

A Forrester Total Economic Impact™
Study Commissioned By Lattice
June 2020

The Total Economic Impact™ Of Lattice

Cost Savings And Business Benefits
Enabled By Lattice

Table Of Contents

Executive Summary	1
Key Findings	1
TEI Framework And Methodology	4
The Lattice Customer Journey	5
Interviewed Organizations	5
Key Challenges	5
Key Results	6
Composite Organization	6
Analysis Of Benefits	7
Reduction In Turnover Attributable To Improved Employee Engagement	7
Employee And Manager Time Saved During Review Cycle	9
Legacy Software Retirement	11
Unquantified Benefits	12
Flexibility	12
Analysis Of Costs	13
Annual Lattice Fee	13
Training Costs	14
Financial Summary	15
Lattice: Overview	16
Appendix A: Total Economic Impact	18
Appendix B: Endnotes	19

Project Director:
Amy Harrison

ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

© 2020, Forrester Research, Inc. All rights reserved. Unauthorized reproduction is strictly prohibited. Information is based on best available resources. Opinions reflect judgment at the time and are subject to change. Forrester®, Technographics®, Forrester Wave, RoleView, TechRadar, and Total Economic Impact are trademarks of Forrester Research, Inc. All other trademarks are the property of their respective companies. For additional information, go to forrester.com.

Executive Summary

Benefits And Costs



Reduction in attrition:
\$2M



Time savings from improved
review cycles:
\$921K



License fees:
\$942K

Employee experience (EX) is essential for modern organizations.¹ Improved EX leads to higher performance; boosting performance increases an organization's ability to create a better customer experience, drive growth, and improve overall financial performance. Lattice helps customers build engaged, high-performing teams that focus around continuous performance and continuous engagement, as well as providing the tools to analyze the impact of these decisions. The Lattice platform includes: goals, 1-on-1s (1:1s), updates, real-time feedback and praise, reviews, Lattice Engagement, and Lattice Grow.

Lattice commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Lattice. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of the Lattice on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed several customers with years of experience using Lattice. These customers were representative of high-growth organizations in technology, consulting, financial services, and media.

Prior to using Lattice, customers used a mishmash of different solutions to address their employee performance and feedback needs. However, as customers increased in size, they found that these previous solutions no longer were sufficient. They wanted more flexible and powerful tools, which could drive employee performance and provide quick and meaningful feedback on employee experience.

Lattice enabled the organizations to achieve these goals; employees reported higher rates of engagement, which in turn drove a reduction in turnover and improved performance. Moreover, Lattice's simplicity freed up thousands of hours of employee time to work on high-impact priorities.

Key Findings

Quantified benefits. The following risk-adjusted present value (PV) quantified benefits are representative of those experienced by the companies interviewed:

- › **Employee turnover decreased by 5 percentage-points thanks to high rates of engagement.** Attrition rates fell after the implementation of Lattice. This can be attributed to increased employee engagement generated with Lattice's continuous performance capabilities. In particular, objectives and key results (OKRs) and 1-on-1s (1:1s) made work meaningful for employees. More engaged employees are less likely to leave, thus saving organizations the cost of hiring and training replacements — not to mention the cultural impact of employee departures. This resulted in savings of \$2,033,959 over the course of three years.
- › **Administration time decreased by 78%.** HR administrators had previously spent large, tedious amounts of time managing review cycles. Lattice's intuitive nature significantly reduced this workload, thus freeing the administrators to focus on higher-value tasks for the organization. This led to savings of \$52,920 over the course of three years.



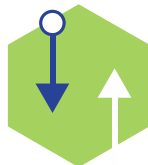
ROI
195%



Benefits PV
\$3.5 million



NPV
\$2.3 million



Payback
3 months

› **Employees spent 50% less time completing annual reviews, resulting in savings of \$920,720.** Employees at all levels of the organization completed intensive self and peer evaluations. This was particularly true for managers, who might be writing evaluations for upwards of eight people. For some organizations, work came to a standstill during review periods. Lattice streamlined this process and designed evaluations to take half the time. Over three years, this resulted in thousands of hours of work that could be redirected to other priorities.

› **Legacy software retirement totaled \$497K.** The Lattice platform encompasses a wide variety of performance management and employee feedback capabilities. Lattice replaced legacy talent management, HR feedback, and survey software services. The retirement of these systems saved \$497,326 over three years.

