

A Forrester Total Economic
Impact™ Study
Commissioned By
IBM

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The Total Economic Impact™ Of IBM Connections

Business cost savings and benefits
enabled by IBM Connections for
unified business collaboration

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Executive Summary

IBM commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) organizations may realize by deploying IBM® Connections™, a unified collaboration and social networking solution for businesses that includes email, web meetings, chat, communities, and content management in one unified cloud platform, united under a single sign-on. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of an IBM Connections investment on their organizations.

To better understand the benefits, costs, and risks associated with an IBM Connections implementation, Forrester interviewed several customers across geographies and company sizes to share their experience using IBM Connections. Although IBM offers on-premises and hybrid solutions, the IBM Connections S1 offering is the version Forrester assessed in this study. Of IBM's three cloud bundle offerings, Connections S1 contains the greatest amount of capability, combining IBM Verse™ business email, communities, instant messaging, content management and document editing tools, and web meetings into one cloud-based service that will soon incorporate IBM Watson cognitive analytics and personal assistance.

Prior to using IBM Connections, the interviewed customers were using on-premises email and calendar solutions. The interviewed customers were also managing their collaboration needs across various applications and systems and were looking for an enterprise solution that would align with their overall cloud strategy, reduce IT costs, boost employee productivity, and improve decision making. In addition, there was a need for the interviewed customers to encourage collaboration and communication across their employee network in dispersed geographic locations to help maintain competitiveness and drive innovation. The interviewed organizations mentioned that a key priority in investing in IBM Connections was to allow their employees to share best practices, innovate faster, and empower them to deliver high-quality and consistent experiences to all their customers. According to the director of IT services and knowledge management at a transportation company, "With IBM Connections, we have been able to leapfrog our communication functionality and provide a dynamic solution to empower our people to share ideas, experience, and knowledge."

IBM CONNECTIONS DRIVES EMPLOYEE PRODUCTIVITY, IT COST SAVINGS, AND EFFICIENCY

Forrester developed a composite organization that is based on the representative responses collected from four in-depth interviews with customers that invested in IBM Connections. The interviews were used to determine the benefits and costs that resulted from an organization's investment in IBM Connections to help deploy a unified business collaboration platform. Forrester aggregated the data and developed a financial model representative of all the responses of the interviewed customers.

Financial analysis based on Forrester's interviews with four enterprise organizations found that a composite organization experienced the risk-adjusted ROI, benefits, and costs shown in Figure 1. The composite organization analysis points to three-year benefits of approximately \$21.9 million versus three-year costs under \$6.3 million, adding up to a three-year net present value (NPV) of \$15.6 million.

Total Economic Impact Of IBM Connections

An investment in IBM Connections, a comprehensive and intelligent integrated collaboration suite of solutions that includes email, real-time communications, and content management tools, will help empower employees and organizations to work smarter and faster with more focus, prioritization, and efficiency while reducing costs.

Based on four in-depth interviews with organizations in construction/engineering, transportations, logistics, and hospitality, Forrester developed a composite organization with 15,000 employees that realized the following three-year benefits:

- Total benefits: over \$21.8 million.
- Total costs: under \$6.3 million.
- Net present value (NPV): \$15.6 million.

FIGURE 1

Financial Summary Showing Three-Year Risk-Adjusted Results



Source: Forrester Research, Inc.

KEY FINDINGS

› **Quantified benefits.** The following risk-adjusted present value quantified benefits are representative of those experienced by the companies interviewed based on the composite organization:

- **A 20% increase in employee productivity over three years.** The composite organization claimed that the largest benefit from its investment in IBM Connections was improving productivity for its 15,000 employees. IBM Connections empowered the organization and its teams with collaboration tools to work anywhere and at any time, access information instantly, and focus on value-add activities. The business was able to move more quickly to address client concerns, share best practices across its disparate locations, and drive innovation. IBM Connections and its comprehensive collaboration tools allows both knowledge workers and field employees to quickly access and consume information, address concerns, and share best practices. Additionally, with IBM Verse email, the composite organization can quickly communicate urgent items and business decisions across the organization. The composite organization recognized that its employees were able to quickly search and gain access to information through blogs and communities, which has saved a considerable amount of time for the organization. The interviewed customers recognized that productivity gains were the largest quantified benefit from their investment in IBM Connections. For the composite organization, the improvement in employee productivity over three years was estimated at 20%, which resulted in three-year benefits of over \$20 million.
- **A 25% increase in driving efficiencies across HR processes including onboarding, training, administration, and retaining employees.** IBM Connections has enabled the composite organization to consistently provide its people with the right training, mentorship, and resources to deliver a high-quality, consistent experience across all of its locations. With IBM Connections, the composite organization has improved its onboarding process, reduced travel and operational costs associated with training, developed a single repository for HR forms and policies, and created mentoring programs for its employees. For the composite organization, the improvement in the management of HR processes over three years was estimated at 25%, which resulted in benefits of over \$1 million in three years.

“Only a fraction of our employees are knowledge workers. We have many field workers on mobile devices, and IBM Connections has provided us a secure platform to scale out our communications across all of our employees.”

