A Forrester Total Economic Impact™
Study Commissioned By Spigit
May 2017

The Total Economic Impact™ Of An Innovation Program Driven By Spigit

Cost Savings And Business Benefits Enabled By Spigit's Innovation Platform And Customer Success Team

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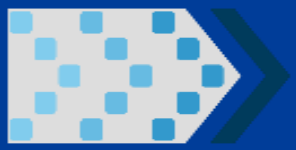
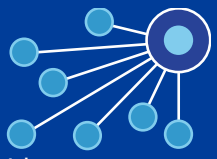
Benefits And Costs



Incremental revenue from new products or services launched based on ideas*:
$105 million

Cost savings from process improvements:
$9.9 million



Idea management efficiency:
$336,122

*This figure is not adjusted for risk, present value, or operating margin. See Benefits section for more detail.

Executive Summary

In today's marketplace, the age of the customer disruption impacts nearly every industry.[1] Customers expect their needs to be met with faster and cheaper products, wrapped in an experience that delights. This shift in power makes it difficult for companies to compete, differentiate, and launch new products fast enough to keep up with changing demands.[2] Innovation programs provide companies with the means to combat this disruption and stay in business.

Spigit provides enterprise innovation software and support services that help its customers stand up and manage enterprise innovation programs. Spigit commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying its platform and leveraging its implementation, training, and strategy services as part of a broader innovation program. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of an innovation program with Spigit as its foundation.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed several customers with multiple years of experience running innovation programs driven off the Spigit platform and under the strategic guidance of Spigit's customer success team. The Spigit platform is designed to reach across silos and cultures, soliciting diverse ideas to build a robust pipeline. Additional employee engagement in the form of comments and voting drives the platform's algorithms, finding and elevating the best ideas with minimal effort. Spigit's customer success team advises the innovation team on strategy, process, and best practices, driving up engagement and building the foundation the program needs to support innovation efforts beyond growing a pipeline of ideas.

Prior to using Spigit, the customers lacked systematic innovation programs. They often had idea management systems, cobbled together with existing CRM systems, but no discipline in soliciting participation and following through on ideas. In the absence of process, these ideas never saw daylight. When executives made innovation a strategic priority, management knew it needed a more holistic innovation program with a transparent, systematic idea management solution.

Key Findings

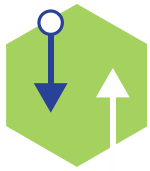
Quantified benefits. The following risk-adjusted quantified benefits are representative of those experienced by the companies interviewed:

- **Business growth (incremental profit) from new or enhanced products or services.** The goal of most innovation managers was to drive business growth. In support of this objective, they implemented innovation challenges that encouraged employees to submit ideas for new products or sales strategies that could develop new revenue streams. When promoted to projects and implemented, these ideas led to incremental revenue and, ultimately, profit.
- **Cost savings from process improvements.** Strategy services from Spigit's customer success team instructed innovation leaders to frame these challenges as time-blocked campaigns with a specific prompt that would solicit ideas from employees to solve a problem. Interviewees in this study dedicated many of their challenges to operational efficiency, resulting in several projects that led to process improvements.

ROI
83%

Benefits PV
$22.5 million

Costs PV
$12.3 million



NPV
$10.2 million

› **The ability to manage ideas with minimal resources.** Spigit's innovation management tool provided a platform for engaging the employee base, soliciting ideas, then surfacing the most actionable and impactful ideas — all without manual intervention. Deployments scale across the enterprise without requiring additional staff to manage the platform. For interviewees, this reduced the headcount required to manage idea generation and promotion, even as the organization grew.

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

› **Corporatewide participation and collaboration.** The interviewed organizations found that the Spigit platform gave employees who previously never had a voice a place and the confidence to speak. It connected people with similar ideas and gave them a place to collaborate on those ideas, when previously they didn't have a method for finding each other. Ultimately, the feeling of participation increased employees' sense of ownership and propelled the organization's goals of integration and collaboration.

