The Total Economic Impact™ Of Yammer

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Executive Summary

Many organizations are grappling with the best way to drive competitive advantage against new economic challenges. With resource and labor cost advantages elements of the past for many, the next great frontier appears to be a fundamental bet on knowledge worker effectiveness. Innovation, collective decision-making, and better access to information and expertise across organizational and geographic boundaries all loom as the next big-bet opportunities. These, coupled with a new generation of workers who are motivated to work in more social ways, have led many organizations to major strategic investments in social initiatives.

While the bets are big, the payoff has been difficult to measure. The fact is, given the ad hoc nature of knowledge worker activities, we have long struggled with measuring efficiency. However, as social technologies become increasingly pervasive and early pilots mature to enterprisewide deployments, this is changing. The gut feeling that, "we need to do this to remain competitive" is giving way to an ever-growing body of evidence that defined business value accrues from enterprise social investments. More importantly, as enterprise social initiatives mature, business patterns have emerged that have provided guidance for developing models to capture more compelling metrics to capture business impact.

In February 2011, Yammer commissioned Forrester Consulting to examine the total economic impact and potential return on investment (ROI) enterprises may realize by deploying Yammer. Forrester conducted in-depth interviews with executives from four Yammer customers with paid licenses and networks of at least six (6) months maturity, if not greater. Forrester then compiled the interview results into a composite case study of a 21,000-employee organization with 7,000 Yammer users. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of deploying Yammer within their organizations.

Yammer Brings Visible Communication And Improves Collaboration

Forrester's Total Economic Impact™ (TEI) methodology captures and quantifies the voice of the customer relative to technology investments. In this study, we interviewed four Yammer customers in one-on-one discussions about each organization's experience in implementing Yammer. Forrester's interviews and subsequent financial analysis determined that a composite organization (described below) based on the organizations we interviewed would be expected to see the costs, benefits, and the risk-adjusted ROI summarized in Table 1 and Figure 1.

Table 1

Composite Organization Three-Year Risk-Adjusted ROI

ROI	Payback period	Total benefits (PV)	Total costs (PV)	NPV
365%	4.3 months	$7,232,969	$1,556,866	$5,676,103

Source: Forrester Research, Inc.

- **Benefits.** The composite organization experienced the following benefits that represent those of the interviewed companies:

- o Visible collaboration and communication leading to project cost savings from deduplication of work and reorganization of processes.

- o Improved employee productivity for engaged Yammer users due to information-sharing and better access to expertise.

- o Higher employee engagement resulting in a faster onboarding for new employees.

- o Improving vertical communication between company leadership and employees.

- o Providing a public venue for and record of conversations.

- o Reinforcement of success drivers.

- **Costs.** The organizations we interviewed experienced the following costs:

- o Yammer software license/subscription fees.

- o Administrative support costs.

- o Administrative oversight costs.

- o Implementation costs.

- o Training costs.

Affecting Benefits And Costs

Table 1 illustrates the risk-adjusted financial results that would be expected by the composite organization described in Appendix A. The risk-adjusted values take into account potential uncertainty or variance that exists in estimating the costs and benefits, which produces more conservative estimates. The following factors may affect the financial results that an organization may experience:

- The pre-Yammer environment. Results may vary for organizations that already had established and highly utilized collaboration tools and processes compared with those that had none in place.

- Level of deployment of Yammer within the organization.

- Level of engagement of existing Yammer users.

Disclosures

The reader should be aware of the following:

- The study is commissioned by Yammer and delivered by the Forrester Consulting group.

- Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers should use their own estimates within the framework provided in the report to determine the appropriateness of an investment in Yammer.

- Yammer 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.
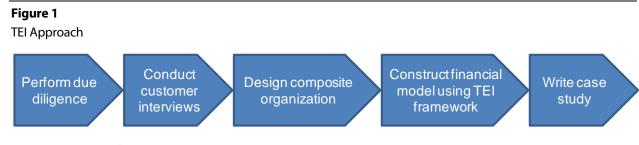
TEI Framework And Methodology

Introduction

From the information provided in the interviews, Forrester has constructed a TEI framework for those organizations considering implementing Yammer. The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision.

Approach And Methodology

Forrester took a multistep approach to evaluate the impact that Yammer can have on an organization (see Figure 1). Specifically, we:

- Interviewed Yammer product development, marketing, sales, and customer support staff and Forrester Research analysts to gather data relative to Yammer and the enterprise collaboration market in general.

- Interviewed four organizations currently using Yammer to obtain data with respect to costs, benefits, risk, and flexibility.

- Designed a composite organization based on characteristics of the interviewed organizations (see Appendix A).

- Constructed a financial model representative of the interviews using the TEI methodology. The financial model is populated with the cost and benefit data obtained from the interviews as applied to the composite organization.

Figure 1

TEI Approach

Source: Forrester Research, Inc.

