

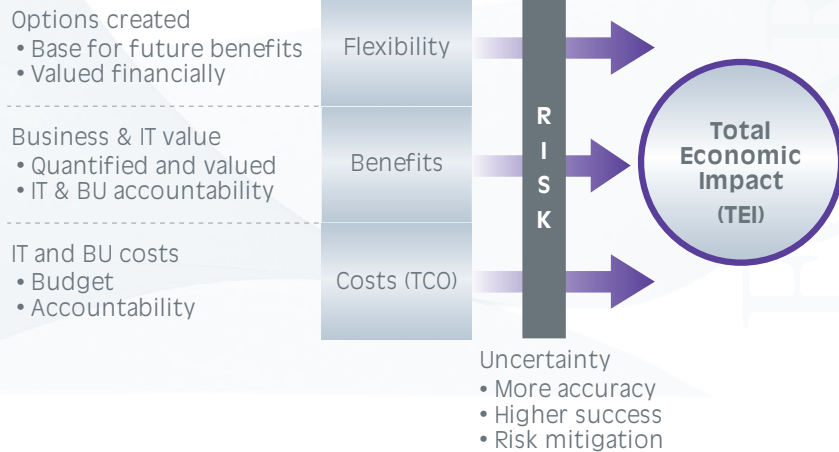
## TEI™ For IT Organizations

MAKING LEADERS SUCCESSFUL EVERY DAY

Technology and business are now inseparable, yet many companies lack programs to confirm, measure, and realize benefits delivered from their technology programs. Cost comparisons emerge as ultimate decision drivers, leaving the true value of the technology unknown. Before investing time or money in a program, IT and business leaders need a consistent process for measuring and predicting the return on their IT initiatives.

Forrester's Total Economic Impact™ (TEI) is the most comprehensive methodology for determining the value of IT by balancing cost with three other equally significant factors — benefits, flexibility, and risk. Through TEI assessments, you are able to understand and demonstrate the worth of a technology to an organization, align its implementation with business strategy, and improve your partnerships with other key business stakeholders.

## TEI™ Examines All Elements Of Financial Analysis



## The TEI™ Advantage: Targeting The Issues You Face

TEI helps organizations make better technology investment decisions by quantifying, communicating, and realizing the complete value of technology investments. TEI analysts and technology experts will examine your processes and work with you to help you invest more wisely, make investments that strengthen business objectives, and justify the expected value of technology projects. The issues we address include how to:

- Build more accurate and credible business cases for your technology investments.
- Determine the potential value (both direct and intangible benefits) and priority of the various technology initiatives you are currently considering.
- Understand the business case fundamentals of important financial concepts, such as: ROI (return on investment), NPV (net present value), IRR (internal rate of return), and payback period.
- Communicate the financial value of technology investments to business colleagues who are focused on high-level goals, such as increasing revenues and reducing operational costs.
- Improve your investment decision-making process to ensure that your technology assessments are conducted objectively and consistently.
- Factor risk and flexibility into the projected financial impact of technology investments.
- Track technology projects after approval and deployment to realize and optimize their benefits.

*"In the presence of perceived value, cost is a secondary concern."*

— Bob Cormier, principal consultant, Forrester Research

# TEI™ Value Delivery Process

## Value justification and realization process:



- Invest in projects that meet business goals.
- Move from cost to business value approach.
- Create credible business cases.
- Improve and enhance investment decision processes.
- Measure and realize project results.
- Understand the impact of project risk.
- Quantify technology flexibility.

## Building Business Value

With TEI, you improve the alignment of IT with business objectives and increase business flexibility to:

- Strengthen revenues.
- Grow market share.
- Lower operational costs.
- Minimize risks associated with adopting new technology.
- Streamline your organizational processes.

You are equipped to accurately quantify, justify, understand, and optimize your technology investments, thereby allowing you to improve your company's decision-making processes and quickly focus on the projects that generate the most business value. By demonstrating the value of IT to business, your thought leadership and organizational credibility also grow within your company.

## Our Work With Clients

### University Graduates To A Project Approval System

**Who:** CIO of a premier private university in the United States

**Challenge:** The university had spent more than \$120 million on technology in the past two years but didn't know the value received from those investments. The CIO wanted a repeatable project governance process to ensure that projects were handled consistently and that only well-documented projects were approved.

