

FORRESTER®

The Total Economic Impact™ Of ADP Global Payroll

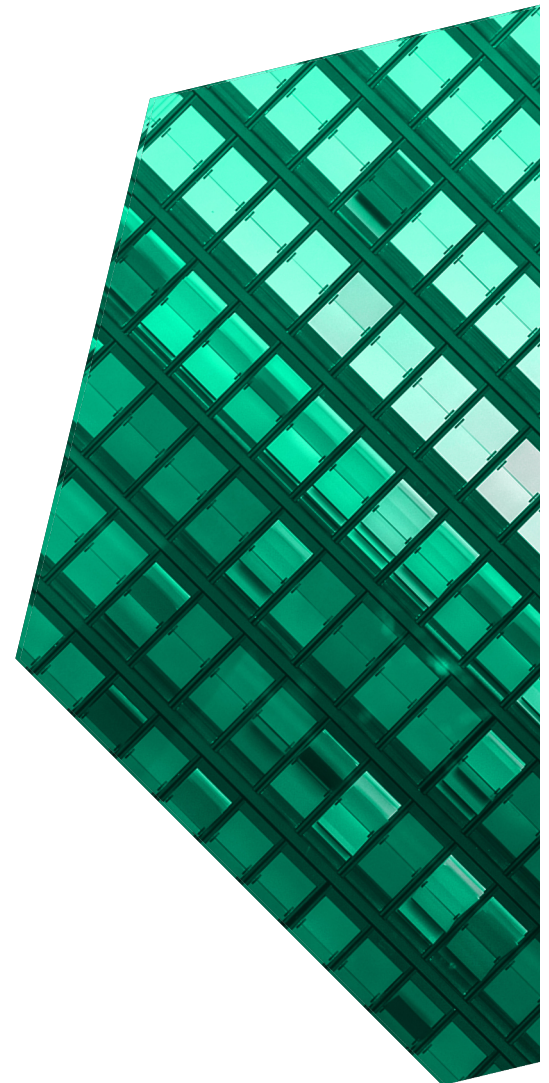
Cost Savings And Business Benefits
Enabled By ADP Global Payroll

AUGUST 2023

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ABOUT FORRESTER CONSULTING

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Executive Summary

Payroll is a key function in all organizations — and it's crucial to get it right. For many firms with a global presence, conducting payroll internationally is a complex process, exacerbated by ever-changing regulatory requirements and local legislation that can be difficult to keep abreast of. ADP Global Payroll is a scalable solution for multicountry payroll to ensure consistent, quality payroll that keeps organizations compliant no matter where they operate.

ADP Global Payroll is a scalable, unified platform that streamlines payroll processes across an organization's international footprint. The solution enables organizations to increase compliance, reduce costs, and improve efficiency, as well as bring all data into a single consolidated view.

ADP commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying ADP Global Payroll.¹ The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of ADP Global Payroll on their organizations. This study is an update to a TEI that ADP commissioned in 2020.²

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed five representatives at four organizations with experience using ADP Global Payroll. For the purposes of this study, Forrester aggregated the

For small countries, ADP Global Payroll increased payroll efficiency by up to

75%



KEY STATISTICS



Return on investment (ROI)
131%



Net present value (NPV)
\$6.80M

interviewees' experiences and combined the results into a single composite organization which is a global multibillion-dollar organization with around 24,000 employees and a global market presence in 20 countries across the North American, EMEA, Asia Pacific (APAC), and Latin America (LATAM) regions.

Prior to using ADP Global Payroll, these interviewees noted how their organizations had multiple non-integrated payroll solutions formed by a mixture of local vendors and in-house legacy systems. However, this yielded limited success, leaving them with high costs, unreliable data, and inefficient payroll processes that were subject to high-risk exposure in some places.

After the investment in ADP Global Payroll, the interviewees reported having global payroll coverage through a single consolidated vendor. Key results from the investment include avoidance of costs related to noncompliance and payroll process efficiency gains.

KEY FINDINGS

Quantified benefits. Three-year, risk-adjusted present value (PV) quantified benefits for the composite organization include:

- **Compliance cost avoidance of \$6.64 million.** ADP Global Payroll provided the composite organization with the capabilities to decrease its risk exposure, particularly within its smaller markets where localized expertise is expensive and hard to acquire. ADP enables the composite organization to ensure it is payroll compliant, which saves it from compliance fines.
- **Payroll process efficiency gains for countries with less than 1,000 employees amounting to \$2.31 million.** Prior to adopting ADP as an enterprisewide global solution, the composite organization's payroll was a complex process managed by a mixture of in-house employees and third parties. This was expensive and difficult to manage due to the multiple vendors involved and the effort to retrieve data from disparate sources which then became unreliable. Vendor consolidation through ADP Global Payroll enables the composite organization to streamline processes and make efficiency gains of up to 75%.
- **Gains for larger countries with more than 1,000 employees amounting to \$916,000.** Similarly, ADP Global Payroll enables efficiency gains for the larger countries where the composite organization employs more than 1,000 employees; however, as payroll processes and systems are more established in the larger countries, the efficiency gains are lower than in the countries with a smaller employee headcount, though still significant.
- **Direct cost avoidance from the removal of legacy systems of \$2.14 million.** The adoption of ADP Global Payroll enables system

harmonization across the composite organization's international markets and, in doing so, leads to the removal of all legacy payroll systems and other third-market vendors that manage individual local payroll.