~ Director, IT and business systems, construction company

- **IT and hardware savings of \$500,000, a 20% reduction in IT operating costs of managing collaboration tools, with an IT savings of \$700,000 over three years.** The composite organization was able to shift and transfer workloads for its email and other collaboration tools to IBM Connections, which resulted in infrastructure savings of \$500,000 over three years. Additionally, the composite organization reduced costs associated with managing multiple collaboration applications and processes across the company. The composite organization was able to decommission outdated applications and systems, reduce IT storage requirements from file sharing, and streamline collaboration processes across the organization. The IT savings amounted to over \$700,000 over three years for the composite organization.
- › **Costs.** The following risk-adjusted present value quantified costs are representative of those experienced by the companies interviewed based on the composite organization:
- **Professional services fees and internal implementation costs of \$860,000.** The composite organization incurred about \$800,000 in initial costs to fully integrate IBM Connections into its environment. The planned, iterative implementation took eight months, and the composite organization spent \$350,000 with an external partner to help implement the solution. This implementation timeline includes integration and adoption of the platform. Additionally, the composite organization dedicated five internal resources to assist during the implementation.
 - **Subscription fee of \$10 per user per month.** The composite organization pays IBM an annual fee that is based on a standard monthly price of \$10 per user per month. The subscription fee provides access to all IBM Connections S1 features, including IBM Verse email, communities, content management tools, chat, and web meetings. Additionally, the subscription fee provides the composite organization with 24x7 IBM support and maintenance on its IBM Connections platform.

“While we have executives as well as marketing and finance teams in a central location, many of our employees are in the field and customer-facing without the benefit of a fixed workstation. IBM Connections has provided a solution that helps us communicate and collaborate across different regions and work environments.”

~ CIO, international hotel chain

Disclosures

The reader should be aware of the following:

- › The study is commissioned by IBM 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 IBM Connections.
- › IBM 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.
- › IBM provided the customer names for the interviews but did not participate in the interviews.

TEI Framework And Methodology

INTRODUCTION

From the information provided in interviews with four enterprise organizations, Forrester has constructed a Total Economic Impact (TEI) framework for those organizations considering implementing IBM Connections. The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision, and to help organizations understand how to take advantage of specific benefits, reduce costs, and improve the overall business goals of winning, serving, and retaining customers.

APPROACH AND METHODOLOGY

Forrester took a multistep approach to evaluate the impact that IBM Connections can have on an organization (see Figure 2). Specifically, we:

- › Interviewed IBM management, marketing, sales, and consulting personnel, along with Forrester analysts, to gather data relative to IBM Connections.
- › Interviewed four enterprise customers that currently use IBM Connections to obtain costs, benefits, and risk data.
- › Constructed a financial model representative of the interviews using the TEI methodology. The financial model is populated with the cost and benefit data obtained from the interviews.
- › The risk-adjusted financial model is based on issues and concerns highlighted by the interviewed organizations. Risk adjustment is a key part of the TEI methodology. While the interviewed organizations provided cost and benefit estimates, some categories included a broad range of estimates or might have been subject to a number of outside forces that affected the results. For that reason, some cost and benefit totals have been risk-adjusted. These are detailed in each relevant section.

Forrester employed four fundamental elements of TEI in modeling IBM Connections: benefits, costs, flexibility, and risks.

Given enterprises' increasing sophistication 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.



Source: Forrester Research, Inc.

Analysis

INTERVIEWED ORGANIZATIONS

For this study, Forrester conducted four in-depth interviews with IBM Connections customers with multiple years of experience using the platform. The interviews and our analysis are focused on the organizations' investment and use of IBM Connections. The overall profiles of the four organizations are as follows:

- › **A global major hotel operator headquartered in Mauritius with over 3,500 employees spread across multiple countries.** The organization considers the IBM Connections platform integral to onboarding employees, sharing best practices across locations, and developing high-quality and consistent experiences for all its customers.
- › **An engineering and construction company headquartered in Europe with over 20,000 global employees.** The organization invested in IBM Connections to help drive employee retention; transform into a social, data-driven organization; and scale its HR processes to support its strong growth targets.
- › **A privately owned transportation company headquartered in the US with 1,200 employees.** The organization implemented IBM Connections to maintain its market-leading position servicing many of its Fortune 500 clients and helping its distributed workforce share knowledge, have mobile communication capabilities, and make faster and more informed business decisions.
- › **A leading logistics company headquartered in Southeast Asia with over 50,000 employees.** The organization has invested in IBM Connections for its North American operations that account for 2,000 employees. The plan is to roll out IBM Connections across the organization to help drive down IT costs, improve employee productivity, and reduce sharing confidential files and data via email.

FIGURE 3
Summary Of Interviewed Organizations

INDUSTRY	REGION	EMPLOYEES	IBM CONNECTIONS S1 USE CASE
Hotel chain	Headquartered in Mauritius	3,500 employees	Ensure all employees across geographies are on a central communication platform. Enable knowledge and best-practice sharing to drive customer loyalty and consistent customer experiences.
Engineering and constructions services	Headquartered in Europe	20,000 employees	Enable connections and mobility across knowledge and field workers to boost productivity and drive employee engagement.
Transportation	Headquartered in the US	1,200 employees	Enable a distributed workforce to unite and collaborate on a single platform.
Logistics	Headquartered in Southeast Asia	50,000 employees	Reduce sharing of confidential data on email, improve IT efficiency, and drive employee engagement.

