

A Forrester Total Economic Impact™
Study Commissioned By Microsoft
March 2018

The Total Economic Impact™ Of Microsoft Project Online

Cost Savings And Business Benefits
Enabled By Microsoft's Cloud-Based
Project Management Solution

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ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

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Executive Summary

Microsoft delivers a cloud-based project management solution that helps its customers improve project performance, enhance project management practices, improve resource planning, and increase collaboration across teams and locations. 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 Microsoft Project Online. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of adopting Project Online at their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed several customers with multiple years of experience using Project Online. These customers faced challenges including a lack of performance visibility, difficulty in estimating resource demands and project workload, and poor communication across teams and with executives. Project Online equipped project managers (PMs) and project management offices (PMOs) with the tools and reports necessary to overcome these challenges.

Prior to using Project Online, the customers documented project performance using either a desktop project management solution or spreadsheets and word processing software. This resulted in time intensive manual processes that hindered collaboration and the ability to utilize project data with Enterprise Resource Planning (ERP) solutions and other planning systems.

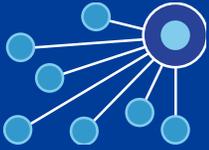
Utilizing Project Online improved productivity for project managers and PMOs. With enhanced reporting and better visibility of the entire portfolio of projects, leadership could make more informed decisions. Furthermore, it helped organizations mature their project management practices, driving consistency across the organization. One customer said: “We were using word processing and spreadsheets; we would get lots of requests to show data in different formats and couldn’t provide this due to lack of visibility into projects. Since the project data wasn’t available, executives didn’t have the correct information to make unilateral decisions. With Project Online, we now have transparency, visibility, and one version of the truth.”

Key Findings

Quantified benefits. The following risk-adjusted present value (PV) quantified benefits are representative of those experienced by the companies interviewed:

- › **Reporting efficiencies resulted in a 60% times savings for project managers.** Utilizing Project Online increased project managers’ ability to build and generate worthwhile reporting on project performance, resource utilization, and project materials needed. Previously, this reporting would have taken two dedicated resources to generate, but now it can be done with less than one fully dedicated resource. In addition, PMs previously spent 15 hours per month reconciling project spending and partnering with finance to project future costs. With Project Online, this process now only takes three hours per month.

Benefits And Costs



Improved resource utilization:
\$3.5 million



Reporting efficiencies gained:
\$809,000



Project online annual
subscription fee:
\$21,000



ROI
387%



Benefits PV
\$4.3 million



NPV
\$3.4 million

- › **Increased project visibility improved resource utilization and led to an 83% reduction in overtime costs.** Project Online increased visibility into project performance allowing PMs to gain a better understanding of their resource needs and predict with greater accuracy when they would require more or less resources. This helped to ensure projects were staffed appropriately and ultimately reduced the amount of overtime required by 83%.
- › **Integration into ERP solutions improved procurement's ability to negotiate, saving 2.5% on average for parts and materials.** Integrating Project Online with an ERP system provided greater visibility to the parts and materials needed for manufacturing goods. This information equipped procurement teams and allowed them to be more effective in their negotiations. On average, the composite organization estimates it may save 2.5% per deal, reducing their overall parts cost by millions each year.

Unquantified benefits. The interviewed organizations experienced the following benefits, which are not quantified for this study:

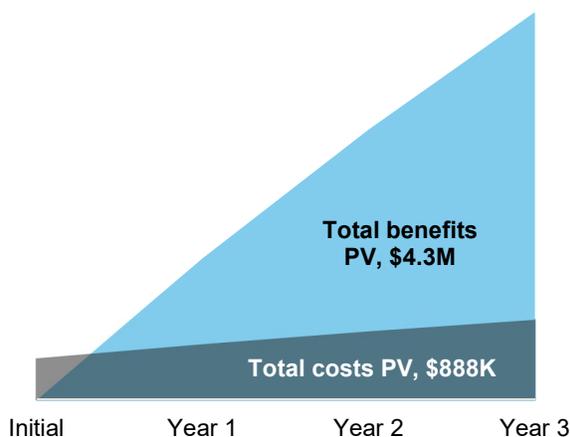
- › **Project Online, as a cloud-based solution, reduces infrastructure costs and increases scalability.** Project Online is a project management solution that grows with organizations. Instead of having to invest in upfront infrastructure, maintenance, and ongoing upgrades, Project Online provides customers with the latest software updates automatically. In addition, as organizations grow and add more projects and/or locations, subscriptions are easily expanded. One company said: "We are a large organization looking to double our business and run 250 projects at any one time. In order to meet our growth goals we need to be more efficient in project management which will allow us to get to market faster. Project Online helps us by keeping track of all 250 projects."
- › **Project Online enables organizations to mature their project management practices.** In addition to improving project management processes to drive efficiencies throughout the project, one interviewed organization was able to restructure, improving their project management processes and increasing functional accountability. They stated, "We used to have a PMO team but restructured with project managers and brand managers taking on project management responsibilities and accountability." Having done this, based on an internal audit, has allowed them to be more efficient in their project delivery.
- › **Project Online increases customer satisfaction by improving on-time delivery.** According to one interviewee, "On-time delivery is the most important factor for our customers." After deploying Project Online, many of the interviewed customers reported increases in on-time delivery percentages. One customer even saw on-time delivery go from 8% to 40%, with realistic goals of achieving 70%, resulting in increased sales and improved customer satisfaction.

