

A Forrester Total Economic
Impact™ Study
Commissioned By IBM

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The Total Economic Impact™ Of IBM Connections

Cost Savings And Business Benefits
Enabled By IBM Connections

FORRESTER®

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ABOUT FORRESTER CONSULTING

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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. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of implementing the IBM Connections social collaboration platform within their organizations to improve internal processes to engage, empower, and inspire both employees and customers and unlock new opportunities.

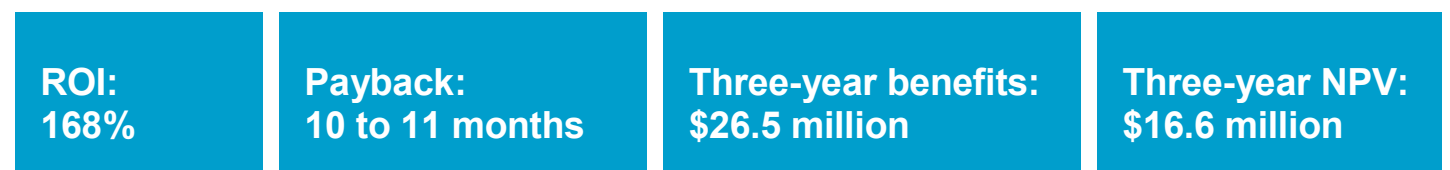
To better understand the benefits, costs, and risks associated with an IBM Connections implementation, Forrester interviewed existing customers with multiple years of experience using both the IBM Connections cloud and on-premises collaboration platforms. The interviews revealed that IBM Connections helped the organizations dramatically increase end user productivity through knowledge sharing, decision-making, and innovation and reduced IT operating costs and complexity by consolidating disparate social networking systems onto one platform. The IBM Connections platform can be delivered entirely through the cloud, on-premises, or as a hybrid cloud solution.

Prior to using IBM Connections, the representative *Organization* was managing its file sharing, email, and employee communities across many different applications and systems. There was no enterprise-wide collaboration solution available, and many parts of the representative *Organization* had their own collaboration processes, which resulted in reduced efficiency and duplication of efforts. There was also a strategic mandate to integrate and manage all social collaboration capabilities through one consistent platform to improve how employees collaborate internally as well as with customers and business partners; reduce burden on the IT organizations to support many disparate systems; and have the flexibility for employees to access information anytime and anywhere. Said the director of digital and mobile strategy at a large workforce solutions company: “We needed a platform to provide more reporting, more connectivity, and more communications while allowing us to meet our operational goals. Our investment in IBM Connections provides us with a robust solution to drive down email and network file usage and allows our employees to access information across devices.”

IBM CONNECTIONS REDUCES OPERATIONAL COSTS AND INCREASES IT AND BUSINESS PRODUCTIVITY

Our interview with IBM Connections customers and subsequent financial analysis found that the representative *Organization* experienced the risk-adjusted ROI, benefits, and costs shown in Figure 1.¹ The analysis points to three-year benefits of about \$26.5 million versus total costs of \$10 million, for a three-year net present value (NPV) of about \$16.6 million.

FIGURE 1
Financial Summary Showing Three-Year Risk-Adjusted Results



Source: Forrester Research, Inc.

IBM Connections can help organizations improve end user productivity, reduce employee churn, and save in IT operating costs through its innovative, flexible, and feature-rich social collaboration platform.

The costs and benefits over three years for the representative *Organization* headquartered in the United States with 35,000 full-time employees are:

- **Three-year license fees at \$10/month per user: \$10.8 million.**
- **Implementation costs and professional service fees: \$1.02 million.**
- **Total three-year benefits: \$26.5 million.**

› **Benefits.** The interviewed organization experienced the following risk-adjusted benefits:

- **An increase in end user productivity of 10%.** The representative *Organization* experienced an overall productivity gain of 10% for its employees who used the IBM Connections platform. The integrated social collaboration platform allowed the *Organization* to communicate more quickly, make decisions faster, and increase efficiency in its sales and business development efforts compared with its previous knowledge sharing and collaboration tools.
- **A reduction in employee turnover, saving the *Organization* over \$1.5 million over three years.** The representative *Organization* was able to reduce its employee attrition rate by 5% as a result of increased connectivity and flexibility that the IBM Connections solution brought to its global workforce.
- **A reduction in IT operating costs of managing collaboration tools of about \$500,000 over three years.** The representative *Organization* was able to save approximately \$500,000 in IT costs over three years. These cost savings were a result of reducing software and license fees of managing multiple collaboration applications and processes across the company. With the IBM Connections integrated platform, the company was able to decommission applications and systems, reduce IT storage requirements from file sharing, and streamline collaboration processes across the *Organization*.