Unquantified benefits. The interviewed organizations experienced the following benefits, which are not quantified for this study:

› **Greater visibility improved collaboration between employees and across departments.** Employees had greater insight into their peers' goals and OKRs, enabling them to quickly grasp each other's needs and priorities. Instead of spending time establishing their different incentives, employees were able to dive into their work with a better understanding of their colleagues. Increased visibility also gave employees greater alignment with company objectives because employees understood the relationship between their jobs and overall organizational goals.

› **Lattice Surveys and Lattice Pulse provided fast insights.** Organizations were able to receive crucial feedback from their employees near instantaneously. Instead of getting data months after the fact, management could respond to real-time changes in conditions.

› **The learning and development budget was deployed more impactfully.** Lattice provided managers with more insight into their employees' skills and needs. Organizations could focus on critical, highly targeted training for skills-building.

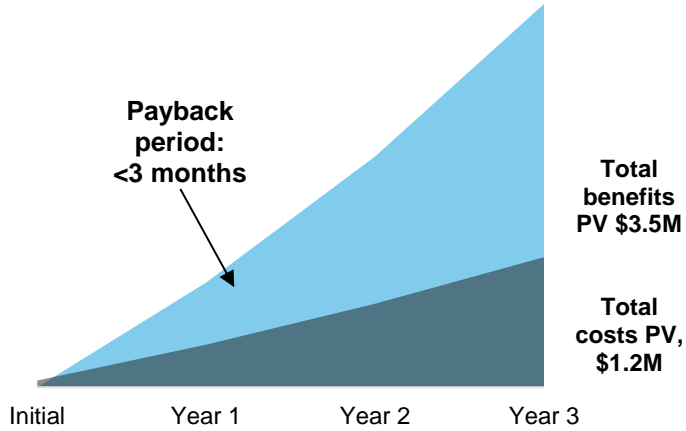
Costs. The interviewed organizations experienced the following risk-adjusted PV costs:

› **Licensing fees of \$942,302.** Companies paid a monthly fee per license. In most cases, all employees within an organization had a Lattice license.

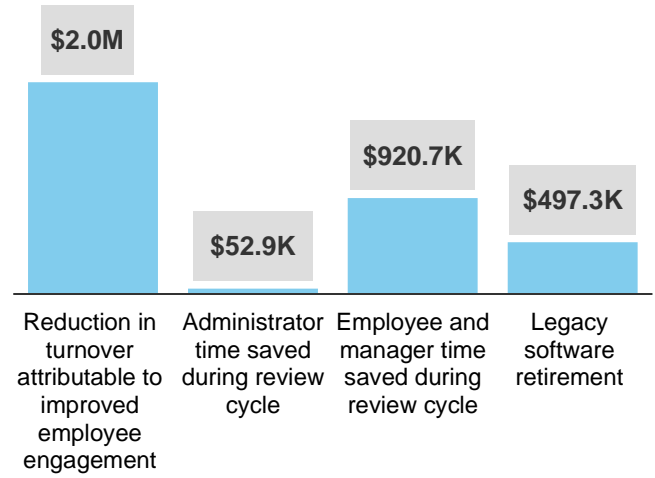
› **Training costs totaling \$244,378.** Interviewees repeatedly emphasized that Lattice was intuitive and easy to learn. Training costs encompass an initial training for the main administrator and an annual refresher course for managers utilizing Lattice.

Forrester's interviews with five existing customers and subsequent financial analysis found that an organization based on these interviewed organizations experienced benefits of \$3,504,925 over three years versus costs of \$1,186,680, adding up to a net present value (NPV) of \$2,318,245 and an ROI of 195%.

Financial Summary



(Three-Year)



The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TEI Framework And Methodology

From the information provided in the interviews, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing Lattice.

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 Lattice can have on an organization:



DUE DILIGENCE

Interviewed Lattice stakeholders and Forrester analysts to gather data relative to Lattice.



CUSTOMER INTERVIEWS

Interviewed four organizations using Lattice to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewed organizations.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewed organizations.



CASE STUDY

Employed four fundamental elements of TEI in modeling Lattice's impact: benefits, costs, flexibility, and risks. Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

DISCLOSURES

Readers should be aware of the following:

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

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

Lattice 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.

