

FORRESTER®

# The Total Economic Impact™ Of Microsoft Viva

Cost Savings And Business Benefits  
Enabled By Microsoft Viva

SEPTEMBER 2022

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### ABOUT FORRESTER CONSULTING

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## Executive Summary

Hybrid working models are increasingly becoming the norm, which is creating new challenges for organizations as they seek to engage, motivate, and grow a workforce that is increasingly dispersed and distracted. Microsoft Viva creates integrated digital employee experiences focused on the future of work and improving employee development, purpose, well-being, and connection. This improves employee performance and productivity and increases employee retention.

Microsoft Viva is an integrated employee experience (EX) platform that centralizes communications, knowledge, learning, goals, and insights. The platform is integrated with Microsoft Teams, which allows organizations to pull the aforementioned resources directly into the flow of work for their employees.<sup>1</sup> The goal of Viva is to deliver robust employee experiences that create business value. The Microsoft Viva suite is currently comprised of five apps:

- **Viva Insights.** This drives productivity and well-being, delivering personalized insights, quantifying the impact of work on people and business, and addressing business challenges.
- **Viva Connections.** This focuses on culture and communications, encouraging connections across the organization, empowering employees to contribute ideas and share feedback, and fostering alignment around organizational vision, mission, and strategic priorities.
- **Viva Learning.** This prioritizes skilling and growth, integrating learning into tools and platforms where users work, simplifying and centralizing learning, and surfacing personalized content. Learning covers everything employees do including having conversations, collaborating, connecting

### KEY STATISTICS



Return on investment (ROI)

**327%**



Net present value (NPV)

**\$27.5M**

learning to tasks, and participating in work groups and workstreams.

- **Viva Topics.** This centers on knowledge and expertise, using AI to prioritize content and convert it to knowledge on curated topic pages and making knowledge more easily accessible overall.
- **Viva Goals.** This democratizes contribution to organizational objectives and key results (OKRs), providing end-to-end goal management, embedding OKRs into EX and employee workflows, and aligning everyday work with team goals and company mission. It also helps prioritize the most important activities for improving bottom-line results.

Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Viva.<sup>2</sup> The

purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Viva on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed eight representatives with experience using Viva. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single [composite organization](#) that is an organization with 7,000 employees and revenue of \$2 billion per year.

Before implementing Viva, these interviewees' organizations struggled with EX initiatives. Prior attempts to improve efforts yielded limited success with disparate systems and decentralized resources that were difficult to navigate and access and lacked overall insight into employee productivity and engagement. This led to slow onboarding processes, inhibited employee productivity and development, high attrition rates, and subpar performance on key business outcomes.

After adopting Viva, interviewees noted that their organizations experienced:

- Faster time-to-full-ramp-up for new hires and internal transfers.
- Improved employee productivity due to time savings from simplifying tasks.
- Improved employee retention.
- Time savings for operations teams.
- Improved business outcomes.

## KEY FINDINGS

**Quantified benefits.** Three-year risk-adjusted present value (PV) quantified benefits for the composite organization include:

- **Reduces onboarding time-to-full-productivity by 50%.** The Viva suite enables faster ramp-up by surfacing the most critical information and contacts for new hires in the flow of their work. In addition, leveraging analytical insights allows organizations to optimize their onboarding process. Over three years, accelerated onboarding is worth almost \$10.5 million to the composite organization.
- **Improves productivity via a 75% reduction in content and expert discovery effort.** Existing employees benefit from facilitated access to content and people. By integrating the most relevant resources into the flow of work, employees spend less time searching for what they need to perform tasks. This reduction in search effort is worth a three-year PV of \$9.3 million to the composite organization.
- **Improves employee retention.** Viva helps reduce employee attrition by identifying at-risk populations, focusing on well-being, and fostering a sense of belonging and accomplishment among the workforce. For the three years of this analysis, improved employee retention is worth \$13.1 million to the composite organization.
- **Provides time savings for operations team members.** HR, learning and development (L&D), EX, and IT can all realize time savings with the Viva suite. This recaptured time ties to activities such as creating, curating, and disseminating content; integrating and managing multiple systems; ensuring proper security and compliance; and responding to relevant employee queries. Over three years, time savings for operations teams are worth almost \$1.5 million to the composite organization.

Reduction in time-to-full-productivity due to accelerated onboarding with Viva:  
**50%**



- **Improves business outcomes and incremental revenue.** The Viva suite enables employee productivity, increased innovation, and faster time-to-market. The composite organization realizes \$1.8 million in additional revenue each year with Viva. This has a bottom-line impact, with an operating margin applied, of \$1.6 million over the three years.

Microsoft Teams, and third-party apps, so employees can engage within the flow of their work. Viva also integrates with Microsoft Graph for workplace data and insights. Additionally, Viva is built on Microsoft 365, which extends the platform for developing custom business solutions.

**Costs.** Three-year risk-adjusted PV costs for the composite organization include:

- **Viva licenses totaling \$2 million.** Licenses for the Microsoft Viva suite cost \$9 per user per month. These licenses provide access to all the capabilities and apps: Viva Connections, Viva Learning, Viva Insights, Viva Topics, and Viva Goals.
- **Professional services costs totaling \$2.5 million.** The composite organization engages Microsoft partners for assistance with optimizing employee experiences, implementing and integrating Viva into their environment, creating training materials, and maintaining the platform on an ongoing basis.
- **Training totaling \$1.3 million.** Each employee spends 3 hours in training on Viva. This cost represents lost productivity for that time.
- **Internal effort totaling \$2.6 million.** Forrester models 10 FTEs (a mix of business, HR, EX, and IT users) for a six-month implementation effort. Five FTEs are involved in ongoing activities such as managing and rolling out new features within Viva, making improvements to user experiences, managing governance over content curation and dissemination, and integrating an increasing number of third-party applications and systems of record.

Reduction in employee attrition with Viva:

20%



**Unquantified benefits.** Benefits that are not quantified in this study include:

- **Improved employee satisfaction and well-being.** Undergirding the quantified benefits is an increased sense of belonging and accomplishment among employees with Viva. This translates to improved employee satisfaction, engagement, and well-being.
- **Easier security and compliance.** Privacy is a core tenet of Viva, including regulatory differences across geographies. Viva also addresses issues such as retention at the employee population level, not the individual level, to help respect privacy regulations.
- **Enhanced analytics and insights.** The Viva suite is AI-powered and data-driven, delivering insights and recommendations around resources, ways of working, and OKRs. Employees can make better and faster decisions, which helps boost productivity, well-being, retention, revenue, and margin.
- **Interoperability with other Microsoft solutions.** Viva works across Microsoft 365,

The representative interviews and financial analysis found that a composite organization experiences benefits of \$35.9 million over three years versus costs of \$8.4 million, adding up to a net present value (NPV) of \$27.5 million and an ROI of 327%.

