

The Total Economic Impact™ Of Culture Amp

Cost Savings And Business Benefits Enabled By Culture Amp

A FORRESTER TOTAL ECONOMIC IMPACT STUDY
COMMISSIONED BY Culture Amp, FEBRUARY 2024



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ABOUT FORRESTER CONSULTING

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Executive Summary

Robust employee engagement, effective performance management, and continuous professional development are critical drivers of a thriving workforce, which in turn powers a thriving enterprise. Employee experience and people analytics platforms are vital tools for offering a comprehensive approach to these fundamental areas, and they play a pivotal role in shaping workplace values and culture that meet the dynamic expectations of today's workforce and align with enterprise objectives. Optimizing these crucial aspects will boost productivity, enhance talent retention, and offer other organizational efficiencies that contribute to sustained organizational success.

[Culture Amp](#) is an employee experience and people analytics platform that provides tools for organizations to measure, analyze, and improve employee engagement, company culture, and employee performance. The platform offers survey and feedback tools with professional guidance and support based on industrial and organizational psychology — a discipline Culture Amp refers to as “people science.”

The platform has more than 1.1 billion data points collected from companies around the world, which activates actionable insights backed by people science. Based on these insights, Culture Amp embeds the most impactful leadership habits into workflows to drive performance reviews, goals, one-on-one meetings between managers and employees, and development plans. Forrester Research shows that solutions like Culture Amp that can scale an organization's culture, values, and inclusion can enable and empower employees to drive performance.¹



Return on investment (ROI)

311%



Net present value

\$2.30M

Culture Amp commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Culture Amp.² The purpose of this study is to provide readers with a

framework to evaluate the potential financial impact of Culture Amp on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four representatives with experience using Culture Amp. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single [composite organization](#) that has revenue of \$500 million per year and 3,000 employees.

Interviewees said that prior to using Culture Amp, their organizations used disparate HR information systems (HRIS) and manual processes around employee engagement, performance management, and development programs. This approach had little impact and contributed minimally to the organizations' strategic goals. They had inconsistent adherence to methods and compliance, and the interviewees noted that many employees did not fully participate in these efforts. HR teams struggled to extract value from inefficient engagement measurement and analysis, performance management cycles, and the development and delivery of learning and development content. These limitations led to unproductive efforts supporting legacy solutions and procedures, a lack of transparency and insights about actual employee experience, elevated attrition levels, and a general impediment to the optimization of business outcomes.

After the investment in Culture Amp, the interviewees observed improvements in employee engagement, reduced absences and attrition, and time savings for HR teams and managers. Key results from the investment include notable improvements in business outcomes, including more efficient delivery of products and services, cost savings, and revenue boosts resulting in overall profitability enhancements.

KEY FINDINGS

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

- **Boosted profitability by \$963,000** . Increasing employee engagement leads to a better customer experience for the composite organization, which leads to increased sales and more efficient employees. This enhances its profitability from a boost to revenue as well as reduced costs.

- **Reduced attrition costs by \$1.2 million.** Increasing employee engagement also improves the composite organization's employee retention, which reduces attrition rates and mitigates costs associated with replacing employees, including offboarding costs, recruitment and staffing fees, and lost productivity.
- **Improved manager productivity worth \$655,000.** The performance management and development tools enable the composite organization's managers to more efficiently lead and coach teams.
- **Improved HR productivity worth \$191,000.** The composite organization's HR and learning and professional development teams save time on survey creation and reporting, the development and delivery of learning content, and performance management processes.

Increased profitability from improved engagement

\$963,000

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

- **Enriched strategic insights.** The timely, rich data and analytics provided by Culture Amp are key to optimizing competitiveness and unlocking additional value from the workforce.
- **Improved leadership development.** Culture Amp enhances the ability to identify and develop leaders and avoid skill gaps and other problems that can contribute to low engagement and poor employee retention.
- **More effective advocacy of diversity, equity, and inclusion (DEI) values.** Culture Amp enables identification and support of DEI objectives and the attainment of additional value from a larger, more skilled talent pool, lower attrition, stronger brand, more customers, and better performance.

- **Support of sustainability initiatives.** Culture Amp aligns with and helps amplify an organization's commitment to sustainability objectives.

“People are very engaged [and] can be at their best when they are engaged. They can perform better, and that makes the business more successful.”