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

The Lattice Customer Journey

BEFORE AND AFTER THE LATTICE INVESTMENT

Interviewed Organizations

For this study, Forrester conducted five interviews with Lattice customers. Interviewed customers include the following:

INDUSTRY	REGION	INTERVIEWEE	EMPLOYEES
Technology	Headquartered in North America	VP of people	1,600
Financial	Headquartered in EMEA	People operations analyst	1,500
Consulting	Headquartered in North America	Senior program manager for performance and talent management	2,500
Technology	Headquartered in North America	Director of people partner	2,000
Media	Headquartered in North America	Human resources business partner	350

Key Challenges

The interviewed customers were high-growth organizations that were unsatisfied with their existing employee performance and feedback structures. They turned to Lattice to meet the following challenges:

- › **Customers were outgrowing their old systems.** Previously, interviewees had been able to meet their employee performance and feedback needs through ad hoc solutions. Interviewees reported cobbling together tools with a variety of third-party services and internal workarounds. However, they found that their fast growth necessitated a more rigorous and intuitive employee performance and feedback solution that could provide a cohesive experience for their employees.
- › **Versatile organizations require versatile talent tools.** Organizations were innovative and flexible, but their employee performance and feedback tools were not. Interviewees reported a lack of flexibility in administering any process. They wanted the capacity to quickly send out feedback or incorporate batched reviews into their existing structures.
- › **Existing surveys and review cycles were time-consuming.** Customers were fast-paced, high-growth organizations that were slowed down by their existing systems. For one organization, work would grind to a halt twice a year during their internal review cycle. Another organization wanted faster feedback from employee surveys, but the anonymization process was time-consuming and prevented them from accessing critical information as quickly as possible. They needed a faster solution that could allow them to focus on work they found meaningful.

“The [previous] process we were using for reviews wasn’t really a good insight into true performance. It worked for a long period of time, but now, given our current size, our current spend, our mix of workforce, a lot of things have evolved.”

Consulting, senior program manager for performance and talent management



Key Results

The interviews revealed that key results from the Lattice investment include:

- › **Attrition rates plummeted nearly 40% due to higher levels of employee engagement.** After implementing Lattice, interviewed organizations reported significantly increased employee engagement scores. They attributed this increase to the performance capabilities of the Lattice platform, most notably the 1-on-1s (1:1s) and OKRs.
- › **Both employees and administrators saved time during the review cycle.** Prior to Lattice, both regular employees and HR administrators had devoted significant portions of time to performance reviews. This burden was particularly onerous for managers, who might be completing eight or more employee reviews per cycle. Lattice saved the organizations thousands of hours, which could then be devoted to high value business activities.
- › **Lattice provided a unified platform.** Previously, organizations had been using a mishmash of software and systems. Lattice enabled interviewees to retire some of their prior solutions due to Lattice's wide range of capabilities.
- › **Lattice Surveys and Lattice Pulse enabled fast insights into the business.** Managers and decision makers were able to gather business critical information about their organization nearly immediately, as opposed to the three-month delay they had experienced with their previous solution. This enabled interviewees to rapidly respond to changing conditions.

"Before Lattice, our employee engagement score was 50%; because of that, our turnover was enormous. We had a 30% or 40% turnover rate last year. Near the end of last year and the beginning of this year, we have a much higher adoption rate for OKRs, and we're getting a lot more engagement in 1-on-1s of people checking in with their OKRs, etc. Our turnover rate is currently 4% and our engagement score is 72%."

*Technology, human resources
business partner*



Composite Organization

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

Description of composite. The composite organization is a new, fast-growing organization in the tech industry. In Year 1 of the analysis, the organization has rapidly grown to 2,000 employees and is continuing to grow at a rate of 25% annually. Prior to Lattice, the composite organization did not have a comprehensive people management platform; the director of HR was able to manage culture with a mixture of homegrown solutions and targeted legacy software services. As the composite organization is now a midsize company, the decision was made by executive leadership to invest in a people strategy through the implementation of Lattice.

Deployment characteristics. This composite organization has opted to invest in the full spectrum of available Lattice capabilities. All employees at the composite organization have Lattice licenses. These licenses encompass the entire Lattice platform, including: goals, 1-on-1s (1:1s), updates, real-time feedback and praise, reviews, Lattice Surveys, and Lattice Pulse.