**“Viva is a front door to everything. We’ve realized improvements to employees’ personal well-being, their ability to deliver, and company outcomes overall.”**

— Product owner, CPG



ROI  
**327%**



BENEFITS PV  
**\$35.9M**

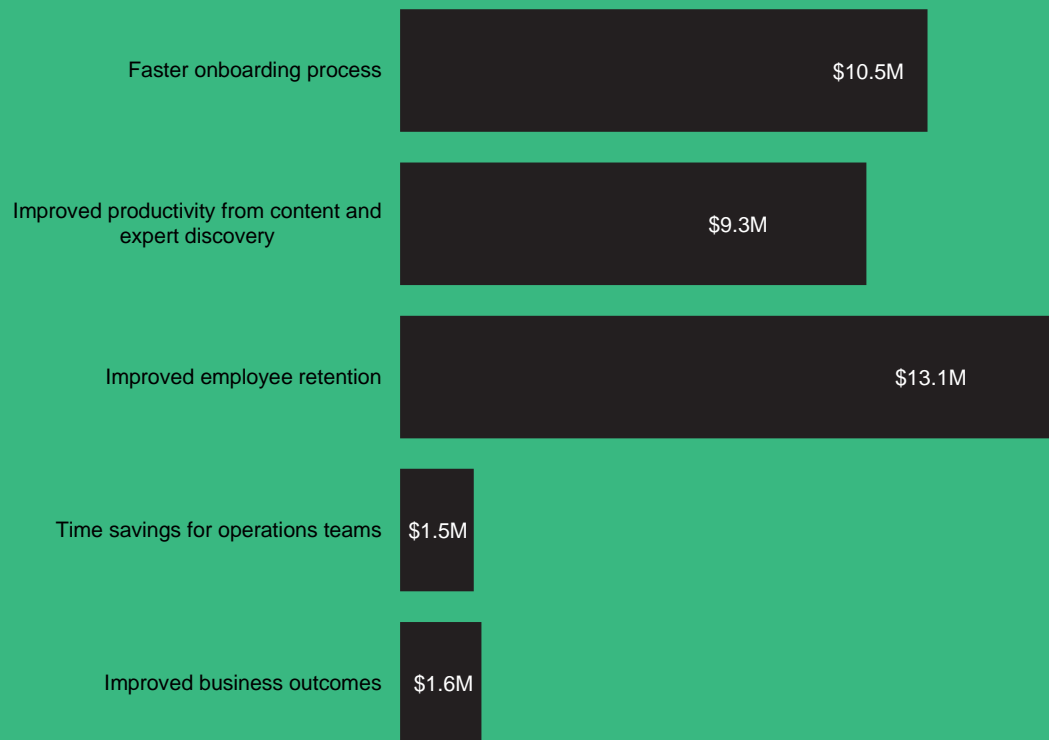


NPV  
**\$27.5M**



PAYBACK  
**<6 months**

### Benefits (Three-Year)



## TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in Viva.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Viva can have on an organization.

### DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Microsoft 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 study to determine the appropriateness of an investment in Microsoft Viva.

Microsoft 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.

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



### DUE DILIGENCE

Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to Viva.



### INTERVIEWS

Interviewed eight representatives at organizations using Viva to obtain data with respect to costs, benefits, and risks.



### COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewees' organizations.



### FINANCIAL MODEL FRAMEWORK

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



### CASE STUDY

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



# The Microsoft Viva Customer Journey

## Drivers leading to the Viva suite investment

| Interviews                                     |                       |                     |                                                             |
|------------------------------------------------|-----------------------|---------------------|-------------------------------------------------------------|
| Role                                           | Industry              | Number Of Employees | Viva Apps Deployed                                          |
| CEO                                            | Real estate           | 300                 | Viva Topics                                                 |
| Director of people, technology, and operations | CPG                   | 9,000               | Viva Insights                                               |
| Head of program management                     | Software              | 7,000               | Viva Goals                                                  |
| IT executive for workplace IT experience       | Professional services | 56,000              | Viva Insights, Viva Connections, Viva Topics, Viva Learning |
| COO                                            | Electronics           | 2,000               | Viva Learning                                               |
| Product owner                                  | CPG                   | 100,000             | Viva Connections, Viva Topics                               |
| Senior communications strategist               | Industrial services   | 10,000              | Viva Connections, Viva Topics                               |
| Licensing specialist                           | Financial services    | 8,500               | Viva Insights                                               |

## KEY CHALLENGES

Before adopting Viva, interviewees' organizations had ineffective EX strategies. They relied on disjointed systems and initiatives to unsuccessfully drive employee productivity, increase engagement, and curb attrition.

The interviewees noted how their organizations struggled with common challenges, including:

- **Understanding and responding to the rapidly changing needs of hybrid working.** The move to hybrid working models created many challenges for employees and organizations around supporting well-being while maintaining efficient and effective working. Employees, managers, and executive leadership all lacked the data to identify problems and opportunities and to quickly launch appropriate responses.
- **Aligning efforts at the individual and team levels to corporate strategic imperatives.** Generally, employees want to do work that creates value for their company. But without clear

**“We have a lot of hybrid workers around the world and didn’t know how they were getting on with hybrid working. Insights helped us understand it better.”**

*Licensing specialist, financial services*

guidance and alignment, parts of organizations worked on lower-priority activities that did not directly align to corporate goals. This led to problems such as missed dependencies, increased rework, and slower time-to-market.

- **Recruiting and retaining employees.** The 2022 work reshuffle exacerbated existing difficulties in hiring and retaining employees. Contributing factors were employees not feeling they were making a difference, burnout, and perceived

better opportunities at other companies. Additionally, management did not have a way to identify employee populations at a higher risk of leaving.

- **Creating a culture of learning, growing, and achievement.** Company culture affects EX and employee satisfaction. Without easy access to resources, information, and colleagues, culture centered more around putting in the time than around innovating and growing employee skills and developing employees to their full potential.

knowledge workers and 30% frontline workers. The organization has several operations teams, including HR, L&D, EX, and IT, which enable operations through service to their colleagues.

**Deployment characteristics.** The composite organization rolls out the full Microsoft Viva suite to the entire workforce of 7,000 employees. Implementation takes 10 FTEs six months to complete alongside professional services partners. Each of the 7,000 users receives 3 hours of training on how to use Viva at work. Five FTEs dedicate their time to ongoing management and development of the suite, also leveraging professional services partners.

