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The Total Economic Impact™ Of isolved People Cloud

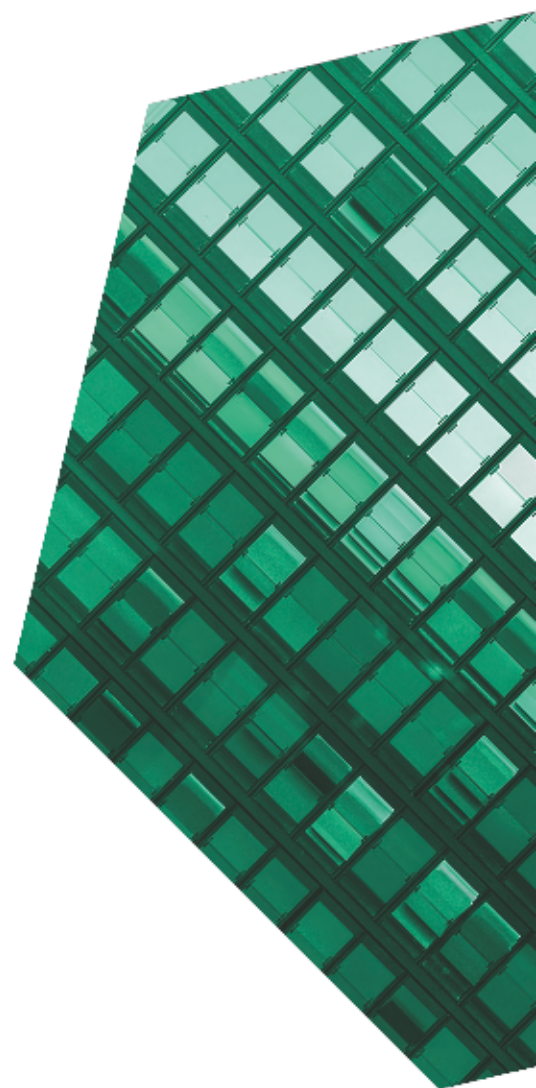
Cost Savings And Business Benefits Enabled
By isolved People Cloud

July 2021

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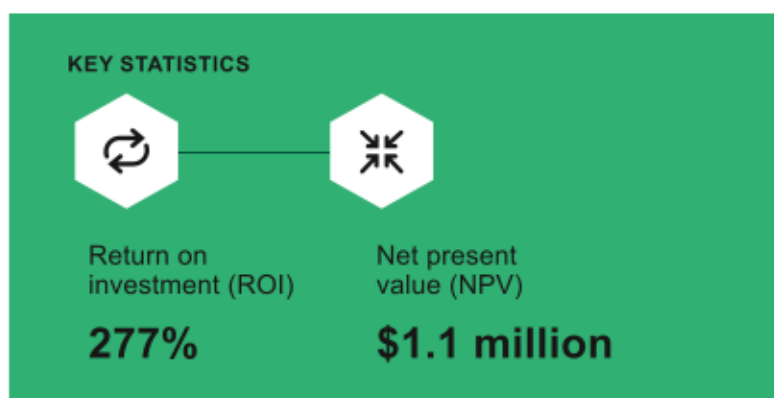
Executive Summary

One of the critical growing pains for expanding businesses is the need to establish an integrated and professional human capital management system. Beyond simply automating tasks, this system helps organizations secure and make effective use of employee data and provide employees with a seamless, simple way to engage and grow with the company. This is the kind of solution that companies turn to isolated to provide.

isolved commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying isolated People Cloud, a human capital management (HCM) platform. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of isolated People Cloud on their organizations. isolated People Cloud delivers an improved employee experience (EX) by organizing critical employee information and employee-employer interaction touchpoints in one secure place — across talent management, HR and payroll, benefits, workforce management, and engagement management functions. It not only gives employees instant access to their personal data, W-2s, and benefits status, but it also handles performance reviews and career pathing, provides learning opportunities, and facilitates internal communication and engagement. For busy HR teams, isolated People Cloud: eliminates the labor-intensive HR monitoring and compliance reporting; ensures accurate payroll processing; and gives supervisors data to manage and grow their teams.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four customers with experience using isolated People Cloud. For the purposes of this study, Forrester aggregated the experiences of the interviewed customers and combined the results into a single composite organization.

Prior to using isolated People Cloud, the customers were using several different HCM software solutions to separately address each need. These solutions had often been put in place by previous incumbents over time, and they rarely addressed all the EX



management needs of the organization. These prior attempts yielded limited success, leaving customers with highly labor-intensive processes and the need to reconcile data and reporting from multiple platforms. As a result, both the management team and the workforce suffered.

After the investment in isolated People Cloud, the customers offered employees more access to the benefits and perks the company offered and saw substantial improvement in management productivity. Key results from the investment include increased employee retention, improved productivity in HR and payroll teams, and improved compliance with local, state, and federal labor laws.

I probably get a multiple of about 75% more growth before I need to expand the HR team with isolved than I would with competitors that I have experience with.

Head of finance, food service

KEY FINDINGS

Quantified benefits. Risk-adjusted present value (PV) quantified benefits include:

- **Increased employee retention saved the organization more than \$832K over the three years that are represented in the financial model.** Increased employee engagement leads to longer employee retention. And interviewed executives cited online training opportunities, a transparent review process, career planning activities, and a self-serve pay, tax, and benefits portal that has tremendously increased engagement and satisfaction.
- **Improved HR productivity added over \$248K to the organization's bottom line.** Customers related that isolved allowed their HR teams to spend less time: answering employees' FAQs; ensuring and reporting on compliance; and running ad hoc reports for supervisors and corporate management. In addition, interviewees told Forrester they were able to

expand operations up to 75% farther without hiring additional HR staff.

