

The Total Economic Impact™ Of IBM's Design Thinking Practice

Design Thinking's Value Proposition

It is essential to identify, design, and build solutions that truly solve users' problems. Organizations should prioritize and invest in the creative design process to deliver exceptional customer experiences, avoid expensive delays, gain competitive advantage, and foster an empowered and engaged workforce.

Design thinking is a framework that places end users at the center of the design process and enables teams to collaborate and work more efficiently. Interviewees and survey respondents attributed improved outcomes for the following goals to design thinking:

- › Delight customers and increase profits by designing solutions that meet user needs.
- › Identify and invest in the most impactful projects to reduce risk and improve outcomes.
- › Slash time-to-market to dramatically reduce costs and gain competitive advantage.
- › Discover redundant or wasteful processes to streamline efficiency.
- › Energize employees to be creative, to collaborate, and to do better work.

Design thinking can be applied in virtually any part of an organization, and therefore it follows that its impact varies. Yet, Forrester found that interviewees and survey respondents consistently identified impressive returns versus modest costs.

IBM's Design Thinking Practice Returned Over 3x

IBM's Design Thinking practice extends across its diverse portfolio of products and services. Forrester Consulting conducted a Total Economic Impact™ (TEI) study to provide readers with a framework to evaluate the potential financial impact of IBM's Design Thinking practice on their organizations. Data was gathered from interviews with four IBM clients and 60 executive survey respondents. This summary is based on a full TEI study, which can be downloaded at ibm.com/design/thinking/.

Forrester concluded that IBM's Design Thinking practice has the following three-year financial impact: \$48.4 million in benefits versus costs of \$12 million, resulting in a net present value (NPV) of \$36.3 million and an ROI of 301%.



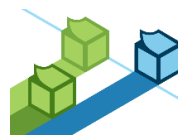
\$20.6M

IBM's Design Thinking practice cut costs by accelerating projects.



\$18.6M

IBM's Design Thinking practice reduced risk and increased portfolio profitability.



2x

Faster time-to-market

75%

Reduced design time



In this case study, Forrester has employed its Total Economic Impact methodology to isolate and quantify the specific impact that is directly attributable to IBM's Design Thinking framework, agnostic of the IBM product or team a client has engaged. Read the full study at ibm.com/design/thinking/.



**ROI
301%**



**Benefits PV
\$48.4M**



**NPV
\$36.3M**

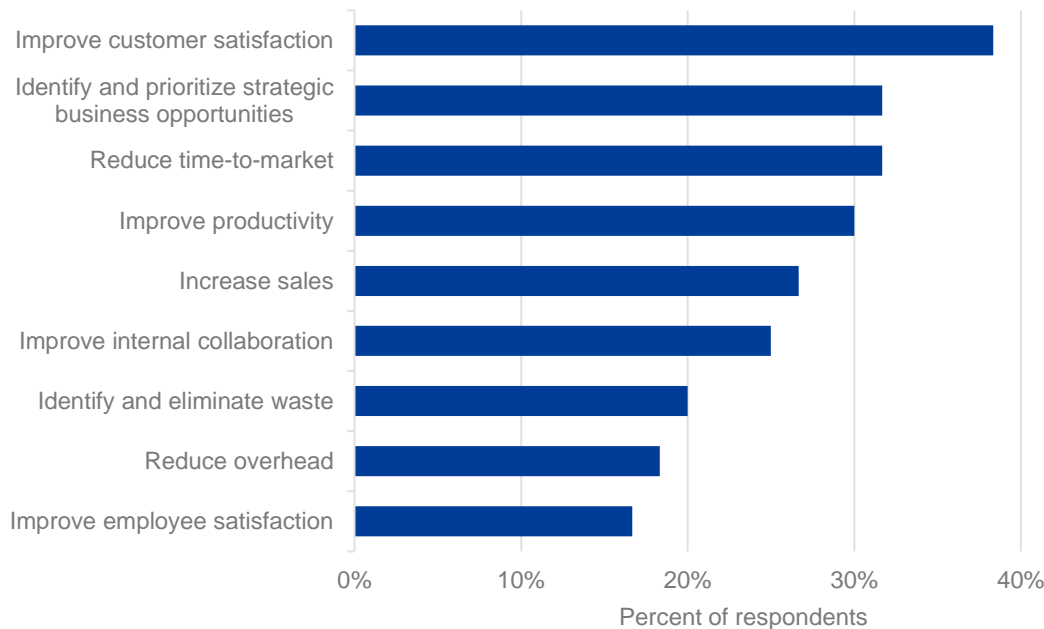
IBM's Client Journey

This analysis uses a composite organization based on interviews with four IBM clients and 60 survey respondents to present the aggregate financial analysis. The composite is representative of a Fortune 1000-sized global enterprise with \$2B in revenue, 100 products, and 3,000 employees. After a successful pilot with IBM, the organization expanded scope to 26 more projects and a company-wide design thinking transformation. Key details of the four IBM Design Thinking clients are as follows:

INDUSTRY	REGION & SIZE	IBM'S TEAM	INTERVIEWEES
Health and human services	North America, 25-50K employees	IBM iX	<ul style="list-style-type: none"> › Chief information officer › Director, business design
Financial services	Global, \$5-20B revenue, 25-50K employees	Global business services	<ul style="list-style-type: none"> › SVP, technology services › VP, business technology › Product team manager
Financial services	Asia Pacific, \$1-5B revenue, 5-10K employees	Cloud garage	<ul style="list-style-type: none"> › Director, digital products
Manufacturing	Asia Pacific, \$1-5B revenue, 10-20K employees	Mobile solutions	<ul style="list-style-type: none"> › Head of transformation › Innovation lead

Organizations turned to design thinking to help invigorate employees, align teams, accelerate projects, streamline processes, and deliver better solutions to users.

What were your organization's top three priorities or business objectives for introducing design thinking?



When asked which organizations they associated with design thinking, 52% of the 60 survey respondents cited IBM — more than any other organization. Interviewees furthermore found that IBM demonstrated a nuanced understanding of their problems and delivered a sophisticated design thinking framework. Pilot programs led to larger engagements, and ultimately, put clients on a path to total organizational transformation.

SUMMARY

This document is an abridged version of a case study commissioned by IBM, titled: The Total Economic Impact Of IBM's Design Thinking Practice, February 2018. The full study can be downloaded at ibm.com/design/thinking/.

METHODOLOGY

The objective of the TEI 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 of IBM's Design Thinking practice, including interviews with Forrester analysts, IBM stakeholders, four current IBM clients, and 60 survey respondents. Forrester constructed a financial model representative of the interviews using the TEI methodology.

COMPOSITE ORGANIZATION

This analysis uses a composite organization, based on the interviewees, to present the aggregate financial analysis.

RISK ADJUSTMENT

Forrester risk-adjusted the financial model based on issues and concerns of the interviewed organizations to account for uncertainties in benefit and cost estimates.

IBM Helped Accelerate Projects, Increase Portfolio Profitability, And Streamline Processes

Forrester quantified the following key risk-adjusted benefits, which are representative of those experienced by the organizations interviewed:

- › **Project teams achieved profits and savings of \$20.6M by doubling design and execution speed, delivering \$678K per minor and \$3.2M per major project.**

 - Organizations slashed the time required for design and alignment by 75%.
 - Project teams leveraged better design and user understanding to reduce development and testing time by 33%.
 - IBM's Design Thinking practice helped projects cut design defects in half.
 - Faster time-to-market enabled increased profits from net-new customers and the higher present value of expected profits.
- › **Organizations reduced risk and improved product outcomes, driving an increased portfolio profitability of \$18.6M for the composite.**

 - Discovered and invested in projects that had the highest profit opportunity.
 - Minimized the risk of failed projects, or muted adoption, by weeding out poor investments that may not have paid off.
 - Designed better products that resonated with users to increase adoption, retention, satisfaction, productivity, and sales.
- › **Cross-functional teams collaborated to share problems and find solutions, reducing costs by \$9.2M in streamlined processes.**

“The savings we achieved through just one project paid for our entire two-year engagement with IBM.”

SVP of technology services, financial services



“I took our company's portfolio and measured the steps in the development pipeline under traditional delivery techniques against the projects we ran with design thinking. The numbers were remarkable — teams using design thinking were 15 to 20 times faster.”

Director of digital products, financial services



Total Benefits

REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Faster project design and development	\$3,214,355	\$8,636,587	\$14,058,820	\$25,909,762	\$20,622,415
Btr	Reduced risk and increased portfolio profitability	\$0	\$7,200,000	\$16,800,000	\$24,000,000	\$18,572,502
Ctr	Streamlined organizational process efficiency	\$0	\$2,000,000	\$10,000,000	\$12,000,000	\$9,166,041
	Total benefits (risk-adjusted)	\$3,214,355	\$17,836,587	\$40,858,820	\$61,909,762	\$48,360,958

Clients Experienced Additional Benefits And Future Opportunities

IBM's Design Thinking framework additionally enabled organizations to achieve a host of benefits not quantified within this study. Interviewees identified that IBM helped revitalize culture by driving team alignment, empowering creativity, and building an engaged and happy workforce. They also experienced enhanced KPIs such as UI, UX, CX, NPS, and brand energy, and increased effectiveness of internal processes for HR, sales, and beyond.