“To compete in today’s global environment and help us win new business, our employees needed the ability to access an integrated online platform so that they could communicate faster and also cooperate more efficiently on projects. IBM Connections has provided us this platform.”

~ Director of communications, global engineering services company

› **Costs.** The representative *Organization* experienced the following risk-adjusted costs:

- **Initial license and annual subscription fee of \$10/month per user:** The representative *Organization* paid IBM a standard monthly fee of \$10 per user. This fee provides access to all IBM Connections features, including email, profiles, blogs, communities, wikis, file sharing, ideation, forums, polls and surveys, activity streams, desktop plugins, analytics, and native mobile applications. Additionally, the fee provides the organization with 24x7 IBM support and maintenance for the platform.
- **Professional service fees and internal implementation costs of about \$1 million.** The representative *Organization* incurred about \$1 million of initial costs to fully integrate IBM Connections into its environment.

Disclosures

The reader should be aware of the following:

- › The study is commissioned by IBM. It is not meant to be used as 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 interview but did not participate in the interview.

TEI Framework And Methodology

INTRODUCTION

From the information provided in the interviews, 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, in order to help organizations understand how to take advantage of specific benefits, reduce costs, and improve the overall business goals of process improvements to engage and empower not only employees, but customers as well, to inspire innovation and unlock opportunities.

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 marketing, sales, and/or consulting personnel, along with Forrester analysts, to gather data relative to the marketplace for IBM Connections.
- › Interviewed four organizations currently using IBM Connections to obtain data with respect to costs, benefits, and risks.
- › Constructed a financial model representative of the interview using the TEI methodology. The financial model is populated with the cost and benefit data obtained from the interview.
- › Risk-adjusted the financial model based on issues and concerns the interviewed organizations highlighted in interviews. 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 responses or had a number of outside forces that might have affected the results. For that reason, some cost and benefit totals have been risk-adjusted and are detailed in each relevant section.

Forrester employed four fundamental elements of TEI in modeling IBM Connections: 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 B for additional information on the TEI methodology.

FIGURE 2
TEI Approach



Source: Forrester Research, Inc.

Analysis

REPRESENTATIVE ORGANIZATION

For this study, Forrester conducted and collected data from a total of four interviews with representatives from the following companies:

- › A large, global engineering services organization headquartered in the US.
- › A multinational consumer products company headquartered in the US.
- › A global provider of workforce solutions and outsourcing services.
- › A large, global technology and consulting company headquartered in the US.

Organizations of all types benefit from IBM Connections, including regional businesses, global businesses with headquarters within and outside the US, government agencies, and nonprofits. Additionally, customers will experience similar results from both on-premises and cloud versions of the solution.

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

It is a global enterprise headquartered in the US with 30,000 employees and 5,000 contractors worldwide. The *Organization* purchased IBM Connections license for all of its employees. In three years, 60% of the full-time employees and 30% of the contractors were using multiple features of IBM Connections on a monthly basis. The *Organization* and the interviewed customers shared the following goals and objectives for an investment in IBM's Connections solution:

- › Collaborate inside and outside company firewalls.
- › Increase productivity through collaboration between employees globally.
- › Accommodate the increase in bring-your-own-device (BYOD) and mobile users who need to easily access and share information.
- › Ensure collaboration infrastructure can be flexible and scalable based on a changing business landscape.
- › Have the ability to incorporate usage and real-time analytics into the solution.

“IBM Connections is a very easy-to-implement platform with very innovative and intuitive features that quickly got adopted by our employees. We were already an IBM Notes and IBM Sametime customer, so transitioning to IBM Connections was seamless for us.”