Forrester employed four fundamental elements of TEI in modeling the financial implications of deploying Yammer:

1. Costs.

2. Benefits to the entire organization.

3. Flexibility.

4. Risk.

Forrester's TEI methodology provides a complete picture of the total economic impact of technology investment decisions. Please see Appendix B for additional information on the TEI methodology.

Analysis

Interview Highlights

A total of four interviews were conducted for this study, involving representatives from the following companies:

1. Tieto, a leading IT service company in Northern Europe that provides IT and product engineering services. With 17,000 employees in different countries, it has more than 4,900 Yammer users.

2. A regional division of a North American automobile and travel organization serving more than 4.5 million members. It has 5,000 employees with more than 3,700 Yammer users.

3. A diversified global media and technology firm with more than 50,000 employees. The organization has 18,000 users on Yammer.

4. A Fortune 500 multinational biopharmaceutical company with more than 60,000 employees and 11,000 Yammer users.

These interviews uncovered a number of important insights about customer organizations' experience with Yammer:

- The organizations interviewed were dealing with the challenges of coordination and communication across a large distributed and/or hierarchical workforce. Organizational silos existed in some of the companies interviewed as a result of multiple mergers and acquisitions of a succession of companies with different corporate cultures. Communication barriers also existed for global organizations with locations in different time zones.

- Yammer grew in a viral fashion in these companies. Growth was organic, with no formal rollout from headquarters, in most cases. The viral growth was initiated and fueled, at least in part, by Yammer's "freemium" model, which allows limited use of the product at no charge. Each organization already had a burgeoning Yammer user base before it signed up for Yammer Premium.

- Some of the drivers mentioned for using Yammer included "need for communication, immediacy, and real-time engagement." Yammer was a place where people could meet and have open conversations across silos. Another set of drivers for signing on to Yammer Premium included the need for data security and access to better management tools for the software that employees were already using outside of the formal enterprise IT tools.

- Organizations that went through an evaluation process noted that of all the social technology they evaluated, Yammer was the "easiest to use with the lowest barrier to entry." Another noted, "We selected Yammer because it afforded us the most flexibility."

- Yammer enabled not only horizontal communication but also vertical communication among all layers of a company, from leadership to the field. One CEO interviewed noted that for an organization to truly benefit from Yammer: "The crucial piece is you've got to be willing to embrace the flat organization paradigm. If you are willing to embrace that, it's a really powerful tool."

- Customers interviewed also acknowledged the risks in having sensitive internal communications on a corporate site. Each organization on their own made a careful evaluation of the legal and human resource implications of their employees' Yammer use before structuring their contracts with Yammer for premium service. Adoption of new technology that affects such a large set of their employee base was also a concern.

- Given the tangible benefits derived from their Yammer use, a number of the organizations interviewed were planning additional training, a relaunch, and other initiatives to complement Yammer's organic growth within their companies.

Composite Organization

Based on the interviews with Yammer customer organizations provided by Yammer, Forrester constructed a TEI framework, a composite company, and an associated ROI analysis that illustrates the areas financially affected. The composite organization that Forrester synthesized from these results is a multinational technology services and solutions firm with more than 21,000 employees in different countries and more than $2.5 billion in annual revenue. The composite organization has 7,000 users subscribed to Yammer Premium. The organization was looking for new ways to collaborate and overcome the communication silos that were the result of a series of mergers and acquisitions. Please see Appendix A for a more detailed description of the composite organization.

Framework Assumptions

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

Costs

The main costs associated with the deployment of Yammer are: 1) monthly software license fees; 2) administrative support costs; 3) internal labor for administrative oversight; 4) internal labor costs for implementation; 5) training development costs; and 6) training costs. Costs for the composite organization that are used for the financial analysis are listed below.

Software License Fees

The list price for Yammer Premium customers is $5 per user per month. This package includes data ownership, administrative controls, security tools, and customer branding, and dedicated customer support. The Yammer Premium customers we interviewed were provided a dedicated customer success manager who provides professional consultation services with regard to deployment, SharePoint and Active Directory synching, change management, and education and training strategy.

The composite organization licensed Yammer Premium for 7,000 users. At a monthly fee of $5 per user, this translates to $35,000 in monthly fees or $1,260,000 over a period of three years.

The fees noted in Forrester's financial analysis constitute list pricing. Yammer provides volume and enterprisewide discounts for large private sector and nonprofit/government organizations.

Administrative Support Costs

The composite organization has also assigned two individuals, one business analyst and one online communications project manager, to Yammer administration. These two individuals spend 15% of their time liaising with Yammer, managing its growth within the company, and monitoring new releases, among other administrative tasks. At an

average annual fully loaded compensation of $90,000 per FTE (full-time equivalent), the total cost to the organization for administrative support is $27,000 per year or $81,000 over three years.