Unquantified benefits. Benefits that provide value for the interviewees but are not quantified in this study include:

- **ADP's ability to meet high-level cybersecurity requirements.** Interviewees shared that ADP met challenging demands around cybersecurity requirements both during implementation and ongoing service. This was particularly important for the financial services and consumer goods interviewees.
- **Increased accuracy and reliability.** ADP's Global Payroll technology, as well as their integration and compatibility with HCM systems, assured the interviewees' organizations of the accuracy and reliability of payroll data. This reinforced the interviewees' confidence in their ability to provide employees with the correct pay and relevant authorities with accurate data.
- **Improved employee experience.** The executive director of enterprise business services strategy from the aerospace and defense industry shared that ADP Global Payroll provided a consistent employee experience, which has received a lot of praise.
- **Increased transparency and business insights.** Interviewees shared that ADP Global Payroll provided them with a level of data that enabled their organizations to glean good business insights to make informed, data-driven decisions.

Costs. Three-year, risk-adjusted PV costs for the composite organization include:

- **Implementation fees and costs.** These fees are comprised of a fixed upfront fee based on the

EXECUTIVE SUMMARY

local footprint (number of employees), as well as the internal resource effort required, typically spanning payroll, IT, and project management.

- **Ongoing costs.** Ongoing fees payable to ADP are reflective of the monthly license fee based on the number of employees.

The representative interviews and financial analysis found that a composite organization experiences benefits of \$12.01 million over three years versus costs of \$5.20 million, adding up to a net present value (NPV) of \$6.80 million and an ROI of 131%.



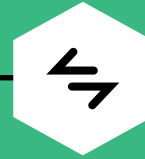
ROI
131%



BENEFITS PV
\$12.01M

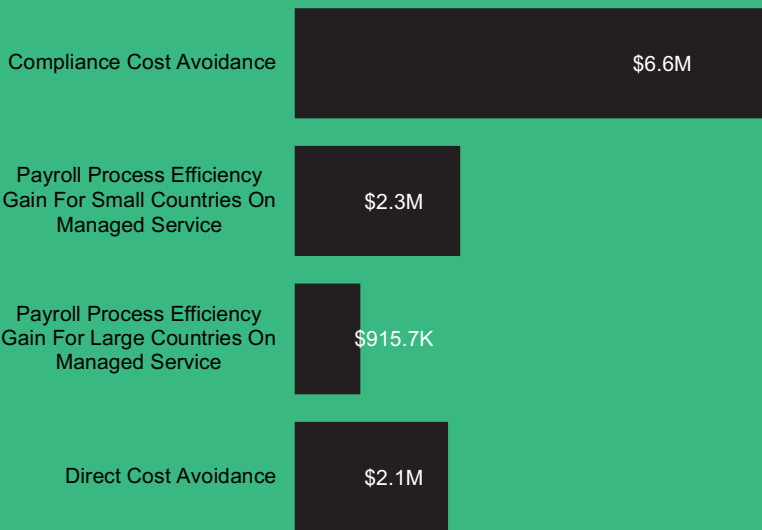


NPV
\$6.80M



PAYBACK
14 months

Benefits (Three-Year)



“Since using ADP, we have the most vocal recognition from our CHRO [chief human resources officer], especially as payroll historically has been within finance not HR. In fact, we got a standing ovation from our CHROs within the business, and we’ve had significant positive feedback coming in from our business leaders.”

— Executive director, enterprise business services strategy, aerospace and defense

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 ADP Global Payroll.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that ADP Global Payroll can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by ADP and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the study to determine the appropriateness of an investment in ADP Global Payroll.

ADP reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

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



DUE DILIGENCE

Interviewed ADP stakeholders and Forrester analysts to gather data relative to ADP Global Payroll.



INTERVIEWS

Interviewed five representatives at organizations using ADP Global Payroll to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewees' 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 interviewees.