PEOPLE AND CULTURE DIRECTOR, INTERNET RETAIL

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

- **License fees.** Culture Amp license fees are based on module subscriptions and the number of employees. The composite organization pays \$627,000 over three years.
- **Implementation and training.** Some internal effort is involved in implementing the Culture Amp platform, and employees spend some time familiarizing themselves with the solution. This cost totals \$112,000.

The representative interviews and financial analysis found that a composite organization experiences benefits of \$3.04 million over three years versus costs of \$739,000, adding up to a net present value (NPV) of \$2.30 million and an ROI of 311%.



ROI

311%



BENEFITS PV

\$3.04M



NPV

\$2.30M

Benefits (Three-Year)

Increased profitability from improved engagement



\$963.2K

Reduced attrition costs



\$1.2M

Increased productivity of managers



\$654.7K

Increased productivity of HR team



\$190.7K

Employee engagement increase: 4% to 20%

Attrition rate reduction: 5%

Manager time savings for coaching and performance management: 20%

HR team time savings for employee survey, learning and development, and performance management processes: 20%

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 Culture Amp.

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 Culture Amp can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Culture Amp 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 Culture Amp.

Culture Amp 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.

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

1. Due Dilligence

Interviewed Culture Amp stakeholders and Forrester analysts to gather data relative to Culture Amp.

2. Interviews

Interviewed four representatives at organizations using Culture Amp to obtain data about costs, benefits, and risks.

3. Composite Organization

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

4. 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.

5. 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 Culture Amp Customer Journey

Drivers leading to the Culture Amp investment

| Interviews | | | | |
|--|-------------------|---------------|---------------|-----------|
| Role | Industry | Region | Revenue | Employees |
| People and culture director | Internet retail | Europe | \$570 million | 1,200 |
| Vice president of learning and development | Telecommunication | North America | \$370 million | 3,200 |
| Vice president of people and culture | Hospitality | North America | \$190 million | 3,100 |
| Learning and development manager | Utility | Europe | \$140 million | 400 |

KEY CHALLENGES

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

- **Avoidable attrition.** Interviewees discussed problems with employee attrition and a need to alleviate attrition that was unnecessarily high. Elevated turnover was detrimental, not only due to the employee replacement costs, but also due to the loss of institutional knowledge as skilled and experienced employees left and the organizations struggled to understand why. The vice president of learning and development at a hospitality organization said: “The attrition of our company was huge. ... Annualized attrition was probably close to 200%, so [we were] hiring a lot of people as quickly as we could just to keep the day-to-day operations.”
- **Lack of value from legacy engagement, performance, and development tools.** Prior efforts to collect and interpret data related to employee engagement and performance involved excessive manual efforts and partial compliance, and they were lacking in terms of insights and value delivered. This created challenges in identifying areas that need improvement and making informed decisions.

The vice president of people and culture at the hospitality organization said: “We saw at that time a need to have an anonymous survey to ensure that we’re hopefully getting the most honest and truthful information and some sort of system or tool that’s going to help us really analyze that data and look for those key drivers that can help us determine where gaps or opportunities are in the business ... [and] the strength of the business so we can continue to lean into those programs. ... We knew that as we continue to grow, that qualitative data that we were getting verbally wasn’t going to be enough.”

The interviewee said there was a need to understand what employees required during a time of sweeping change: “[My organization] was at the final stages of the transformation from a print business to a digital tech business. We have gone through a lot of change. ... [My organization] was very much run like a mom-and-pop kind of shop. ... [There were] not a lot of decision-makers in the organization, and employee engagement was not on the radar. ... There was no focus on talent development ... and no system to capture documentation on coaching. Coaching at all levels was very unstructured, very sporadic, and didn’t produce any results ... and it definitely was not producing any type of value.”

The manager lamented muddled manual processes: “The whole receiving of paper and performance and development reviews at year end, chasing people for ratings, waiting for final numbers coming in so that they could produce a report that could go to the board — that was all done manually on spreadsheets, which is quite dangerous as a business because we all know [spreadsheets] can disappear from time to time. The end-of-year bonus [cycle] was a nightmare for them.”