Key assumptions:

- 2,000 employees
- 25% annual growth

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	Reduction in turnover attributable to improved employee engagement	\$576,000	\$806,400	\$1,123,200	\$2,505,600	\$2,033,959
Btr	Administrator time saved during review cycle	\$21,280	\$21,280	\$21,280	\$63,840	\$52,920
Ctr	Employee and manager time saved during review cycle	\$295,735	\$369,289	\$461,421	\$1,126,445	\$920,720
Dtr	Legacy software retirement	\$159,600	\$199,500	\$249,375	\$608,475	\$497,326
	Total benefits (risk-adjusted)	\$1,052,615	\$1,396,469	\$1,855,276	\$4,304,360	\$3,504,925

Reduction In Turnover Attributable To Improved Employee Engagement

Forrester's research has shown that companies with the most engaged employees experience half the turnover of their peers. Additionally, these organizations enjoy 81% higher customer satisfaction and have a decisive competitive advantage.² Interviewees saw employee engagement scores rise after Lattice implementation. Customers credited multiple aspects of the Lattice platform — including OKRs, 1-on-1s (1:1s), and feedback and praise — for this transformation.

- › As noted by the human resources business partner from the media organization: “Before Lattice, our employee engagement score was 50%; because of that, our turnover was enormous. We had a 30% or 40% turnover rate last year. Near the end of last year and the beginning of this year, we have a much higher adoption rate for OKRs, and we're getting a lot more engagement in 1-on-1s of people checking in with their OKRs, etc. Our turnover rate is currently 4% and our engagement score is 72%.”
- › OKRs were a significant factor in this organization's transformation: their completion rate skyrocketed from only 10% to 61% over the course of a year. The human resources business partner from the media organization described this impact: “One of the things we've really been monitoring on the engagement survey was the question, 'I feel like I'll still be employed here in 12 months and I can see myself learning and growing in this company.' Prior to the OKRs, the learning and growing question was 40%. And now that we have active OKRs, people understand how their job is connected to the greater company, since a lot of them are connected to the executive OKRs. . . . the learning and growth score has gone up at least 20 points.”

The cumulative effects of the Lattice platform enabled a dramatic reduction in employee turnover; furthermore, the reduction in employee turnover can be attributed to an increase in employee engagement. While it is unlikely that most organizations will experience a 90% reduction in turnover, as one of the interviewed organizations did, increases in employee engagement correlate with increases in employee

The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total benefits to be a PV of more than \$3.5 million.



Companies with the most engaged employees have half the turnover of their peers.

retention.

In modeling out this benefit, Forrester has made the following assumptions:

- › The composite organization has an annual 13% attrition rate, which is typical of a high growth company in the technology sector.
- › Forrester has attributed a 5 percentage-point reduction in attrition to the impact of increased engagement due to Lattice. This reduction improves annually from 4 percentage-points in Year 1 to 5 percentage-points in Year 3. As a result, there is a nearly 40% reduction in turnover.
- › Moreover, the composite organization was growing at an annual rate of 25% — meaning, that their attrition numbers were also increasing by 25% annually.
- › The average cost of hiring is 20% of the employee’s annual salary. This is a conservative measure, which does not take into account costs of training, ramping, and reductions in cultural morale following employee attrition.
- › Forty percent of the benefits of reduced attrition can be attributed directly to Lattice.

Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

The following factors may account for variability within the model:

- › Different organizations will have differing preexisting rates of attrition and annual growth.
- › The average cost of hiring may vary dependent on industry or sub-sector.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$2,033,959.

Reduction In Turnover Attributable To Improved Employee Engagement: Calculation Table

REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
A1	Attrition rate pre-Lattice		13.0%	13.0%	13.0%
A2	Attrition rate post-Lattice		9.0%	8.5%	8.0%
A3	Employees in the composite organization	25% annual growth	2,000	2,500	3,125
A4	Anticipated annual attrition without Lattice	A1*A3	260	325	406
A5	Anticipated annual attrition with Lattice (rounded)	A2*A3	180	213	250
A6	Average cost of hiring	20% of average tech employee salary	\$20,000	\$20,000	\$20,000
A7	Percent attributable to Lattice	40.0%	40.0%	40.0%	40.0%
At	Reduction in turnover attributable to improved employee engagement	(A4-A5)*A6*A7	\$640,000	\$896,000	\$1,248,000
	Risk adjustment	↓10%			
Atr	Reduction in turnover attributable to improved employee engagement (risk-adjusted)		\$576,000	\$806,400	\$1,123,200

Administrator Time Saved During Review Cycle

Prior to Lattice, administrators spent large amounts of time on tedious processes during employee review cycles. Lattice enabled considerably faster review cycles, thus freeing up administrative time for other high-value activities.

Based on the customer interviews, Forrester modeled the financial impact for the composite organization with the following estimates:

- › The organization conducts review cycles twice annually. Prior to Lattice, these review cycles required two nearly full-time employees to administer them for eight weeks. The plurality of this work included compiling and anonymizing upward feedback to management.
- › Lattice simplified this process and reduced the amount of administration required. Forty percent of one employee's time was required to administer the twice annual eight-week review cycles.