Costs. The interviewed organizations experienced the following risk-adjusted costs to initiate and operate their innovation program:

› **Innovation program initiation and ongoing management costs.** Standing up and managing an innovation program required input from resources across the company. It started with the innovation program staff itself, consisting of two people in Year 1 and growing to five in years 3 and 4. This team collaborated with executives, business leaders, and innovation advocates across the company to develop campaigns, conduct training, encourage engagement, and implement projects.

› **Spigit platform setup and ongoing management costs.** Among the employees on the innovation team, a portion of one resource's time was dedicated to managing the platform itself.

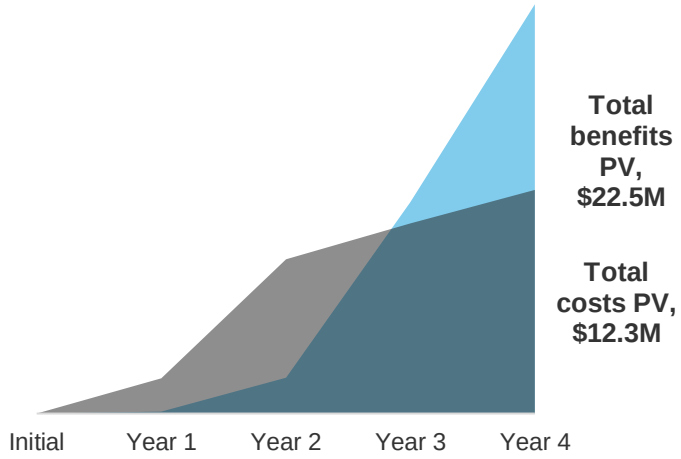
› **Fees to Spigit.** Fees were twofold: licensing and support. Licensing, driven by the number of registered users, covered the use of the platform as well as initial implementation, training, and guidance for the first challenge. One-time fees for support from the customer success team include continued strategy services, platform customization, and any additional training needs.

› **Resource time for training, events, idea generation, commenting, and voting.** Employees across the organization participated in training on both the innovation program and the platform itself. They then participated in challenges and ongoing innovation efforts, submitting ideas, voting, and commenting. Some even attended workshops or hackathons. Of the entire engaged employee base, the average time commitment was 2.5 hours per year.

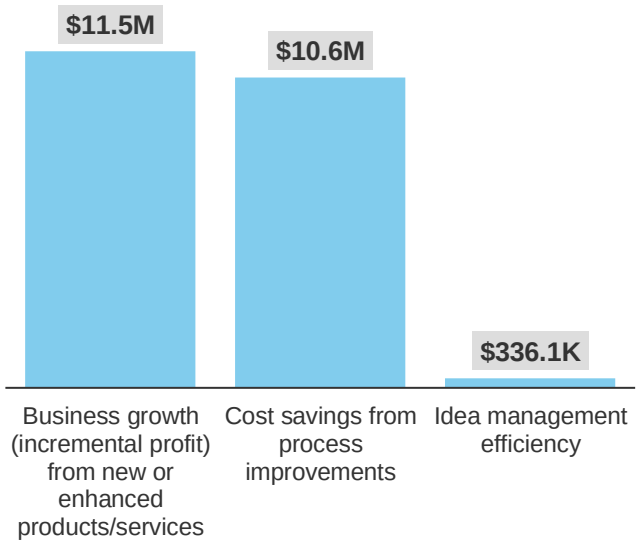
› **Project implementation costs.** The goal at the end of many innovation challenges was to greenlight a project that solved a problem or capitalized on an opportunity. Refining, testing, and implementing these projects required time, resources, and additional financial investment.

Forrester's interviews with five existing customers and subsequent financial analysis found that an organization based on these interviewed organizations experienced benefits of $22.5 million over four years versus costs of $12.3 million, adding up to a net present value (NPV) of $10.2 million and an ROI of 83%.

Financial Summary



Benefits (Four-Year)



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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 initiating a formal innovation program, supported by Spigit's innovation management platform and enablement services.

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 an innovation program driven by Spigit can have on an organization:

DUE DILIGENCE
Interviewed Spigit stakeholders and Forrester analysts to gather data relative to the innovation management platform and enablement services.

CUSTOMER INTERVIEWS
Interviewed five organizations using Spigit to drive their innovation programs 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 the impact of innovation programs, including: 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.