Administrative Oversight Costs

The composite organization has established a global steering committee that works with the two Yammer champions on issues such as Yammer usage, growth, collaboration strategy, and overall company policy. The five members of this committee spend 10% of their time on Yammer oversight. At an average fully loaded compensation of $90,000 per year, internal labor costs for Yammer oversight are $45,000 per year or $135,000 over three years.

Implementation Costs

The customers we interviewed typically signed up for Yammer Premium when the number of Yammer users within the company had reached a large percentage of their employees or, as one organization termed, "critical mass." A couple hundred of their employees were active Yammer users and familiar with the software. As a result, the actual implementation period is typically short. The composite organization's implementation took one month from evaluation to signed contract. The two Yammer champions, one from IT and one from corporate communications, spent 40% of their time (70 hours) on the implementation process. Two representatives from the legal and HR departments spend 15% of their time (26 hours) on implementation, and one resource from strategic sourcing spent 25% of their time (43 hours) on it. At an average fully loaded compensation of $90,000 per year or $43.27 per hour, the total cost of internal labor for implementation is $10,111.

Training Costs

Training costs varied across the companies interviewed, from no formal training to publishing a Yammer FAQ (frequently asked questions) page to prepared presentations over webinars or brown-bag lunches. One customer interviewed observed that when a company's Yammer community has grown over a certain limit, training, especially around best practices on email notification, is very important. This prevents the falloff from people who join Yammer but have trouble navigating the email notification frequency.

For the composite organization, a training module was developed by two personnel spending 20% over the course of 1.5 weeks or 12 hours each. At an average fully loaded compensation of $43.27 per hour, the total cost for training module and material development is $1,038.

We also make the assumption that all the Yammer users of the composite organization spent at least 1 hour of training on Yammer. This training could take the form of a webinar, an in-person presentation, or time spent reading through the guidelines and familiarizing themselves with the Yammer software. For the composite organization's 7,000 users on Yammer Premium with an average annual fully loaded compensation of $60,000 per FTE, the total cost of the 1 hour each they spent training on Yammer is $201,923.

Total Yammer training costs for the composite organization is $202,962.

Table 2

Training Costs

Ref.	Metric	Calculation	Per period
A1	Number of people (training and development)		2
A2	Hourly wage per training and development person (fully loaded)	$90,000/2,080 hours	$43.27
A3	Hours		12
A4	Number of people trained		7,000
A5	Hourly wage per user (fully loaded)	$60,000/2,080 hours	$28.85
A6	Hour(s) of training per user		1
At	Training costs	(A1*A2*A3)+ (A4*A5*A6)	$202,962

Source: Forrester Research, Inc.

Note that calculation totals throughout the study may not align because of rounding.

Total Costs

Total costs of Yammer deployment to the composite organization is $1,689,072 over a three-year analysis.

Table 3

Total Costs (Non-Risk-Adjusted)

Costs	Initial	Year 1	Year 2	Year 3	Total
Yammer software license fees*	(420,000)	(420,000)	(420,000)	0	(1,260,000)
Administrative support costs		(27,000)	(27,000)	(27,000)	(81,000)
Administrative oversight		(45,000)	(45,000)	(45,000)	(135,000)
Implementation costs	(10,111)				(10,111)
Training costs	(202,962)				(202,962)
Total	($633,072)	($492,000)	($492,000)	($72,000)	($1,689,072)

Source: Forrester Research, Inc.

*Note that Yammer software license fees are billed at the start of the contract, so costs for the software licenses are listed in the previous column. For example, Year 1 user fees are listed under Initial (Year 0).

Benefits

> *"With Yammer, we are able to connect and collaborate with subject-matter experts in our global enterprise, we have the ability to communicate between headquarters and the field, and we have the ability to share experiences and engage leadership in conversation."* (Director of IS strategy and innovation, Fortune 500 pharmaceutical firm)

> *"Yammer has been the only cross-functional, cross-silo place for people to go to get their questions answered. It's our global water cooler and it did a great job."* (VP of online communications, media and technology firm)

In interviews with Yammer customers, Forrester identified these quantified benefits of implementing Yammer: 1) visible collaboration and communication leading to project cost savings from deduplication of work and reorganization of processes; 2) improved employee productivity for engaged Yammer users due to information-sharing and better access to expertise; and 3) higher employee engagement resulting in a faster onboarding for new employees.

Other benefits noted by the customers but not quantified in the study include: 1) improving vertical communication between company leadership and employees; 2) providing a public record of conversations; and 3) reinforcement of success drivers.

Project Cost Savings From Visible Communication And Collaboration

Yammer provided a channel for the organizations interviewed to collaborate and communicate among large, dispersed teams that were separated not just physically but also functionally. As teams became distributed, employees found it harder to answer basic project-related questions. Traditional communication such as email was not filling the need. With Yammer, organizations gained the value of active knowledge — new technology in the marketplace, research projects throughout the company, development tools and platforms, etc. — that was visible and therefore accessible to the community.