Costs. The interviewed organizations experienced the following risk-adjusted PV costs:

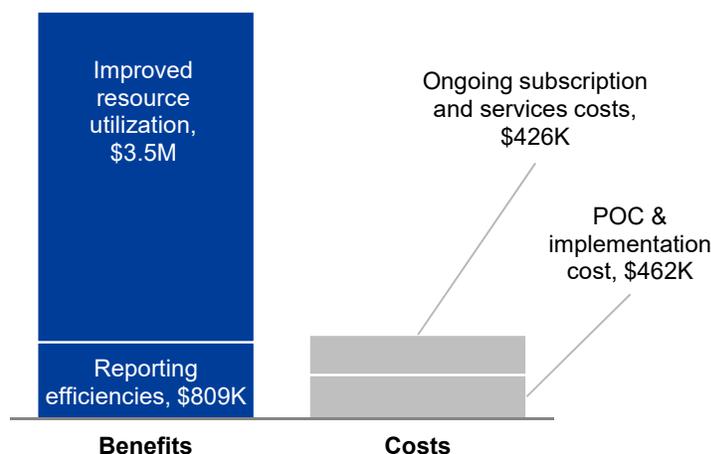
- › **Proof-of-concept (POC) and implementation cost equaled \$462,000.** The composite organization ran a short POC with Project Online to ensure it would meet their needs. Soon after the decision was made to roll out Project Online across the organization. A third-party Microsoft partner was hired to help with the implementation. Over the course of 12 months, the composite organization paid \$210,000 for third-party services. In addition, two internal FTEs were required to help support the deployment.
- › **Ongoing subscription and professional services cost of \$171,150 per year.** The composite organization incurred three types of ongoing costs: subscription fees which were paid to Microsoft for Project Online, internal resources, and professional services. One FTE was required for ongoing management of Project Online and \$42,000 was paid to a third-party professional service for continued support.

Forrester’s interviews with four existing customers and subsequent financial analysis found that an organization based on these interviewed organizations experienced benefits of \$4.3 million over three years versus costs of \$887,625, adding up to a net present value (NPV) of \$3.4 million and an ROI of 387%.

Financial Summary



Financial Summary (Three-Year)



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 Framework And Methodology

From the information provided in the interviews, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing Project Online.

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 Project Online can have on an organization:



DUE DILIGENCE

Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to Project Online.



CUSTOMER INTERVIEWS

Interviewed four organizations using Project Online to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewed 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 interviewed organizations.



CASE STUDY

Employed four fundamental elements of TEI in modeling Project Online's impact: 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 A for additional information on the TEI methodology.

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 report to determine the appropriateness of an investment in Project Online.

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.

The Project Online Customer Journey

BEFORE AND AFTER THE PROJECT ONLINE INVESTMENT

Interviewed Organizations

For this study, Forrester conducted four interviews with Project Online customers. Interviewed customers include the following:

INDUSTRY	ANNUAL REVENUE	EMPLOYEES & LOCATIONS	NUMBER OF SUBSCRIPTIONS
Manufacturing	\$220 million	560 employees, 12 locations	145 subscriptions: 60 Professional, 85 Essentials
Food & beverage producer	\$1 billion	2,500 employees, >8 locations	250 subscriptions: 50 Professional, 200 Essentials
Manufacturing	\$20 billion	25,000 employees, 2 locations (using Project Online)	400 subscriptions: 188 Professional, 212 Essentials
Consumer goods	\$50+ billion	125,000 employees, 180+ locations	3,000 subscriptions: 700 Professional, 2,300 Essentials

Key Challenges

These customers all experienced the following issues prior to adopting Project Online.