- **Reduced payroll administration costs amounted to over \$145K.** Although many of the interviewed organizations had automated some portion of their payroll processing and check creation, they did not have the process integrated from end to end, and, as a result, they were still spending multiple hours on the process. Also, they would frequently have errors that needed to be fixed before payroll was processed, or — even worse — after checks were cut. isolved greatly improved the productivity of the payroll team to the degree of producing a higher quality output.
- **Eliminated fees for retired solutions freed up \$80K.** Once the isolved People Cloud platform was in place at the interviewed customers, companies were able to discontinue using (and paying for) one or more pieces of software that had previously been used as a partial solution to their HCM needs.

- **Avoided erroneous benefit payments that allowed the organization to save \$64K.** Several interviewed executives explained that their businesses often erroneously paid for the company portion of benefits for people who were no longer employed there. With the disconnected and highly manual processes that were in place prior to the isolated implementation, communication and process failure, which could lead to unnecessary payments and discrepancies, was not uncommon.
- **Accelerated onboarding avoided \$60K in paperwork processing time for both new employees and the HR team.** Several of the customers in this study are in relatively high turnover industries, and they spend an inordinate amount of time hiring and onboarding new employees. Even those with a more stable workforce complained of the time spent on this process both by new employees and HR personnel. With isolated's HCM platform, employees complete all the necessary paperwork before their first day, so they can get to work quickly. An added benefit is that all the information gathered during the onboarding process is stored in a single location rather than in disparate systems.
- **Simplified compliance process allowed \$36K in HR time to be productively reallocated.** One of the most complex and time-consuming responsibilities of HR is to ensure that employees who are eligible for benefits by law actually receive those benefits. This involves frequent detailed calculations and reporting to make sure all eligible employees are accounted for. In addition to being a burdensome task, it can also be an expensive one. Failure to report, or faulty reporting, can result in hefty fines.
- **Avoided timeclock replacement eliminated \$36K from the organization's expenses.** Interviewees whose employees use a timeclock

found that, rather than repairing or replacing them when they fail, they had the option of allowing people to use their mobile phone or computer to clock in and out. Interviewed organizations found this to be especially useful if they had a more distributed workforce.

Unquantified benefits. Benefits which are not quantified for this study include:

- **Next-generation workforce.** Several interviewees told Forrester that they believe using isolated People Cloud significantly attracted and improved their relevance among new workforce entrants. These potential hires expect to be able to apply online, sign up for benefits, download W-2s, and track their hours and pay digitally with a single sign-on (SSO) solution. Using isolated allowed the interviewed organizations to better compete for the digitally savvy young talent.
- **The improvement of first-line management capabilities.** isolated People Cloud helped first-line managers in two ways. First, it provided them with easy access to information, such as absenteeism, overtime levels, and employee history, that enabled them to better manage their teams, scheduling, payroll, and performance reviews. In addition, it made them more productive in completing supervisory tasks such as approving timesheets, time-off requests, and schedules.
- **Strategic business support.** All of the interviewees commented that the support team members at isolated were able to provide valuable assistance in areas beyond the isolated People Cloud platform, as these professionals have extensive experience in the field. The isolated team was useful in a variety of contexts, from asking specific questions of process, to the overall EX and HCM strategy.

Costs. Risk-adjusted PV costs include:

- **Subscription service fees cost the organization \$357K over the three years.**
The fees are primarily based on the number of employees in the organization, and they include access to all the platform's capabilities.
- **Platform training time involved \$41K worth of employee trainers' time.** The cost of training primarily and solely involves the time that the employee trainer spends with new hires.

The customer interviews and financial analysis found that a composite organization experiences benefits of \$1.51M over three years versus costs of \$398K, adding up to a net present value (NPV) of \$1.11M and an ROI of 277%



277%

ROI



\$1.5 million

BENEFITS PV



\$1.1 million

NPV

Benefits (Three-Year)



TEI Framework And Methodology

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in isolved People Cloud.

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 isolved People Cloud can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by isolved 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 study to determine the appropriateness of an investment in isolved People Cloud.

isolved 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.

isolved People Cloud provided the customer names for the interview but did not participate in the interview.



DUE DILIGENCE

Interviewed isolved People Cloud stakeholders and Forrester analysts to gather data relative to isolved People Cloud.



CUSTOMER INTERVIEWS

Interviewed decision-makers at four organizations using isolved People Cloud 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 the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

The isolated People Cloud Customer Journey

■ Drivers leading to the People Cloud investment

Interviewed Organizations			
Industry	Region	Interviewee	Workforce Size
Healthcare	Southwest US	Chief operations officer	283 employees; 19 contractors
Food service	Southeast US	Head of finance	600 employees
Agriculture	Midwest US	Human resources director	600 employees
Wholesale distribution	Southwest US	Head of HR	1,100 employees

KEY CHALLENGES

Before their investment in isolated, the interviewed organizations were using several different software solutions that were either purchased from third parties or developed in-house. These legacy solutions had been put in place over the years to address any issues in HCM as they emerged, therefore there was little or no integration between them. The result was that the interviewed customers were left with some very time-consuming processes that had a high potential for error, which was partially due to the systems either not using the same data or lacking integration.