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 ADP Global Payroll Customer Journey

■ Drivers leading to the Global Payroll investment

Interviews			
Role	Industry	Region; ADP Coverage	Size
<ul style="list-style-type: none"> Senior director HR technology and employee experience Senior director global partner operations 	Consumer goods	Worldwide; 20 countries	80,000 to 85,000 employees
Executive director, enterprise business services strategy	Aerospace and defense	Worldwide; 55 countries	180,000 employees
SVP, business control manager vendor management (third-party governance)	Financial services	Worldwide; 35 countries	210,000 employees
Head of HR shared service operations	Pharmaceutical and medical device	Worldwide; ~50 countries	24,000 employees

KEY CHALLENGES

The interviewees noted how their organizations struggled with common challenges, including:

- A complex landscape of payroll solutions and providers.** All the interviewees' organizations had multiple payroll solutions across their geographical footprints, which were managed by a mixture of local vendors and in-house legacy systems. Their goal was to reduce their vendor footprint and consolidate their payroll processes via a standardized solution that integrated with their human capital management (HCM) systems.
- Disjointed systems and lack of data unification.** The interviewees' multitude of payroll systems created an overall disjointed view that hampered their ability to leverage global, accurate data while driving process management complexity. The interviewees' organizations needed the consistency and reliability provided by a single solution for a holistic view of global payroll reports and dashboards that could help simplify strategic decision-making.
- Inconsistent compliance and risk mitigation.** Poor local knowledge of local regulations and laws presented a silent — albeit important —

“It was quite challenging to have real, consistent data for the pay runs every month. When looking for fluctuations over months, it was difficult to access, gather, and monitor data. With ADP, we expect the dashboards to do that.”

Senior director global partner operations, consumer goods

challenge for the interviewees' organizations, especially in smaller, emerging markets with evolving regulations. The interviewees noted their organizations needed a trusted partner with an up-to-date, nuanced knowledge/expertise of local regulations to reduce compliance risks.

SOLUTION REQUIREMENTS

The interviewees' organizations searched for a solution that could:

- Provide global and harmonized coverage for different countries with different needs and regulations.
- Give them confidence in meeting local payroll regulations and compliance.
- Meet information security requirements for business-critical data as well as personal data.

COMPOSITE ORGANIZATION

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

Description of composite. For this study, the composite organization is larger and more complex than one modeled in a previous TEI study ADP commissioned in 2020.³ The composite organization is a global multibillion-dollar organization which has around 24,000 employees and a global market presence in 20 countries as detailed in the table on the next page. Prior to adopting ADP Global Payroll, the company had multiple non-integrated payroll systems managed by a mix of in-house and third-party vendors across its international market footprint. The organization has an enterprisewide HCM system.

Deployment characteristics. The organization has global operations as shown in the table on the next page, which also details the timing of implementation and the number of employees per country. Globally, the composite organization uses an HCM platform that has pre-integrations with ADP's Global Payroll solution.

 THE ADP GLOBAL PAYROLL CUSTOMER JOURNEY

Implementation Year	Office	Region	Number Of Employees
Y0	US HQ	North America	12,000
Y0	UK	EMEA	6,000
Y0	Germany	EMEA	2,000
Y0	France	EMEA	2,000
Y0	Spain	EMEA	410
Y0	Sweden	EMEA	210
Y1	Belgium	EMEA	100
Y1	Ireland	EMEA	110
Y1	Portugal	EMEA	40
Y1	Hungary	EMEA	55
Y1	Netherlands	EMEA	120
Y2	UAE	EMEA	75
Y2	Egypt	EMEA	35
Y2	Nigeria	EMEA	35
Y2	Mexico	LATAM	200
Y2	Venezuela	LATAM	50
Y2	Argentina	LATAM	23
Y2	China	APAC	500
Y2	South Korea	APAC	40
Y2	Japan	APAC	125

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	Compliance cost avoidance	\$1,012,500	\$2,418,750	\$4,950,000	\$8,381,250	\$6,638,430
Btr	Payroll process efficiency gain for small countries on managed service	\$257,799	\$929,364	\$1,743,557	\$2,930,720	\$2,312,392
Ctr	Payroll process efficiency gain for large countries on managed service	\$358,054	\$368,795	\$379,859	\$1,106,708	\$915,687
Dtr	Direct cost avoidance	\$799,083	\$842,688	\$953,804	\$2,595,575	\$2,139,482
	Total benefits (risk-adjusted)	\$2,427,435	\$4,559,598	\$8,027,220	\$15,014,253	\$12,005,991

COMPLIANCE COST AVOIDANCE

Evidence and data. The interviewees noted that the growth of payroll complexity as a result of frequently changing regulations was a key driver for their organizations to invest in a solution that gave them confidence in their compliance with changing regulatory requirements. As every country had its own fiscal and financial obligations, processes, and procedures, keeping up-to-date records and ensuring systems comply with local legislation was a significant undertaking, requiring high effort and ongoing vigilance — especially in smaller, more nuanced markets. Interviewees shared that ADP Global Payroll minimized their organizations’ risk exposure, particularly within their smaller markets, to increase their payroll compliance.