- › **Inefficient project management processes.** For the interviewed organizations, project management processes were manual and time consuming. Most companies were utilizing spreadsheets and word processing documents to manage project performance. While some had internal templates, many templates were inconsistently utilized across teams. Reporting was also very difficult as they lacked the ability to consolidate or roll-up data from so many different project spreadsheets. The interviewees didn't have a way to collaborate across projects or share project forecasts across the company. One customer said, "We didn't have access to information and with 120 projects, it was nearly impossible to integrate it into a central database, tie to the ERP and sales forecasting systems, and then report on it."
- › **Lack of visibility into project performance.** For decision makers, it was difficult to make unilateral decisions without having the proper information available to them. For project managers and PMOs, it was hard to manage resource availability and timing since there was not a central database in which they could look across projects to understand resource needs. Furthermore, this lack of visibility led to budget overruns and missed deadlines.
- › **Immature project management practices limited the ability to grow with the organization.** One company said, "Our previous solution didn't initially work well, it wasn't scalable, but with Project Online, it matches the criteria that users need." They went on to say that they were limited by their old business processes, but weren't able to improve them until they invested in a new project management solution.

"We didn't have access to information and with 120 projects, it was nearly impossible to integrate it into a central database, tie to the ERP and sales forecasting systems, and then report on it."

*Director of global IT & systems,
manufacturing*



Solution Requirements

The interviewed organizations searched for a solution that could:

- › Work out-of-the-box and not require a lot of customization.
- › Operate in the cloud, as to not require additional infrastructure and maintenance.
- › Provide consistency in reporting and project management practices across teams, departments, and locations.

After researching and evaluating multiple solutions, the interviewed organizations chose Project Online and began deployment with the help of a Microsoft partner:

- › First a POC was completed with a small team to test capabilities and use cases. These learnings allowed the organization to deploy with their specific configurations.
- › Project Online was rolled out to the rest of the organization over the course of 12 months. Many teams were excited to adopt the new technology.
- › Training was provided to help teams learn how to use the new tool and change management practices were implemented to help increase utilization of the new technology and all its capabilities.

Key Results

The interviews revealed that key results from Project Online include:

- › **Increased transparency into project performance.** Visibility in project performance was one of the most important reasons for adopting Project Online. Interviewees all confirmed they lacked visibility and transparency into projects prior to adopting Project Online. One organization said, “By adopting Project Online, it gave our project managers information to do their job better and be more proactive which benefits the business across the board.” Another interviewee said that without visibility into baselines and milestones, different decisions would be made causing an estimated two weeks of added workload. With Project Online, it was clear that having greater visibility and transparency into project performance equipped PMs and PMOs with the necessary information to better manage projects and make more informed decisions.

Another benefit from increased transparency in project performance were improvements in executive decisions and strategic planning, as one interviewee said, “Financial transparency of data enabled a new form of decision making that helped with our strategic planning process.” This interviewee explained their previous inability to see data in different ways as well as the frustration of having multiple data points. Now they have, what they referred to as, “one version of the truth.” This has allowed them to be more effective in strategic planning and helped to maximize their investment portfolio’s return.

“By adopting Project Online, it gave our project managers information to do their job better and be more proactive which benefits the business across the board.”

Director of global IT & systems, manufacturing



“Financial transparency of data enabled a new form of decision making that helped with our strategic planning process.”

Strategic priorities program manager, food and beverage producer



Not only were the interviewed companies able to increase transparency, but they could now prove to the business stakeholders how resource constrained they were and ensure projects were funded appropriately. One company reported: “The business always wants us to deliver projects, but we don’t have capacity. With Project Online, we are able to equip our CIO to have informed conversations with business VPs which has helped with staggering our releases quarterly rather than having a big bang approach.” Overall, they estimated \$3 million per year in savings by utilizing existing internal resources for work they previously had to outsource due to unforeseen capacity constraints.