The interviewed organizations struggled with common challenges, including:

- A disengaged workforce, resulting in relatively high turnover rates and associated costs.
- Higher than necessary rate of errors in payroll, benefits, compliance reporting, and similar areas.
- Overworked and overstressed payroll team members.
- Ability to grow was restricted by constrained personnel and systems.

SOLUTION REQUIREMENTS/ INVESTMENT OBJECTIVES

- The interviewed organizations searched for a solution that could:
- Provide a total HCM capability, rather than the disconnected set of tools they had in place.
- Expand alongside the growth in maturity and needs of the organization.
- Work with the systems and processes already in place.
- Meet the specific needs of customers' unique operations, such as calculating minimum wage for a tipped labor force or operating in multiple states.

“The Learning Management System was important to us because we have a young and inexperienced workforce. We can improve their skills and track their progress with isolated University.”

— Head of finance, food service

COMPOSITE ORGANIZATION

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

Description of composite. The composite organization is a successful and growing regional firm in the business of retail, distribution, or hospitality; isolved People Cloud can be expected to deliver similar benefits in healthcare, manufacturing, and other verticals. It employs approximately 700 people, the majority of whom would be considered frontline workers who interact with the public, e.g., servers, drivers, technicians, caregivers, although the total number may fluctuate seasonally. While the composite organization has automated certain HR-related tasks over the years, it has reached the point where it needs to put in place more professional HCM systems in order to continue growing successfully.

Key assumptions

Regional operation

700 employees

Majority frontline

Partially automated HCM functions

Analysis Of Benefits

■ Quantified benefit data as applied to the composite

Total Benefits						
Ref	Benefit	Year 1	Year 2	Year 3	TOTAL	PRESENT VALUE
Atr	Increased employee retention	\$224,116	\$336,174	\$466,909	\$1,027,199	\$832,368
Btr	HR productivity savings	\$114,660	\$121,068	\$59,103	\$294,831	\$248,696
Ctr	Reduced payroll administration labor costs	\$58,441	\$58,441	\$58,441	\$175,323	\$145,335
Dtr	Eliminated fees for retired solutions	\$32,000	\$32,000	\$32,000	\$96,000	\$79,579
Etr	Avoided erroneous benefit payments	\$25,865	\$25,865	\$25,865	\$77,595	\$64,322
Ftr	Accelerated onboarding	\$24,296	\$24,296	\$24,296	\$72,888	\$60,422
Gtr	Simplified compliance reporting	\$14,423	\$14,423	\$14,423	\$43,269	\$35,869
Htr	Avoided timeclock replacement	\$14,450	\$14,450	\$14,450	\$43,350	\$35,935
Total benefits (risk-adjusted)		\$508,252	\$626,718	\$695,488	\$1,830,457	\$1,502,526

INCREASED EMPLOYEE RETENTION

Evidence and data. Employee churn is a costly issue for many businesses, and that was certainly the case for the customers whose management Forrester interviewed. Since these organizations were in a growth mode, they were already dealing with the difficulties of onboarding and training a large number of new employees. A high level of churn added to the internal disruption, which has the potential to result in a workforce that has lower productivity and a higher error rate, simply due to their inexperience.

Numerous industry sources have reported that higher levels of employee engagement dramatically affect churn rates; this is especially the case in industries with traditionally high turnover rates. Interviewees at these customers reported increased engagement among their employees after isolved

People Cloud was deployed. They began using self-service for their questions about benefits, communicating with fellow employees and the HR team, participating in training videos, giving and receiving feedback and reviews, and generally feeling more a part of the team.

Modeling and assumptions. In assessing the value of this benefit, Forrester assumes:

- A 33% employee turnover rate is applied before the adoption of isolved People Cloud. This rate is consistent with the overall turnover rate in the US economy, but it is lower than the average turnover in some of the composite organization's industries. Turnover in both retail and wholesale industries averages over 60%; and in the hospitality and food service industry, it is closer to, and sometimes more than, 100%.

- The average hourly base salary, which is not fully burdened, is \$35,000, or \$17.50 per hour.
- The average hard cost to replace employees, e.g., recruiting, drug tests, background checks, is 33% of the hourly salary.

Risks. The likelihood that other firms will experience a value on the same order of magnitude as the composite organization depends primarily on the following factors:

- The organization's actual turnover rate before investing in isolated People Cloud.
- The level of disengagement present in the workforce.
- The salaries of the organization's workforce. Higher salaried employees will not only increase the value of the base salary line, but it will also increase the percentage of salary required to replace them.

To account for these risks, Forrester adjusted this benefit downward by 30%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$832,368.

Increased Employee Retention					
Ref	Metric	Calculation	Year 1	Year 2	Year 3
A1	Number of hourly staff turning over before isolated	700*33%	231	231	231
A2	Cost to replace employees	33% of \$35,000	\$11,550	\$11,550	\$11,550
A3	Reduction in turnover rate	Industry sources	12%	18%	25%
At	Increased employee retention	A1*A2*A3	\$320,166	\$480,249	\$667,013
	Risk adjustment	↓30%			
	Increased employee retention (risk-adjusted)		\$224,116	\$336,174	\$466,909
Three-year total: \$1,027,199			Three-year present value: \$832,368		

PARTIALLY AUTOMATED HCM FUNCTIONS

Evidence and data. The second largest dollar value benefit that Forrester has identified in the research was the increase in productivity that the isolated People Cloud platform enabled for the HR team. Since isolated covers so many aspects of the EX and HCM spectrum, it makes sense that this team would see a noticeable and measurable benefit. Applicant tracking saves the team time posting jobs and screening candidates right through to the onboarding process. Benefits eligibility determination is automatic; enrollment happens via self-service; compliance reporting is largely automated; and employees are able to proactively manage and inquire about their own status, from tracking down and gaining access to their W-2s, to receiving paystub history, to health insurance enrollment. The frequent, time-consuming calls which employees were previously making to the HR team is now being avoided with the investment in isolated.