- Interviewees noted that ADP’s global coverage and expertise instilled confidence in their ability to be compliant with local payroll regulations, saving their organizations millions due to unknown exposure.
- Interviewees shared that, as ADP keeps abreast of new and adjusted legislation per country, the solution consistently enables them to meet their

“When we consolidated these local solutions country by country, ADP found and resolved many compliance issues – it was by far our biggest win as the company was exposed in so many places that we were unaware of.”

Executive director, enterprise business services strategy, aerospace and defense

regulatory obligations to prevent noncompliance and exposure from re-occurring.

- Having a handle on regulatory requirements ensured the interviewees’ organizations processed accurate data for both the employees’ paychecks and respective authorities.

Modeling and assumptions. Forrester assumes the following for the composite organization:

ANALYSIS OF BENEFITS

- The composite's biggest benefit from using ADP Global Payroll is compliance cost avoidance.
- Low risk exposure in large countries (those with more than 1,000 employees) results in an on-time compliance rate pre-ADP of 90%.
- High risk exposure in small countries (those with less than 1,000 employees) results in an on-time compliance rate pre-ADP of 50%.
- An average penalty for organizations for noncompliance of \$15 million a year.

Risks. The degree to which organizations will benefit from compliance cost avoidance depends on the size

of the country. Compliance in large countries is much more attainable than in small countries. Payroll in countries with low headcount had high risk exposure.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$6.64 million.

Compliance Cost Avoidance

Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Number of implemented entities (large countries)	Composite	4	4	4
A2	On-time compliance rate pre-ADP (large countries)	Composite	90%	90%	90%
A3	On-time compliance rate with ADP (large countries)	Interviews	100%	100%	100%
A4	On-time compliance rate improvement with ADP (large countries)	A3-A2	10%	10%	10%
A5	Average compliance penalty fee (large country)	Assumption	\$1,250,000	\$1,250,000	\$1,250,000
A6	Subtotal: Compliance cost avoidance (large countries)	A1*A4*A5	\$500,000	\$500,000	\$500,000
A7	Number of implemented entities (small countries)	Composite	2	7	16
A8	On-time compliance rate pre-ADP (small countries)	Composite	50%	50%	50%
A9	On-time compliance rate with ADP (small countries)	Interviews	100%	100%	100%
A10	On-time compliance rate improvement with ADP (small countries)	A9-A8	50%	50%	50%
A11	Average compliance penalty fee (small countries)	Assumption	\$625,000	\$625,000	\$625,000
A12	Subtotal: Compliance cost avoidance (small countries)	A7*A10*A11	\$625,000	\$2,187,500	\$5,000,000
At	Compliance cost avoidance	A6+A12	\$1,125,000	\$2,687,500	\$5,500,000
	Risk adjustment	↓10%			
Atr	Compliance cost avoidance (risk-adjusted)		\$1,012,500	\$2,418,750	\$4,950,000
Three-year total: \$8,381,250			Three-year present value: \$6,638,430		

PAYROLL PROCESS EFFICIENCY GAIN FOR SMALL COUNTRIES ON MANAGED SERVICE

Evidence and data. For many of the interviewed decision-makers, payroll required high levels of manual effort, particularly in the countries that had a small number of employees. The adoption of ADP Global Payroll enabled the interviewees' organizations to streamline their payroll processes and significantly ease workload for payroll teams.

- Interviewees highlighted that their investment in ADP Global Payroll on a managed service enabled them to move the administrative burden of payroll to ADP. Complex and labor-intensive tasks, such as ensuring data accuracy of employees' time and attendance, promotions, lateral moves, and pay increases, were now outsourced and automated.
- Many of the interviewees noted their organizations' legacy environment included a mixture of in-house and third-party management of payroll. Interviewees shared the sentiment that this model was difficult to keep on top of and extremely expensive as specialist knowledge could be hard to come by, especially within the smaller emerging markets. Leveraging ADP Global Payroll enabled vendor consolidation across markets and the removal of a single point of failure at a country-level.

Modeling and assumptions. Forrester assumes the following for the composite organization:

- A team of three FTEs managed the payroll effort on the legacy platform.
- After the implementation of ADP, there is a reduction of effort by 75% on average.

Risks. The degree to which organizations will benefit from payroll process efficiency gains for small countries depends on the following variables:

- Localized salary amounts for payroll per region. Forrester has used local salary information based

“Using ADP’s platform, we typically see a 50% to 75% efficiency gain.”

Executive director, enterprise business services strategy, aerospace and defense

on TEI standards with a 3% year-on-year increase from the 2020 ADP TEI.⁴

- The extent to which the legacy environment had manual practices for payroll.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$2.31 million.