- › **Improved customer satisfaction and on-time delivery with better resource utilization.** Customer satisfaction for the interviewed organizations increased with the improvement in on-time deliveries. This improvement in on-time deliveries was attributed to better resource utilization. Project Online, with its resource management capabilities, gave organizations the ability to allocate resources to projects, forecast workload and completion dates accurately, as well as better align skillsets to specific roles. Now, they didn’t have to wait on resources to be available or hire external contractors to complete jobs. This led to an improvement in on-time deliveries. One company said, “The trending information is really vital in terms of on-time delivery.” In addition, their on-time deliveries went from 85% to 95%. Another interviewee stated they improved from 52% to 72%, and another had increased from just 8% all the way to 40%. In improving on-time delivery, this meant they were not making unachievable commitments to customers which ultimately led to higher customer satisfaction.

- › **Efficiencies in project management processes.** With Project Online, organizations were able to leverage the tool’s many features to improve project management performance and increase productivity.

Utilizing templates for jobs they could extrapolate revenue curves and hours to identify constraints and deal with them quickly. By being more proactive versus reactive, PMs were able to reduce the risk of budget overruns.

Historically, reporting had been tediously manual for PMs. The PPM applications program manager for a consumer goods company said, “Monthly reporting cycles used to take twice as long.” Another said: “We historically would have to reconcile financials with accounting on a monthly basis, this was very time consuming. Now with Project Online, these reports can be shared with accounting on-demand.” The improved productivity with reporting has allowed PMs to focus their time to ensure projects are delivered on-time and under budget. One company uses the schedule performance index (SPI) to measure whether the project is behind or ahead of schedule. They said: “We couldn’t do this (trend SPI) without Project Online, if we are trending negative, we take action. Overall, our on-time delivery percentage has increased by 10 percentage points.”

Reporting also became much more useful, especially as organizations leveraged Project Online’s ability to integrate with Power BI. One interviewee said, “After building a data warehouse, we now have access to trend data, point-in-time data, and current data, and we have integrated the data with Power BI for reporting efficiency.”

“Monthly reporting cycles used to take twice as long.”

PPM applications program manager, consumer goods



› **Improved collaboration with cloud-based project management.**

Having a cloud-based project management system allows organizations to share learnings across projects and locations. For one interviewee, this meant they could make decisions at the right time. Previously, they were unable to coordinate effectively across projects and often would get stuck or delayed due to issues on other projects. They said, “Even with PMs sitting together, it didn’t help. Project Online has cooperative project dependencies which provides accurate timelines and milestones for other projects.” This allowed them to get to market faster and improve their speed in delivery.

Composite Organization

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an associated ROI analysis that illustrates the areas financially affected. The composite organization is representative of the four companies that Forrester interviewed and is used to present the aggregate financial analysis in the next section. The composite organization that Forrester synthesized from the customer interviews has the following characteristics:

Description of composite. The composite organization is a midsize manufacturing company operating in 10 locations within the US and UK. Annual revenues are approximately \$500 million with cost of goods sold (COGS) equating to 40% of revenue or \$200 million per year. Prior to adopting Project Online 18 months ago, they were utilizing spreadsheets and word processing documents to manage projects. Their previous project management processes were very inefficient, and they lacked the ability to collaborate across projects and locations. Moreover, they lacked visibility into project performance and were unable to make effective planning decisions due to the lack of project information. With approximately 150 projects running each year, the composite organization purchased 135 Project Online subscriptions, 35 of which were Project Online Professional subscriptions utilized by 25 project managers and 10 program managers.

Deployment characteristics. They initially invested \$10,000 in a POC and soon after deployment they utilized a third-party Microsoft partner which cost \$210,000 upfront. They continue to utilize this partner in an ongoing basis at a cost of \$42,000 per year. Two trainers spent about 200 hours developing training materials and providing 140 hours’ worth of training to Project Online Professional users. Project Online Essentials users spent on average one hour each learning the system through self-service training modules.



Key assumptions

\$500 million revenue

10 locations in the US and UK

150 projects

35 Project Online Professional subscriptions

100 Project Online Essentials subscriptions

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	Reporting efficiencies gained	\$316,516	\$326,009	\$335,813	\$978,338	\$809,472
Btr	Improved resource utilization	\$1,411,000	\$1,411,000	\$1,411,000	\$4,233,000	\$3,508,948
	Total benefits (risk-adjusted)	\$1,727,516	\$1,737,009	\$1,746,813	\$5,211,338	\$4,318,420

Benefit 1: Reporting Efficiencies Gained

One of the main benefits realized by the interviewed organizations were the efficiencies project managers realized in generating reports. Previously, reporting had been a manual process with each project manager utilizing spreadsheets to track their project performance. PMOs were in charge of consolidating the spreadsheets to identify trends and forecasts across the organization. For project managers, this used to take 15 hours per month, but now could be done in three hours.