~ Director of IT global communications, multinational consumer products company

INTERVIEW HIGHLIGHTS

Situation

The *Organization* has over 35,000 employees and contractors who manage customer relationships globally, manage end-to-end supply chains, and develop and implement new software to support its customers more efficiently. An enormous challenge for the *Organization* was to ensure that its global employee base was able to communicate effectively, share knowledge and best practices, and feel connected to the company's values and direction, as well as work smarter using analytics capabilities and information from various sources.

In addition, the proliferation of devices, social media, and big data technologies was rapidly evolving, creating new sources of ideas and information that required management from both inside and outside of the organization. Managing such geographically diverse teams across time zones to work efficiently and communicate from anywhere, at any time, was an important strategic priority. The representative *Organization* wanted to build teams that were flexible and responsive to changing business needs, promoted quick onboarding and training, and allowed a collaborative platform for remote teams to perform and stay engaged at a high caliber.

Solution

The representative *Organization* selected IBM Connections for its ability to provide an enterprise wide solution to integrate all of the company's collaboration needs under one platform.

Results

The customer interviews revealed that:

- › **IBM Connections increases business productivity by providing more-reliable, easier, and faster access to information retrieval.** The most significant benefit experienced was the increase in employee productivity from accessing, sharing, and storing information for daily business tasks across devices. The productivity is measured by the additional time savings by employees who are now more engaged, empowered, and inspired to unlock new opportunities.
- › **IBM Connections increases employee engagement and reduces employee attrition.** The *Organization* recognized direct cost savings from less employee attrition as a result of the increased flexibility and connectivity that the IBM Connections platform offers its global diverse employee base.
- › **IBM Connections increases IT productivity through decreased support costs.** The burden of managing disparate systems and shared drives and system reliability is relieved by the IBM Connections enterprise collaboration platform. The *Organization* was able to increase its IT support productivity by decreasing the percentage of time it spent supporting business processes and tasks related to managing and hosting the company's content and information.

“The reason we picked IBM Connections was its built-in, out-of-the-box, and easy-to-implement features. IBM Connections offers a fully functional next-gen social collaboration platform that includes employee profiles, email, file sharing, and wikis. In addition, it allows us to collaborate externally with business partners, vendors, and our customers, which made IBM Connections the right choice for us.

~ Director of digital and mobile strategy,
global workforce solutions company

BENEFITS

The representative *Organization* experienced a number of quantified benefits in this case study:

- › Increase in end user productivity of 10%.
- › Reduction in employee turnover of 5%.
- › Reduction in IT operating costs of 20%.

Increase In End User Productivity

The representative *Organization* indicated that a key benefit from implementing IBM Connections was the increase in productivity for its end user employees who rely on accessing, sharing, and storing information to conduct their daily business activities. IBM Connections allows the *Organization* to more efficiently collaborate, simultaneously review documents, and contribute to the same document. In addition, IBM Connections has many features to further engage employees through forums, blogs, employee profiles, and wikis. The representative *Organization* indicated that IBM Connections had a direct impact on employee productivity. Through more efficient collaboration, teams were able to use knowledge share to learn best practices and make decisions faster. IBM Connections also fostered innovation and idea sharing for the *Organization*.

An increase in end user productivity was calculated (see Table 1) based on the number of employees and contractors using IBM Connections on a daily basis. In Year 1, the *Organization* had a 40% adoption rate of the platform, and that increased to 60% by Year 3. The increase in productivity for these users of IBM Connections was 10% 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 End User Productivity

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
A1	Number of end users (full-time employees and contractors)			25,000	30,000	35,000
A2	Average cost per FTE			\$100,000	\$100,000	\$100,000
A3	Adoption rate (using multiple IBM Connections features)			40%	50%	60%
A4	Increase in end user efficiency			8%	9%	10%
A5	Percentage in end user productivity realized by the <i>Organization</i>			5%	7%	10%
At	Increase in end user productivity	$A1 * A2 * A3 * A4 * A5$	\$0	\$4,000,000	\$9,450,000	\$21,000,000
	Risk adjustment	90%				
Atr	Increase in end user productivity (risk-adjusted)		\$0	\$3,600,000	\$8,505,000	\$18,900,000

Source: Forrester Research, Inc.