Payroll Process Efficiency Gain For Small Countries On Managed Service					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Number of small EMEA countries implemented	Composite	2	7	10
B2	Number of small APAC countries implemented	Composite	0	0	3
B3	Number of small LATAM countries implemented	Composite	0	0	3
B4	Average EMEA salary	TEI standard	\$63,654	\$65,564	\$67,531
B5	Average APAC salary	TEI standard	\$37,132	\$38,246	\$39,393
B6	Average LATAM salary	TEI standard	\$21,218	\$21,855	\$22,510
B7	Average number of payroll employees per country pre-ADP (small countries)	Composite	3	3	3
B8	Reduction in effort	Interviews	75%	75%	75%
Bt	Payroll process efficiency gain for small countries on managed service	$((B1*B4)+(B2*B5)+(B3*B6))*B7*B8$	\$286,443	\$1,032,627	\$1,937,286
	Risk adjustment	↓10%			
Btr	Payroll process efficiency gain for small countries on managed service (risk-adjusted)		\$257,799	\$929,364	\$1,743,557
Three-year total: \$2,930,720			Three-year present value: \$2,312,392		

PAYROLL PROCESS EFFICIENCY GAIN FOR LARGE COUNTRIES ON MANAGED SERVICE

Evidence and data. Interviewees noted the efficiency gains for large countries (those with a headcount of more than 1,000 employees) were less significant compared to gains made in smaller countries as payroll processes in the prior environment were typically more advanced and well-established. Interviewees noted, however, the adoption of ADP Global Payroll still resulted in a reduction of effort and time savings, which enabled payroll staff to pivot to more strategic activity.

- The executive director of enterprise business services strategy from the aerospace and defense industry especially highlighted that moving to ADP Global Payroll enabled standardization and system harmonization across international markets. Having ADP as an enterprise-level solution and strategic partner was integral to ensuring efficient processes were in place to support large-scale payroll activity, such as integrations, mergers, and divestitures, that have taken place in countries with a high headcount.

- Similar to the previous benefit, the interviewed decision-makers shared that adopting ADP Global Payroll on a managed service meant that ADP took on the administrative burden of payroll, which enabled them to make efficiency gains that, on average, reduced effort by about 30%.

Modeling and assumptions. Forrester assumes that prior to adopting ADP Global Payroll, large countries had an average of five FTEs for payroll.

Risks. The degree to which organizations will benefit from payroll process efficiency gains for large countries depends on the differences in the legacy setup in different organizations.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$916,000.

Payroll Process Efficiency Gain For Large Countries On Managed Service					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Number of large North American countries implemented	Composite	1	1	1
C2	Number of large EMEA countries implemented	Composite	3	3	3
C3	Average North American salary	TEI standard	\$74,263	\$76,491	\$78,786
C4	Average EMEA salary	TEI standard	\$63,654	\$65,564	\$67,531
C5	Average number of payroll employees pre-ADP (per large country)	Composite	5	5	5
C6	Reduction in effort	Interviews	30%	30%	30%
Ct	Payroll process efficiency gain for large countries on managed service	$((C1 * C3) + (C2 * C4)) * C5 * C6$	\$397,838	\$409,773	\$422,066
	Risk adjustment	↓10%			
Ctr	Payroll process efficiency gain for large countries on managed service (risk-adjusted)		\$358,054	\$368,795	\$379,859
Three-year total: \$1,106,708			Three-year present value: \$915,687		

DIRECT COST AVOIDANCE

Evidence and data. Interviewees noted that the adoption of ADP Global Payroll across international operations directly resulted in the removal of the legacy payroll systems in place per country.

- Interviewees from the aerospace and defense, consumer goods, and financial services industries referred to the substantial cost savings made through retiring the former payroll systems they had in place.
- One interviewee shared that in choosing to consolidate and have a global enterprise payroll solution from ADP that integrated with their newly chosen, enterprisewide HCM solution, they removed 99 payroll systems and seven HR systems.

Modeling and assumptions. Forrester assumes the average license fee of the legacy payroll systems based on information provided in former interviews for the TEI of ADP Global Payroll, 2020.⁵

Risks. Although the adoption of ADP Global Payroll results in the removal of redundant payroll systems,

“We had 66 different ways of handling our payroll and it was not the right approach for us. We decided to go for a regional consolidation into a managed service model.”

Senior director HR technology and employee experience, consumer goods

the amount of savings acquired depends on the legacy license fee.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$2.14 million.