Yammer was used throughout the value chain of the organizations interviewed. For one company, the technologists were the most active users with a couple of large groups of 600 to 700 members focused on big technical projects that would enable this company's products to work together and share data. The members of these groups used Yammer for formal communications and also day-to-day discussions for working on these large-scale IT infrastructure projects.

Another organization's biggest groups were software development and project management. These groups contained detailed discussions on technology implementation and best practices. This organization also reported cases where customer deals were made as the result of connecting employees with a product and others with a need, adding, "Those deals would not have taken place without Yammer."

The research and development arm of the global pharmaceutical firm we interviewed was extensively using Yammer for collaboration. Researchers were sharing information on the problems and projects they were working on. They compared the investments they were making in different research projects to drive decision-making. Its Yammer users were also reaching out across the divisions for help in solving problems, such as challenges in their research process or in technical issues. "If you were looking to solve a technical or process problem, in the past you had limited resources. With Yammer, your resource horizon is significantly greater, and getting the answer is significantly faster. The quality is also better," noted the director of IS strategy and innovation.

Improved collaboration among groups that were previously working in silos led to project cost savings as these groups avoided duplicating work. As an example, one federated organization we interviewed had, through Yammer, established a community on digital marketing and online properties that connected different teams. One team was able to share information on an online promotion pilot that it ran, and seven other teams within the community used the information, metrics, and results from this pilot to get management buy-in and run their own successful online promotions. Prior to Yammer, the effort to prepare and run this pilot would have been duplicated by each team. The cost of this effort was 12 people working for a week and a half (60 hours) at an average fully loaded compensation of $85,000 per year or $40.87 per hour. As seven teams no longer had to duplicate this work, the total project cost savings as a result of this collaboration was $205,962. A social media strategist at this organization noted, "These big projects empowered by Yammer, we have one of these a month, and the number is increasing as time goes by."

Table 4

Cost Avoidance From Deduplication Of Work

Ref.	Metric	Calculation	Total
B1	Number of people		12
B2	Hours spent		60
B3	Hourly wage per person (fully loaded)	$85,000/2,080 hours	$40.87
B4	Number of teams no longer duplicating this work		7
Bt	Cost avoidance from deduplication of work	B1*B2*B3*B4	$205,962

Source: Forrester Research, Inc.

The customers interviewed also noted that the improved communication enabled by Yammer also led to surfacing long-standing operational issues that had previously gone unnoticed or were not prioritized by management. Yammer enabled visibility to identify pain points that were affecting a majority of Yammer users. Solving these operational issues was also a source of tangible benefits of project cost savings.

Through a post on Yammer and its subsequent discussion thread, one organization that had multiple legacy systems and processes discovered an 18-step process involving seven different systems that was a burden and source of frustration to its field agents. The organization cut this process by 10 steps, reducing processing time by 66% to 10 minutes. This not only saved the field agents' time; it also improved their customer service, as their customers no longer had to wait 30 minutes to be processed. These savings are conservatively valued as a function of field agent time and not customer drop-off. At 20 minutes saved once a week for 650 agents with an average fully loaded compensation of $40,000 per year, this translates to annual savings of $216,667 per year.

Table 5

Cost Avoidance From Reorganization Of Processes

Ref.	Metric	Calculation	Total
C1	Number of hours saved per incident	20 min/60 min	0.3333
C2	Number of incidents per year		52
C3	Number of agents affected		650
C4	Hourly cost per agent	$40,000/2,080 hours	$19.23
Ct	Cost avoidance from reorganization of customer service process	C1*C2*C3*C4	$216,667

Source: Forrester Research, Inc.

The composite organization has 7,000 Yammer users. Through the improved collaboration and communication enabled by Yammer across research divisions, departments, and management levels, the composite organization saw project cost savings in such areas as cost avoidance of work duplication, reorganization of processes for increased efficiency, time savings for project completion, and improved investment decisions. The average cost savings is estimated at $205,000 per major project. For a conservative estimate, Forrester will only calculate the savings from these major projects in the year implemented. The composite organization realizes 12 of these major projects enabled by Yammer per year. To account for ramp-up time, the financial model also assumes that the composite organization will only have six of these projects in the first year of implementing Yammer Premium and then the full 12 projects in each subsequent year. Total project cost savings for the composite organization is $6,150,000 over a three-year analysis.

Table 6

Project Cost Savings Due To Improved Collaboration And Communication

Ref.	Metric	Calculation	Year 1	Year 2	Year 3	Total
D1	Average cost savings per project		$205,000			
D2	Number of projects per year		6	12	12	
Dt	Project cost savings due to improved collaboration and communication	D1*D2	$1,230,000	$2,460,000	$2,460,000	$6,150,000

Source: Forrester Research, Inc.