SOLUTION REQUIREMENTS/INVESTMENT OBJECTIVES [OPTIONAL]

The interviewees’ organizations searched for a solution that could allow them to:

- Identify and monitor progress on engagement and cultural KPIs that truly matter to employees.
- Gather real-time reporting without the delay or hindrance of relying upon vendor-dependent analysis.
- Understand underlying causes of attrition and improve retention.

- Optimize the value of human capital.

“We want to understand how people are feeling, we want to hear their feedback, and we want to have a system that helps us develop and engage our leaders and our [employees]. ... The need to be able to provide data to back up our assumptions and assertions was critical to the business.”

VICE PRESIDENT OF PEOPLE AND CULTURE, HOSPITALITY

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 four 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. The organization generates \$500 million in annual revenue, and it has 3,000 employees. Prior to deploying Culture Amp, it was reliant on disparate HRIS and a number of manual processes to measure employee engagement, conduct performance management activities, and foster a transparent environment for career and development opportunities.

Deployment characteristics. The composite organization adopts Culture Amp's engagement, performance management, and development modules.

KEY ASSUMPTIONS

\$500 million revenue

3,000 employees

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 profitability from improved engagement | \$200,000 | \$400,000 | \$600,000 | \$1,200,000 | \$963,186 |
| Btr | Reduced attrition costs | \$494,304 | \$494,304 | \$494,304 | \$1,482,912 | \$1,229,261 |
| Ctr | Increased productivity of managers | \$263,250 | \$263,250 | \$263,250 | \$789,750 | \$654,664 |
| Dtr | Increased productivity of HR team | \$76,680 | \$76,680 | \$76,680 | \$230,040 | \$190,692 |
| Total benefits (risk-adjusted) | | \$1,034,234 | \$1,234,234 | \$1,434,234 | \$3,702,702 | \$3,037,803 |

INCREASED PROFITABILITY FROM IMPROVED ENGAGEMENT

Evidence and data. Culture Amp enabled interviewees' organizations to more effectively measure and analyze employee engagement, develop strategic action plans based on people science to address any trends or issues, and enact effective, targeted initiatives to improve employee experience. When employees are engaged, they have a sense of pride toward the overall success of the firm, deeply identify with the culture, values, and mission of the organization, and are more likely to be a top performer.³ This translates to financial outcomes such as reduced costs and increased revenue, which leads to improved profitability.

- The vice president of learning and development explained that a seven-point increase in engagement along with a 7% productivity increase and other improvements attributable to Culture Amp were instrumental in expanding their organization's business and adding new service lines: "We've definitely been able to see a marked increase in productivity, so we're answering more calls than we did the year prior. ... We've been able to increase the number of lines that are being sold year over year and utilize the systems within Culture Amp. ... [This] definitely has had an impact on our agents being able to close a sale."

- The vice president of people and culture at a hospitality company observed a 4% increase in career development engagement scores across all employees, a 5% increase in management engagement scores, and a 20% increase in career development engagement scores for one critical department. He added: “We have seen a gradual increase in our engagement scores year over year. We remained steady throughout the [COVID-19] crisis, but our scores have increased around those amounts from 2018 through 2022.”

He continued: “What Culture Amp allows us to do is create the right programs that engage our [employees] and make them want to come to work. The impact that it has on the overall cultural experience within the [locations] supports our ability to provide the right experience for them and ultimately helps us when we think about that day-to-day absenteeism within the restaurant.”

- The learning and development manager at a utility startup noted that after their organization adopted Culture Amp, it realized its first profitable year. She explained: “From a wellness perspective, we scored higher on our engagement survey last year because colleagues were feeling more engaged with the one-on-one process. ... We made a profit for the first time last year, so that was a big thing for us.”
- The people and culture director in internet retail noted their firm experienced revenue growth of 9% and an increase in operating margin of 18% after adopting Culture Amp.

“We love the engagement survey. It provides us actionable data that we can then turn into programs or system tools across operations and tie them directly back to our KPIs.”

PEOPLE AND CULTURE DIRECTOR, INTERNET RETAIL

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- The composite organization earns a 10% profit margin on \$500 million in annual revenue.
- Improvements to employee engagement reduce certain cost areas and improve sales, providing a 0.50% profitability increase in Year 1.
- As the organization continues to prioritize engagement, the profitability increase attributable to Culture Amp increases to 1% and 1.5% in Years 2 and 3, respectively.