Direct Cost Avoidance					
Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	Legacy license fee per employee per month for large countries	Assumption	\$2.93	\$2.93	\$2.93
D2	Total number of employees applicable (large countries)	Composite	22,000	22,000	22,000
D3	Subtotal: Direct cost avoidance (large countries)	D1*12*D2	\$773,520	\$773,520	\$773,520
D4	Legacy license fee per employee per month for small countries	Assumption	\$9	\$9	\$9
D5	Total number of employees applicable (small countries)	Composite	620	1,045	2,128
D6	Subtotal: Direct cost avoidance (small countries)	(D4*12)*D5	\$66,960	\$112,860	\$229,824
Dt	Direct cost avoidance	D3+D6	\$840,480	\$886,380	\$1,003,344
	Risk adjustment	↓5%			
Dtr	Direct cost avoidance (risk-adjusted)		\$798,456	\$842,061	\$953,177
Three-year total: \$2,593,694			Three-year present value: \$2,137,923		

UNQUANTIFIED BENEFITS

Interviewees mentioned the following additional benefits that their organizations experienced but were not able to quantify:

- **Ability to meet high-level cybersecurity requirements.** Interviewees from both the financial services and consumer goods industries praised ADP's cybersecurity capabilities. The financial services interviewee shared that ADP met their challenging demands in regard to encryption, data transmission, and protection requirements, as well as network security. ADP's ability to do so made them become a strategic partner in this domain. Additionally, the consumer goods interviewee highlighted that ADP's enhanced firewalls, disaster recovery plan, and business continuity plan instilled confidence in ADP's cybersecurity capabilities.
- **Increased accuracy and reliability.** The interviewed decision-makers all highlighted the quality and reliability of the data managed by ADP, which has ensured that they are paying their employees and meeting their obligations to various governing bodies accurately and on time.
- **Improved employee experience.** The aerospace and defense interviewee shared the "consistent and optimized global employee experience" was a benefit gained from the adoption of ADP Global Payroll, which received a lot of positive feedback across their organization.
- **Increased transparency and business insights.** Interviewees shared that ADP Global Payroll provided access to a depth of data in an understandable way. For example, the consumer goods interviewee referenced the dashboard within ADP Global Payroll aided them in identifying trends and fluctuations in the data overtime. Such visibility also helped them determine challenges and opportunities within countries and across regions.

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement ADP Global Payroll and later realize additional uses and business opportunities, including:

ADP's innovation and flexibility to support customers' strategy and business goals. The decision-makers often referred to ADP as a strategic partner, who provided innovative solutions to challenges that arose in the pursuit of their business goals. For example, the executive director of enterprise business services strategy from the aerospace and defense industry mentioned ADP's innovation, sharing, "There is no way that [they would] be able to support the integrations, merger and acquisitions, and tax refunds as well as divestitures without having a standard enterprise solution and a partner that's willing to flex with us."

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

"With ADP, we have more transparency, more control and visibility."

Head of HR shared service operations, pharmaceutical and medical device

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
Etr	Implementation costs for large countries on managed service	\$1,556,553	\$0	\$0	\$0	\$1,556,553	\$1,556,553
Ftr	Implementation costs for small countries on managed service	\$47,110	\$118,915	\$158,157	\$0	\$324,181	\$285,922
Gtr	Ongoing license costs	\$0	\$1,181,448	\$1,307,418	\$1,603,997	\$4,092,863	\$3,359,661
	Total costs (risk-adjusted)	\$1,603,663	\$1,300,363	\$1,465,575	\$1,603,997	\$5,973,597	\$5,202,136

IMPLEMENTATION COSTS FOR LARGE COUNTRIES ON MANAGED SERVICE

Evidence and data. ADP Global Payroll serviced interviewees' organizations with large employee bases of 1,000 or more per country. Interviewees noted the implementation costs in these large markets were made up of two core components:

- There was a fixed implementation fee — an upfront cost payable to ADP at the time of implementation. The amount depended on the size and complexity of the business presence per country.
- There were internal resource requirements for the implementation of the platform. Based on the information gathered from interviewees, ADP Global Payroll took on average 12 months to implement with the opportunity to expedite if needed. Implementation typically required project management, payroll, and technology resources.

Modeling and assumptions. Forrester estimates the following for the composite organization:

- The composite organization has operations in four large markets: the US (12,000 employees), the UK (6,000 employees), France (2,000

employees), and Germany (2,000 employees). In all countries, the composite completes implementation before Year 1, at the beginning of which the solution becomes live.

- The fixed implementation fee for the composite organization averages \$284,000 per country.
- Calculations include fully burdened salaries of implementation personnel based on TEI standards.
- Implementation requires four FTE who are present at various stages of the implementation period.

Risks. The interviewees generally had very similar implementation periods; however, different organizations have unique environments that can impact the level of internal effort required for implementation. The following factors could impact the time spent and costs associated with planning and implementation:

- The optimization of an organization's tech stack.
- The agility and pace at which organizations move when implementing a new tool.
- The average hourly rate of the organization's core and support team members.