The following factors may account for variability within this benefit category:

- › The frequency of review cycles within an organization.
- › Organization size and structure.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of \$52,920.

Administrator Time Saved During Review Cycle: Calculation Table

REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
B1	Length of twice annual review cycle (weeks)		8	8	8
B2	Resources administering legacy review process		2	2	2
B3	Hours spent per week per resource on administration during the legacy review process		36	36	36
B4	Hours spent annually on legacy review cycle administration	$B1*B2*B3*twice annually$	1,152	1,152	1,152
B5	Resources administering Lattice review process		1	1	1
B6	Hours spent per week per resource on administration during the Lattice review process		16	16	16
B7	Hours spent annually on Lattice review cycle administration	$B1*B5*B6*twice annually$	256	256	256
B8	Reduction in administration hours	$B4-B7$	896	896	896
B9	Fully loaded hourly salary of HR administrator		\$50	\$50	\$50
B10	Value recaptured	<i>Forrester Research</i>	50%	50%	50%
Bt	Administrator time saved during review cycle	$B8*B9*B10$	\$22,400	\$22,400	\$22,400
	Risk adjustment	↓5%			
Btr	Administrator time saved during review cycle (risk-adjusted)		\$21,280	\$21,280	\$21,280

Employee And Manager Time Saved During Review Cycle

The process of completing employee evaluations can be arduous and time-consuming. This burden is additionally compounded for employees in managerial roles, who are responsible both for their own self-evaluations and in-depth review of their direct reports. As the senior program manager for performance and talent management at a tech company described it:

- › “I would say, myself included, typically would spend 4 hours writing a self-review historically. This was because of the number of questions asked, the details expected to include, and the fact that we were trying to fit a years’ worth of review commentary into a single review.”

A people operations analyst for a finance organization reported:

- › “When everyone had a batched review exactly the same time, everything came to a standstill for about a week. Everyone would be focusing on writing the review. We rely a lot upon peer feedback in the reviews. There are five peers that are asked for feedback. I was writing up to 20 reviews at the time. Essentially the company would come to a standstill all at once. . . . about a week’s worth of productivity was being lost.”

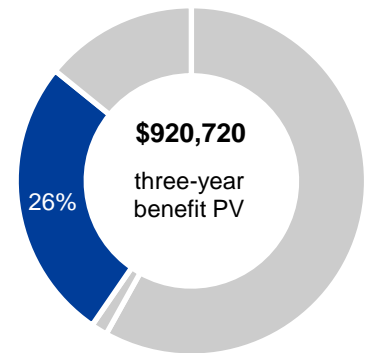
With Lattice, both managers and employees could reclaim valuable time. Interviewees reported that the review process was simpler with Lattice. This was attributed to Lattice’s flexibility around deployment and formatting. Forrester quantified these time savings using the following assumptions:

- › Prior to Lattice, every employee in the organization spent 3 hours completing a self-assessment.
- › Managers spent considerable amounts of time on employee reviews; prior to Lattice, managers could expect to spend 5 hours annually per employee.
- › Based on feedback from interviewees, Forrester estimates that employee and self-assessments were 50% faster with Lattice.
- › Forrester further adjusted these time savings to reflect our finding that typically 50% of reclaimed time is returned to the business.

The following factor may contribute to variability from the model:

- › Organizational complexity and existing review cycle standards.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of \$920,720.



Employee and manager time saved during review cycle: 26% of total benefits

Employee And Manager Time Saved During Review Cycle: Calculation Table

REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
C1	Managers at composite organization	(A3/7)	286	357	446
C2	Annual manager hours spent on employee reviews before Lattice	$C1 * 5 \text{ hours per employee} * 8 \text{ direct reports}$	11,440	14,280	17,840
C3	Annual manager hours spent on employee reviews after Lattice	$50\% * C2$	5,720	7,140	8,920
C4	Fully loaded hourly manager salary		\$80.00	\$80.00	\$80.00
C5	Annual employee hours spent on self-assessment before Lattice	$A3 * 3 \text{ hours}$	6,000	7,500	9,375
C6	Annual employee hours spent on self-assessment after Lattice	$50\% * C5$	3,000	3,750	4,688
C7	Fully loaded hourly employee salary		\$55.00	\$55.00	\$55.00
C8	Value recaptured	<i>Forrester Research</i>	50%	50%	50%
Ct	Employee and manager time saved during review cycle	$((C3 - C2) * C4 + (C5 - C6) * C7) * C8$	\$311,300	\$388,725	\$485,706
	Risk adjustment	↓5%			
Ctr	Employee and manager time saved during review cycle (risk-adjusted)		\$295,735	\$369,289	\$461,421

Legacy Software Retirement

Prior to investing in Lattice, the organization used several software services to support different aspects of their people management initiatives. Thanks to Lattice's wide-ranging capabilities, the organization was able to retire these services post-implementation.