Source: Forrester Research, Inc.

COMPOSITE ORGANIZATION

Based on customer interviews and data collected, Forrester constructed a composite organization that highlights the financial benefits, costs, and associated ROI experienced from implementing IBM Connections. The composite organization used for our analysis is described below.

It is a global enterprise headquartered in the US with 15,000 employees. The composite organization purchased the IBM Connections S1 license for all of its employees. In three years, 80% of the full-time employees were using email in addition to multiple features of IBM Connections on a daily basis with adoption across the organization. The composite organization had the following goals and objectives for an investment in the IBM Connections solution:

- › Connect distributed workers across locations and arm them with access to information across devices
- › Combine cloud-based email with collaboration tools to be accessed inside and outside company firewalls by employees, customers, and partners
- › Ensure collaboration infrastructure can be flexible and scalable based on business demands
- › Access information across mobile, web, and desktop devices
- › Develop a central platform for knowledge management and sharing best practices
- › Leverage advanced analytics to help improve the collaboration experience for employees
- › Reduce the cost of hosting an on-premises email and communication system
- › Reduce business operational costs relating to onboarding, training, servicing, and retaining employees
- › Encourage best practice and information sharing across locations to drive faster and better business decisions
- › Maintain a high level of security designed to protect organization-critical information

IBM offers a variety of cloud and on-premises collaboration solutions designed to meet an organization's business objectives and needs. The composite organization purchased IBM Connections S1, which combines cloud-based email with advanced collaboration tools. The composite organization had IBM Notes® and Domino® solutions deployed on-premises prior to its investment in IBM Connections. IBM also offers on-premises versions of Connections and Verse and supports a hybrid experience, dependent on individual customer needs.

“Because of IBM Connections, the conversations that you would have between emails now happen in communities. There is a scale of knowledge and best practice sharing that leads to better decision making.”

~ Director of IT services and knowledge management, transportation company

INTERVIEW HIGHLIGHTS

Situation

The composite organization, with over 15,000 employees across disparate global locations, did not have a comprehensive collaboration solution to allow its employees to collaborate and communicate across geographies in real time. Different locations had their own way of onboarding employees, documents were housed across disparate systems, and files were shared across many different formats and repositories, which resulted in inefficiencies across the organization. As the composite organization embraced the digital economy, it required a solution that allowed its employees to work anytime, from anywhere, and have access to real-time information to deliver an engaging customer experience. The composite organization had aggressive growth targets, including acquisitions, and wanted to ensure all employees were on a single business social network and that there was a culture of collaboration within and across teams.

Challenges And Drivers

- › The composite organization needed to invest in a solution to help take advantage of the proliferation of devices, work styles, and geographically dispersed teams to work efficiently and communicate from anywhere, anytime, with any device.
- › The composite organization wanted to build a culture that promoted quick onboarding and consistent training and where teams were flexible and responsive to changing business needs and had real-time information.
- › The composite wanted to create communities that empower teams to take action. The goal was to connect people with resources, share ideas through blogs, create best practice wikis, and work across cross-functional teams through forums.
- › The composite organization wanted to develop a collaborative platform to allow remote teams and field workers the same access to information and the ability to perform at the same caliber as collocated office workers.
- › There was increased pressure on the composite organization to reduce IT costs and complexity and evaluate cloud software-as-a-service solutions for its email and communication systems.
- › The composite wanted to reduce the reliance on and proliferation of sharing private and confidential data over email.
- › The composite organization wanted to reduce administrative burden on employees and have employees focus their time on value-added activities.

Solution

The composite organization selected IBM Connections for its comprehensive cloud-based solution, ease of implementation, and ability to integrate all of the company's collaboration needs under one platform. The organization needed a solution that was easy to customize and integrate with existing systems, could handle large volumes of files and data, and could serve as a central repository for sharing files and best practices.

Results

The composite organization realized the following benefits from IBM Connections:

- › Unify geographically distant employees on a central collaboration platform
- › Drive more effective knowledge sharing, training, and collaboration across the organization
- › Drive 80% adoption of the collaboration platform over three years
- › Significantly reduce IT costs through decommissioning servers, reducing future requirements for hardware and infrastructure investment, unifying collaboration systems under one system, and reducing operational costs
- › Improve employee productivity and deliver high-quality service to customers
- › Streamline HR processes as they relate to onboarding employees, training, and talent management

BENEFITS

The composite organization in this case study experienced the following three-year quantified benefits:

- › Increase in employee productivity of 20%
- › Improvement in HR efficiency by 25%
- › Reduction in IT hardware and operating costs



Increase In Employee Productivity

The composite organization indicated that a key benefit from implementing IBM Connections was the increase in productivity across its employees, who can now quickly access, share, and store information as well as more effectively communicate with clients, customers, and colleagues. IBM Connections empowers knowledge workers, remote workers, and field workers to collaborate across devices with anyone, at any time. IBM Connections allows the composite organization to collaborate with colleagues, simultaneously review and edit documents online, conduct online training, and review and share best practices. In addition, IBM Connections has built-in intelligent features using analytics technology that make searching much more powerful and intuitive. The composite organization indicated that IBM Connections has had a direct impact on employee productivity. IBM Connections has also fostered a new culture of training, innovation, self-service, and idea sharing for the composite organization.