**“Viva was intriguing to us because it takes advantage of all the prior work we did with SharePoint. AI did all the heavy lifting to remove information silos and exposed who the experts were.”**

*Senior communications specialist, industrial services*

### Key Assumptions

- **7,000 employees**
- **5% headcount growth year over year**
- **70% knowledge workers**
- **30% frontline workers**

### COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the eight interviewees, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

**Description of composite.** The multibillion-dollar organization has global operations and is headquartered in the US. The composite organization has 7,000 employees and grows 5% year over year. The employee headcount is comprised of 70%

# Analysis Of Benefits

■ Quantified benefit data as applied to the composite

| Total Benefits                 |                                                         |              |              |              |              |               |
|--------------------------------|---------------------------------------------------------|--------------|--------------|--------------|--------------|---------------|
| Ref.                           | Benefit                                                 | Year 1       | Year 2       | Year 3       | Total        | Present Value |
| Atr                            | Faster onboarding process                               | \$4,016,250  | \$4,217,063  | \$4,427,916  | \$12,661,228 | \$10,463,071  |
| Btr                            | Improved productivity from content and expert discovery | \$3,542,993  | \$3,730,630  | \$3,927,649  | \$11,201,271 | \$9,254,968   |
| Ctr                            | Improved employee retention                             | \$3,370,752  | \$5,322,240  | \$7,468,877  | \$16,161,869 | \$13,074,343  |
| Dtr                            | Time savings for operations teams                       | \$559,731    | \$589,117    | \$619,972    | \$1,768,819  | \$1,461,513   |
| Etr                            | Improved business outcomes                              | \$648,000    | \$648,000    | \$648,000    | \$1,944,000  | \$1,611,480   |
| Total benefits (risk-adjusted) |                                                         | \$12,137,726 | \$14,507,049 | \$17,092,413 | \$43,737,187 | \$35,865,375  |

## FASTER ONBOARDING PROCESS

**Evidence and data.** Viva facilitated points along the employee journey like the new-hire or internal-transfer onboarding process to orient employees to their new work environment and supply the knowledge to succeed in their role. The longer that it took to ramp up a new hire or internal transfer, the longer it took to realize full productivity from that employee. Additionally, onboarding was a time when an employee was at a greater risk of resigning. Viva centralized and organized what employees needed to reach time-to-value and connected them with the right people to support their development and visibility into the priorities and goals of their team. These capabilities and benefits applied equally to new hires and existing employees who were switching to a new department/role. Internal mobility cost less than new hires, and it enabled employee development, which improved EX and resulted in higher loyalty and trust.

- The CEO in real estate shared that it could take two to three years to get employees fully ramped and armed with the information to do their job

properly. With Viva Topics, employees fully ramped within six to nine months.

- The head of program management in software said: “Viva Goals helps get new hires to full productivity faster than ever before. They are up to speed on what they work on in weeks. Understanding the bigger picture took longer prior to Viva; they were less effective. Now they are able to contribute more and sooner.”
- The IT executive in professional services said that the combined power of Viva Topics, Viva Connections, and Viva Learning has played a key role in shortening the onboarding process to three months by helping new hires “find the right information and connect with the right people at the right time.”

**Modeling and assumptions.** For the composite organization, Forrester assumes that:

- The annual number of new hires is 5% of the total headcount in that year, while internal transfers represent another 7% of the total headcount.

- Prior to Viva, a new hire takes three months to ramp up to full productivity, and an internal transfer requires two months to get up to speed.
- Viva enables a 50% reduction in full onboarding time.
- The fully burdened monthly cost of an employee is \$10,000.
- The productivity of a new hire during ramp-up is 50%, while an internal transfer's ramp-up productivity is 75%.
- A 75% productivity recapture rate is applied, which assumes that not all newfound time will be reintroduced as increased employee productivity.

**Risks.** The following factors may impact other organizations' realization of this benefit category:

- The number of new hires and internal transfers.
- The pre-Viva time-to-full-ramp-up for an employee.
- Associated salaries.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year risk-adjusted total PV (discounted at 10%) of \$10.5 million

**“With Viva, we’ve been able to extend the honeymoon period with the way we onboard people. First impressions are the most important. If employees are exposed to great people and experiences, they contribute more and stay longer.”**

*COO, electronics*

| Faster Onboarding Process             |                                                                         |                                                        |                                               |             |             |
|---------------------------------------|-------------------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------|-------------|-------------|
| Ref.                                  | Metric                                                                  | Source                                                 | Year 1                                        | Year 2      | Year 3      |
| A1                                    | Number of new hires                                                     | 5% of total headcount                                  | 350                                           | 368         | 386         |
| A2                                    | Time-to-full-ramp-up before Viva (in months)                            | Interviews                                             | 3                                             | 3           | 3           |
| A3                                    | Time-to-full-ramp-up with Viva (in months)                              | Interviews                                             | 1.5                                           | 1.5         | 1.5         |
| A4                                    | Reduction in full onboarding time with Viva                             | (A2-A3)/A2                                             | 50%                                           | 50%         | 50%         |
| A5                                    | Fully burdened average monthly cost of a new hire                       | TEI standard                                           | \$10,000                                      | \$10,000    | \$10,000    |
| A6                                    | Productivity of new hire during ramp-up                                 | Interviews                                             | 50%                                           | 50%         | 50%         |
| A7                                    | Productivity capture                                                    | Assumption                                             | 75%                                           | 75%         | 75%         |
| A8                                    | Subtotal: savings from faster onboarding process for new hires          | $A1 \cdot A2 \cdot A4 \cdot A5 \cdot A6 \cdot A7$      | \$1,968,750                                   | \$2,067,188 | \$2,170,547 |
| A9                                    | Number of internal transfers                                            | 7% of total headcount                                  | 490                                           | 515         | 540         |
| A10                                   | Time-to-full-ramp-up before Viva (in months)                            | Interviews                                             | 2                                             | 2           | 2           |
| A11                                   | Time-to-full-ramp-up with Viva (in months)                              | Interviews                                             | 1                                             | 1           | 1           |
| A12                                   | Reduction in full onboarding time with Viva                             | (A10-A11)/A10                                          | 50%                                           | 50%         | 50%         |
| A13                                   | Fully burdened average monthly cost of an internal transfer             | TEI standard                                           | \$10,000                                      | \$10,000    | \$10,000    |
| A14                                   | Productivity of internal transfer during ramp-up                        | Assumption                                             | 75%                                           | 75%         | 75%         |
| A15                                   | Productivity capture                                                    | Assumption                                             | 75%                                           | 75%         | 75%         |
| A16                                   | Subtotal: savings from faster onboarding process for internal transfers | $A9 \cdot A10 \cdot A12 \cdot A13 \cdot A14 \cdot A15$ | \$2,756,250                                   | \$2,894,063 | \$3,038,766 |
| At                                    | Faster onboarding process                                               | A8+A16                                                 | \$4,725,000                                   | \$4,961,250 | \$5,209,313 |
|                                       | Risk adjustment                                                         | ↓15%                                                   |                                               |             |             |
| Atr                                   | Faster onboarding process (risk-adjusted)                               |                                                        | \$4,016,250                                   | \$4,217,063 | \$4,427,916 |
| <b>Three-year total: \$12,661,228</b> |                                                                         |                                                        | <b>Three-year present value: \$10,463,071</b> |             |             |