Risks. The value of this benefit can vary across organizations due to differences in:

- The engagement level of employees prior to adopting Culture Amp.
- The ability of leadership to identify, prioritize, and enact actions to improve employee engagement.
- The financial condition of the company and its ability to increase revenues or reduce costs.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$963,000.

| Increased Profitability From Improved Engagement | | | | | |
|--|--|--------------|-------------------------------------|---------------|---------------|
| Ref. | Metric | Source | Year 1 | Year 2 | Year 3 |
| A1 | Annual revenue | Composite | \$500,000,000 | \$500,000,000 | \$500,000,000 |
| A2 | Profit margin | TEI standard | 10.0% | 10.0% | 10.0% |
| A3 | Subtotal: Net profit | A1*A2 | \$50,000,000 | \$50,000,000 | \$50,000,000 |
| A4 | Profitability increase attributable to Culture Amp | Composite | 0.50% | 1.00% | 1.50% |
| At | Increased profitability from improved engagement | A3*A4 | \$250,000 | \$500,000 | \$750,000 |
| | Risk adjustment | ↓20% | | | |
| Atr | Increased profitability from improved engagement (risk-adjusted) | | \$200,000 | \$400,000 | \$600,000 |
| Three-year total: \$1,200,000 | | | Three-year present value: \$963,186 | | |

REDUCED ATTRITION COSTS

Evidence and data. Improvements to employee engagement are also associated with improved employee retention and reduced attrition costs. Replacing an employee can be an expensive endeavor for organizations, with severance costs, loss of institutional knowledge, recruitment, onboarding, training, and lost productivity ranging from 33% to 200% of an employee's annual salary.⁴

- The vice president of learning and development at a telecommunication organization noted that turnover for call center agents exceeded 200% prior to adopting Culture Amp, but that the solution cut this in half while the company expanded its call center to include twice the number of agents. They said, "We have realized such a huge reduction in attrition."
- The people and culture director at an internet retailer said their firm saw a 9% reduction in overall turnover and a 43% reduction in developer turnover after adopting Culture Amp. They explained the organization's approach: "Our strategy throughout [has been] to actually utilize Culture Amp to get all the quantitative feedback and identify the areas where we need to go and explore more with the usual focus groups so that we can really get a deeper understanding of what causes that disengagement or areas where the employee experience is not what we aspire it to be."
- The vice president of people and culture at the telecommunication organization said: "Culture Amp plays a direct role in helping us understand what drives retention. Through the data, we were able to discern the four or five key areas that drive engagement, and engagement directly increases retention for us. The data that we were able to get out of Culture Amp has helped us really create the right systems and programs that we've been able to put in place that have directly impacted our turnover."

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- The composite's voluntary and involuntary departures prior to using Culture Amp equate to a 25% annual attrition rate.
- The attrition reduction attributable to Culture Amp is 5%.

- The fully burdened average annual salary for one of these workers is \$81,300.
- The cost to replace one of these employees is 20% of their fully burdened annual salary.

Risks. The value of this benefit can vary across organizations due to differences in:

- Relevant labor market conditions.
- The ability of management and leadership to effectively address the underlying issues driving prior attrition levels.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$1.2 million.

“People are much more aware of their own performance and thinking about what it is they do around here.”

LEARNING AND DEVELOPMENT MANAGER, UTILITY

“Employee engagement is high, revenue is increasing, and people stay with us. There’s definitely a correlation.”

PEOPLE AND CULTURE DIRECTOR, INTERNET RETAIL

| Reduced Attrition Costs | | | | | |
|--------------------------------------|---|--------------|--|------------|------------|
| Ref. | Metric | Source | Year 1 | Year 2 | Year 3 |
| B1 | Total employees | Composite | 3,000 | 3,000 | 3,000 |
| B2 | Attrition rate before Culture Amp | Composite | 25% | 25% | 25% |
| B3 | Subtotal: Total employee attrition | B1*B2 | 750 | 750 | 750 |
| B4 | Attrition reduction attributable to Culture Amp | Interviews | 5% | 5% | 5% |
| B5 | Subtotal: Avoided employee attrition (rounded) | B3*B4 | 38 | 38 | 38 |
| B6 | Fully burdened average annual salary of an employee | TEI standard | \$81,300 | \$81,300 | \$81,300 |
| B7 | Cost to replace employee as portion of their salary | Composite | 20% | 20% | 20% |
| Bt | Reduced attrition costs | B5*B6*B7 | \$617,880 | \$617,880 | \$617,880 |
| | Risk adjustment | ↓20% | | | |
| Btr | Reduced attrition costs (risk-adjusted) | | \$494,304 | \$494,304 | \$494,304 |
| Three-year total: \$1,482,912 | | | Three-year present value: \$1,229,261 | | |