An increase in employee productivity was calculated (see Table 1) based on the number of employees who had access to and were using multiple features of IBM Connections. In Year 1, the composite organization had a 60% adoption rate of the platform, with an increase to 80% by Year 3. This includes using IBM Verse email and other collaboration tools. The increase in productivity for these users of IBM Connections was up to 20% by Year 3. Forrester's research shows that between 5% and 10% of an increase in employee productivity trickles down to the company's bottom line.

TABLE 1
Increase In Employee Productivity

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
A1	Number of users including contractors (assume 5% growth rate)		15,000	15,750	16,538
A2	Average annual salary per FTE		\$75,000	\$75,000	\$75,000
A3	Adoption rate (using email + multiple IBM Connections features)		60%	70%	80%
A4	Increase in user efficiency		10%	15%	20%
A5	Percentage of user productivity translated into business value	Forrester assumption	5%	7%	10%
At	Increase in user productivity	$A1 \cdot A2 \cdot A3 \cdot A4 \cdot A5$	\$3,375,000	\$8,682,188	\$19,845,000
	Risk adjustment	↓20%			
Atr	Increase in user productivity (risk-adjusted)		\$2,700,000	\$6,945,750	\$15,876,000

Source: Forrester Research, Inc.



Improved HR Efficiency

The composite organization has realized significant HR efficiencies from its investment in IBM Connections. IBM Connections has allowed the composite organization to replace its fragmented HR service delivery model across geographic locations with a shared service approach. IBM Connections has been able to drive HR efficiencies through streamlined onboarding; employee self-service access to policies, forms, and administrative information; training; and retention efforts. The composite organization reduced the number of interactions required to manage HR casework, reduce training costs, and improve employee retention, which has resulted in significant operational cost savings.

The composite organization has deployed IBM Connections across its 15,000 employees (assuming a 5% yearly growth rate). Prior to the investment in IBM Connections, the organization was averaging five HR cases per employee, for a total of 75,000 yearly cases. It had operated HR functions in silos across each of its locations, which led to duplication of tasks, inconsistent training, and inconsistent application of policies; many of the tasks that required HR attention were routine and administrative in nature. These cases ranged from simple requests such as tuition reimbursement policy to general employee benefit questions. Additionally, the organization incurred expensive travel costs to hold training sessions for onboarding employees across its locations. With IBM Connections, the composite organization was able to consolidate its HR policies, leverage an integrated knowledge base, and streamline training through web conferencing, which freed HR resources to focus on value-added activities such as talent management and improving employee retention as a result.

After its investment in IBM Connections, the composite organization developed a central repository where it could house common employee requests, including the ability to quickly access HR forms and information without submitting a request and waiting for a response. The composite organization estimated that IBM Connections has been able to drive a 25% gain in efficiencies in its HR processes. These efficiencies are related to the reduction in the number of HR cases that the organization experienced. Prior to IBM Connections, the organization was fielding about five HR cases per employee. Upon implementation, the composite organization realized a 25% reduction in the number of HR cases from shifting to self-servicing. This resulted in about \$500,000 a year in operational cost savings for the composite organization (see Table 2).

TABLE 2
Improvement In HR Efficiencies

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
B1	Number of employees (5% growth each year)		15,000	15,750	16,538
B2	Average number of HR cases per employee		5	5	5
B3	Average cost of servicing HR cases		\$25	\$25	\$25
B4	Efficiencies gained due to IBM Connections		25%	25%	25%
Bt	HR efficiencies gained	$B1*B2*B3*B4$	\$468,750	\$492,188	\$516,797
	Risk adjustment	↓15%			
Btr	HR efficiencies gained (risk-adjusted)		\$398,438	\$418,359	\$439,277

Source: Forrester Research, Inc.



IT Cost Savings

By investing in IBM Connections and moving its collaboration services to a cloud platform, the composite organization realized benefits in reducing both future IT infrastructure capital expenses as well as IT operational costs ranging from software licensing fees to annual maintenance. The composite organization indicated that it could quickly decommission email servers and start rationalizing software licensing costs from the increasing number of systems and tools for collaboration. Additionally, by transitioning its collaboration platform to the cloud, the composite organization did not have to make additional upgrades to its infrastructure, reduce its data storage requirements, and drive efficiencies in annual maintenance costs. The composite organization estimated that over three years, it would save \$500,000 in infrastructure costs and reduce its IT operating costs by 20% (see Table 3).

TABLE 3
IT Cost Savings (Hardware And Software License Costs)

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
C1	Infrastructure cost avoided from reduced servers and hardware cost		\$200,000	\$200,000	\$100,000
C2	IT operating costs (software licensing costs from collaboration applications)		\$1,000,000	\$1,000,000	\$1,000,000
C3	Reduction in operating costs across collaboration applications		10%	15%	20%
Ct	IT cost savings	$C1+(C2*C3)$	\$300,000	\$350,000	\$300,000
	Risk adjustment	↓10%			
Ctr	IT cost savings (risk-adjusted)		\$270,000	\$315,000	\$270,000

Source: Forrester Research, Inc.