The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total benefits to be a PV of more than \$4.3 million.

Reporting Efficiencies Gained: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
A1	Resources required for reporting prior to adopting Project Online	FTEs	2.0	2.0	2.0
A2	Reporting time savings		60%	60%	60%
A3	Resources required for reporting after adopting Project Online	$A1*(1-A2)$	0.8	0.8	0.8
A4	Average cost per Project Manager (fully loaded), annually		\$120,000	\$123,600	\$127,308
A5	Reporting time savings	$(A1-A3)*A4$	\$144,000	\$148,320	\$152,770
A6	Number of Project Managers		25	25	25
A7	Average hours saved per month in reconciling project costs and forecasting	hours	12	12	12
A8	Average cost per Project Manager (fully loaded), hourly		\$57.69	\$59.42	\$61.21
A9	Reconciliation and Forecasting time savings	$A6*A7*12*A8$	\$207,684	\$213,912	\$220,356
At	Reporting efficiencies gained	$A5+A9$	\$351,684	\$362,232	\$373,126
	Risk adjustment	↓10%			
Atr	Reporting efficiencies gained (risk-adjusted)		\$316,516	\$326,009	\$335,813

The interviewed organizations also experienced time savings with project resource reporting. Processes that used to take two FTEs were reduced by 60% after deploying Project Online. This not only helped to save time but enabled better oversight of resource capacity. One company said, "What used to take one to two full time resources is now a part time job [less than one quarter of a resource's time]."

For the composite organization Forrester assumes that:

- › Two FTEs were required for project reporting prior to adopting Project Online.
- › Sixty percent of time savings in monthly reporting for projects.
- › Twenty-five project managers saved an additional 12 hours per month in project reconciliation and forecasting.
- › The average annual fully loaded salary for a project manager is \$120,000, growing at 3% per year.

The reporting efficiencies gained by organizations can vary with:

- › The sophistication of existing reports and how effective a company is in reporting prior to adopting Project Online.
- › The cost of an FTE and the number of projects and project managers.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$809,472.



PMs realized a 60% time savings in monthly reporting processes.

Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

Benefit 2: Improved Resource Utilization

A primary benefit for the interviewed organizations was an improvement in resource utilization leading to more projects being delivered on-time. Project Online gave these companies the ability to allocate resources more effectively to projects, predict resource constraints, and ensure they had enough resources — internal or contractors — to complete the job on-time.

This resulted in a large reduction of overtime costs. As one interviewee said: “We paid out considerable amounts of overtime to ensure we were meeting client deadlines and commitments. Before Project Online, we expected an additional 30% in overtime costs, but now that number is down to 5%.”

Improved Resource Utilization: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
B1	Average number of projects per year		150	150	150
B2	Average overtime percentage per project prior to adopting Project Online		30%	30%	30%
B3	Average annual overtime cost prior to adopting Project Online		\$2,000,000	\$2,000,000	\$2,000,000
B4	Average overtime cost per project	B1*B2*B3	\$44,444	\$44,444	\$44,444
B5	Annual reduction in overtime due to improved resource utilization		83%	83%	83%
Bt	Improved resource utilization	B4*B5	\$1,660,000	\$1,660,000	\$1,660,000
	Risk adjustment	↓ 15%			
Btr	Improved resource utilization (risk-adjusted)		\$1,411,000	\$1,411,000	\$1,411,000

For the composite organization, Forrester assumes that:

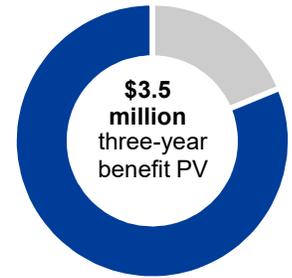
- › A cost of \$2 million is paid out annually across 150 projects for overtime.

- › An 83% reduction in overtime cost can be realized after deploying Project Online and adopting resource utilization best practices.

The reduction in overtime expense can vary with:

- › The number of projects and percent of overtime costs prior to adopting Project Online.
- › The degree to which organizations adopt and utilize resource management reporting and are able to act upon it.

To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year risk-adjusted total PV of \$3.5 million.