Improved Employee Productivity Through Better Communication And Access To Expertise

"I would say there has been a significant productivity improvement for people using Yammer actively." (VP of online communications, media and technology firm)

"The best part of Yammer is that it's really easy. The flow, the pulse — people really like it. And it's easier than email or calling." (Consultant — enterprise content management department, IT services firm)

The Yammer customers we interviewed reported time savings with Yammer as their employees now had better access to subject-matter experts across the organization. Yammer was a channel to get a quick and relevant response to their questions. Previously, employees had to spend time searching for information or searching for the right person to talk to through email, phone calls, etc. Now users could post a question on Yammer and quickly get a response with the relevant material or contact. Search time was reduced, and the customers we interviewed reported saving time on meetings, scanning through and writing email, coordinating their work with teammates in other time zones, and learning internal processes and tools, among others. One interviewer characterized this as "easier access to tacit knowledge in the organization."

Two of the customers interviewed conducted companywide surveys on Yammer use. One organization asked its users how much time, on average, has Yammer saved them in doing their job. Majority of the respondents answered with "between 15% to 25% of their time." Another organization asked the question, "How often do you come across something in Yammer that connects you to something useful in your daily work?". Sixty percent of the respondents answered "every once or twice a week," with another 40% saying they recommend Yammer to their colleagues every week or two.

Feedback from the survey cited instances where Yammer was useful: connecting research divisions with market teams to find customers for products developed, providing answers to technical questions that developers needed to navigate their daily work, and even quickly assembling a user testing group for a new product. Employees have used Yammer to run polls on technology usage and adoption and used those results in their product planning and strategy work. In another example, a programmer working on a web development project saved 30 man-hours a month as a result of tools provided by a fellow employee from another subsidiary who he would not have been able to connect to without Yammer.

We can characterize engagement of Yammer users within the composite organization as high, medium, and low. For this analysis, Forrester assumes that only high- and medium-engagement users of Yammer will experience productivity savings as a result of the improved communication and access to expertise that Yammer enables. These high- and medium-engagement users compose 60% of the total user base.

For the composite organization, only 28% of its 7,000 users can be considered highly engaged. These include users who log on to Yammer at least once a day or who have a large follower base. Forrester conservatively assumes that productivity savings for these users are 30 hours per year on average. This is equivalent to a 1.4% productivity improvement for highly engaged employees. To further provide a more conservative calculation, Forrester also risk-adjusts productivity savings by assuming that only 50% of this time saved is used for productive work. At an average annual compensation of $60,000 per FTE, the total productivity improvement for high-engagement workers is valued at $823,200 per year.

Table 7

Improved Productivity — High-Engagement Worker

Ref.	Metric	Calculation	Year 1	Year 2	Year 3	Total
E1	Number of workers		7,000			
E2	Percentage high-engagement workers		28%			
E3	Annual rate per worker		$60,000			
E4	Percentage productivity improvement	30/2,080 hours	1.4%			
E5	Percent captured		50%			
Et	Improved productivity per high-engagement worker	E1*E2*E3*E4*E5	$823,200	$823,200	$823,200	$2,469,600

Source: Forrester Research, Inc.

Forrester conservatively assumes that productivity savings for medium-engagement users are 15 hours per year on average. This 0.7% productivity improvement applies to 32% of the composite organization's 7,000 Yammer users. These medium-engagement users log on several times a week. Forrester further risk adjusts productivity savings by assuming that only 50% of this time saved is used for productive work. At an average annual compensation of $60,000 per FTE, the total productivity improvement for medium-engagement workers is valued at $470,400 per year.

Table 8

Improved Productivity — Medium-Engagement Worker

Ref.	Metric	Calculation	Year 1	Year 2	Year 3	Total
F1	Number of workers		7,000			
F2	Percentage medium-engagement workers		32%			
F3	Annual rate per worker		$60,000			
F4	Percentage productivity improvement	15/2,080 hours	0.7%			
F5	Percent captured		50%			
Ft	Improved productivity per medium-engagement worker	F1*F2*F3*F4*F5	$470,400	$470,400	$470,400	$1,411,200

Source: Forrester Research, Inc.

Higher Engagement Resulting In Faster Employee Onboarding

> *"Results from the company survey came out. People were saying, 'I'm so glad we have Yammer, I feel more connected to everyone in the company. The COO, the CEO — they are listening.'"* (Social media strategist, North American automobile and travel organization)

Higher employee engagement was consistently cited as one of the main benefits of Yammer. Enterprise organizations interviewed that had gone through multiple acquisitions of other firms or mergers within companies found that Yammer gave their employees a common venue of interaction that transcended departmental silos or divisions. For multilocation organizations, their distributed workforce now had access to a platform that could help them understand the company on a global scale. This all, in turn, impacted corporate culture by giving employees a sense of community — "a feeling of being one company," as one organization observed, and "a sense of being part of something bigger than their departments," another noted — and increasing employee engagement. Survey results from one company showed that employee engagement scores improved for the first time after five years, between 7 to 11 percentage points. Another customer also noted that with Yammer, it did not feel that this corporate culture was "being dictated from above." Communication, collaboration, and initiatives emerging from the grass-roots level were common themes for these Yammer users and characterize the impact of internal social media interaction.