Total Benefits

Table 4 shows the total of all benefits across the areas listed above, 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 \$21.8 million.

TABLE 4

Total Benefits (Risk-Adjusted)

Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Increase in user productivity	\$2,700,000	\$6,945,750	\$15,876,000	\$25,521,750	\$20,122,708
Btr	Improvement in HR efficiency (onboarding/training, servicing requests, and document management)	\$398,438	\$418,359	\$439,277	\$1,256,074	\$1,038,003
Ctr	IT cost savings (hardware and software license costs)	\$270,000	\$315,000	\$270,000	\$855,000	\$708,640
	Total benefits (risk-adjusted)	\$3,368,438	\$7,679,109	\$16,585,277	\$27,632,824	\$21,869,352

Source: Forrester Research, Inc.

COSTS

The composite organization incurred two costs associated with the IBM Connections platform:

- › Professional services and initial implementation costs
- › Subscription fee paid annually

These represent the costs experienced by the composite organization for initial implementation and ongoing usage associated with IBM Connections.



Implementation And Upfront Costs

The composite organization decided to deployed IBM Connections across all of its 15,000 employees, including transitioning its email to IBM Verse. The transformation process with IBM Connections can take many forms and be implemented in multiple phases. For our analysis, the composite organization implemented IBM Connections across all of its employees at once. The implementation process included hiring a professional services firm to help integrate the solution into the existing environment. The implementation process, which includes integration and adoption, took eight months to complete, with \$350,000 in professional services fees. The composite organization also dedicated internal resources, including business analysts, project managers, and IT support, to assist in implementing and integrating IBM Connections over eight months. In total, the composite organization incurred \$862,500 (see Table 5) in risk-adjusted costs to get IBM Connections implemented.

TABLE 5
Implementation And Upfront Costs

Ref.	Metric	Calculation	Initial Costs
D1	Number of internal resources (IT, analysts, business resources)		5
D2	Average monthly fully burdened cost per resource		\$10,000
D3	Number of months to implement		8
D4	Professional services fees		\$350,000
Dt	Total implementation/upfront costs	$(D1 * D2 * D3) + D4$	\$750,000
	Risk adjustment	↑15%	
Dtr	Total implementation/upfront costs (risk-adjusted)		\$862,500

Source: Forrester Research, Inc.



Annual Subscription Fees And Internal Support Costs

The total annual cost of IBM Connections includes software subscription fees and internal resources needed to continuously manage the solution.

The composite organization incurs a yearly subscription fee for IBM Connections that includes deploying the solution and its features across all of its employees. The annual cost for the composite organization is \$10 per month per user for IBM Connections S1, which totals about \$1.8 million, or a risk-adjusted amount of about \$2 million in licensing costs per year (see Table 6). This resulted in a total three-year risk-adjusted cost of \$6.5 million, which when discounted 10%, represents a total three-year present value cost of about \$5.4 million (see Table 7).

TABLE 6
IBM Connections Annual Subscription Costs

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
E1	Number of users		15,000	15,750	16,538
E2	IBM Connections monthly subscription fee per user		\$10	\$10	\$10
E3	Number of months		12	12	12
Et	IBM Connections annual costs	$E1 * E2 * E3$	\$1,800,000	\$1,890,000	\$1,984,500
	Risk adjustment	↑15%			
Etr	IBM Connections annual costs (risk-adjusted)		\$2,070,000	\$2,173,500	\$2,282,175

Source: Forrester Research, Inc.

Total Costs

Table 7 shows the total of all costs and associated PVs, discounted at 10%. Over three years, the composite organization expects costs to total a net present value of around \$6.3 million.

TABLE 7
Total Costs (Risk-Adjusted)

Ref.	Benefit	Initial	Year 1	Year 2	Year 3	Total	Present Value
Dtr	Total implementation/upfront costs	\$862,500	\$0	\$0	\$0	\$862,500	\$862,500
Etr	IBM Connections annual cost	\$0	\$2,070,000	\$2,173,500	\$2,282,175	\$6,525,675	\$5,392,731
	Total costs (risk-adjusted)	\$862,500	\$2,070,000	\$2,173,500	\$2,282,175	\$7,388,175	\$6,255,231

Source: Forrester Research, Inc.

FLEXIBILITY

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit in the future. This provides an organization with the “right” or ability to engage in future initiatives but not the obligation to do so. There are multiple scenarios in which a customer might choose to implement IBM Connections and later realize additional uses and business opportunities. Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

With IBM Connections, organizations can quickly add users and apply new use cases as required. Additionally, its ease of use and compatibility with other systems provide flexibility for organizations that may change their policies and the internal systems that need to link with IBM Connections.

RISKS

Forrester defines two types of risk associated with this analysis: “implementation risk” and “impact risk.” Implementation risk encompasses the possibility that an actual IBM Connections deployment may deviate from the original or expected requirements, resulting in higher-than-anticipated costs. Impact risk refers to the possibility that the business or technology needs of the organization may not be met by the investment in IBM Connections, resulting in lower total benefits. The greater the uncertainty, the wider the potential range of outcomes for cost and benefit estimates.