INCREASED PRODUCTIVITY OF MANAGERS

Evidence and data. Interviewees said Culture Amp enhances manager productivity through improvements such as streamlined administrative tasks, enhanced communication and collaboration, data-driven decision-making, and efficiencies gained around performance management and development efforts. They highlighted that the data and insights provided by Culture Amp reduced the time managers previously needed to prepare for one-on-one conversations and coaching and that this led to dramatic increases in compliance, participation, and visibility of these efforts.

- The vice president of people and culture at the internet retailer said managers saved 12.5 hours per week on average after implementing Culture Amp Kiosk Mode for frontline workers. He explained: “We need performance and development conversations to be easy for our managers to have. We need all the right systems and tools in place to make that happen, and one of the great things that [Culture Amp] has been able to allow us to do is limit the amount of time that managers are spending, preparing, and prepping for those conversations. When we do our biannual check-ins, Culture Amp is going to

reduce the amount of time and effort a manager needs to spend so that the majority of that conversation is spent having the conversation, not leveraging the system. ... It gives them the time to focus on the [quality of the overall customer experience] and then [it] also gives them the time to focus on the core metrics to their role.”

- The vice president of learning and development at the telecommunication firm said, “[Culture Amp is] easy to use, and it was a very quick turnaround for supervisors of all levels to be able to understand what coaching is, how to facilitate it in the platform, and the kind of conversations to have with employees.”
- The learning and development manager at the utility startup said that prior to using Culture Amp, the performance management reporting period was disorganized and inefficient and that it stretched out a full month for the small firm. With Culture Amp, it is completed within two days and the firm saw participation levels go from 30% to 50% of employees to 100% compliance.

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- The composite has 150 managers with coaching and performance management responsibilities.
- These managers spend 20% of their time on coaching and performance management activities.
- After adopting Culture Amp, the managers realize a productivity improvement of 20%.
- The fully burdened annual salary for a manager is \$97,500.
- Managers redirect 50% of their saved time to other value-added tasks.

Risks. The value of this benefit can vary across organizations due to differences in:

- The level and nature of coaching and performance management responsibilities required of managers.
- The ability of managers and firms to direct time savings toward other value-added tasks.

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 \$655,000.

| Increased Productivity Of Managers | | | | | |
|------------------------------------|--|--|-------------------------------------|-----------|-----------|
| Ref. | Metric | Source | Year 1 | Year 2 | Year 3 |
| C1 | Managers with coaching and performance management responsibilities | Composite | 150 | 150 | 150 |
| C2 | Portion of time spent on coaching and performance management | Interviews | 20% | 20% | 20% |
| C3 | Productivity improvement | Interviews | 20% | 20% | 20% |
| C4 | Fully burdened annual salary of a manager | TEI standard | \$97,500 | \$97,500 | \$97,500 |
| C5 | Productivity recapture | TEI standard | 50% | 50% | 50% |
| Ct | Increased productivity of managers | $C1 \times C2 \times C3 \times C4 \times C5$ | \$292,500 | \$292,500 | \$292,500 |
| | Risk adjustment | ↓10% | | | |
| Ctr | Increased productivity of managers (risk-adjusted) | | \$263,250 | \$263,250 | \$263,250 |
| Three-year total: \$789,750 | | | Three-year present value: \$654,664 | | |

INCREASED PRODUCTIVITY OF HR TEAM

Evidence and data. Interviewees said Culture Amp offers automations, tools, and content to organizations that empower HR teams to more efficiently deploy engagement surveys and other employee surveys; analyze and report on survey results; develop strategic action plans and initiatives; and design, develop and assign effective content for learning and professional development goals.