As the head of finance at a food-service company told Forrester: “Pulling together the workers’ compensation reports was always a pain. I would end up sending the auditor 200 pages for 12 months and saying, ‘Good luck. You figure it out.’ But the breadth of reports and the way that we can extract data easily from isolated makes the audit process easy. We do this 12 times a year, so it is a big deal that it be fast.”

Interviewees also told Forrester that they were able to expand operations with the current HR team for a much longer time than they could without it due to the team’s improved productivity, which meant that it had additional capacity to administer more employees. While the interviewees agreed that eventually additional FTEs would be required, they estimated that they’d be able to absorb almost twice as much growth with isolated as they would without it.

“As far as calculating, filing taxes, managing payroll, dealing with payroll returns, or special issues like wage audits, you know, our ability to lean on isolated saves us from adding any full-time people here at the holding company.”

— Head of finance, food service

Modeling and assumptions. Forrester used the following assumptions to model the value of this benefit to the composite organization.

- First, the composite organization postpones hiring an additional HR manager for more than two years past what would have been necessary without isolated.
 - The fully burdened salary for that manager is \$91,800, or \$68,000 with an additional 35% for benefits.
- Second, its HR team becomes significantly more productive by directing employee requests to a self-service portal and using isolated for employee engagement.
 - Before isolated, the team was fielding approximately 50 calls per day from employees. These calls were lasting an average of 10 minutes.
 - The team was also spending 700 hours annually on employee engagement initiatives, such as planning parties and buying gifts and cards for birthdays or appreciation rewards.
 - With isolated People Cloud in place, the team saves 75% to 90% of this time while continuing to meet employee needs.
- Forrester assumes that the composite organization recaptures 50% of that saved time in other productive work from the HR employees involved.

“Five or more times a day someone would call and want to know payroll history, benefits status, or how to change beneficiaries, and that was time-consuming. The whole month of January we would be bombarded with calls about W-2s. Now we can redirect them to the employee self-service [ESS], and that saves the HR team a lot of time.”

— Chief operations officer, healthcare

Risks. Other organizations may experience different results based on these factors:

- The salaries of those on the HR team.
- The amount of time spent answering employee questions alongside the amount of time it takes for those employees to get familiar with the self-service portal.
- The specific organization's rate of growth and other factors which may affect the length of time it is able to postpone hiring additional HR management.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$248,696.

HR Productivity Savings

Ref	Metric	Calculation	Year 1	Year 2	Year 3
B1	Headcount avoided during expansion	\$68,000+35% (2.25 years)	\$91,800	\$91,800	\$22,950
B2	Hours spent on HR/Benefits calls	50 calls per day* 10 minutes* 240 days/ 60 minutes	2,000	2,000	2,000
B3	Hours spent on employee engagement initiatives	Interviews	700	700	700
B4	HR generalist hourly wage	(\$50,000+35%)/ 1,920	\$35.16	\$35.16	\$35.16
B5	Percent HR time saved with isolated	Interviews	75%	90%	90%
B6	Savings from isolated self-service	(B2+B3)*B4*B5	\$71,199	\$85,439	\$85,439
B7	Percent recaptured		50%	50%	50%
Bt	HR productivity savings	B1+(B6*B7)	\$127,400	\$134,520	\$65,670
	Risk adjustment	↓10%			
Btr	HR productivity savings (risk-adjusted)		\$114,660	\$121,068	\$59,103

Three-year total: \$294,831

Three-year present value: \$248,696

REDUCED PAYROLL ADMINISTRATION LABOR COSTS

Evidence and data. Payroll was often the first issue that caused organizations to seek out automation in the HCM area. It is a major expense, so it must be accurately processed. It is also likely the key contract between employer and employee, so pay errors can cause real disruption in that relationship, in addition to the cost of fixing those errors. Finally, payroll involves important legal and government issues such as tax withholding, wage garnishment, and minimum wage laws, among other things. Errors in payroll, then, can also cause legal issues and fines for the organization.

When they were small, the interviewed organizations managed payroll with paper timesheets, a calculator, and hand-signed checks, but as they grew this approach quickly became unwieldy and dangerous. The interviewed organizations invested in or created tools to automate parts of the process, which may have included outsourcing some or all of it. As they reached their current size of 600 to 1,000 employees, the interviewed organizations saw that their payroll teams were spending an inordinate amount of time on the tasks that remained after their initial attempt at automation. This meant long hours for the staff, lots of overtime costs, and a level of stress that upset team members and increased the risk of errors.

Interviewees at all four customer firms expressed a strong sense of relief over the new payroll process they put in place with their investment in isolved. Executives described in detail the long nights that employees spent entering data and calculating pay, the stressful race to the deadline, and other horror stories that all lowered morale. They literally breathed a sigh of relief when relating that, “now it all just takes one person a couple hours.”

Modeling and assumptions. As discussed above, the organizations in the study had taken steps to automate or outsource as much of the payroll process as they could, but they were still experiencing significant issues. Forrester modeled this benefit using similar assumptions.