Reduction In Cost From Employee Turnover

The representative *Organization* indicated that another key benefit from implementing IBM Connections was the reduction in attrition of employees. Through IBM Connections, the *Organization* was able to increase employee engagement, increase employee satisfaction, improve the onboarding process, and provide much more flexibility for on-site and remote workers. These factors influenced the retention of employees longer, which had a direct, measurable impact on the *Organization*.

A reduction in cost from employee turnover is based on the industry average turnover of 6% of employees for an organization each year. Forrester estimates that the average cost of replacing an employee is about 15% of their full-time salary, which is \$100,000 for an employee at the *Organization*. Implementing IBM Connections resulted in a 5% reduction in the *Organization's* employee churn rate, which is reflected in Table 2 below.

TABLE 2
Reduction In Cost From Employee Turnover

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
B1	Total number of employees			25,000	30,000	35,000
B2	Percentage turnover of employees			6%	6%	6%
B3	Cost of replacing an employee			\$15,000	\$15,000	\$15,000
B4	Adoption rate			40%	50%	60%
B5	Reduction in employee churn rate			5%	5%	5%
Bt	Reduction in cost from employee turnover	$B1 * B2 * B3 * B4 * B5$	\$0	\$450,000	\$675,000	\$945,000
	Risk adjustment	90%				
Btr	Reduction in cost from employee turnover (risk-adjusted)		\$0	\$405,000	\$607,500	\$850,500

Source: Forrester Research, Inc.

Reduction In IT Operating Costs

Another key benefit that the representative *Organization* experienced after implementing IBM Connections was a significant reduction in its IT operating costs. The *Organization* was facing the challenge of managing and getting value from the increasing number of systems and sources of shared drives and tools that were constantly being introduced into its environment to facilitate collaboration. This resulted in increased licensed fees and an increased burden on IT resources. Additionally, IT operating costs were going up due to additional data storage requirements and poor performance from the increased demand for file and data sharing and storage throughout its network.

The representative organization estimated that by Year 3, it was able to reduce its IT operating costs of data management by 20%. As shown in Table 3, this resulted in \$270,000 in cost savings per year starting in Year 3.

TABLE 3
Reduction In IT Operating Costs

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
C1	IT operating costs (software costs for multiple collaboration applications)			\$1,500,000	\$1,500,000	\$1,500,000
C2	Reduction in IT operating costs			10%	15%	20%
Ct	Total reduction in IT operating costs	C1*C2	\$0	\$150,000	\$225,000	\$300,000
	Risk adjustment	90%				
Ctr	Total reduction in IT operating costs (risk-adjusted)		\$0	\$135,000	\$202,500	\$270,000

Source: Forrester Research, Inc.

Total Benefits

Table 4 shows the total of all benefits across the three areas listed above, as well as present values (PVs) discounted at 10%. Over three years, the representative *Organization* experienced risk-adjusted total benefits of about \$26.5 million (PV).

TABLE 4
Total Benefits (Risk-Adjusted)

Benefit	Initial	Year 1	Year 2	Year 3	Total	Present value
Increase in end user productivity	\$0	\$3,600,000	\$8,505,000	\$18,900,000	\$31,005,000	\$24,501,503
Reduction in cost from employee turnover	\$0	\$405,000	\$607,500	\$850,500	\$1,863,000	\$1,509,241
Reduction in IT operating costs	\$0	\$135,000	\$202,500	\$270,000	\$607,500	\$492,938
Total benefits (risk-adjusted)	\$0	\$4,140,000	\$9,315,000	\$20,020,500	\$33,475,500	\$26,503,681

Source: Forrester Research, Inc.

COSTS

The representative *Organization* incurred two costs associated with the IBM Connections platform:

- › Enterprise license cost and annual subscription fee.
- › Professional service and initial implementation costs.

These represent the costs experienced by the representative *Organization* for initial implementation and ongoing usage associated with the solution.