- The vice president of learning and development at a telecommunication company said: “What Culture Amp did is provide the platform for our organization to be able to get trained in what one-on-one coaching actually looks like and the components of a good coaching program. There was no need to recreate learning content because that’s all done in Culture Amp. ... Everything is contained in one platform — our coaching, goal setting, creating action plans, and that employee engagement.”

- The same interviewee added: “Because leaders are utilizing the training [and] the microlearnings within Culture Amp, that means that I don’t have to hire someone to create the content and facilitate it. It is web-based and on demand. It can be watched or reviewed as many times as somebody needs to review it. ... I probably would need maybe 10 more people if we had to do it all in-house and create our own stuff.”

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- Ten HR team employees use Culture Amp and experience a 20% productivity improvement.
- The average fully burdened annual salary of an HR team employee is \$85,200.
- HR team members redirect 50% of the saved time toward other value-added tasks.

Risks. The value of this benefit can vary across organizations due to differences in:

- The nature of the organization’s prior engagement, performance management, and development activities previously undertaken.
- The abilities of HR team members and the organization to direct time savings toward other value-added tasks.

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 \$191,000.

| Increased Productivity Of HR Team | | | | | |
|-----------------------------------|---|--------------|-------------------------------------|----------|----------|
| Ref. | Metric | Source | Year 1 | Year 2 | Year 3 |
| D1 | HR team employees who use Culture Amp | Composite | 10 | 10 | 10 |
| D2 | Productivity improvement | Interviews | 20% | 20% | 20% |
| D3 | Fully burdened annual salary of an HR team employee | TEI standard | \$85,200 | \$85,200 | \$85,200 |
| D4 | Productivity recapture | TEI standard | 50% | 50% | 50% |
| Dt | Increased productivity of HR team | D1*D2*D3*D4 | \$85,200 | \$85,200 | \$85,200 |
| | Risk adjustment | ↓10% | | | |
| Dtr | Increased productivity of HR team (risk-adjusted) | | \$76,680 | \$76,680 | \$76,680 |
| Three-year total: \$230,040 | | | Three-year present value: \$190,692 | | |

UNQUANTIFIED BENEFITS

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

- Enriched strategic insights.** Enhanced and timely data and analytics can augment strategic decision-making and help organizations unlock additional value. The people and culture director at the internet retailer said: “We’re able to focus on the employee experience by having the data that will at first give us a lot of insight. But also because of the tool and how the user experience from the reporting side is so strong, it helps us really facilitate quality conversation across the leadership team [and] across the team itself and being able to turn that insight into action. I think that’s the biggest benefit.”

The vice president of people and culture in hospitality explained: “The feedback that we’re able to get from the survey each time allows us to put actual action plans behind the category specific to the [location], but then [it] also allows us to look at it from a more holistic perspective and set any annual KPIs that we’re going to look at to continue to grow.”

- Improved leadership development.** Interviewees discussed some issues that can arise from the lack quality development opportunities, such as low

engagement, poor retention, skill gaps, decreased competitiveness and other problems that the development tools offered by Culture Amp help alleviate.

The vice president of people and culture in hospitality said: “Career development is a primary driver to engagement at [my organization, and] we know that engagement equals retention. Two years ago, we were able to put a heavy focus on what we’re doing from a leadership development perspective, and from that came a project where we defined our leadership development strategy and our positional development. ... Every leader in our organization has an excellent idea on how they’re going to grow with [us] and the success that they can have.”

- **More effective advocacy of DEI values.** Diversity, equity, and inclusion are key drivers of business performance and can lead to better financial results a larger and more skilled talent pool, lower attrition, a stronger brand, and more customers.⁵ Interviewees discussed how Culture Amp strengthened their organizations’ DEI efforts, performance, and growth.

The people and culture director at the internet retailer said: “One area of our culture that has been very successful is that we’re able to analyze our results of engagement by certain demographic characteristics. That helps a lot with inclusion. ... We have six cultural KPIs: One of them is engagement, and [others] are the percentage of women, the percentage of people of color in the business, and then the percentage of women in leadership and [the percentage of] people of color in leadership. All of them have been increasing and going in the right direction.”

- **Support for sustainability objectives.** Interviewees said Culture Amp can augment progress toward enterprise sustainability objectives. The learning and development manager at the utility firm said it provides a means for their organization to reduce its reliance on paper documentation: “We’re looking at social and sustainability as a business because we’re in [the water industry], so we should be looking after it, and killing trees is one thing we didn’t want to do. Removing the paper away has really smartened up how we do stuff.”