- Two payroll team employees spend two full workdays and 8 hours of overtime each pay period processing payroll.
- They also spend 2 hours per pay period correcting timesheets and another 2 hours correcting payroll errors after the fact.
- Ten frontline supervisors spend 3 hours each pay period reviewing and approving their teams’ timesheets.
- After isolved, the payroll team completes the processing in 2 hours, and the supervisors complete their approvals in 30 minutes.
- The average fully burdened wage of a payroll administrator is \$38.67. And for frontline supervisors, it is \$35.16.

“There were about four or five people that would process the payroll, and it would take them all night. It would start at the close of the business day, and they would work through the night and through the next morning getting everything done.”

— Chief operations officer, healthcare

“I could tell you probably from the first payroll we processed that we realized how much simpler this was going to be.”

— HR director, agriculture

Risks. The likelihood that other organizations will experience a value on a different order of magnitude, related to this benefit, depends on two key factors:

- The amount of time spent across the organization processing payroll before investing in isolved.
- The salaries of the employees involved.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$145,335.

Reduced Payroll Administration Labor Costs					
Ref	Metric	Calculation	Year 1	Year 2	Year 3
C1	Payroll team regular hours processing payroll	2 people*16 hours*26 pay periods	832	832	832
C2	Payroll team overtime hours processing payroll	2 people * 8 hours	416	416	416
C3	HR hours spent correcting timesheet errors	2*26 pay periods	52	52	52
C4	Supervisor hours reviewing and approving timesheets	10 supervisors*3 hours* 26 pay periods	780	780	780
C5	Hours spent correcting payroll errors	2*26 pay periods	52	52	52
C6	Payroll team fully burdened blended wage	\$55,000+35% benefits/1,920	\$38.67	\$38.67	\$38.67
C7	Supervisor fully burdened hourly wage	\$50,000+35% benefits/1,920	\$35.16	\$35.16	\$35.16
C8	Total payroll processing costs before isolved	(C1*C6)+(C2*C6*1.5)+ ((C3+C5)*C6)+(C4*C7)	\$87,750	\$87,750	\$87,750
C9	Total payroll team time after isolved	2 hours* 26 pay periods	52	52	52
C10	Supervisor time after isolved	0.5 hours*10 supervisors* 26 pay periods	130	130	130
C11	Total payroll processing costs after isolved	(C9*C6)+(C10*C7)	\$6,582	\$6,582	\$6,582
C12	Percent recaptured		80%	80%	80%
Ct	Reduced payroll administration labor costs	(C8-C11)*C12	\$64,934	\$64,934	\$64,934
	Risk adjustment	↓10%			
Ctr	Reduced payroll administration labor costs (risk-adjusted)		\$58,441	\$58,441	\$58,441
Three-year total: \$175,323			Three-year present value: \$145,335		

ELIMINATED FEES FOR RETIRED SOLUTIONS

Evidence and data. Once the interviewed organizations had invested in Isolved People Cloud they discontinued their subscriptions to other services they were using for parts of their HCM system. These varied in both number of services and in annual fees, from approximately \$20,000 to \$50,000 or more.

Modeling and assumptions. The financial model assumes that the composite organization:

- Employs an average of two different systems to help automate payroll, HR, training, applicant tracking, onboarding, benefits enrollment, and other employee engagement activities.
- The composite organization retires the legacy systems completely.
- The subscription costs for those systems averages \$20,000 per year each.

“It’s a deeper, wider system as far as the payroll system, the HR database, and all the other modules, much better training and education opportunities with their Learning Management System. And it’s all one system, so we don’t need to pull from different software.”

— *HR director, wholesale distribution*

Risks. Other organizations may experience a greater or lesser financial impact from this benefit, depending on the number and costs associated with software licenses they can retire.

To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of \$79,579.

Eliminated Fees For Retired Solutions

Ref	Metric	Calculation	Year 1	Year 2	Year 3
D1	Annual cost of retired solutions	Interviews	\$40,000	\$40,000	\$40,000
Dt	Eliminated fees for retired solutions	D1	\$40,000	\$40,000	\$40,000
	Risk adjustment	↓20%			
Dtr	Eliminated fees for retired solutions (risk-adjusted)		\$32,000	\$32,000	\$32,000
Three-year total: \$96,000			Three-year present value: \$79,579		

AVOIDED ERRONEOUS BENEFIT PAYMENTS

Evidence and data. Interviewees explained a number of erroneous payments that occurred with some regularity using the solutions they had in place before Isolved. For instance, an executive in the food-service business explained that a large portion of their labor force's pay is in tips, and consequently, this resulted in the company cutting relatively small paychecks. Sometimes the employee's pay for the period was not enough to deduct their health insurance premium from, which could result in a significant loss to the company if such a deduction wasn't detected and correctly tracked. Another interviewee mentioned that their system sometimes failed to record when an employee had left the company. In this case, the company continued paying insurance premiums or other benefits (not to the employee, but to third parties) until someone at the company noticed the mistake.

Considering that Isolved is an integrated platform that uses the same employee data to perform all of the EX- and HCM-related functions, the interviewees noted that these types of errors were virtually eliminated once the platform was in place.

Modeling and assumptions. The following assumptions drive the modeled value of this benefit:

- The composite organization has an annual turnover of 231 employees, or 33%, as outlined in the Increased Employee Retention benefit.
- Approximately 10% of separations, i.e., employees leaving the company, are overlooked in the system for two months.
- The average salary of a separated employee is \$35,000.
- The composite organization continues to pay partial benefits of 21% of that salary until the error is discovered.