**Program:** Forrester's TEI analysts reviewed the university's current project initiation and charter process and set up a two-day boot camp on-site. They drafted a modified process, incorporating the TEI methodology to determine appropriate metrics; links to strategic goals; quantification of costs, benefits, flexibility, and risk; and documentation of various scenarios and other choices analyzed. The team also received forms to guide the project manager through the analysis process as well as a slide deck to explain the new process and its benefits. Forrester then held weekly conferences with the CIO and his team to help them customize the materials to specific projects.

**Results:** The CIO implemented a new project approval system at the university with two main steps: 1) project initiation, where the metrics and initial impact (cost, benefit, flexibility, and risk) of an idea are quantified and communicated, and 2) project charter, where the full analysis, costs, and benefits are documented along with various scenarios that are then summarized and presented for funding.

### Manufacturing Company Avoids Costly Mistake

**Who:** The CIO at a manufacturing company

**Challenge:** The CIO and senior management were unsure about whether or not to adopt directory services throughout the company because they didn't understand the ROI of the potential investment.

**Program:** Forrester analysts investigated the situation at the company and used TEI to evaluate two migration scenarios (in-place migration and parallel migration).

**Results:** The analysis indicated a risk-adjusted ROI of -80% for both scenarios, mostly because the company needed to shut down manufacturing for the migration. Based on the study, the CIO decided not to move forward with the project and was pleased to avoid a large spending mistake.

### Banking Organization Invests In Standardization And Saves

**Who:** A large, decentralized banking organization

**Challenge:** The IT steering committee initiated a project to study the standardization of desktop computing across all divisions of the organization. At the time, each business unit was individually managing its own equipment with various levels of standardization achieved. The steering committee needed to know if further desktop standardization would both help reduce IT costs and successfully meet business requirements.

**Program:** TEI analysts led a number of meetings with the IT steering committee and interviews with key stakeholders within each business unit, helping to create scenarios and facilitate economic analysis and risk adjustment. We ensured that the right metrics and processes were considered and provided an audit and analysis report that included a focus on the business users' needs, the plausibility of proposed scenarios, economic analysis, risk adjustments, and support for the team's intentions.

**Results:** The final study recommended implementing desktop standardization at all business units. The business case analysis showed an estimated annual savings of \$13 million and a risk-adjusted estimated savings of \$11 million, reflecting the best- and worst-case savings. We recommended against establishing a national help desk and mandatory implementation of thin client technology because the financial analysis to support it was weak. The heads of all business units are currently using this study to support the implementation of initiatives.

## TEI Delivery Options

**Justifying Technology Investments Boot Camp.** Forrester also offers training sessions either at one of our research centers or on-site at your office. In this interactive, one-day workshop, you learn the fundamentals for building effective business cases for technology investments by applying Forrester's well-known TEI framework and methodology. Forrester analysts help you understand how to:

- Build sound business cases.
- Easily understand basic financial concepts.
- Quantify business benefits.
- Prioritize and communicate with business stakeholders and management.

You apply these insights to exercises and a case study, then build an action plan for incorporating an improved technology business case process within your organization.

**Justification Process.** If you or your team needs to build or enhance a consistent financial justification process, Forrester can assist by applying the principles and best practices of the TEI methodology to your existing processes. Through review and by making specific recommendations, Forrester helps you develop a customized, multistep approach that is tailored to your business environment and can be used consistently to help prioritize projects in your portfolio. Forrester also provides ongoing support to continually refine and improve the overall process while helping you better quantify technology value.

**Project Analysis.** Forrester analysts help you deliver a comprehensive business case for selected technology investments. After first using the TEI methodology to align the project with your company's goals and objectives, TEI specialists work with your key business and IT stakeholders to develop a series of strategic alternatives for you to consider. This business case highlights the potential benefits of adopting each strategy using advanced metrics and value equations that we analyze and translate into easy-to-digest explanations.

## For More Information

Total Economic Impact (TEI) is just one of the ways Forrester can help your business thrive on technology change. For more information on Forrester's RoleView™ Research, Data, Consulting, or Community products and services, call our headquarters at one of the numbers listed, or visit our Web site at [www.forrester.com](http://www.forrester.com).

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