The vice president of people and culture in hospitality said: “In our survey, we have an entire section that’s dedicated to community and sustainability since [they’re] two of our values. And every year, we’re able to pull out very actionable

data around [locations] that are committed to those values and [locations] that may have an opportunity in those areas and put the correct action plans in place to support our continued growth in that space.”

“We have instituted a foundation for our leadership development program [and] we’ve been able to drastically reduce attrition, increase our productivity, and create a much more well-rounded leader.”

VICE PRESIDENT OF LEARNING AND DEVELOPMENT, TELECOMMUNICATION

FLEXIBILITY

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

- **Operational agility.** The people and culture director at the internet retailer described how Culture Amp improved operational agility: “Being able to very quickly utilize Culture Amp in order to get feedback from people on how [our hybrid work] pilot was going helped us be very agile because [we were] creating something new. We tested it, got feedback, and then we [were] able to make adjustments and hopefully improvements to that. I think that does help you be really agile.”

The vice president of people and culture in hospitality spoke about having the ability to hone in on specific locations and groups to take tactical, targeted action rather than pursuing more costly firmwide initiatives: “One of the best things about the data is that we’re able to look at it by [location] and then by employee

subgroup. If we have high engagement in our heart of house but low engagement in the front of house within a single [location], it gives us the opportunity to have the right conversations to dive in and understand if there is a clear gap somewhere and what the drivers are for that gap.”

- **Integrations and deployment options.** Culture Amp offers integrations with a wide range of other applications, including collaboration tools, data sources, and other HRIS. Interviewees discussed the integrations and deployment options their firms utilized, and the vice president of people and culture in hospitality explained how the ability to deploy Culture Amp in kiosk mode helped their organization address its needs: “Once we rolled out kiosk mode, what it allowed us to do was to create the simple systems that you know gave the managers a tool to [ensure employees not on a computer or device could still take engagement surveys and be included in the process].”

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

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 | Culture Amp license fees | \$0 | \$252,000 | \$252,000 | \$252,000 | \$756,000 | \$626,687 |
| Ftr | Implementation and training | \$112,200 | \$0 | \$0 | \$0 | \$112,200 | \$112,200 |
| | Total costs (risk-adjusted) | \$112,200 | \$252,000 | \$252,000 | \$252,000 | \$868,200 | \$738,887 |

CULTURE AMP LICENSE FEES

Evidence and data. Culture Amp customers pay license fees based on the tools deployed and the number of employees.

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- The annual license fees for the composite organization is \$240,000.
- Pricing may vary. Contact Culture Amp for details.

Risks. Licensing fees will vary across organizations due to differences in:

- The modules chosen for deployment.
- The number of employees.

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 \$627,000.

| Culture Amp License Fees | | | | | | |
|-----------------------------|--|------------|-------------------------------------|-----------|-----------|-----------|
| Ref. | Metric | Source | Initial | Year 1 | Year 2 | Year 3 |
| E1 | Culture Amp license fees | Interviews | | \$240,000 | \$240,000 | \$240,000 |
| Et | Culture Amp license fees | E1 | \$0 | \$240,000 | \$240,000 | \$240,000 |
| | Risk adjustment | ↑5% | | | | |
| Etr | Culture Amp license fees (risk-adjusted) | | \$0 | \$252,000 | \$252,000 | \$252,000 |
| Three-year total: \$756,000 | | | Three-year present value: \$626,687 | | | |

IMPLEMENTATION AND TRAINING

Evidence and data. Interviewees noted their organizations required some internal effort to implement Culture Amp. They reported using two to six FTEs who dedicated between one and three months to facilitate deployment and to ensure adequate change management support. Employees also spent some time familiarizing themselves with the features and functionality of the platform.

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- The composite's implementation takes two months and involves three FTEs.
- The fully burdened average annual salary of an employee who assists with implementation is \$81,000.
- Each employee spends 30 minutes familiarizing themselves with the platform.
- The average fully burdened hourly salary for these employees is \$41.

Risks. This cost can vary across organizations due to differences in:

- The organization's integration of other HRIS.
- The experience and skill sets of employees who assist with the implementation and those who receive training.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$112,000.