Initial License And Annual Subscription Fee

The representative *Organization's* initial license and annual subscription fee to IBM for its Connections platform is a monthly charge of \$10 per user. The cost was the United States list price per user for the Connections Cloud service. Actual pricing, whether for on-premises or cloud, may differ due to a variety of factors and should be taken into consideration for the reader's specific infrastructure requirements. This is a bundled package purchased by the *Organization* that includes email, meetings, profiles, wikis, file sync and sharing, activity streams, and chat features.

TABLE 5
Initial License Cost And Annual Subscription Fee

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
D1	Subscription cost per user/month			\$10	\$10	\$10
D2	Number of months			12	12	12
D3	Number of users			25,000	30,000	35,000
Dt	Annual subscription cost	D1*D2*D3		\$3,000,000	\$3,600,000	\$4,200,000
	Risk adjustment	100%				
Dtr	Annual subscription cost (risk-adjusted)		\$0	\$3,000,000	\$3,600,000	\$4,200,000

Source: Forrester Research, Inc.

Professional Service And Initial Implementation Costs

The representative *Organization* incurred \$300,000 in professional service fees to help implement the IBM Connections platform into its environment. The implementation, including testing and rollout, took about six months. In addition, the *Organization* dedicated six full-time equivalents (FTEs) over the course of a year to fully implement the solution into its environment. The dedicated FTEs initially included project managers, developers, and architects, and then the *Organization* transitioned to having more trainers and advocates to increase adoption of the solution. The internal FTEs cost the *Organization* about \$10,000 a month, which resulted in approximately \$1 million in professional service fees and internal implementation costs for the company.

Development, project management, and training costs will vary from organization to organization. Some organizations outsource, and others manage these responsibilities in-house, perhaps augmented with third-party consulting help.

TABLE 6
Professional Service Fees And internal Implementation Costs

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
E1	Professional service fees		\$300,000			
E2	Number of FTEs to support product implementation and rollout		6			
E3	Number of months		12			
E4	Monthly cost of FTE		\$10,000			
Et	Professional fees and internal implementation costs	$E1+(E2*E3*E4)$	\$1,020,000	\$0	\$0	\$0
	Risk adjustment		100%			
Etr	Professional fees and internal implementation costs (risk-adjusted)		\$1,020,000	\$0	\$0	\$0

Total Costs

Table 7 shows the total of all costs as well as associated present values, discounted at 10%. Over three years, the representative *Organization* expects total costs to total a net present value of a little more than \$9.8 million.

TABLE 7
Total Costs (Risk-Adjusted)

Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Initial license cost and annual subscription fee	\$0	\$3,000,000	\$3,600,000	\$4,200,000	\$10,800,000	\$8,858,002
Professional fees and internal implementation costs	\$1,020,000	\$0	\$0	\$0	\$1,020,000	\$1,020,000
Total costs (risk-adjusted)	\$1,020,000	\$3,000,000	\$3,600,000	\$4,200,000	\$11,820,000	\$9,878,002

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 for some future additional investment. This provides an organization with the means or the 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 use cases and business opportunities. Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix B).

Our *Organization* has the opportunity to use more-sophisticated features and functionality through customization that will allow it to further manage and share disparate amounts of content across its organization. Additionally, the *Organization* has the flexibility to scale up the number of users who can both engage with the platform and benefit from it.

RISK

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

TABLE 8
Benefit And Cost Risk Adjustments

Benefits	Adjustment
Increase in end user productivity	↓ 10%
Reduction in cost from employee turnover	↓ 10%
Reduction in IT operating costs	↓ 10%

Source: Forrester Research, Inc.