### IMPROVED PRODUCTIVITY FROM CONTENT AND EXPERT DISCOVERY

**Evidence and data.** As with new hires during onboarding, Viva enabled connections to the right resources at the right time for existing employees. Facilitating relevant content and expert discovery (e.g., team information, corporate knowledge, and

learning in conversations, collaboration, work groups, and workstreams) as well as connections with mentors, coaches, and subject matter experts in the flow of work meant that employees did not waste time searching for what they needed to complete tasks or learn new skills. This translated to time savings that could be allocated to more valuable activities.

Furthermore, empowering employees with necessary tools for success boosted their engagement, motivation, and well-being.

- The IT executive in professional services said that Viva helped save at least 1 hour per day that an employee would have spent looking for information or having a conversation with a subject matter expert.
- The product owner in CPG said: “We lose many hours per year looking for information. A big benefit of Viva is the ability to have a more integrated end user experience, which allows employees to get access and launched into what they need much quicker.”
- The senior communications strategist in industrial services shared that search success on the intranet was 58%, with the top 100 terms being closer to 70% with Viva Connections and Viva Topics. Additionally, Viva Topics highlighted key information so that employees could get more internal context. This reclaimed time spent on unsuccessful searches.

**Modeling and assumptions.** For the composite organization, Forrester assumes that:

- Only existing employees realize productivity gains, excluding new hires, internal knowledge transfers, and operations team members who experience different benefits.
- Before Viva, knowledge workers spend 1 hour per week and frontline workers spend 30 minutes per week on content and expert discovery.
- Viva enables a 75% reduction in search time.
- The average fully burdened hourly wage is \$58 for a knowledge worker and \$20 for a frontline worker.
- A 50% productivity recapture rate is applied, which assumes that not all newfound free time will be reintroduced as increased employee productivity.

**Risks.** The following factors may impact other organizations’ realization of this benefit category:

- The state of the organization’s knowledge infrastructure and how long employees spend on average searching for relevant content.
- The composition of the workforce (e.g., percentage of knowledge workers versus frontline workers) and associated differences in search times.
- Associated salaries.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year risk-adjusted total PV of \$9.3 million.

| Improved Productivity From Content And Expert Discovery |                                                                                               |                                |                                              |             |             |
|---------------------------------------------------------|-----------------------------------------------------------------------------------------------|--------------------------------|----------------------------------------------|-------------|-------------|
| Ref.                                                    | Metric                                                                                        | Source                         | Year 1                                       | Year 2      | Year 3      |
| B1                                                      | Number of existing employees                                                                  | Y1 = 7,000-A1<br>Y2/Y3 = A1+B2 | 6,650                                        | 7,000       | 7,368       |
| B2                                                      | Number of existing knowledge workers                                                          | B1*70%                         | 4,655                                        | 4,900       | 5,157       |
| B3                                                      | Number of internal knowledge transfers and operations team members                            | A9+D1                          | 910                                          | 957         | 1,005       |
| B4                                                      | Number of employees realizing productivity gains from enhanced discovery                      | B2-B3                          | 3,745                                        | 3,943       | 4,152       |
| B5                                                      | Time spent searching for content before Viva (hours per week)                                 | Interviews                     | 1                                            | 1           | 1           |
| B6                                                      | Reduction in search time with Viva                                                            | Interviews                     | 75%                                          | 75%         | 75%         |
| B7                                                      | Fully burdened average hourly cost of a knowledge worker                                      | TEI standard                   | \$58                                         | \$58        | \$58        |
| B8                                                      | Number of working weeks per year                                                              | Assumption                     | 50                                           | 50          | 50          |
| B9                                                      | Productivity capture                                                                          | Assumption                     | 50%                                          | 50%         | 50%         |
| B10                                                     | Subtotal: productivity gains for knowledge workers from enhanced content and expert discovery | B4*B5*B6*B7*B8*B9              | \$4,051,082                                  | \$4,265,751 | \$4,491,154 |
| B11                                                     | Number of existing frontline workers                                                          | B1*30%                         | 1,995                                        | 2,100       | 2,210       |
| B12                                                     | Time spent searching for content before Viva (hours per week)                                 | Assumption                     | 0.5                                          | 0.5         | 0.5         |
| B13                                                     | Reduction in search time with Viva                                                            | Assumption                     | 75%                                          | 75%         | 75%         |
| B14                                                     | Fully burdened average hourly cost of a frontline worker                                      | TEI standard                   | \$20                                         | \$20        | \$20        |
| B15                                                     | Number of working weeks per year                                                              | B8                             | 50                                           | 50          | 50          |
| B16                                                     | Productivity capture                                                                          | B9                             | 50%                                          | 50%         | 50%         |
| B17                                                     | Subtotal: productivity gains for knowledge workers from enhanced content and expert discovery | B11*B12*B13*B14*<br>B15*B16    | \$377,659                                    | \$397,536   | \$418,407   |
| Bt                                                      | Improved productivity from content and expert discovery                                       | B10+B17                        | \$4,428,741                                  | \$4,663,287 | \$4,909,561 |
|                                                         | Risk adjustment                                                                               | ↓20%                           |                                              |             |             |
| Btr                                                     | Improved productivity from content and expert discovery (risk-adjusted)                       |                                | \$3,542,993                                  | \$3,730,630 | \$3,927,649 |
| <b>Three-year total: \$11,201,271</b>                   |                                                                                               |                                | <b>Three-year present value: \$9,254,968</b> |             |             |

### IMPROVED EMPLOYEE RETENTION

**Evidence and data.** Interviewees said that their organizations fought to curb employee turnover because the cost to recruit and train replacements was high and attrition was disruptive and not good for morale. Microsoft Viva helped employees feel more

empowered in their roles and long-term career development. With the addition of survey apps (such as Glint), Viva enabled a continuous feedback loop through surveys and signals that highlighted opportunities to drive change and build a healthier workplace and culture. Additionally, functions like attrition modeling, predictive analytics, and diversity,

equity, inclusion, and belonging (DEIB) analysis identified at-risk populations and offered recommendations for mitigation. Finally, providing better access to critical knowledge resources, making it easier to connect with colleagues, and democratizing contribution to OKRs improved employees' sense of belonging and accomplishment.