“I might have a number of servers on health insurance, and we’re not able to deduct the full payment from their check because so much of their pay is tips rather than wages. [Before Isolved People Cloud], I could be out \$200 to \$400 every two weeks, or \$15,000 to \$20,000 each year in uncollected premiums.”

— *Head of finance, food service*

Risks. The likelihood that another organization will see a higher or lower value from this benefit is dependent on:

- Turnover rate.
- Average salaries of separated employees.
- The proportion of separated employees who are inadvertently left on the books as well as the average time to correct the error.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$64,322.

Avoided Erroneous Benefit Payments					
Ref	Metric	Calculation	Year 1	Year 2	Year 3
E1	Annual turnover	A1	231	231	231
E2	Missed terminations	$E1 \times 10\%$	23	23	23
E3	Average time paying benefits	2 months/ 12 months	0.17	0.17	0.17
E4	Average annual benefit cost	$\$35,000 \times 21\%$	\$7,350	\$7,350	\$7,350
Et	Avoided erroneous benefit payments	$E2 \times E3 \times E4$	\$28,739	\$28,739	\$28,739
	Risk adjustment	↓ 10%			
Etr	Avoided erroneous benefit payments (risk-adjusted)		\$25,865	\$25,865	\$25,865
Three-year total: \$77,595			Three-year present value: \$64,322		

ACCELERATED ONBOARDING

Evidence and data. The onboarding process presented both a problem and an opportunity to the interviewed organizations. The problem was that the process required hours of a new employee's time in receiving instruction and filling out paperwork. This could require a new employee to take time off from another job and/or travel on public transit to meet the requirements before their first day of work. It also delayed the start on their first day, when their manager was anxiously waiting for them. Finally, it consumed the time of the HR professional who was doing the onboarding.

The opportunity not only saved time and trouble for the HR team and the new employees, but it also presented the customer organization as forward thinking and technologically savvy. Providing new employees with an online experience they could complete at their own pace, on their own time, made a great first impression and freed them up to get to work at their new job as soon as possible.

Modeling and assumptions. Forrester assumes the following when modeling the value of this benefit:

- The composite organization turns over 231 new employees per year.
- Onboarding requires 4 hours per employee, while offboarding requires 30 minutes.
- The average fully burdened wage of a new employee is \$27.00.
- HR personnel onboard and offboard five employees at a time, at the same rate of 4.5 total hours.
- HR personnel earn \$47.81 on a fully burdened hourly basis.
- The composite organization recoups 80% of the total time saved with additional productive work from those employees and HR administrators.

“Onboarding is probably where isolved has saved us more time than we give it credit for. When we would onboard a new employee, that would take probably 2 to 3 hours going through all the paperwork, getting all their information in all the different systems we had. Now, we send them a link and say, ‘Hey, before your orientation, take 30 minutes and get this done.’”

— HR director, agriculture

Risks. The likelihood that other organizations will realize a different value from this benefit depends on:

- The length of the onboarding/offboarding processes before isolved.
- The wages of the people involved.
- The degree of onboarding involvement by HR personnel.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$60,422.

Accelerated Onboarding					
Ref	Metric	Calculation	Year 1	Year 2	Year 3
F1	Number of workers hired per year	A1	231	231	231
F2	Administrators performing onboarding	231 hires/ 5 per onboarding session	46	46	46
F3	Onboarding and offboarding time before	Interviews	4.5	4.5	4.5
F4	Onboarding and offboarding time after	Interviews	0.5	0.5	0.5
F5	Hours saved per affected employee	F3-F4	4.0	4.0	4.0
F6	Worker hourly wages	\$20+35%	\$27.00	\$27.00	\$27.00
F7	HR manager hourly wage	\$68,000+35%/1,920	\$47.81	\$47.81	\$47.81
F8	Value of time saved	(F1*F5*F6)+(F2*F5*F7)	\$33,745	\$33,745	\$33,745
F9	Percent captured		80%	80%	80%
Ft	Accelerated onboarding	F8*F9	\$26,996	\$26,996	\$26,996
	Risk adjustment	↓10%			
Ftr	Accelerated onboarding (risk-adjusted)		\$24,296	\$24,296	\$24,296
Three-year total: \$72,888			Three-year present value: \$60,422		

SIMPLIFIED COMPLIANCE PROCESS

Evidence and data. One thorn in the side of most HR team members was the frequency and complexity of reporting required by local, state, and federal agencies. For instance, these businesses needed to do a monthly assessment of benefits eligibility for part-time workers, additional timely reporting to comply with the ACA (Affordable Care Act), tax reporting, state labor department regulations, and various others. With the disconnected systems in place before isolated, it was difficult and time-consuming to do these calculations and create the required reports. In addition, penalties for faulty or delayed reporting could run into the thousands or even tens of thousands of dollars.

“We didn’t want to add overhead at the holding to just manage ACA [the Affordable Care Act] and benefits eligibility. We have people who are constantly coming in and leaving the company and that means doing frequent look-backs to see if somebody all of a sudden became eligible as a full-timer or not. We wanted to lean on our systems to do that.”

— *Head of finance, food service*

Modeling and assumptions. Forrester assumes the following in modeling the value for this benefit, which is focused on the monitoring and reporting requirements for benefits eligibility.