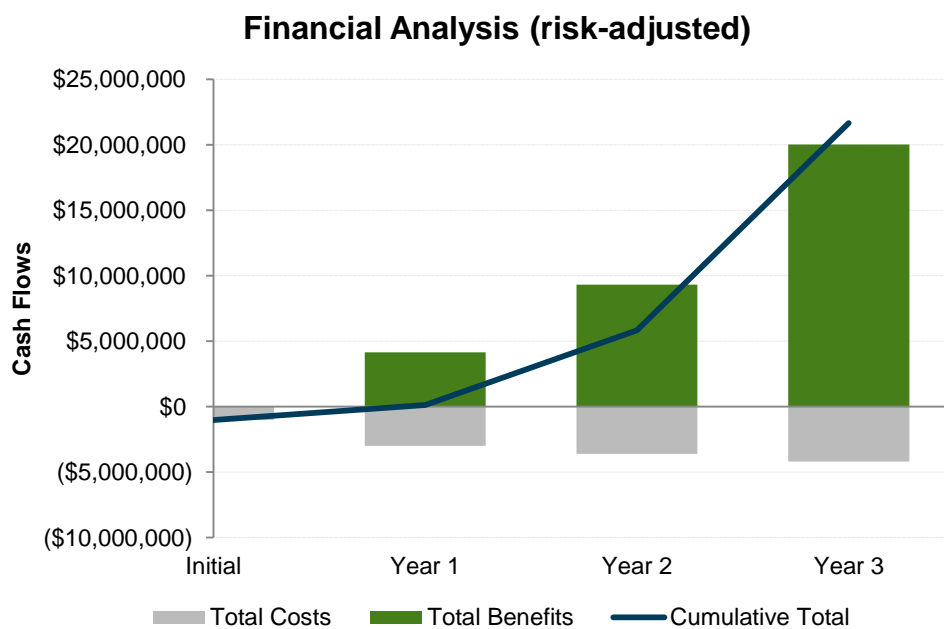
Quantitatively capturing implementation risk and impact risk by directly adjusting the financial estimates results provides more meaningful and accurate estimates and a more accurate projection of the ROI. In general, risks affect costs by raising the original estimates, and they affect benefits by reducing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

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 interviewed organization's investment in IBM Connections.

Figure 3 below shows the risk-adjusted ROI, NPV, and payback period values. These values are determined by applying the risk-adjustment values from Table 8 in the Risks section to the unadjusted results in each relevant cost and benefit section.

FIGURE 3
Cash Flow Chart (Risk-Adjusted)



Source: Forrester Research, Inc.

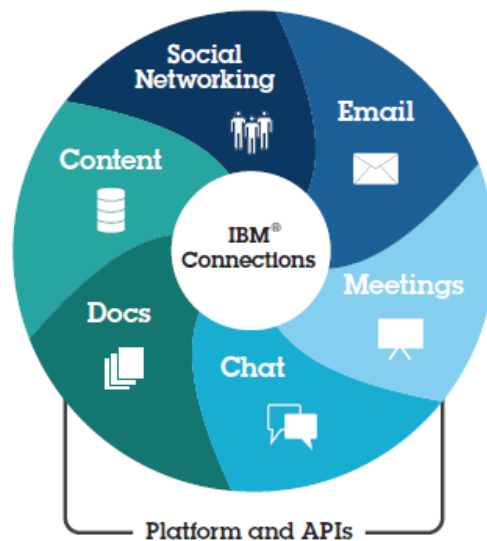
TABLE 9
Cash Flow (Risk-Adjusted)

Summary	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total Costs	(\$1,020,000)	(\$3,000,000)	(\$3,600,000)	(\$4,200,000)	(\$11,820,000)	(\$9,878,002)
Total Benefits	\$0	\$4,140,000	\$9,315,000	\$20,020,500	\$33,475,500	\$26,503,681
Total	(\$1,020,000)	\$1,140,000	\$5,715,000	\$15,820,500	\$21,655,500	\$16,625,680
ROI						168%
Payback Period (months)						10.7

Source: Forrester Research, Inc.

IBM Connections: Overview

IBM Connections is the market-leading, integrated, and security-rich collaboration platform that helps get work done. With Connections, companies can infuse flexible, ready-to-use, world-class collaboration capabilities through software-as-a-service (SaaS), on-premises, and hybrid deployment models. It allows organizations to engage the right people, accelerate innovation, and deliver results. Organizations can confidently share knowledge beyond traditional organizational boundaries to include clients and business partners, in order to improve decision-making, increase productivity, and accelerate time-to-market.