- The CEO in real estate shared that the “primacy of proximity” in bringing content closer to people as they worked was a major benefit of Viva Topics: “We are getting a bump in retention from the shininess of Viva’s functionality. People stay with us because they have a better knowledge experience with Topics.”
- The product owner at the CPG organization said of Microsoft Viva experiences that surface personal and private data-driven insights to each employee about their own work patterns: “Data transparency helps with retention. Making data available to employees gives them more autonomy. A better informed and more empowered employee will stay.”
- The COO in electronics said that leveraging Viva Insights increased the visibility into departments with high risk of resignation like the engineering population, which was very important, “Losing someone in engineering costs us hundreds of thousands of dollars because it impacts things beyond recruiting costs, like product development roadmaps.”

**Modeling and assumptions.** For the composite organization, Forrester assumes that:

- Only existing employees realize this benefit, excluding new hires.
- The employee attrition rate at the organization is 10% prior to Viva.
- Viva enables a 10% reduction in attrition in Year 1, and this increases to 20% by Year 3 because

the Viva suite is leveraged more strategically over time.

- For every lost employee, it costs two-thirds of the average fully burdened annual salary, which is \$96,000 blended between knowledge- and frontline-workers, to recruit and train a replacement.

**Risks.** The following factors may impact other organizations’ realization of this benefit category:

- The employee attrition rate and mechanisms in place to address employee retention.
- The cost to recruit and train a replacement for a lost employee.
- Associated salaries.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year risk-adjusted total PV of \$13.1 million.

**“We are using the data that we have from 365 in conjunction with Insights to run retention analytics. We can identify at-risk populations at our company and have proactive conversations. We have seen a lot of success in staving off attrition that way.”**

*IT executive for workplace IT experience, professional services*



| Improved Employee Retention           |                                             |                                                                               |                                               |             |             |
|---------------------------------------|---------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------|-------------|-------------|
| Ref.                                  | Metric                                      | Source                                                                        | Year 1                                        | Year 2      | Year 3      |
| C1                                    | Number of existing employees                | B1                                                                            | 6,650                                         | 7,000       | 7,368       |
| C2                                    | Attrition rate before Viva                  | Interviews                                                                    | 10%                                           | 10%         | 10%         |
| C3                                    | Reduction in attrition attributable to Viva | Interviews                                                                    | 10%                                           | 15%         | 20%         |
| C4                                    | Cost to recruit and train replacement       | TEI standard (two-thirds of average fully burdened annual salary of \$96,000) | \$63,360                                      | \$63,360    | \$63,360    |
| Ct                                    | Improved employee retention                 | $C1 * C2 * C3 * C4$                                                           | \$4,213,440                                   | \$6,652,800 | \$9,336,096 |
|                                       | Risk adjustment                             | ↓20%                                                                          |                                               |             |             |
| Ctr                                   | Improved employee retention (risk-adjusted) |                                                                               | \$3,370,752                                   | \$5,322,240 | \$7,468,877 |
| <b>Three-year total: \$16,161,869</b> |                                             |                                                                               | <b>Three-year present value: \$13,074,343</b> |             |             |

### TIME SAVINGS FOR OPERATIONS TEAMS

**Evidence and data.** Teams in departments like HR, L&D, corporate communications, and IT who supported employees became more efficient and effective. Viva streamlined and automated many lower-value activities, providing more time and better tools to achieve other quantified benefits. Additionally, data-driven decision-making helped secure funding for EX initiatives.

- The CEO in real estate said Viva Topics freed up 15% of HR and corporate communications teams' time.
- The director of people, technology, and operations in CPG said: "Insights has been indispensable to support what were previously just hypotheses. With better data insights, we can secure more funding and roll programs out faster."
- The head of program management in software said that Viva Goals benefitted HR and IT by enabling them to create their own OKRs, which helped them prioritize their efforts and align them to company goals.

- The COO in electronics said that the HR team got access to new tools that enabled easier and faster rollout of initiatives. Additionally, HR used Viva Learning to democratize content curation. These benefits avoided headcount because the HR team would have needed to double in size to handle the capacity without these efficiencies.

**Modeling and assumptions.** For the composite organization, Forrester assumes that:

- The HR and IT teams realize this benefit.
- There is one HR person and two IT professionals per every 50 employees.
- Prior to Viva, operations team members spend 8 hours per week helping employees source relevant content.
- Viva enables operations team members to recoup 20% of this time because employees can leverage enhanced content and expert discovery on the platform.
- The average annual fully burdened salary is \$72,900 for IT and \$81,000 for HR, resulting in an average fully burdened hourly wage of \$37.

**Risks.** The following factors may impact other organizations’ realization of this benefit category:

- The number of teams designated as operations teams and each team’s headcount.
- The time operations team members spend helping employees source relevant content.
- The degree to which employees self-serve with Viva.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$1.5 million.

**“When leadership comes to me with a question, I can now answer them with hard numbers. That is so much better than anecdotes.”**

*Director of people, technology, and operations, CPG*

| Time Savings For Operations Teams    |                                                                                           |                          |                                              |             |             |
|--------------------------------------|-------------------------------------------------------------------------------------------|--------------------------|----------------------------------------------|-------------|-------------|
| Ref.                                 | Metric                                                                                    | Source                   | Year 1                                       | Year 2      | Year 3      |
| D1                                   | Number of operations team employees                                                       | Composite                | 420                                          | 442         | 465         |
| D2                                   | Time spent supporting employees to source relevant content prior to Viva (hours per week) | Interviews               | 8                                            | 8           | 8           |
| D3                                   | Percentage of time recouped with Viva                                                     | Interviews               | 20%                                          | 20%         | 20%         |
| D4                                   | Fully burdened average hourly cost of an operations team member                           | TEI standard             | \$37                                         | \$37        | \$37        |
| D5                                   | Productivity lost prior to Viva                                                           | D1*D2*D3*D4*<br>50 weeks | \$1,243,846                                  | \$1,309,148 | \$1,377,715 |
| D6                                   | Productivity capture                                                                      | Assumption               | 50%                                          | 50%         | 50%         |
| Dt                                   | Time savings for operations teams                                                         | D5*D6                    | \$621,923                                    | \$654,574   | \$688,858   |
|                                      | Risk adjustment                                                                           | ↓10%                     |                                              |             |             |
| Dtr                                  | Time savings for operations teams (risk-adjusted)                                         |                          | \$559,731                                    | \$589,117   | \$619,972   |
| <b>Three-year total: \$1,768,819</b> |                                                                                           |                          | <b>Three-year present value: \$1,461,513</b> |             |             |