> *"Several people have said that one week on Yammer has taught them more about the organization than the years they've spent here."* (Consultant — enterprise content management department, IT services firm)

The organizations we interviewed also found that Yammer was useful for getting new employees quickly integrated into the company culture. With Yammer, they immediately had access to a network of people who could answer their questions outside of the formal orientation process. New project managers would save time learning project management technology that was dependent on internal tools. Ramp-up time for new programmers consulting on customer sites was shorter.

This faster access to information and networks through Yammer complemented the composite organization's formal onboarding process for new employees. Yammer helped shorten the ramp-up time of its employees to deliver at full capacity. To calculate this benefit, the model assumes a 5% annual turnover in employees for this technology services firm. At 7,000 Yammer users, this translates to 350 new employees on Yammer every year. The estimated training cost as a percentage of salary is 2.3%, and the average fully loaded compensation per FTE is $65,000 per year. Through Yammer, the composite organization is able to reduce the cost of training through faster ramp-up and onboarding by 10% on average. This translates to savings of $48,300 every year.

Table 9

Faster Employee Onboarding

Ref.	Metric	Calculation	Year 1	Year 2	Year 3	Total
G1	Number of employees		7,000			
G2	Employee turnover		5%			
G3	Annual salary		$60,000			
G4	Training cost as a percentage of salary		2.3%			
G5	Estimated reduction		10%			
Gt	Faster employee onboarding	G1*G2*G3*G4*G5	$48,300	$48,300	$48,300	$144,900

Source: Forrester Research, Inc.

Total Benefits

Table 10 summarizes the quantified benefits from an investment in Yammer for the composite organization.

Table 10

Total Benefits (Non-Risk-Adjusted)

Benefits	Initial	Year 1	Year 2	Year 3	Total
Project cost savings due to improved collaboration and communication		1,230,000	2,460,000	2,460,000	6,150,000
Improved productivity per high-engagement worker		823,200	823,200	823,200	2,469,600
Improved productivity per medium-engagement worker		470,400	470,400	470,400	1,411,200
Faster employee onboarding		48,300	48,300	48,300	144,900
Total		$2,571,900	$3,801,900	$3,801,900	$10,175,700

Source: Forrester Research, Inc.

Other Benefits Not Quantified

Other qualitative benefits cited by the customers interviewed but not quantified in this study include:

Improving Vertical Communication Between Company Leadership And Employees

All the organizations interviewed noted that Yammer helped improve communication from their management team to their employees, and vice versa. Yammer provided a means for management to clarify corporate positions on relevant issues and bring that message to the field. Leadership, in turn, was able to get direct feedback from their employees that was not filtered through layers of management. Yammer provided a way to get the "pulse of the company" with the "bubble up of trends." Management concerned with the barriers to communication in their companies that resulted from their hierarchal structure found that Yammer helped them jump those barriers. Employees on the frontlines of customer interaction provided feedback through Yammer that drove real improvements in policies and procedures and real business results.

Providing A Public Venue And Record Of Conversations

> *"I have yet to find a business conversation that isn't more valuable if more people are in it. Yammer allows you to have a conversation in public and fosters greater dialogue."* (CEO, North American automobile and travel organization)

Through Yammer, the customers interviewed found that their organizations were able to tap into the "wisdom of crowds" by having these public (to the company) conversations. Traditional medium such as email contained valuable content to the company, but not everyone who could benefit from this content had access to the information. Yammer gave these organizations the ability to have a dialogue in public that was "not invasive" to their daily work. This was a valuable benefit to the companies interviewed. One organization, after lengthy public dialogue on Agile development, revealed the extent of its use in the company, modified its delivery strategy, and worked on tools to support this new

way of working. For users who did not participate in the dialogue but viewed the discussions and topics, these public records served as an immediately accessible reference for decisions made and the reasoning behind them.

Reinforcement Of Success Drivers

Another benefit cited by some of the customers interviewed was that Yammer became a forum for positive reinforcement of success. For one service business, users could post daily results and receive kudos for "over the top" service performance. They noted, "There's no feeling of dropping something into an already crowded mailbox, so people are more likely to give someone a pat on the back in that public forum." Yammer also provided employees with a venue to increase their personal brand and influence. Employees emerged as thought leaders or role models through Yammer interaction. Publicly viewed praise served, in turn, to reinforce behavior that drove success and business results throughout the Yammer users in the organization.

