

# SuccessFactors Research Publishes New Study – Proves that Companies Investing in Business Execution Software Achieve Higher Shareholder Returns

Submitted by: Devonshire Marketing

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Study completed in collaboration with The Wharton School, University of Pennsylvania and Graduate School of Business at Stanford University

LONDON, UK. – June 1, 2010 – Today, SuccessFactors, Inc. (NASDAQ: SFSF), the global leader in business execution software, announced the results of a study that shows that companies tend to achieve higher industry-adjusted stock returns when they set and align goals, rate users on the achievement of these goals, used more variance in performance feedback, and leverage business execution software to increase their ability to execute.

The findings from SuccessFactors' research group's latest study, "How Companies Leverage Business Execution Software to Drive Excess Shareholder Return", analyzed customers to determine what business execution practices are actually driving incremental new shareholder value.

Key findings from the study include:

- There is a statistically significant positive relationship between each of the Business Execution dimensions studied and industry-adjusted stock returns.
- A 10 percent increase in the Goal Number Dimension score was associated with a 6 percent increase in industry-adjusted stock returns.
- Similar results were found for 10 percent increases in the Alignment Dimension, System Usage Dimension, and Rating Scale Usage Dimension scores.

"From previous research studies, we already know that SuccessFactors' customers in general grew faster than their competitors, increased productivity and alignment of their workforce, and also delivered superior stock returns— with this study we wanted to dig deeper into the various ways these companies implemented their business execution processes and learn which practices had the greatest impact on their results," said Erik Berggren, vice president of global research and customer results, SuccessFactors. "We wanted to partner with leading academics in the world and hence turned to Stanford and Wharton Business Schools for academic collaboration on this research. Our research shows that companies that invest in their ability to execute, aligning goals to strategy while creating a performance-based culture experience higher shareholder returns. Connecting the true heart of people's work activity with the company's strategy ultimately drives superior execution results."

## Underlying Dimensions of Business Execution Practices

The statistical analyses revealed four distinct business execution characteristics that influence the employee performance evaluation process:

1. Goal Number Dimension: The average number of goal plans per employee during the year,
2. Alignment: The degree to which goals are aligned throughout the organization.
3. System Usage Dimension: The company's system usage style, on a continuum from companies that use the system primarily as an information system to those using the system to a greater extent for performance evaluation (with a larger percentage of users having rated goals).
4. Ratings Scale: The extent to which the company uses the full spectrum of the ratings scale (for example, more employees with minimum and maximum ratings, and more variation in ratings).

"From an academic and practical standpoint, the link between differences in business execution practices and firm performance has been an important but unresolved issue. Our research on business execution practices in SuccessFactors clients shows that differences in many of these practices can have significant effects on subsequent industry-adjusted stock returns, and that these effects can be quite substantial," said Christopher Ittner, Ernst & Young professor of accounting at Wharton Business School, University of Pennsylvania.

#### The SuccessFactors Execution Index©

As part of the study, the SuccessFactors Execution Index was created to provide a quantitative way to measure the strength of a company's ability to execute on its strategy. The Execution Index presents results that are easy to understand and can be derived for an individual customer without extensive data cleansing and analysis, or across a multitude of customers.

The SuccessFactors Execution Index metric and its sub-factors provide the ability to measure a company's actual ability to execute with its current workforce in place. The Index can also be used to perform a comparison between companies or to measure changes in a given company's ability to execute over time.

"Our customers are partnering with us to create real results from their workforce and we now have a researched backed metric that we use to help our customers track and further improve their ability to execute," Berggren continued.

"Working with SuccessFactors is helping us align objectives at all levels in our organisation. This, in turn, is allowing us to connect our employees' activities to what matters to our business," said Johan Jacobs, director organisation development, Goldcorp. "We are starting to see increased engagement from our employees and this, allied to the talent and career capabilities the system delivers to our company, has lead to a decrease in staff turnover and an increase in our attractiveness as an employer. With our partner SuccessFactors and the insight from the Execution Index we're set to further accelerate the impact we're getting from our investment."

For more information and to download "How Companies Leverage Business Execution Software to Drive Excess Shareholder Return" visit: <http://www.successfactors.com/promo/stockperformance>

## Study Methodology

In order to better understand how the substantial differences seen in these and other business execution practices influenced stock performance, SF Research gathered data on 18 goal setting, alignment, and system usage characteristics in 153 of SuccessFactors publicly traded customers. The Wharton and Stanford researchers then used statistical methods to determine the number of underlying business execution dimensions captured by these variables. (Additional detail on the study methodology are provided in Appendix II: Detailed Explanation of Study Parameters).

## About SuccessFactors

SuccessFactors is the leading provider of cloud-based Business Execution (BizX) software solutions to organizations of all sizes, with more than 8 million users across multiple industries and geographies. We strive to delight our customers by delivering innovative solutions, a broad range of content, process expertise and best practices knowledge gained from serving our large and varied customer base. Today, we have more than 3,200 customers in more than 168 countries using our application suite in 34 languages.

Execution Is The Difference™

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<http://www.successfactors.com/successconnect/>.

"Safe harbor" statement under the Private Securities Litigation Reform Act of 1995:

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are SuccessFactors' current expectations and beliefs.

These forward-looking statements include statements about future growth prospects. Factors that could cause actual results to differ materially from those contemplated by these forward-looking statements include: our ability to retain customers and to experience high customer renewal rates; whether customers renew their agreements for additional modules or users; pricing pressures; the uncertain impact of the overall global economic conditions, including on customers, prospective customers and partners, renewal rates and length of sales cycles; the fact that the business execution market is at an early stage of development, and may not develop as rapidly as we anticipate; risks related to the integration of the acquisitions, including retaining customers and employees and managing geographically-dispersed operations; competitive factors; outages or security breaches; our ability to develop, and market acceptance of, new services; the impact of any discovered product defects or outages; our ability to continue to sell our services outside the HR area; our ability to manage our growth; our ability to successfully expand our sales force and its effectiveness; whether our resellers and other partners will be successful in marketing our products; our ability to continue to manage expenses; the impact of unforeseen expenses, including as a result of integrating acquisitions; and general economic conditions worldwide. If any such risks or uncertainties materialize or if any of the assumptions proves incorrect, our results could differ materially from the results expressed or implied by the forward-looking

statements we make.

Further information on these and other factors that could affect these forward-looking statements is included in the section entitled "Risk Factors" in our Annual Report on Form 10-K and in our most recent report on Form 10-Q and in other filings we make with the Securities and Exchange Commission from time to time.

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