**IMPROVED BUSINESS OUTCOMES**

**Evidence and data.** Enriching employee experiences resulted in better business outcomes, including better product development, greater innovation, and increased revenues. The Viva suite influenced key performance indicators such as time-to-market, product market fit, and utilization rates by tying actions to outcomes. Each app additionally improved employee competency, engagement, and

motivation. This benefit increased with extended deployment, higher adoption, and tighter integration with Viva Goals to focus people. Achieving these benefits required business process redesign, leadership development, and change management.

- The head of program management in software shared that Viva Goals enabled the launch of a product in eight new regions in fewer than four months, which would have taken nearly two

years otherwise. Not executing this launch would have left millions of dollars in deals on the table.

- The IT executive for workplace IT experience in professional services said that Viva improved time-to-deliver by enabling employees to quickly surface exemplars and best practices.
- The IT executive also said that Viva Insights creates focus time, which “has been a game changer and gives people time to concentrate on delivering more value to the company.”
- The COO in electronics said that Viva Learning helped drive employee retention through increased engagement and motivation. This avoided hundreds of thousands to millions of dollars in annual lost revenue because product engineering attrition delayed new product launches.
- The product owner in CPG said that Viva Topics helped with cross-team collaboration and learning. This directly increased shared knowledge and knocked down silos, which ultimately improved R&D potential.

**Modeling and assumptions.** For the composite organization, Forrester assumes that:

- It realizes \$6 million in incremental revenue annually due to faster time-to-market.

**“We will be able to directly monetize the knowledge objects that we are creating with Viva. We will also be able to increase our billable hourly rate by 20%.”**

*CEO, real estate*

- Thirty percent of faster time-to-market is directly attributable to Viva.
- There is a 45% gross margin applied.

**Risks.** The following factors may impact other organizations’ realization of this benefit category:

- The value of faster time-to-market for the organization.
- The extent to which Viva is leveraged to drive innovation and development velocity.
- The organization’s average gross margin.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year risk-adjusted total PV of \$1.6 million.

| Improved Business Outcomes           |                                                           |            |                                              |             |             |
|--------------------------------------|-----------------------------------------------------------|------------|----------------------------------------------|-------------|-------------|
| Ref.                                 | Metric                                                    | Source     | Year 1                                       | Year 2      | Year 3      |
| E1                                   | Incremental revenue realized due to faster time-to-market | Interviews | \$6,000,000                                  | \$6,000,000 | \$6,000,000 |
| E2                                   | Percentage of benefit attributable to Viva                | Interviews | 30%                                          | 30%         | 30%         |
| E3                                   | Additional revenue assurance with Viva                    | E1*E2      | \$1,800,000                                  | \$1,800,000 | \$1,800,000 |
| E4                                   | Gross margin                                              | Assumption | 45%                                          | 45%         | 45%         |
| Et                                   | Improved business outcomes                                | E3*E4      | \$810,000                                    | \$810,000   | \$810,000   |
|                                      | Risk adjustment                                           | ↓20%       |                                              |             |             |
| Etr                                  | Improved business outcomes (risk-adjusted)                |            | \$648,000                                    | \$648,000   | \$648,000   |
| <b>Three-year total: \$1,944,000</b> |                                                           |            | <b>Three-year present value: \$1,611,480</b> |             |             |

## UNQUANTIFIED BENEFITS

Additional benefits that customers experienced but were not able to quantify include:

- **Improved employee satisfaction and well-being.** Satisfaction, engagement, loyalty, and trust mainly derive from a stronger sense of accomplishment and belonging, with all Viva apps contributing to this. Viva Goals, in particular, helps someone see how their work contributes to larger team and organizational objectives, ensuring a sense of purpose and alignment.

Employee well-being has become a critical issue with so many people working remotely at least part of the time. A lack of work-life balance is a leading contributor to burnout and resignations. Viva Insights helps employees, managers, and organization-wide leaders identify burnout risk with tools to address the risks.

**“Viva contributes to employee well-being, which contributes to retention.”**

*IT executive for workplace IT experience, professional services*

- **Easier security and compliance.** Microsoft Viva leverages all security and compliance capabilities built into Microsoft 365. For IT organizations, this reduces the amount of required effort and potentially avoids the cost of purchasing other security solutions. Compliance is especially important for companies with international operations, and some companies have set up OKRs to drive compliance across their organization.

**“It was very important for us that the solution we chose had proper security and compliance. We need to meet many regulatory requirements such as FedRAMP, and we now have OKRs to systematize compliance.”**

*Head of program management, software*

- **Enhanced analytics and insights.** Viva Insights provides access to underlying data and analytics tools to better understand what is happening in an organization. This can be used to find important or difficult-to-identify trends that can affect all quantified benefits in this study.

**“One of the things we are doing is comparing survey data against Viva Insights to find nuances we have missed. It helped us discover regional differences that we could use to reduce stress levels.”**

*IT executive for workplace IT experience, professional services*

- **Interoperability with other Microsoft solutions.** Microsoft Viva integrates with Microsoft 365, Power Platform, and Azure for

data analytics. Of particular note is how Viva Connections helps companies create next-generation intranets to improve discovery, productivity, and business outcomes. This helps companies affect change and get more value from past investments.

**“Our tech stack includes Azure Data Factory, Azure Synapse, Azure ML, and Power BI. Having all of this work well together has helped us model employee attrition and understand future retention risk.”**

*IT executive for workplace IT experience, professional services*

suite license. Viva can also deploy apps and coordinate their use as part of a suite-wide strategy. Doing so delivers more benefit categories and larger total benefits, as depicted in this study. Additionally, Microsoft has plans to add additional Viva apps, which will amplify the benefits discussed in this study and likely create additional benefit categories.

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in [Appendix A](#)). None of these flexibility options are included in the financial analysis.

## FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Viva and later realize additional uses and business opportunities, including:

- **Expanding use of Viva throughout an organization.** A company may decide not to roll Viva out to the entire organization at once. Viva Insights is typically deployed enterprise-wide to generate organization-wide insights about work patterns and trends that impact productivity and well-being.
- **Moving from single apps to the full suite.** When Viva first launched, most companies began with one or two apps aligned to their greatest opportunities and challenges, and this often utilized the seeded capabilities within Microsoft 365. Viva now has five currently available apps, which can be used individually or as part of a full-

# Analysis Of Costs

■ Quantified cost data as applied to the composite

| Total Costs |                             |             |             |             |             |             |               |
|-------------|-----------------------------|-------------|-------------|-------------|-------------|-------------|---------------|
| Ref.        | Cost                        | Initial     | Year 1      | Year 2      | Year 3      | Total       | Present Value |
| Ftr         | Viva licenses               | \$0         | \$756,000   | \$795,690   | \$837,365   | \$2,389,055 | \$1,973,992   |
| Gtr         | Professional services costs | \$2,300,000 | \$81,650    | \$81,650    | \$81,650    | \$2,544,950 | \$2,503,051   |
| Htr         | Training                    | \$0         | \$1,332,692 | \$69,966    | \$73,465    | \$1,476,123 | \$1,324,557   |
| Itr         | Internal effort             | \$747,500   | \$747,500   | \$747,500   | \$747,500   | \$2,990,000 | \$2,606,422   |
|             | Total costs (risk-adjusted) | \$3,047,500 | \$2,917,842 | \$1,694,806 | \$1,739,979 | \$9,400,128 | \$8,408,022   |

## VIVA LICENSES

**Evidence and data.** Interviewees paid a flat fee for the Viva suite licenses, which included all apps.

**Modeling and assumptions.** For the composite organization, Forrester assumes that:

- The organization purchases licenses for all 7,000 of its employees.
- Each license for the Viva suite costs \$9 per user per month.

**Risks.** Viva licensing costs could vary based on:

- The number of Viva users.
- The Viva apps chosen if not implementing the entire suite.

**Results.** This cost yields a three-year risk-adjusted total PV (discounted at 10%) of \$2 million.

| Viva Licenses                        |                                                      |                 |                                              |           |           |           |
|--------------------------------------|------------------------------------------------------|-----------------|----------------------------------------------|-----------|-----------|-----------|
| Ref.                                 | Metric                                               | Source          | Initial                                      | Year 1    | Year 2    | Year 3    |
| F1                                   | Number of employees                                  | A1+B1           | \$0                                          | 7,000     | 7,368     | 7,753     |
| F2                                   | Cost of licenses for Viva suite (per user per month) | Viva            | \$0                                          | \$9       | \$9       | \$9       |
| Ft                                   | Viva licenses                                        | F1*F2*12 months | \$0                                          | \$756,000 | \$795,690 | \$837,365 |
|                                      | Risk adjustment                                      | 0%              |                                              |           |           |           |
| Ftr                                  | Viva licenses (risk-adjusted)                        |                 | \$0                                          | \$756,000 | \$795,690 | \$837,365 |
| <b>Three-year total: \$2,389,055</b> |                                                      |                 | <b>Three-year present value: \$1,973,992</b> |           |           |           |

### PROFESSIONAL SERVICES COSTS

**Evidence and data.** Successful Viva deployments were as much (or more) about change management consulting as about deployment and activation activities. This typically included strategic planning and roadmapping what the future of work would look like at a particular organization. Persona definitions to help define how different user groups would interact with and benefit most from Viva followed. Frontline workers required their own set of personas. There was also the need to create training materials for both business users and the IT organization and sometimes governance models for Viva-based initiatives and content curation.

Standing up individual apps was relatively easy but could involve significant integration efforts to connect other systems and data repositories. Ongoing effort focused on helping further optimize personas and use of Viva as well as rolling out additional functionality as Microsoft launched it.

**Modeling and assumptions.** For the composite organization, Forrester assumes that:

- It uses \$2 million in professional services for initial implementation of the Viva suite.
- The organization procures \$71,000 per year in ongoing support from a partner to augment internal Viva management and development efforts.

**Risks.** Professional services costs could vary based on:

- Required implementation and ongoing management effort for Viva.
- The size of the rollout in terms of apps deployed (if not deploying the entire suite) and number of users.

**Results.** To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year risk-adjusted total PV of \$2.5 million.

| Professional Services Costs          |                                             |            |                                              |          |          |          |
|--------------------------------------|---------------------------------------------|------------|----------------------------------------------|----------|----------|----------|
| Ref.                                 | Metric                                      | Source     | Initial                                      | Year 1   | Year 2   | Year 3   |
| G1                                   | Initial implementation                      | Interviews | \$2,000,000                                  | \$0      | \$0      | \$0      |
| G2                                   | Ongoing support                             | Interviews | \$0                                          | \$71,000 | \$71,000 | \$71,000 |
| Gt                                   | Professional services costs                 | G1+G2      | \$2,000,000                                  | \$71,000 | \$71,000 | \$71,000 |
|                                      | Risk adjustment                             | ↑15%       |                                              |          |          |          |
| Gtr                                  | Professional services costs (risk-adjusted) |            | \$2,300,000                                  | \$81,650 | \$81,650 | \$81,650 |
| <b>Three-year total: \$2,544,950</b> |                                             |            | <b>Three-year present value: \$2,503,051</b> |          |          |          |

### TRAINING

**Evidence and data.** The Microsoft partner created training content as part of implementation efforts. Most interviewees reported having all users take time to consume the Viva training content to maximize benefits realization. The product owner in CPG was

an exception, sharing that the CTO believed Viva use should be intuitive and not require training.

**Modeling and assumptions.** For the composite organization, Forrester assumes that:

- All 7,000 users take the Viva training in Year 1, with only the new hires taking it in Years 2 and 3.

- Users spend 3 hours to learn about the Viva suite and the resources customized to their organization.
- The average fully burdened hourly rate is \$58.

**Risks.** Training costs could vary based on:

- Leadership’s decision to have users complete training or not.

- The number of users requiring Viva training.
- Associated salaries.