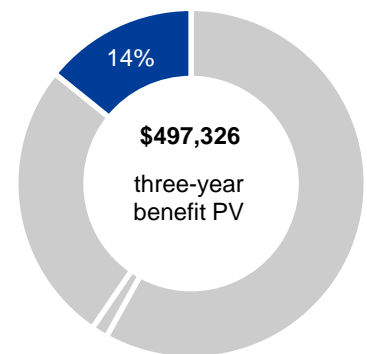
In modeling this benefit, Forrester has made the following assumptions about the composite organization:

- › The organization had previously been paying for legacy talent management, HR compliance, and survey software services.
- › These services could be replaced by functionalities within the Lattice platform such as Lattice Feedback and Lattice Pulse.

The following factors may account for variability within this benefit category:

- › Differences in the environmental complexity of existing software services.
- › Company size and organizational requirements.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of \$497,326.



Legacy software retirement: 14% of total benefits

Legacy Software Retirement: Calculation Table

REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
D1	Legacy talent management, HR compliance, and survey software cost per employee per month		\$7.00	\$7.00	\$7.00
Dt	Legacy software retirement	$D1 * A3 * 12$ months	\$168,000	\$210,000	\$262,500
	Risk adjustment	↓5%			
Dtr	Legacy software retirement (risk-adjusted)		\$159,600	\$199,500	\$249,375

Unquantified Benefits

Interviewees also described benefits that were not quantified in this study:

- Improved collaboration with OKRs and goals.** Interviewees reported that publicly viewable goals and KPIs enabled them to better understand their peers' motivations and needs. Employees could walk into a meeting with peers from different departments and instantly understand their perspective. Furthermore, employees were able to directly connect with the goals of the company, as the senior program manager for performance and talent management at a consulting company describes: "Everyone now understands what we mean when we say efficient business growth and performance; they understand that our company targets are to have double-digit profitability at 10% and double-digit revenue growth at 10%, and to improve year-over-year profitability by 1%. That is seen as a win from both senior leadership and middle management."
- Fast feedback with Lattice Surveys and Lattice Pulse.** The simplicity of Lattice Surveys and Lattice Pulse enabled HR to receive critical feedback nearly instantaneously and not months after the fact. Management could respond to unexpected events rapidly.
- Improved training budget allocation.** Lattice enabled interviewees to more effectively allocate their learning and development budgets. They had insight into everyone's skills and needs and could distribute training accordingly. As a VP of people for a tech company said: "I have a limited L&D budget. I'm not wasting those dollars on skills that are random. Instead of telling the finance team 'hey, these two people want to take a writing course,' I can say: 'A lot of people in this group received feedback on written communication. Let's send 20 people to a training session.'"



Learning and development budgets were distributed more impactfully because managers had greater insight into their employees' needs.

Flexibility

The value of flexibility is unique to each customer, and the measure of its value varies from organization to organization. There are multiple scenarios in which a customer might choose to implement Lattice and later realize additional uses and business opportunities, including:

- Integration into workflows and business applications.** Lattice can be integrated with multiple platforms such as Slack, Workday, G Suite and Outlook. Businesses may choose to connect Lattice with additional services within their ecosystem, thus enabling an even more seamless experience.

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

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to do so.

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	Annual Lattice fee	\$0	\$302,400	\$378,000	\$472,500	\$1,152,900	\$942,302
Ftr	Training costs	\$4,440	\$77,224	\$96,253	\$120,039	\$297,956	\$244,378
	Total costs (risk-adjusted)	\$4,440	\$379,624	\$474,253	\$592,539	\$1,450,856	\$1,186,680

Annual Lattice Fee

The composite organization opted to invest in the most comprehensive version of the Lattice platform, which includes goals, 1-on-1s (1:1s) and updates, real-time feedback and praise, reviews, Lattice Surveys, and Lattice Pulse. The organization chose to make this investment because they wanted a solution that could scale with their growth and replace existing legacy people management software services.