Flexibility

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for some future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to do so. From our interviews, we've found that there are multiple scenarios in which a customer can deploy Yammer and later realize additional uses and business opportunities.

Although data for calculating the value of these flexibility options was insufficient when this study was conducted, our interviews identified several areas that could produce flexibility options based on next-stage real options that have been described by study participants:

- Initiatives on records retention and improved search capability could bring additional project cost savings.

- Improved reporting for organizations to analyze Yammer use could lead to programs to increase employee presentation and user effectiveness, possibly amplifying current productivity benefits.

- Increased adoption of Yammer for project groups would bring additional time and cost savings.

The value of flexibility is unique to each organization, and the willingness to measure its value varies from company to company (see Appendix B for additional information regarding the flexibility calculation).

Risk

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

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

The following implementation risk that affects costs is identified as part of this analysis:

- Internal labor needed for implementation, training, and support may exceed initial estimates.

The following impact risks that affect benefits are identified as part of this analysis:

- Variability in productivity savings depending on employee engagement for different organizations.

- Variability in average project cost savings as a result of Yammer.

Table 11 shows the values used to adjust for risk and uncertainty in the cost and benefit estimates. The TEI model uses a triangular distribution method to calculate risk-adjusted values. To construct the distribution, it is necessary to first estimate the low, most likely, and high values that could occur within the current environment. The risk-adjusted value is the mean of the distribution of those points. Readers are urged to apply their own risk ranges based on their own degree of confidence in the cost and benefit estimates.

Table 11

Cost And Benefit Risk Adjustments

Costs	Low	Most likely	High	Mean
Yammer software license fees	98%	100%	105%	101%
Administrative support costs	98%	100%	105%	101%
Administrative oversight	98%	100%	105%	101%
Implementation costs	100%	100%	115%	105%
Training costs	98%	100%	105%	101%
Benefits	**Low**	**Most likely**	**High**	**Mean**
Project cost savings due to improved collaboration and communication	40%	100%	100%	80%
Improved productivity per high-engagement worker	90%	100%	100%	97%
Improved productivity per medium-engagement worker	90%	100%	100%	97%
Faster employee onboarding	80%	100%	103%	94%

Source: Forrester Research, Inc.

Financial Summary

The financial results calculated in the Costs and Benefits sections can be used to determine the ROI, NPV, and payback period for the organization's investment in Yammer. These are shown in Table 12 below.

Table 12

Cash Flow — Non-Risk-Adjusted

Cash flow — original estimates						
	Initial	**Year 1**	**Year 2**	**Year 3**	**Total**	**PV**
Costs	($633,072)	($492,000)	($492,000)	($72,000)	($1,689,072)	($1,541,051)
Benefits	$0	$2,571,900	$3,801,900	$3,801,900	$10,175,700	$8,336,581
Net benefits	($633,072)	$2,079,900	$3,309,900	$3,729,900	$8,486,628	$6,795,530
ROI	441%					
Payback period	3.7 months					

Source: Forrester Research, Inc.

Table 13 below shows the risk-adjusted ROI, NPV, and payback period. These values are determined by applying the risk-adjustment values from Table 11 in the Risk section to the cost and benefits numbers in Tables 3 and 10.

Table 13

Cash Flow — Risk-Adjusted

Cash flow — risk-adjusted estimates						
	Initial	**Year 1**	**Year 2**	**Year 3**	**Total**	**PV**
Costs	($639,807)	($496,920)	($496,920)	($72,720)	($1,706,367)	($1,556,866)
Benefits	$0	$2,284,194	$3,268,194	$3,268,194	$8,820,582	$7,232,969
Net benefits	($639,807)	$1,787,274	$2,771,274	$3,195,474	$7,114,215	$5,676,103
ROI	365%					
Payback period	4.3 months					

Source: Forrester Research, Inc.

The data collected in this study indicates that deploying Yammer has the potential to provide a solid return on the investment through quantifiable project cost savings, productivity benefits, and reduced training costs. The risk-adjusted ROI of 365%, along with a rapid payback period (breakeven point), raises confidence that the investment is likely to produce a positive outcome, especially after the risks and uncertainty that may affect the project have been considered, quantified, and incorporated into the business case.

In interviews with Yammer customers, Forrester found that organizations can realize benefits in the form of:

- Visible collaboration and communication leading to project cost savings from deduplication of work and reorganization of processes.

- Improved employee productivity for engaged Yammer users due to information-sharing and better access to expertise.

- Higher employee engagement resulting in a faster onboarding for new employees.

- Improving vertical communication between company leadership and employees.

- Providing a public venue for and record of conversations.

- Reinforcement of success drivers.

Based on these findings, companies looking to implement Yammer can anticipate significant productivity gains and cost savings. Using the TEI framework, many companies may find a potentially compelling business case to make such an investment.