**Results.** To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year risk-adjusted total PV of \$1.3 million.

| Training                             |                                                          |                    |                                              |             |          |          |
|--------------------------------------|----------------------------------------------------------|--------------------|----------------------------------------------|-------------|----------|----------|
| Ref.                                 | Metric                                                   | Source             | Initial                                      | Year 1      | Year 2   | Year 3   |
| H1                                   | Total number of employees trained                        | Y1 = E1<br>Y2 = A1 |                                              | 7,000       | 368      | 386      |
| H2                                   | Number of hours spent on training                        | Interviews         |                                              | 3           | 3        | 3        |
| H3                                   | Fully burdened average hourly cost of a knowledge worker | TEI standard       |                                              | \$58        | \$58     | \$58     |
| Ht                                   | Training                                                 | H1*H2*H3           | \$0                                          | \$1,211,538 | \$63,606 | \$66,786 |
|                                      | Risk adjustment                                          | ↑10%               |                                              |             |          |          |
| Htr                                  | Training (risk-adjusted)                                 |                    | \$0                                          | \$1,332,692 | \$69,966 | \$73,465 |
| <b>Three-year total: \$1,476,123</b> |                                                          |                    | <b>Three-year present value: \$1,324,557</b> |             |          |          |

**INTERNAL EFFORT**

**Evidence and data.** Internal effort included the initial deployment of Viva, ongoing management and improvements, operations teams such as HR and IT, and business users who helped define the implementation and curate content. Simply turning on many of the Viva apps requires very little effort.

**Modeling and assumptions.** For the composite organization, Forrester assumes that:

- It dedicates 10 FTEs to initial setup for six months.
- It dedicates another five FTEs to ongoing management, enhancements, and content curation.
- Each FTE has an average fully burdened annual salary of \$130,000.

**Risks.** Internal effort costs could vary based on:

- Required implementation and ongoing management effort.
- Associated salaries.
- The extent to which an organization decides to rely on internal resources versus professional services partners.

**“Implementing Viva was the fastest and easiest project ever. This is the highest-value implementation for our money we’ve seen thus far.”**

*COO, electronics*

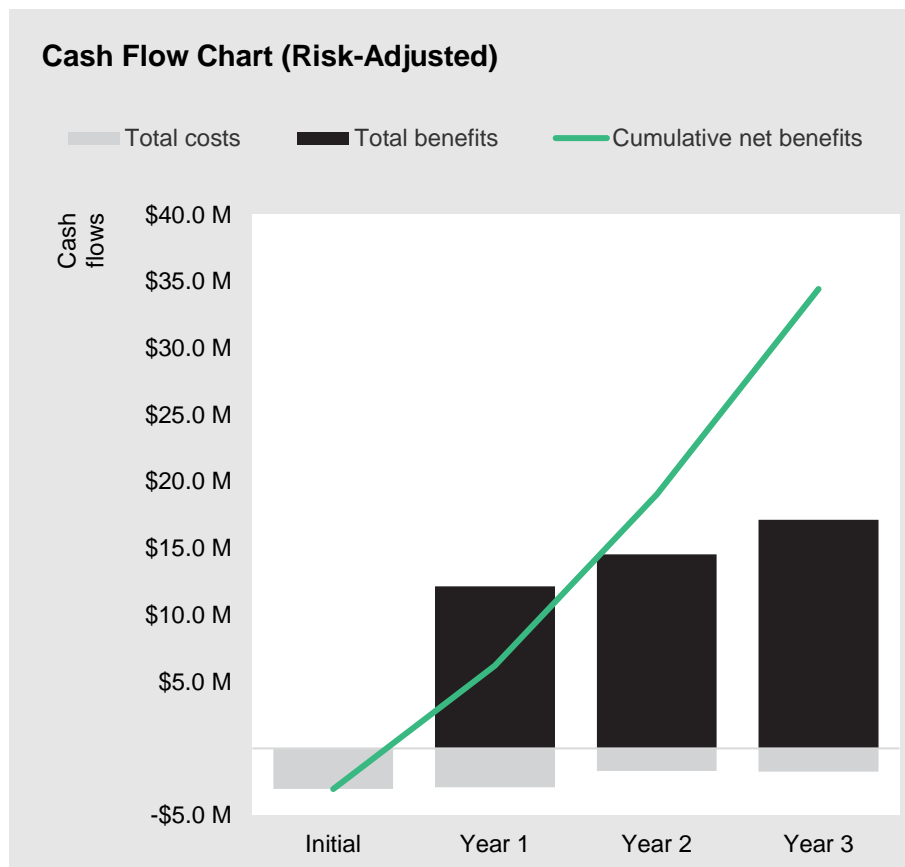


**Results.** To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year risk-adjusted total PV of \$2.6 million.

| <b>Internal Effort</b>               |                                    |                                            |                                              |               |               |               |
|--------------------------------------|------------------------------------|--------------------------------------------|----------------------------------------------|---------------|---------------|---------------|
| <b>Ref.</b>                          | <b>Metric</b>                      | <b>Source</b>                              | <b>Initial</b>                               | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> |
| I1                                   | Initial setup                      | 10 FTEs*6 months*<br>(\$130,000/12 months) | \$650,000                                    | \$0           | \$0           | \$0           |
| I2                                   | Ongoing management and development | 5 FTEs*\$130,000                           | \$0                                          | \$650,000     | \$650,000     | \$650,000     |
| I <sub>t</sub>                       | Internal effort                    | I1+I2                                      | \$650,000                                    | \$650,000     | \$650,000     | \$650,000     |
|                                      | Risk adjustment                    | ↑15%                                       |                                              |               |               |               |
| I <sub>tr</sub>                      | Internal effort (risk-adjusted)    |                                            | \$747,500                                    | \$747,500     | \$747,500     | \$747,500     |
| <b>Three-year total: \$2,990,000</b> |                                    |                                            | <b>Three-year present value: \$2,606,422</b> |               |               |               |

# Financial Summary

## CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

### Cash Flow Analysis (Risk-Adjusted Estimates)

|                | Initial       | Year 1        | Year 2        | Year 3        | Total         | Present Value |
|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total costs    | (\$3,047,500) | (\$2,917,842) | (\$1,694,806) | (\$1,739,979) | (\$9,400,128) | (\$8,408,022) |
| Total benefits | \$0           | \$12,137,726  | \$14,507,049  | \$17,092,413  | \$43,737,187  | \$35,865,375  |
| Net benefits   | (\$3,047,500) | \$9,219,883   | \$12,812,243  | \$15,352,434  | \$34,337,060  | \$27,457,353  |
| ROI            |               |               |               |               |               | 327%          |
| Payback period |               |               |               |               |               | <6 months     |

## Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

### TOTAL ECONOMIC IMPACT APPROACH

**Benefits** represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

**Costs** consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

**Flexibility** represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

**Risks** measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



### PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



### NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made unless other projects have higher NPVs.



### RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



### DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



### PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

## Appendix B: Endnotes

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<sup>1</sup> Some Microsoft 365 and Office 365 suites no longer include Microsoft Teams. [Learn more](#).

<sup>2</sup> 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.

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