For this model, Forrester assumes:

- › Every employee in the composite organization has a Lattice license. The Lattice fee is modeled as \$12 per user per month.
- › The composite organization is growing at an annual rate of 25%; Lattice licenses are growing commensurately to reflect this.

The following factors may cause annual Lattice fees to diverge from the predictions of the model:

- › Organizations may opt to adopt fewer components of the Lattice platform, such as Lattice Surveys and Lattice Pulse. This would result in lower monthly fees per user.
- › Different organizations will grow at different annual rates. Additionally, not all organizations will opt to equip every employee with a Lattice license.

To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of \$942,302.

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total costs to be a PV of nearly \$1.2 million.

Implementation risk is the risk that a proposed investment may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates.

Annual Lattice Fee: Calculation Table

REF.	METRIC	CALCULATION	INITIAL	YEAR 1	YEAR 2	YEAR 3
E1	Monthly Lattice fee	\$12		\$12	\$12	\$12
Et	Annual Lattice fee	E1*A3*12 months	\$0	\$288,000	\$360,000	\$450,000
	Risk adjustment	↑5%				
Etr	Annual Lattice fee (risk-adjusted)		\$0	\$302,400	\$378,000	\$472,500

Training Costs

Interviewees emphasized that Lattice is an intuitive platform which requires minimal setup. As the senior program manager for performance and talent management at a consulting company describes:

- › “If you so wanted to, you could set everything up yourself, administer everything yourself, do it all internally. There’s nothing that you need to have them do on the backend for you.”

However, despite Lattice’s intuitive nature, some training and implementation costs are unavoidable with any new platform.

In modeling this benefit, Forrester has made the following assumptions about the composite organization:

- › During the initial implementation, a singular HR administrator was able to be fully trained on the Lattice platform over a period of two weeks. This same administrator performed 20 hours of refresher training annually.
- › Managers across the organization received 3 hours of training on Lattice every year after implementation. This training included refreshers and reminders on how to fully utilize the platform.
- › One in seven employees at the composite organization is a manager who requires annual training.

The following factors may cause training costs to diverge from the predictions of this model:

- › Larger organizations may opt to have additional HR administrators receive Lattice training.
- › Cultural differences between organizations may impact that amount of annual training that managers receive.

To account for these risks, Forrester adjusted this cost upward by 11%, yielding a three-year, risk-adjusted total PV of \$244,378.