On premises



Dedicated private cloud



Hybrid



Public cloud

The Connections platform helps organizations:

- › **Empower people.** Innovate anywhere — including mobile, web, and desktop, and even offline.
- › **Engage people.** Filter out the noise and illuminate ideas.
- › **Inspire innovation.** Allow ideas and communities to thrive with the people-centric platform.
- › **Trust people.** Safely collaborate with customers and partners, bringing them into the conversation.
- › **Extend technology.** Extend Connections into IBM and other third-party applications through open APIs and the IBM Social Business Toolkit (SDK).

Connections provides enterprise social networks, including communities, rich profiles, blogs, wikis, forums, and more. It also supports your entire collaboration environment with mail, file sharing, chat, meetings, collaborative document editing, and much more, to help people engage with networks of experts to harness the power of collective intelligence.

Connections empowers business professionals to be more innovative and productive by helping them quickly identify and build networks of subject matter experts. The platform facilitates the creation of vibrant communities of employees, suppliers, and customers, where creative ideas can be exchanged that can inspire innovation and foster increased business growth.

In addition, since professionals are increasingly on the move, mobile access is essential. IBM Connections provides native mobile applications that support a broad range of mobile devices and operating platforms, giving users access to the trusted expertise of their professional networks and communities virtually anywhere, anytime.

IBM CONNECTIONS CAPABILITIES

IBM Connections provides the following capabilities, which can be deployed incrementally based on your business requirements:

- › **Social networking.** Stay connected to your professional network with communities, rich profiles, social analytics, activities, file sharing and sync, blogs, ideation, and wikis.
- › **Mail.** Simplify today's complex world by integrating email, calendars, and contacts.
- › **Meetings.** Collaborate, without traveling, through online meetings with high-definition audio and video as well as the sharing of documents, applications, and desktops.
- › **Chat.** Find the expertise you need when you need it with enterprise instant messaging, online presence indicators, and community collaboration for instant connection to the people behind the information in your social business environment.
- › **Docs.** Accelerate productivity with an online office productivity suite that makes it easier than ever for teams to collaboratively create and edit word processing, spreadsheet, and presentation documents in real time.
- › **Confidently sync, share, and collaborate on files.** Easily collaborate by sharing files with an email address or with people in your network, and manage access, viewing, and editing to ensure the right level of collaboration in a security-rich environment. Always have the right version of your file across your desktop and mobile devices.
- › **Content.** Engage people to collaborate as part of the content creation process. Control content through document check-in and check-out, version control, approval routing, metadata, taxonomy, document types, and nested folders.

Since all the capabilities of IBM Connections are integrated and easy to use, it can create a more productive working environment that meets the needs of the entire business.

If you're ready to learn more about how your organization can benefit from increased social collaboration, one way to start is by trying IBM Connections on IBM Cloud at no cost for 60 days. To access this please visit: <http://www.ibm.com/cloud-computing/social/us/en/startatrial/>.

Appendix A: Interviewed Organizations Description

Organizations of all types benefit from IBM Connections, including traditional businesses, government organizations, and nonprofits.

Based on customer interviews and data collected, Forrester constructed a composite *Organization* that highlights the financial benefits, costs, and the 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 30,000 employees and 5,000 contractors worldwide. Sixty percent of the full-time employees use IBM Connections on a monthly basis, and 30% of the contractors use IBM Connections on a monthly basis. The *Organization* and the interviewed customers shared the following goals and objectives for an investment in IBM's Connections solution:

- › Collaborate inside and outside company firewalls.
- › Increase productivity through collaboration between employees globally.
- › Accommodate the increase in BYOD and mobile users who need to easily access and share information.
- › Have the ability to incorporate usage and real-time analytics into the solution.

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	Hours per year		2,040
F2	Average monthly cost of FTE		\$10,000
F3	Average yearly salary of FTE		\$100,000

Source: Forrester Research, Inc.

Appendix B: 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 enterprisewide 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 C: 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

Source: Forrester Research, Inc.

Appendix D: Endnotes

¹ Forrester risk-adjusts the summary financial metrics to take into account the potential uncertainty of the cost and benefit estimates. For more information, see the section on Risks.