Quantitatively capturing implementation risk and impact risk by directly adjusting the estimated financial results provides more meaningful and accurate estimates and a more accurate ROI projection. In general, risks affect costs by raising the original estimates, and they affect benefits by reducing the original estimates. The risk-adjusted numbers should be taken as “realistic” expectations since they represent the expected values considering risk.

Table 8 shows the values used to adjust for risk and uncertainty in the cost and benefit estimates for the composite organization. Readers are urged to apply their own risk ranges based on their own degree of confidence in the cost and benefit estimates.

TABLE 8
Benefit And Cost Risk Adjustments

Benefits	Adjustment
Increase in user productivity	↓ 20%
Improvement in HR efficiency (onboarding/training, servicing requests, and document management)	↓ 15%
IT cost savings (hardware and software license costs)	↓ 10%
Costs	Adjustment
Total implementation and upfront costs	↑ 15%
Annual license fees and internal support costs	↑ 15%

Source: Forrester Research, Inc.

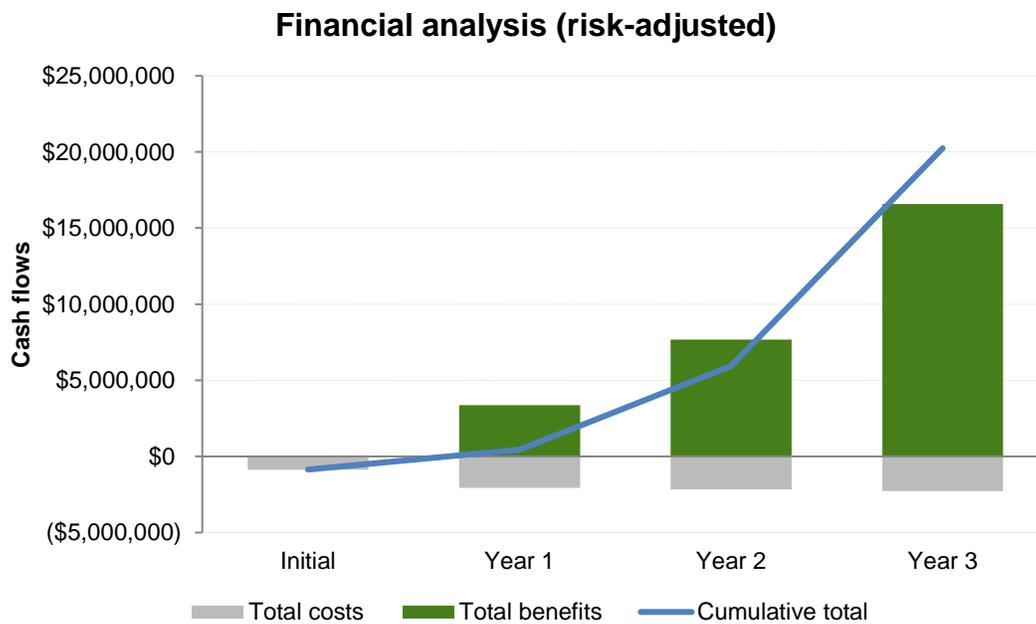
Financial Summary

The financial results calculated in the Benefits and Costs sections of this report can be used to determine the ROI and NPV for the composite organization's investment in IBM Connections.

Table 9 below shows the risk-adjusted ROI and NPV. These values are determined by applying the risk-adjustment values from Table 8 in the Risks section to the unadjusted results in the Costs and Benefits sections. For the composite organization, the payback of its initial investment was realized within the first year after implementation. The result is a total three-year risk-adjusted net benefit of nearly \$15.6 million and a three-year risk-adjusted ROI of 250% (see Table 9).

FIGURE 4

Cash Flow Chart (Risk-Adjusted)



Source: Forrester Research, Inc.

TABLE 9

Cash Flow (Risk-Adjusted)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$862,500)	(\$2,070,000)	(\$2,173,500)	(\$2,282,175)	(\$7,388,175)	(\$6,255,231)
Total benefits	\$0	\$3,368,438	\$7,679,109	\$16,585,277	\$27,632,824	\$21,869,352
Net benefits	(\$862,500)	\$1,298,438	\$5,505,609	\$14,303,102	\$20,244,649	\$15,614,121
ROI						250%

Source: Forrester Research, Inc.

TEI FRAMEWORK ASSUMPTIONS

Table 10 provides the model assumptions that Forrester used in this analysis.

The discount rate used in the PV and NPV calculations is 10%, and the time horizon used for the financial modeling is three years. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult with their respective company's finance department to determine the most appropriate discount rate to use within their own organizations.

TABLE 10
Model Assumptions

Ref.	Metric	Calculation	Value
F1	Average fully burdened annual cost of employee		\$75,000
F2	Average cost of servicing HR request		\$25
F3	Percentage productivity captured by organization		5% to 10%
F4	Discount rate		10%

Source: Forrester Research, Inc.

IBM Connections Overview

The following information is provided by IBM. Forrester does not validate the claims and does not endorse IBM Connections.

SHIFT FROM BEING MERELY PRODUCTIVE TO TRULY EFFECTIVE WITH IBM CONNECTIONS

IBM Connections Is Intelligent Business Collaboration

IBM® Connections™ is a leading unified collaboration and social networking solution that helps you stay focused on your work without being distracted by the tools you use.