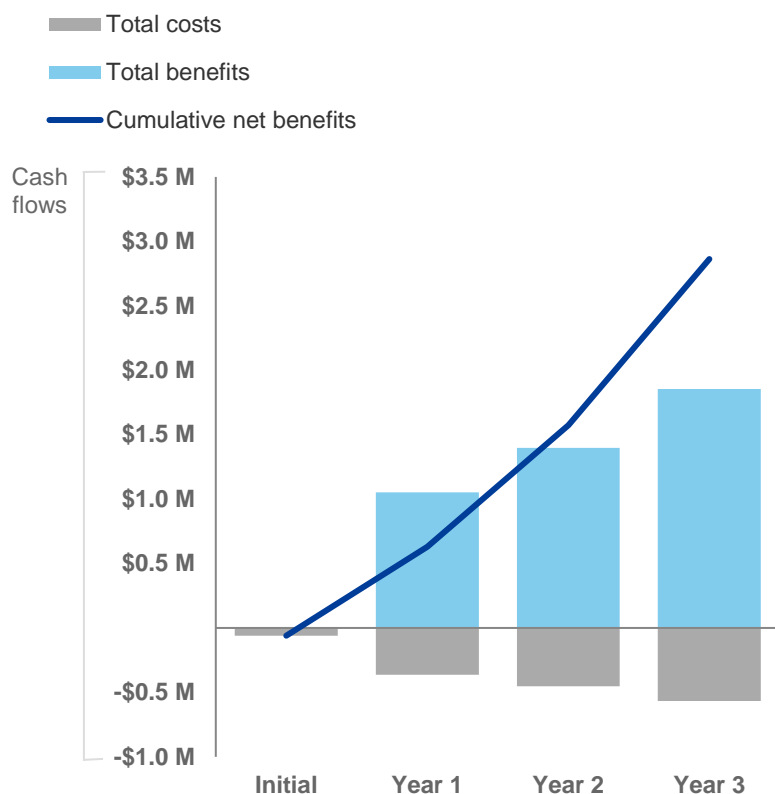
Training Costs: Calculation Table

REF.	METRIC	CALCULATION	INITIAL	YEAR 1	YEAR 2	YEAR 3
F1	Fully loaded hourly salary of HR administrator	\$50	\$50	\$50	\$50	\$50
F2	Hours of Lattice training for administrators		80	20	20	20
F3	Fully loaded hourly salary manager salary		\$80	\$80	\$80	\$80
F4	Hours of Lattice training for managers	3 hours*(A3/7) in Years 1 - 3	0	857	1,071	1,339
Ft	Training costs (rounded)	(F1*F2)+(F3*F4)	\$4,000	\$69,571	\$86,714	\$108,143
	Risk adjustment	↑11%				
Ftr	Training costs (risk-adjusted)		\$4,440	\$77,224	\$96,253	\$120,039

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 Table (Risk-Adjusted)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	(\$4,440)	(\$379,624)	(\$474,253)	(\$592,539)	(\$1,450,856)	(\$1,186,680)
Total benefits	\$0	\$1,052,615	\$1,396,469	\$1,855,276	\$4,304,360	\$3,504,925
Net benefits	(\$4,440)	\$672,991	\$922,216	\$1,262,737	\$2,853,504	\$2,318,245
ROI						195%
Payback period						<3 months

Lattice: Overview

The following information is provided by Lattice. Forrester has not validated any claims and does not endorse Lattice or its offerings.



The People Management Platform

Why Lattice?

Performance management, employee engagement, and career development are deeply connected. Research shows that employees who receive regular feedback, get recognized, and have strong manager relationships are more engaged. Engaged employees are more likely to be top-performers, as they care about the work they do every day.

The relationship between performance, engagement, and growth is a virtuous cycle that helps companies reduce employee turnover, increase productivity, and scale.

Lattice helps companies drive engaged, high-performing teams through strengthened people management practices and strategic insights about their workforce.

33% only 1/3 of US employees are engaged

Engagement is a challenge faced by every company today.

51% of US employees say they are looking for a new job or watching for openings

Rising levels of disengagement create high-risk for attrition.

\$109,676 average cost to replace employee

Total cost of employee turnover continues to swell alarmingly quickly.

70% Managers account for at least 70% of the variance in employee engagement scores

People management is at the core of solving these problems.



Lattice Summary

Continuous Performance Management

Software built for businesses of every shape and size to increase productivity and heighten engagement.

Fuel Engagement, Drive Growth

Uplevel your entire team with Lattice Grow and make the best business decisions with rich, real-time insights with Lattice Engagement

Connected People Insights

Connect performance and engagement data to understand what drives the highest performers and most committed employees.

Employee-Centric User Experience

Lattice is the people management platform that employees actually love to use and improves their experience at work.

Expert Implementation & Guidance

Our CX team helps you get started and shares best practices and guidance to ensure your teams adopt and engage.

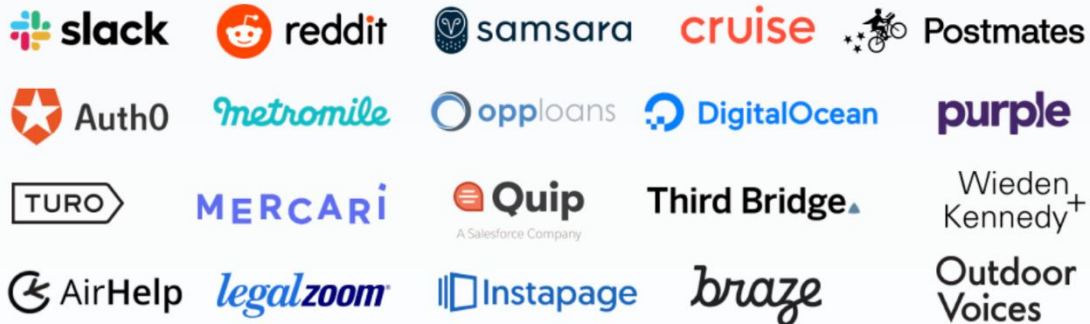
Built to Evolve With You

Our platform moves and grows with you. We invest in products and features that add constant customer value and integrate with nearly any HR tech stack.

Trusted by the best places to work

Join 1,900+ organizations that use Lattice to help power their people strategy

[Book a demo on lattice.com](https://lattice.com)



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 Source: "The CIO's Guide To Employee Experience," Forrester Research, Inc., April 8, 2019.

² Ibid.