- Eligibility calculations are done once per month for each of the 700 employees.
- Each calculation takes 3 minutes, for a total of 420 hours.
- The fully loaded wage of the HR professional doing the calculations is \$47.81.
- After isolated, the necessary calculations and determinations require 1 hour of this person’s time.

Risks. Other organizations may experience a greater or lesser impact from this benefit based on:

- The time involved in reporting before the isolated investment.
- The salaries of the people doing the calculations and the reporting.

To account for these risks, Forrester adjusted this benefit downward by 10% yielding a three-year, risk-adjusted total PV of \$35,869.

Simplified Compliance Process					
Ref	Metric	Calculation	Year 1	Year 2	Year 3
G1	ACA reporting hours before isolated	Interviews	420	420	420
G2	ACA reporting hours after isolated	Interviews	1	1	1
G3	HR manager hourly wage	$\$68,000 + 35\% / 1920$	\$47.81	\$47.81	\$47.81
G4	Percent recaptured		80%	80%	80%
Gt	Simplified compliance reporting	$(G1 - G2) * G3 * G4$	\$16,026	\$16,026	\$16,026
	Risk adjustment	↓ 10%			
Gtr	Simplified compliance reporting (risk-adjusted)		\$14,423	\$14,423	\$14,423
Three-year total: \$43,269			Three-year present value: \$35,869		

AVOIDED TIMECLOCK REPLACEMENT

Evidence and data. While the interviewed executives did not invest in isolated for the purpose of getting rid of their timeclocks, several found that when they did experience a failure that required the IT team to step in and either repair or replace an individual timeclock, they were able to avoid that by having the affected employees clock in on their computer or mobile device. isolated People Cloud uses geofencing technology to ensure that employees clocking in electronically are physically where they should be when they do so, providing employers with the same kind of assurance a timeclock offers. Those who experienced this benefit felt confident that, through attrition, they would be able to switch away from their timeclocks.

Modeling and assumptions. The model assumes:

- The composite organization uses 100 timeclocks, of which 10% need to be either repaired or replaced each year.
- The average cost of repairing or replacing a timeclock is \$1,700.

“For our IT department, it’s made it easier when we have timeclock issues. Instead of replacing timeclocks, this system also allows us to say: ‘Okay. Maybe we don’t need a physical timeclock anymore. Instead, we could allow a mobile punch or allow [employees] to clock in on their computer or mobile phone.’”

— HR director, agriculture

Risks. A different organization may experience a higher or lower value from this benefit if:

- They have more or fewer timeclocks.
- Their timeclocks fail at a higher or lower rate.
- Their timeclocks are more or less expensive to repair or replace.

To account for these risks, Forrester adjusted this benefit downward by 15% yielding a three-year, risk-adjusted total PV of \$35,935.

Avoided Timeclock Replacement					
Ref	Metric	Calculation	Year 1	Year 2	Year 3
H1	Timeclocks replaced per year	100*10% replacement rate	10	10	10
H2	Cost of timeclocks	Interviews	\$1,700	\$1,700	\$1,700
Ht	Avoided timeclock replacement	H1*H2	\$17,000	\$17,000	\$17,000
	Risk adjustment	↓15%			
Htr	Avoided timeclock replacement (risk-adjusted)		\$14,450	\$14,450	\$14,450
Three-year total: \$43,350			Three-year present value: \$35,935		

UNQUANTIFIED BENEFITS

Additional benefits that customer organizations experienced but were not able to quantify include:

- Next-generation workforce.** Interviewed executives told Forrester that their companies value the employer brand image that Isolved enables them to present to potential employees, especially those who are early in their careers. This brand image features them as being a modern, digitally aware employer that is concerned with the employees' experience. Potential employees were able to: apply online without having to download and scan paper forms; complete their paperwork online before their first day of work; see managers reaching out on the employee engagement platform; and do it all with a SSO credential. In this way, Isolved People Cloud gave these customer organizations an advantage over their competition in attracting a top-rate workforce.
- Strategic business support.** Several interviewees mentioned that the Isolved team was not just knowledgeable about the platform and how to use it, but they were also very aware of the issues and management challenges of professionals in this space. More than other vendors in their organization, they relied on their Isolved team to answer questions about industry best practices, new techniques and approaches to HCM issues, and procedural or reporting standards. In this way, the Isolved team is wholly dedicated to the customer organization's business. Additionally, the interviewees told Forrester that, due to the Isolved team members' prior experience being in industry HR positions, they had the skillsets and expertise to act as an excellent sounding board for any ideas that would help them think about the best way to do their own jobs.

“One thing I see that’s very beneficial is the access we can give to our supervisors and managers. Before they would have to request reports and wait for us to run them. Now, they can pretty much get whatever they need at their fingertips. It lets them be more effective managers.”

— *HR manager, agriculture*

“I mean these people are educated. They understand the issues, not just the software and the system, but they understand the practical application of that, the work setting.”

— *Head of finance, food service*

Analysis Of Costs

■ Quantified cost data as applied to the composite

Total Costs							
Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Itr	Subscription service fees	\$24,640	\$133,892	\$133,892	\$133,892	\$426,316	\$357,610
Jtr	Platform training time	\$23,282	\$0	\$11,254	\$10,868	\$45,404	\$40,748
	Total costs (risk-adjusted)	\$47,922	\$133,892	\$145,146	\$144,760	\$471,720	\$398,358

SUBSCRIPTION SERVICE FEES

Evidence and data. Executives told Forrester that they paid for isolated People Cloud based on a price per employee for each customer organization.