The Innovation Journey

BEFORE AND AFTER THE INVESTMENT IN INNOVATION

Interviewed Organizations

For this study, Forrester conducted five interviews with innovation programs run off Spigit's innovation management platform and supported by Spigit's customer success team. Interviewed customers included the following:

INDUSTRY	REGION	INTERVIEWEE	ANNUAL REVENUE
Healthcare	US	Chief innovation officer	$10 billion
Pharmaceuticals	Global	Senior manager of worldwide innovation	$50 billion
Manufacturing	Global	Senior director of innovation	$70 billion
Manufacturing	Global	Program manager, innovation	$15 billion
Manufacturing	Global	Innovation manager	$5 billion

Key Challenges

With new products and services disrupting nearly every industry, business leaders are turning to innovation to stay competitive.[3] Interviewed organizations built innovation programs to drive operational efficiency and build new revenue streams. Even though their organizations had always supported innovation, interviewees struggled with a lack of:

- **Transparency.** Previous idea management platforms were commonly cobbled together with existing CRM systems. While employees could share ideas, they could not track the status of their ideas, discouraging repeat participation. For the innovation teams, managing ideas in these systems was extremely inefficient.
- **Formal and systematic process.** Organizations lacked not only a process for following up on ideas, but also a method for doing so. In addition, organizations lacked a strategy for being proactive about collecting new ideas.
- **Engagement.** Interviewees did not have the means to engage the entire enterprise in innovation efforts. Its employees were operating in silos, often innovating on the same challenges without knowledge of the duplicated efforts.

Solution Requirements

The interviewed organizations searched for a solution that could:

- Deliver efficient and effective idea generation and selection capabilities.
- Engage the entire organization, connecting employees, partners, suppliers, and customers across different languages, educational backgrounds, and capabilities.
- Provide a user-friendly interface.

> "It's simple to use and delivers the transparency we need."
>
> *Senior director of innovation, manufacturing*

› Deliver robust technology backed by a financially stable, cooperative organization.

After an extensive RFP process evaluating multiple vendors, the interviewed organizations chose Spigit and began both deploying the tool and further establishing their innovation programs.

Key Results

The interviews revealed key results from investments in innovation programs with the support of Spigit's customer success team and driven by its innovation management platform. These results include:

› **A strategic and systematic approach to innovation.** With the help of Spigit, organizations rethought their *always-on* approach to idea generation and added focused, timed challenges designed to solve a specific problem. With the platform enabling this strategy, the innovation team followed through on the ideas until fruition.

› **A culture of engagement and innovation.** The platform reached across geographies, languages, and skill sets to engage the entire company. Employees who previously did not participate in innovation efforts now had a voice, drastically increasing the quantity and quality of ideas. With the transparency provided by the platform, these employees could follow their idea, their peers' ideas, and the outcome of the challenge. The knowledge that these ideas were being used — not falling into a black hole — fueled future participation.

› **A robust pipeline of ideas.** A focused strategy and widespread engagement created a large pool of ideas that the organizations continued to evaluate and build upon.

› **The ability to grow the program without hiring additional resources.** The platform supported concurrent campaigns, allowing innovation teams to launch several campaigns at the same time. With other systems, that much incoming data could bury an innovation team with management tasks. However, Spigit's platform automatically promoted the best ideas to the top, eliminating the need for additional resources to sort through them.

› **A variety of business outcomes.** Focusing the innovation strategy on specific problems, engaging the entire employee base in solving the problem, and automating the management of ideas meant the right ideas were submitted and surfaced to the top, ultimately receiving the green light from executives. After development, testing, and implementation periods, these ideas started giving back to the business in the form of cost savings and revenue-generating initiatives.

"We contribute our success to the Spigit platform. We can't have one [innovation program] without the other [Spigit platform]."

Chief innovation officer, healthcare

"Prior to working with Spigit, we had an open suggestion box organized around topic areas. When Spigit came in they taught us the challenge model: a time-bound focus on a specific topic area. That was an important mindset shift for us."