ANALYSIS OF COSTS

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$1.56 million.

Implementation Costs For Large Countries On Managed Service						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Number of countries — North America	Composite	1			
E2	Number of countries — EMEA	Composite	3			
E3	Project manager fully burdened salary	TEI standard	\$135,000			
E4	Average number of project management resource (FTE)	Interviews	1.4			
E5	Average project management effort required for duration of implementation	Interviews	100%			
E6	Subtotal: Project management resource cost	$(E3 * E4 * E5)$	\$189,000			
E7	Payroll manager fully burdened salary — North America	TEI standard	\$74,263			
E8	Payroll manager fully burdened salary — EMEA	TEI standard	\$63,654			
E9	Average number of payroll resource (FTE per country)	Interviews	1			
E10	Average payroll effort required for duration of implementation	Interviews	25%			
E11	Subtotal: Payroll management resource cost	$((E1 * E7) + (E2 * E8)) * E9 * E10$	\$66,306			
E12	Tech lead fully burdened salary	TEI standard	\$182,250			
E13	Average number of technical resource (FTE)	Interviews	1			
E14	Average technical assistance needed for duration of implementation	Interviews	50%			
E15	Subtotal: Tech lead resource cost	$E12 * E13 * E14$	\$91,125			
E16	Average fixed implementation fee for large countries per country	ADP	\$284,000			
Et	Implementation costs for large countries on managed service	$(E6 + E11 + E15) + (E16 * (E1 + E2))$	\$1,482,431	\$0	\$0	\$0
	Risk adjustment	↑5%				
Etr	Implementation costs for large countries on managed service (risk-adjusted)		\$1,556,553	\$0	\$0	\$0
Three-year total: \$1,556,553			Three-year present value: \$1,556,553			

IMPLEMENTATION COSTS FOR SMALL COUNTRIES ON MANAGED SERVICE

Evidence and data. ADP Global Payroll serviced interviewees' organizations with small employee bases of 1,000 or less per country.

Similar to the implementation costs for large countries, the interviewees' costs were comprised of two core elements:

- A fixed implementation fee, which varied by the number of employees, region, and legacy environment.
- The internal resource requirements to implement the platform, which typically included project management, payroll, and IT resources required across the span of an average of three months.

Modeling and assumptions. Forrester estimates the following for the composite organization:

- The composite organization has operations in 16 countries, which are deployed in a phased approach across the initial implementation and Years 1 and 2.
- Calculations include fully burdened salaries of implementation personnel based on TEI standards.
- Implementation requires three FTE who are present at various stages of the implementation period.

Risks. As with the large implementations, smaller-scale implementations also happen within unique environments that can impact the level of internal effort required for implementation. The following factors could impact the time spent and costs associated with planning and implementation:

- The impact of the legacy platforms, structures, and setups.
- The agility and pace at which organizations move when implementing a new tool.

- The average hourly rate of the organization's core and support team members.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of \$286,000.

ANALYSIS OF COSTS

Implementation Costs For Small Countries On Managed Service						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	Number of countries EMEA	Composite	2	5	3	
F2	Number of countries APAC	Composite	0	0	3	
F3	Number of countries LATAM	Composite	0	0	3	
F4	Fixed implementation fees — EMEA	ADP	\$30,400	\$76,000	\$45,600	
F5	Fixed implementation fees — APAC	ADP	\$0	\$0	\$42,900	
F6	Fixed implementation fees — LATAM	ADP	\$0	\$0	\$18,000	
F7	Project management effort (hours per country)	Interviews	50	50	50	
F8	Payroll support effort (hours per country)	Interviews	50	50	50	
F9	IT support effort (hours per country)	Interviews	100	100	100	
F10	Average salary — EMEA (hourly)	TEI standard	\$36.17	\$37.25	\$38.37	
F11	Average salary — APAC (hourly)	TEI standard	\$21.10	\$21.73	\$22.38	
F12	Average salary — LATAM (hourly)	TEI standard	\$12.06	\$12.42	\$12.79	
Ft	Implementation costs for small countries on a managed service	$(F1*(F7+F8+F9)*F10)+$ $(F2*((F7+F8+F9)*F11))+$ $(F3*((F7+F8+F9)*F12))+(F4+F5+F6)$	\$44,867	\$113,252	\$150,625	\$0
	Risk adjustment	↑5%				
Ftr	Implementation costs for small countries on a managed service (risk-adjusted)		\$47,110	\$118,915	\$158,157	\$0
Three-year total: \$324,181			Three-year present value: \$285,922			

ANALYSIS OF COSTS

ONGOING LICENSE COSTS

Evidence and data. ADP Global Payroll has ongoing license fees that the interviewees paid on a monthly basis. Pricing is based on the organization's geographical footprint and the number of employees to be processed through payroll.