Modeling and assumptions. This cost assumes that the composite organization subscribes to the isolated People Cloud platform with participation from all of its 700 employees. The figure represents the ongoing annual cost for the subscription, as well as a standard upfront implementation or one-time fee.

Risks. The key factor that could cause organizations to have a different cost from the composite organization in this model is the number of people they employ.

To account for this risk, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$357,610.

Subscription Service Fees						
Ref	Metric	Calculation	Initial	Year 1	Year 2	Year 3
I1	Subscription service fees			\$121,720	\$121,720	\$121,720
I2	Implementation fee (one-time)		\$22,400			
It	Subscription service fees	I1+I2	\$22,400	\$121,720	\$121,720	\$121,720
	Risk adjustment	↑10%				
Itr	Subscription service fees (risk-adjusted)		\$24,640	\$133,892	\$133,892	\$133,892
Three-year total: \$426,316			Three-year present value: \$357,610			

PLATFORM TRAINING TIME

Evidence and data. Training time for the isolated People Cloud platform was minimal, especially for employees. Administrators who used the system regularly, i.e., employees in the HR and payroll departments, required about 4 hours of training to familiarize themselves with the system and how to use it for their needs. Of course, they learned the capabilities of the system in more detail as they worked with it more, but this formal training allowed them to do their job on the platform. For those 700 employees who were using the platform, the training was even easier. They spent 1 hour learning how to log on, how to check on their employee data, and how to perform key tasks such as entering time or participating in training modules.

Modeling and assumptions. For this cost, Forrester assumes:

- Four members of the HR team require a half day of formal training to learn the key features of the system. This requires that they each spend 1 additional hour on training every other year as new capabilities are introduced.

- All employees will require an introduction to the platform that typically lasts 1 hour. This introduction details both how to access the platform to look at employees' own information and how to use it to engage with the organization as a whole. Additional training time of 0.5 hours per employee are included in Years 2 and 3 to cover new employee training and incumbent employee introduction to new capabilities.
- The HR team members are paid \$68,000 per year, plus 35% in benefits, while the average fully loaded hourly wage across the organization is \$27.00.

Risks. Other organizations may experience a different order of magnitude on these costs if they:

- Pay their employees differently.
- Find that their employees need substantially more or less time to be introduced to and start using the isolated People Cloud.

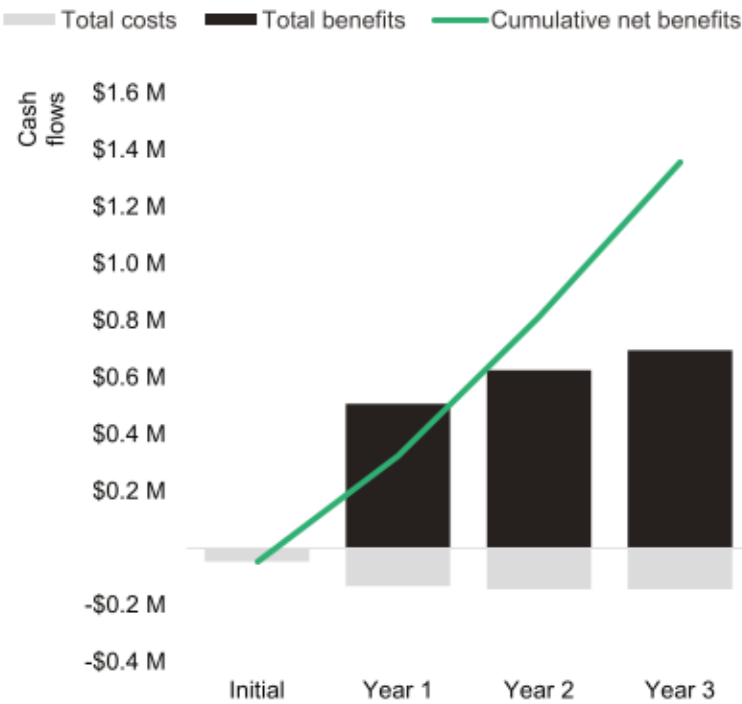
To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year, risk-adjusted total PV of \$40,748.

Platform Training Time						
Ref	Metric	Source	Initial	Year 1	Year 2	Year 3
J1	User training for administrators	Initial: 4 hours*4 people \ All years: 1 hour*4 people	16	0	4	0
J2	Administrator fully loaded wage	\$68,000+35%/1,092 hours	\$84.07	\$84.07	\$84.07	\$84.07
J3	User training for end-users	Initial: 1 hour*700 users Years 2 and 3: 0.5 hours*700 employees	700	0	350	350
J4	Worker hourly wages	\$20+35%	\$27.00	\$27.00	\$27.00	\$27.00
Jt	Platform training time	(J1*J2)+(J3*J4)	\$20,245	\$0	\$9,786	\$9,450
	Risk adjustment	↑15%				
Jtr	iPlatform training time (risk-adjusted)		\$23,282	\$0	\$11,254	\$10,868
Three-year total: \$45,404			Three-year present value: \$40,748			

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 Analysis (Risk-Adjusted)						
	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$47,922)	(\$133,892)	(\$145,146)	(\$144,760)	(\$471,720)	(\$398,358)
Total benefits	\$0	\$508,252	\$626,718	\$695,488	\$1,830,457	\$1,502,526
Net benefits	(\$47,922)	\$374,113	\$481,325	\$550,481	\$1,357,997	\$1,104,168
ROI						277%
Payback period)						<6 months

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.

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