Senior manager of worldwide innovation, pharmaceuticals

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 five companies that Forrester interviewed and is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

The $15 billion manufacturing company boasts global operations and a large network of suppliers. Its 10,000 employees are in regional offices across the world, conducting business in their native languages.

Prior to rolling out the platform, interviewees partnered with Spigit's customer success team to build a strategy and associated processes for executing challenges, securing leadership buy-in, sharing best practices, training employees, and framing the initial challenge.

Year 1

- The composite organization rolled out the platform to one business unit, comprised of 1,500 people.
- Spigit's customer success team provided implementation support, training, and guidance for the composite organization's first challenge.
- Following the first challenge, the composite organization ran three challenges on its own, for a total of four for the year. Most challenges were focused on short-term, cost-saving initiatives. One, however, was titled "the next big idea" and dedicated to generating an idea that would deliver significant value to the business.
- Of the 1,500 registered users, 750 (50%) participated.
- During that first year, it implemented three projects, one of which (Project 1) would ultimately deliver significant cost savings.

Year 2

- Halfway through Year 2, the composite organization expanded its implementation of the platform to the entire organization. Thirty-five percent of the organization engaged with the platform at some point during the year.
- It continued to partner with Spigit's customer success team to train newly onboarded employees and run workshops to invigorate innovation efforts.
- The composite organization ran eight challenges in Year 2, some of which were focused on short-term improvements, others on long-term growth. Ultimately it implemented several process improvements, one of which (Project 2) led to significant cost savings.

Years 3 And 4

- Years 3 and 4 saw continued execution of the innovation program, with the organization running 16 challenges globally each year and approving several new projects (including Project 3) stemming from these ideas. While many challenges were targeted at business improvements or growth, several tackled internal issues, such as how to celebrate a corporate anniversary, how executives can work more effectively, and how to improve corporate culture.
- The composite organization experienced an average of 70% engagement with the platform.

Key assumptions

Global manufacturing firm
$15 billion annual revenue
10,000 employees
70% participation

Year 1
- Platform deployed to 15% of employees
- Four challenges completed

Year 2
- Platform deployment expanded to all employees
- Eight challenges completed

Years 3 and 4
- 70% engagement
- 16 challenges completed

Financial Analysis

QUANTIFIED BENEFIT AND COST DATA AS APPLIED TO THE COMPOSITE ORGANIZATION

Total Benefits

REF.	Benefit	Year 1	Year 2	Year 3	Year 4	Total
Atr	Business growth from new or enhanced products/services	$0	$0	$6,776,000	$9,394,000	$16,170,000
Btr	Cost savings from process improvements	$93,750	$2,137,500	$5,887,500	$6,356,250	$14,475,000
Ctr	Idea management efficiency	$40,500	$81,000	$162,000	$162,000	$445,500
	Total benefits (risk-adjusted)	**$134,250**	**$2,218,500**	**$12,825,500**	**$15,912,250**	**$31,090,500**

The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over four years, the composite organization expects risk-adjusted total benefits to be a PV of more than $22 million.

Business Growth (Incremental Profit) From New Or Enhanced Products Or Services

Interviewees focused their challenges on a variety of business problems. Every couple of years one of these challenges was “the next big idea” challenge, with the goal of uncovering an idea or a new product or service that would substantially change the business through the development of new products, improved sales strategies, or improved customer retention. While a couple of interviewees were more focused on efficiency improvements, several interviewees did run challenges in search of methods for driving incremental revenue.

- One interviewed organization developed a tool for engaging the sales team. Their productivity improved, generating $100 million in incremental sales.
- Another manufacturing company expanded its entire product line with four new products over 10 years, with a value estimated at over $1 billion in incremental sales.
- A healthcare company engaged employees to brainstorm new products for its customers and subsequently launched an entirely new line of business.

For the composite organization, Forrester assumes that:

- After it rolled out the Spigit platform to the entire organization, it challenged employees globally to submit ideas that would drive new business opportunities.
- This challenge resulted in greenlighting a project that took two years to develop. After launching, it brought in $44 million in incremental revenue in Year 3, followed by $61 million in Year 4.
- The composite organization’s operating margin is 22%.

An organization’s ability to achieve a similar benefit will vary based on:

- Its industry, competitors, products and services, target customers, customer needs, and opportunities for growth.