Both large and small countries have a fixed license fee per month.

Modeling and assumptions. Calculations are based on ADP's regional pricing and reflective of the characteristics of the composite organization. For the composite organization, large countries have a monthly license fee of \$3.91 per employee, whereas small countries have a license fee of \$18.30 per employee, per month. Note, pricing may vary. Contact ADP for additional details.

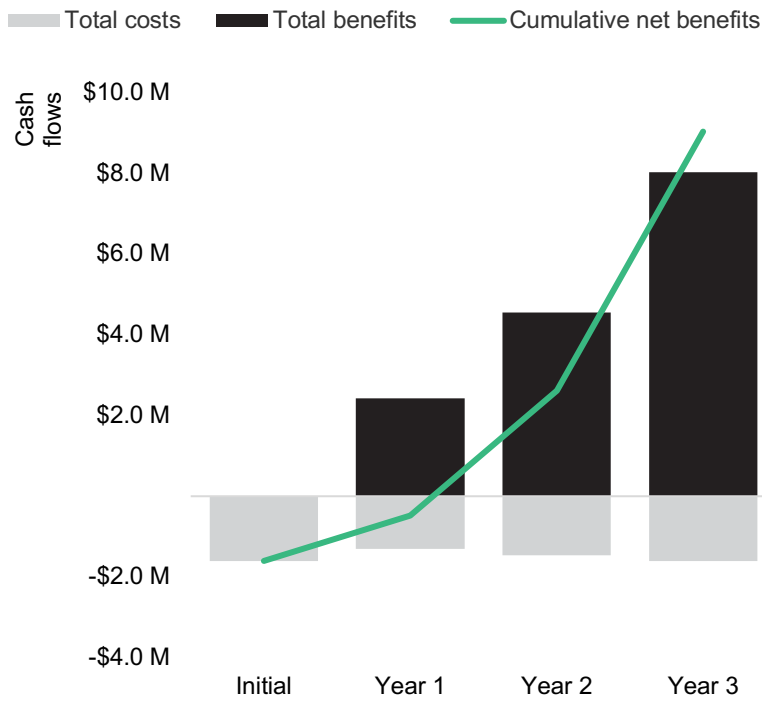
Risks. Organizations' geographical footprint differs from one company to another, so final pricing can vary.

Results. Forrester adjusted this cost upward by 0%, as this is the exact cost breakdown for the composite organization, yielding a three-year, risk-adjusted total PV of \$3.36 million.

Ongoing License Costs						
Ref	Metric	Source	Initial	Year 1	Year 2	Year 3
G1	Number of employees on payroll (large countries) — North America	Composite		12,000	12,000	12,000
G2	Number of employees on payroll (large countries) — EMEA	Composite		10,000	10,000	10,000
G3	License fee per employee per month (large countries)	ADP		\$3.91	\$3.91	\$3.91
G4	Number of employees on payroll (small countries) — EMEA	Composite		620	1,045	1,190
G5	Number of employees on payroll (small countries) — APAC	Composite		0	0	665
G6	Number of employees on payroll (small countries) — LATAM	Composite		0	0	273
G7	License fee per employee per month (small countries)	ADP		\$18.30	\$18.30	\$18.30
G8	Fixed license per month (small countries)	ADP		\$1,088	\$3,808	\$8,704
Gt	Ongoing license costs	$((G1+G2)*(G3*12))+((G4+G5+G6)*(G7*12))+G8*12$	\$0	\$1,181,448	\$1,307,418	\$1,603,997
	Risk adjustment	0%				
Gtr	Ongoing license costs (risk-adjusted)		\$0	\$1,181,448	\$1,307,418	\$1,603,997
Three-year total: \$4,092,863				Three-year present value: \$3,359,661		

Financial Summary

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 Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$1,603,663)	(\$1,300,363)	(\$1,465,575)	(\$1,603,997)	(\$5,973,597)	(\$5,202,136)
Total benefits	\$0	\$2,427,435	\$4,559,598	\$8,027,220	\$15,014,253	\$12,005,991
Net benefits	(\$1,603,663)	\$1,127,073	\$3,094,023	\$6,423,223	\$9,040,656	\$6,803,855
ROI						131%
Payback						14 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.

Appendix B: Endnotes

¹ 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.

² Source: "The Total Economic Impact™ Of ADP Global Payroll," a commissioned study conducted by Forrester Consulting on behalf of ADP, October 2020.

³ Ibid.

⁴ Source: "The Total Economic Impact™ Of ADP Global Payroll," a commissioned study conducted by Forrester Consulting on behalf of ADP, October 2020.

⁵ Ibid.

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