Yammer — The Enterprise Social Network: Overview

According to Yammer, Yammer brings together all of a company's employees inside a private and secure enterprise social network. Although Yammer is as easy to use as consumer products like Facebook and Twitter, it is enterprise-grade software built from the ground up to further business objectives.

Yammer enables enterprise communication, collaboration, and information sharing. With Yammer, companies reduce the need for meetings, increase communication across silos, and help new employees get up to speed faster. In addition, Yammer makes it easy to crowd source ideas, surface pockets of expertise, and discover knowledge across an organization.

Yammer key features include:

- **Enterprise microblogging:** Start a conversation, create a poll, or ask a question. View and reply to posts from colleagues across the organization.
- **Groups:** Create and join groups to collaborate with smaller teams within a network.
- **Topics:** Tag messages with topics to organize a Yammer network and help others find content.
- **Following:** Keep track of information that matter most by following people and relevant topics.
- **Notifications:** Instantly be notified with important messages that may require action.
- **Profiles:** Upload a picture and complete a profile to become discoverable across your organization.
- **Company directory:** Find and connect with employees in other departments. Use directory sync to auto-populate information
- **Private messaging:** Create a private dialogue with one or multiple colleagues; add additional participants at any time.
- **Files, links, and images:** Upload documents, videos, images, and more; share them with colleagues on Yammer.
- **Communities:** Work with partners who are outside of a company network with protected communities.
- **Knowledgebase:** Find experts and answers by searching for topics and other keywords.
- **Applications:** Use third-party applications to add specialized functionality to the company's Yammer network.
- **Integrations:** Easily integrate the Yammer network with popular enterprise applications, including SharePoint and Box.net.
- **Access Anywhere:** Easily connect to the Yammer network via web browser, desktop client, or mobile device. Yammer mobile applications are available for the iPhone, iPad, Android, BlackBerry, and Windows Mobile.

An easy user experience for increased engagement

When it comes to communications, there's little reason to use technology that others won't adopt. That's why Yammer uses proven social networking mechanics that users already understand to maximize engagement. In addition, Yammer is always developing new features to improve user experience.

Rest easy with enterprise-grade security and disaster recovery for Yammer.

Access Yammer privately and securely in the cloud. Data is backed-up and protected – and only employees with a verified company email address can access data in a given company's network. The premium Yammer package includes administrative features for added security, control, and management of the Yammer network. For details on Yammer's security, disaster recovery, and administrative features, contact Yammer today.

Trusted by the world's best businesses

Yammer works. That's why it's one of the fastest-growing enterprise software products in history, used by more than 100,000 businesses worldwide, including 90% of Fortune 500.

Appendix A: Composite Organization Description

Composite Organization

Based on the interviews with existing Yammer customers, Forrester constructed a TEI framework, a composite company, and an associated ROI analysis that illustrates the areas affected financially. The composite organization that Forrester synthesized from these results is a technology services firm based in North America with major operations worldwide.

Organization Size And Dimensions

- $2.5 billion in annual revenue.

- 21,000 employees.

- A multinational firm with headquarters in North America and major consulting, research and development (R&D), and marketing operations worldwide.

- The composite company is a technology services firm providing IT solutions and consulting to the financial, healthcare, and media sectors, among others.

- The organization has grown through mergers and acquisitions of different businesses.

Current Collaboration Environment

- 7,000 users subscribed to Yammer.

- Users are distributed throughout the global organization, with big user groups in technology implementation and development, R&D, program management, and customer care.

Reasons For Investment In Yammer

- Growth of Yammer usage was organic within the organization. There was no formal management push to promote Yammer initially.

- With Yammer, users were trying to overcome the silos in their organization that were the result of a series of mergers and acquisitions to form the parent company. The organization was also looking for new ways to collaborate and communicate as it worked on big IT infrastructure projects.

- At 800 users, the organization chose to analyze and evaluate Yammer. As there was strong user support of the tool, the company decided to formalize its relationship with Yammer and purchased Yammer Premium. Note that the typical Yammer network size predicating formalization can vary from a few to a few hundred users.

- Yammer Premium allowed the organization to improve security for the collaboration tool and provide more sophisticated administration of its users. This also provided them access to customer success managers that helped identify collaboration opportunities and strategize Yammer rollout for the company.

Appendix B: Total Economic Impact™ Overview

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

Benefits

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

Costs

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

Risk

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

Flexibility

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

Appendix C: Glossary

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

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

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

Payback period: The breakeven point for an investment. The point in time at which net benefits (benefits minus costs) equal initial investment or cost.

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

A Note On Cash Flow Tables

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

Table [Example]

Example Table

Ref.	Category	Calculation	Initial cost	Year 1	Year 2	Year 3	Total

Source: Forrester Research, Inc.