Improved resource utilization: **74%** of total benefits

Other Benefits: Procurement Savings (Not Included In ROI)

An important use case that was identified in the interviews but not included in the ROI calculation due to inconsistencies, was increased savings in procurement. With Project Online, organizations now had the ability to analyze and predict demand in supplies. For a manufacturing organization, they received better information on their immediate and future parts needs. For procurement, this information allowed them to negotiate better prices with suppliers and reduce their overall parts cost by 2.5%. One interviewed company said, “By tying our current and future demand together, procurement was able to reduce costs, saving us \$100 million per year.”

For the composite organization, this savings calculation was built on the following assumptions:

- › Annual revenues of \$500 million with 40% cost of goods sold (COGS) equating to \$200 million in procurement purchases annually.
- › A 2.5% annual savings on COGS from better negotiated pricing.

The procurement savings can vary with:

- › The annual cost of goods sold and the ability for procurement to negotiate better prices.

To account for these risks, Forrester adjusted this benefit downward by 25%, yielding a three-year risk-adjusted total PV of \$9.3 million. This benefit, as mentioned, is discussed and illustrated here, but is not included in the ROI analysis as it was only reported by one interviewed organization.



Potential annual savings of 2.5% on parts and supplies with better negotiated pricing.

Procurement Savings: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
XX1	Annual COGS		\$200 million	\$200 million	\$200 million
XX2	Average savings for COGS per year		2.5%	2.5%	2.5%
XXt	Annual procurement savings	XX1*XX2	\$5,000,000	\$5,000,000	\$5,000,000
	Risk adjustment	↓25%			
XXtr	Annual procurement savings (risk-adjusted)		\$3,750,000	\$3,750,000	\$3,750,000

Flexibility

The value of flexibility is clearly unique to each customer, and the

measure of its value varies from organization to organization. There are multiple scenarios in which a customer might choose to implement Project Online and later realize additional uses and business opportunities, including:

- › **Portfolio Management and the ability to prioritize and plan annual investments.** With Project Online, organizations have the ability to track project returns and prioritize future project demand in portfolios based on optimal returns. Scenario analysis can be run to further understand which investments will provide the greatest payback based on different constraints, like resources and capital. Once determined, alignment to strategic priorities can be dictated and investment roadmaps can be produced and communicated for annual planning and budget purposes.
- › **The integration of Power BI and other systems for reporting.** As previously mentioned, Project Online can be integrated with Power BI to provide deeper level analysis and reporting on investments. This reporting can become self-service reporting for project stakeholders including the business leaders. Another option for Project Online would be to integrate the data with ERP and/or CRM systems. Giving the organization better information in which to forecast costs or communicate and engage customers.

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to do so.

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
Ctr	POC & implementation cost	\$462,000	\$0	\$0	\$0	\$462,000	\$462,000
Dtr	Ongoing license cost and professional services	\$0	\$171,150	\$171,150	\$171,150	\$513,450	\$425,625
	Total costs (risk-adjusted)	\$462,000	\$171,150	\$171,150	\$171,150	\$975,450	\$887,625

Cost 1: Proof-of-concept (POC) And Implementation

The interviewed organizations initially invested in a POC to test key capabilities and gather learnings prior to deploying across their entire organization. These POCs were typically completed with one to two project teams and helped inform specific configurations required in the full implementation.

To implement Project Online, a third-party professional service or Microsoft Partner, was hired to oversee the implementation and change management process.

For the composite organization, the following assumptions were made:

- › A cost of \$10,000 was spent on the POC.
- › A third-party professional service was hired at \$210,000 for 12 months.
- › Two internal resources were fully dedicated to deployment for 12 months.

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total costs to be a PV of more than \$887,000.



Total implementation and deployment time: 12 months

POC And Implementation: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
C1	Cost of POC		\$10,000			
C2	Third party professional services utilized for implementation		\$210,000			
C3	Internal resources required for implementation	FTEs	2			
C4	Average cost per resource (fully loaded), hourly		\$100,000			
Ct	POC & implementation cost	$C1+C2+(C3*C4)$	\$420,000	\$0	\$0	\$0
	Risk adjustment	↑10%				
Ctr	POC & implementation cost (risk-adjusted)		\$462,000	\$0	\$0	\$0

The POC and implementation cost can vary with:

- › The complexity and size of deployment and the number of configurations that are required.