Connections empowers your teams and organization to engage with the right experts, accelerate innovation, and deliver better business outcomes. All the collaboration tools you need to be productive are business-compliant, integrated, and united under a single sign-on. With Connections' intelligent search analytics, you can spend less time searching and more time focusing on the people and the work that matters most.

With Connections, you can extend collaboration beyond traditional boundaries. Confidently work with teams that may be geographically dispersed and customers, partners, and experts outside of your organization, in a security-rich environment sanctioned by IT. Connections can help you cut costs, boost employee efficiency, improve decision making, and accelerate time-to-market. And with IBM Watson™ cognitive intelligence, Connections will provide instant access to expertise, personal assistance, and customized user experience to drive business results. Shift from being merely productive to truly effective with Connections today.

AN EXTENSIVE PARTNER ECOSYSTEM FOR CONTINUED GROWTH

A vibrant community of developers and IBM Business Partners extends the value of Connections with a thriving portfolio of solutions that augment Connections using open APIs. These additional solutions provide a high level of choice and customization to Connections customers, with fast and easy integration of business applications that meet their organization-specific needs and plans for the future.

IBM CONNECTIONS CORE CAPABILITIES

Social Networking And Collaboration

Communities give access to all the people and experts in your network, blogs, wikis, activity management, and forums.

Content Management

Share, sync, and store files, work on files together with online document editing

Chat

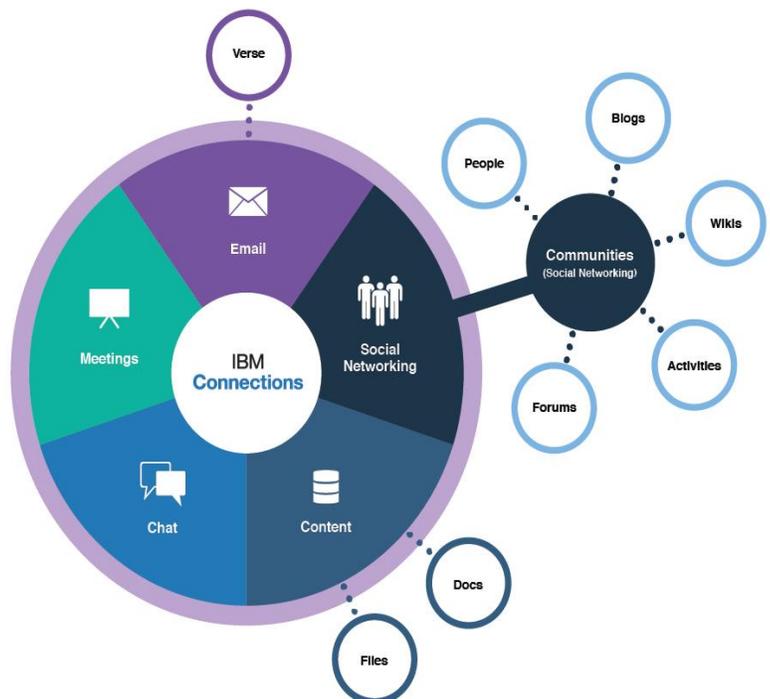
Seek and locate expertise instantly.