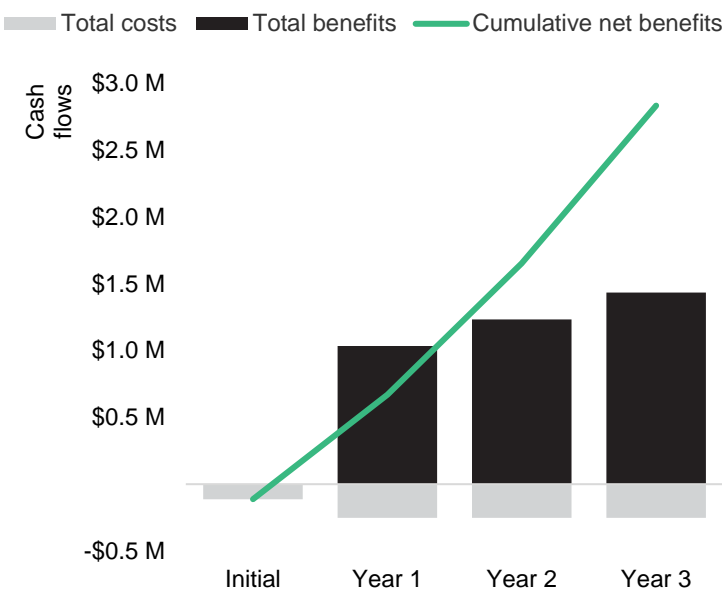
ANALYSIS OF COSTS

| Implementation And Training | | | | | | |
|------------------------------------|---|--------------------|--|--------|--------|--------|
| Ref. | Metric | Source | Initial | Year 1 | Year 2 | Year 3 |
| F1 | FTEs involved with implementation efforts | Composite | 3 | | | |
| F2 | Implementation period (months) | Interviews | 2 | | | |
| F3 | Fully burdened average annual salary of an FTE involved with implementation efforts | TEI standard | \$81,000 | | | |
| F4 | Subtotal: Deployment and change management costs | F1*F2/12*F3 | \$40,500 | | | |
| F5 | Employees who receive training | Composite | 3,000 | | | |
| F6 | Training time | Interviews | 0.5 | | | |
| F7 | Fully burdened average hourly salary of an employee who receives training | TEI standard | \$41 | | | |
| F8 | Subtotal: Training costs | F5*F6*F7 | \$61,500 | | | |
| Ft | Implementation and training | F4+F8 | \$102,000 | \$0 | \$0 | \$0 |
| | Risk adjustment | ↑10% | | | | |
| Ftr | Implementation and training (risk-adjusted) | | \$112,200 | \$0 | \$0 | \$0 |
| Three-year total: \$112,200 | | | Three-year present value: \$112,200 | | | |

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 Estimates) | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|---------------|
| | Initial | Year 1 | Year 2 | Year 3 | Total | Present Value |
| Total costs | (\$112,200) | (\$252,000) | (\$252,000) | (\$252,000) | (\$868,200) | (\$738,887) |
| Total benefits | \$0 | \$1,034,234 | \$1,234,234 | \$1,434,234 | \$3,702,702 | \$3,037,803 |
| Net benefits | (\$112,200) | \$782,234 | \$982,234 | \$1,182,234 | \$2,834,502 | \$2,298,916 |
| ROI | | | | | | 311% |

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."

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.

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.

APPENDIX B: SUPPLEMENTAL MATERIAL*Related Forrester Research*

[“Introducing Forrester’s Culture Energy Model,”](#) Forrester Research, Inc., August 10, 2022.

[“Combine Well-Being, Belonging, And Cultural Alignment To Amplify EX,”](#) Forrester Research, Inc., September 18, 2023.

APPENDIX C: ENDNOTES

¹ Source: “[Today’s Talent Market Requires Tomorrow’s HR Technology](#),” Forrester Research, Inc., April 22, 2022.

² 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.

³ Source: “[Forrester’s EX Index: A Deeper Look At The Data](#),” Forrester Research, Inc., March 4, 2020.

⁴ Source: “[The Cost of Replacing an Employee](#),” Work Institute, August 20, 2022.

⁵ Source: “[The Business Of Belonging](#),” Forrester Research, Inc., September 16, 2020.



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