There are multiple scenarios in which an organization might engage IBM's Design Thinking practice and later realize additional use cases and opportunities. During the design thinking process, they may identify 'rising stars' who demonstrate leadership, proactiveness, or ingenuity — regardless of their official title. Organizations may discover new lines of business to reach more customers with additional revenue opportunities. They may also reuse learnings and artifacts for future work to reduce costs and further extend design thinking across their organization.

“We're used to just handing work over the wall — but now we actually talk together.”

Chief information officer, health and human services



Costs Were Incurred For Projects, Training, And Transformation

Interviewees experienced risk-adjusted costs of internal labor and IBM resources including \$6.8M for projects, \$5M for organizational transformation, and \$218K for training. Costs increased in years two and three as the scope of engagement was increased to encompass more projects and support a broader organizational transformation effort.

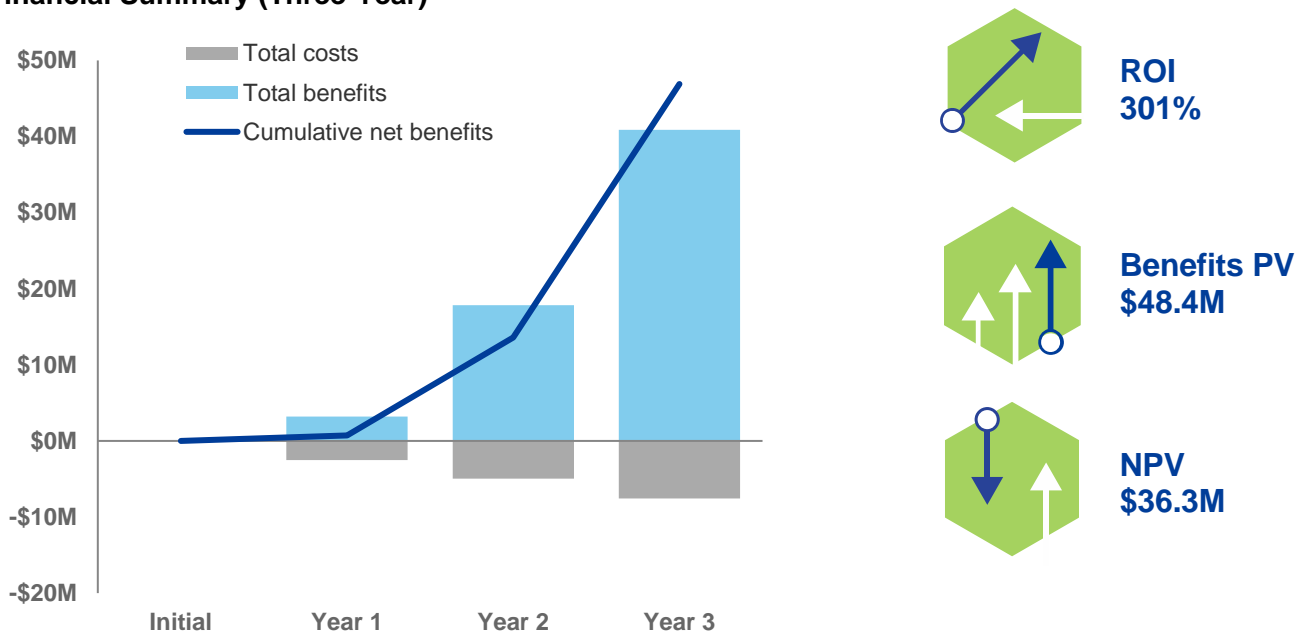
Total Costs

REF.	COST	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Dtr	Project design thinking costs	\$1,533,861	\$2,806,807	\$4,079,754	\$8,420,422	\$6,779,274
Etr	Education and advocacy	\$945,313	\$2,050,744	\$3,318,552	\$6,314,608	\$5,047,482
Ftr	Employee training	\$28,346	\$81,802	\$166,531	\$276,679	\$218,491
	Total costs (risk-adjusted)	\$2,507,519	\$4,939,353	\$7,564,836	\$15,011,709	\$12,045,247

Financial Summary

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 with IBM's Design Thinking practice. Forrester assumes a yearly discount rate of 10% for this analysis.

Financial Summary (Three-Year)



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