proposed project. IT or the business units may incur costs in the form of fully burdened labor, subcontractors, or materials. Costs consider all the investments and expenses necessary to deliver the proposed value. In addition, the cost category within TEI captures any incremental costs over the existing environment for ongoing costs associated with the solution. All costs must be tied to the benefits that are created.

**FLEXIBILITY**

Within the TEI methodology, direct benefits represent one part of the investment value. While direct benefits can typically be the primary way to justify a project, Forrester believes that organizations should be able to measure the strategic value of an investment. Flexibility represents the value that can be obtained for some future additional investment building on top of the initial investment already made. For instance, an investment in an enterprise wide upgrade of an office productivity suite can potentially increase standardization (to increase efficiency) and reduce licensing costs. However, an embedded collaboration feature may translate to greater worker productivity if activated. The collaboration can only be used with additional investment in training at some future point. However, having the ability to capture that benefit has a PV that can be estimated. The flexibility component of TEI captures that value.

**RISKS**

Risks measure the uncertainty of benefit and cost estimates contained within the investment. Uncertainty is measured in two ways: 1) the likelihood that the cost and benefit estimates will meet the original projections, and 2) the likelihood that the estimates will be measured and tracked over time. TEI risk factors are based on a probability density function known as “triangular distribution” to the values entered. At a minimum, three values are calculated to estimate the risk factor around each cost and benefit.
Appendix B: Glossary

**Discount rate**: The interest rate used in cash flow analysis to take into account the time value of money. Companies set their own discount rate based on their business and investment environment. Forrester assumes a yearly discount rate of 10% for this analysis. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult their respective organizations to determine the most appropriate discount rate to use in their own environment.

**Present value (PV)**: The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate).

**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.

**Return on investment (ROI)**: A measure of a project’s expected return in percentage terms. ROI is calculated by dividing net benefits (benefits minus costs) by costs.