- › The degree of training and change management required to ensure high adoption and to maximize use.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year risk-adjusted total PV of \$462,000.

Cost 2: Ongoing Subscription Fee And Professional Services

Based on the interviews, the following ongoing costs were incurred:

- › Ongoing subscription fees for Project Online.
- › An internal resource to support the environment.
- › Additional third-party services to help with ongoing configuration as well as enabling additional capabilities and use cases.

For the composite organization, the following assumptions were made:

- › A cost of \$21,000 in ongoing subscription fees for 35 Professional and 100 Essentials subscriptions.
- › One fully-dedicated resource at a cost of \$100,000 fully loaded per year.
- › A cost of \$42,000 in ongoing professional service support.

The ongoing subscription fee and professional services cost can vary with:

- › The number and type of subscriptions purchased.
- › The amount of ongoing third-party support needed, and the level of continued configuration required.

To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year risk-adjusted total PV of \$425,625.

Implementation risk is the risk that a proposed investment may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates.



Ongoing annual subscription fees for Project Online: **\$21,000**

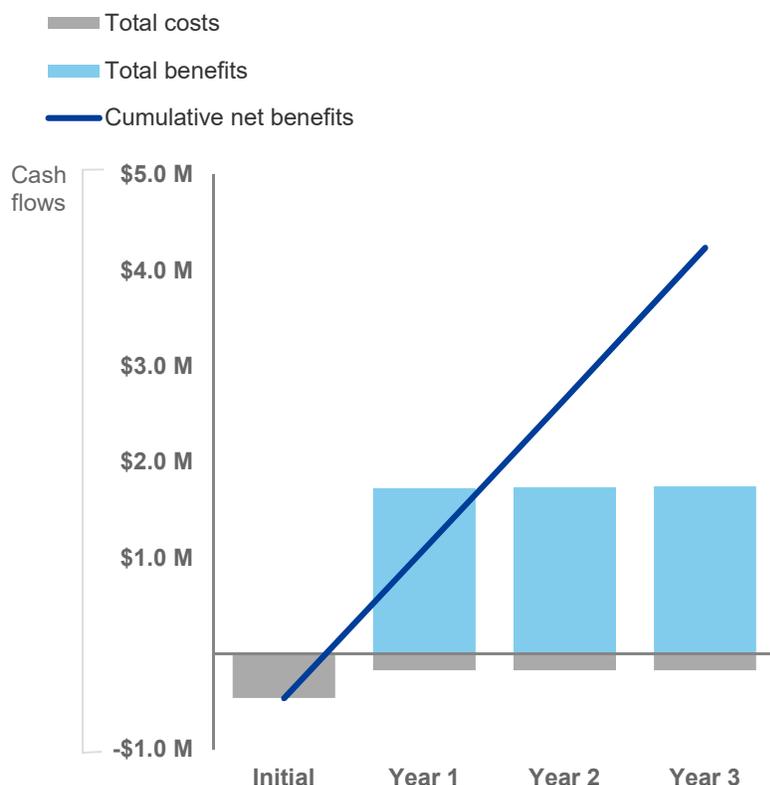
Ongoing Subscription Fee And Professional Services: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
D1	Annual subscription fee for Project Online			\$21,000	\$21,000	\$21,000
D2	Annual internal resources required to support Project Online	FTEs		1	1	1
D3	Average cost per resource (fully loaded), hourly			\$100,000	\$100,000	\$100,000
D4	Annual third party professional service costs			\$42,000	\$42,000	\$42,000
Dt	Ongoing subscription cost and professional services	$D1+(D2*D3)+D4$	\$0	\$163,000	\$163,000	\$163,000
	Risk adjustment	↑5%				
Dtr	Ongoing subscription cost and professional services (risk-adjusted)		\$0	\$171,150	\$171,150	\$171,150

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



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



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

Cash Flow Table (Risk-Adjusted)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	(\$462,000)	(\$171,150)	(\$171,150)	(\$171,150)	(\$975,450)	(\$887,625)
Total benefits	\$0	\$1,727,516	\$1,737,009	\$1,746,813	\$5,211,338	\$4,318,420
Net benefits	(\$462,000)	\$1,556,366	\$1,565,859	\$1,575,663	\$4,235,888	\$3,430,795
ROI						387%

Project Online: Overview

The following information is provided by Microsoft. Forrester has not validated any claims and does not endorse Microsoft or its offerings.

For more information about Project Online visit this [link](#).

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.