Web Meetings

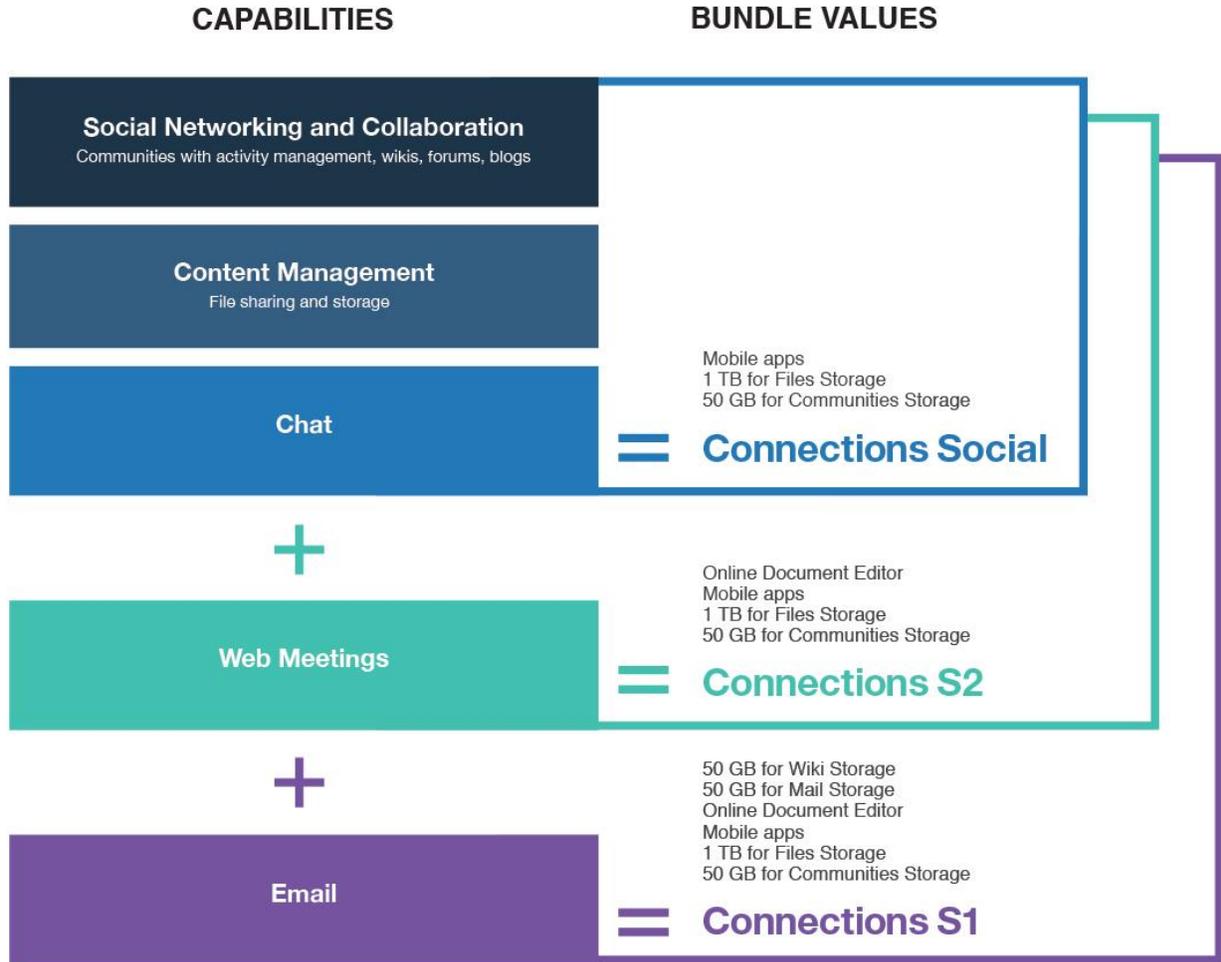
Collaborate in real time, as if you were face to face.

Email

Communicate in a security-rich environment with advanced calendaring, search analytics, and human-centered design



IBM CONNECTIONS IS AVAILABLE IN 3 EASY BUNDLES



Source: IBM

[Get your free 60-day Connections S1 trial today.](#)

Appendix A: Total Economic Impact™ Overview

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. TEI assists technology vendors in winning, serving, and retaining customers.

The TEI methodology consists of four components to evaluate investment value: benefits, costs, flexibility, and risks.

BENEFITS

Benefits represent the value delivered to the user organization — IT and/or business units — by the proposed product or project. Often, product or project justification exercises focus just on IT cost and cost reduction, leaving little room to analyze the effect of the technology on the entire organization. The TEI methodology and the resulting financial model place 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. Calculation of benefit estimates involves a clear dialogue with the user organization to understand the specific value that is created. In addition, Forrester also requires that there be a clear line of accountability established between the measurement and justification of benefit estimates after the project has been completed. This ensures that benefit estimates tie back directly to the bottom line.

COSTS

Costs represent the investment necessary to capture the value, or benefits, of the proposed project. IT or the business units may incur costs in the form of fully burdened labor, subcontractors, or materials. Costs consider all the investments and expenses necessary to deliver the proposed value. In addition, the cost category within TEI captures any incremental costs over the existing environment for ongoing costs associated with the solution. All costs must be tied to the benefits that are created.

FLEXIBILITY

Within the TEI methodology, direct benefits represent one part of the investment value. While direct benefits can typically be the primary way to justify a project, Forrester believes that organizations should be able to measure the strategic value of an investment. Flexibility represents the value that can be obtained for some future additional investment building on top of the initial investment already made. For instance, an investment in an enterprise wide upgrade of an office productivity suite can potentially increase standardization (to increase efficiency) and reduce licensing costs. However, an embedded collaboration feature may translate to greater worker productivity if activated. The collaboration can only be used with additional investment in training at some future point. However, having the ability to capture that benefit has a PV that can be estimated. The flexibility component of TEI captures that value.

RISKS

Risks measure the uncertainty of benefit and cost estimates contained within the investment. Uncertainty is measured in two ways: 1) the likelihood that the cost and benefit estimates will meet the original projections and 2) the likelihood that the estimates will be measured and tracked over time. TEI risk factors are based on a probability density function known as "triangular distribution" to the values entered. At a minimum, three values are calculated to estimate the risk factor around each cost and benefit.

Appendix B: Glossary

Discount rate: The interest rate used in cash flow analysis to take into account the time value of money. Companies set their own discount rate based on their business and investment environment. Forrester assumes a yearly discount rate of 10% for this analysis. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult their respective organizations to determine the most appropriate discount rate to use in their own environment.

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.

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.

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.

Return on investment (ROI): A measure of a project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits minus costs) by costs.

A NOTE ON CASH FLOW TABLES

The following is a note on the cash flow tables used in this study (see the example table below). The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1. Those costs are not discounted. All other cash flows in years 1 through 3 are discounted using the discount rate (shown in the Framework Assumptions section) at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations are not calculated until 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.

TABLE [EXAMPLE]

Example table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
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Source: Forrester Research, Inc.