Innovation efforts led to the launch of new products or services, generating over $100 million in incremental revenue.

- The quality of ideas and the level of employee engagement. Organizations can encourage sustained employee engagement with continued communication and creative events and activities and by sharing success stories.
- The speed at which an organization can develop and launch new products or services.
- The organization's willingness to change.
- Its operating margin.

To account for these risks, Forrester adjusted this benefit downward by 30%, yielding a four-year risk-adjusted total PV of $11.507,137.

Business Growth (Incremental Profit)						
REF.	**METRIC**	**CALC.**	**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**
A1	Incremental revenue				$44,000,000	$61,000,000
A2	Operating margin				22%	22%
At	Business growth (incremental profit)	A1*A2	$0	$0	$9,680,000	$13,420,000
	Risk adjustment	↓30%				
Atr	**Business growth (risk-adjusted)**		**$0**	**$0**	**$6,776,000**	**$9,394,000**

Cost Savings From Process Improvements

Among other goals aligned with staying competitive in the marketplace, each interviewed organization built an innovation program to find ways to reduce costs. Over the years, each dedicated several challenges to specific initiatives that would streamline processes or reduce waste. These challenges each produced hundreds of ideas, with several ultimately being greenlighted for implementation each year. After varying development and implementation times, these projects were completed and began saving these organizations hundreds of thousands of dollars annually. While cumulative outcomes were impressive, one of these projects typically stood above the rest for delivering the highest impact returns.

While the following examples are unique to the individual interviewed organizations, they are illustrative of the possible outcomes that an organization focused on operational efficiency may experience.

- One interviewee spoke of an employee who identified a process hampered by duplicated efforts to secure signatures. Based on an idea to streamline the process submitted during a challenge, the organization reduced the time needed to complete the process. Estimated cost savings were over $1 million each subsequent year.
- Another interviewee shared an example of a significant improvement his organization made to a diagnostic process. When products came in for maintenance, employees spent up to 8 hours to identify the issue. With a minor change in how they conducted the reviews, the organization reduced testing time to only 2 hours, saving an estimated $500,000 in cost savings.
- A third interviewed organization cited a change his organization made in how they cut raw materials. They maximized their use and reduced required inventory, saving hundreds of thousands of dollars.

Ideas that converted to projects and were successfully implemented led to operational cost savings and incremental profit.

For the composite organization, Forrester assumes that:

- Over the several ideas greenlighted each year, one project led to significant cost savings.
- These cost savings were not incurred immediately after the project was greenlighted, as time was required for development, implementation, and change management.
- Early in Year 1, it greenlighted Project 1, a process improvement project that led to $350,000 in cost savings annually. Accounting for development and implementation time, it saw $125,000 in Year 1 and the full $350,000 in each subsequent year.
- In Year 2, it implemented another, more significant process improvement, Project 2, resulting from a global innovation challenge. This led to $2.5 million in cost savings in Year 2 and $7.5 million in years 3 and 4.
- Early in Year 4 it implemented yet another idea targeting operational efficiency, Project 3, and drove an additional $625,000 in cost savings.

An organization's ability to achieve these outcomes will vary based on several factors, including:

- The amount of waste and inefficiency within the organization.
- The quality of ideas and the level of employee engagement. Organizations can encourage sustained employee engagement with continued communication and creative events and activities, and by sharing success stories.
- The speed at which an organization can implement ideas.
- The organization's willingness to change.

To account for these risks, Forrester adjusted this benefit downward by 25%, yielding a four-year risk-adjusted total PV of $10,616,526.

Cost Savings From Process Improvements

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3	YEAR 4
B1	Project 1		$125,000	$350,000	$350,000	$350,000
B2	Project 2			$2,500,000	$7,500,000	$7,500,000
B3	Project 3					$625,000
Bt	Cost savings from process improvements	B1+B2+B3	$125,000	$2,850,000	$7,850,000	$8,475,000
	Risk adjustment	↓25%				
Btr	**Cost savings from process improvements (risk-adjusted)**		**$93,750**	**$2,137,500**	**$5,887,500**	**$6,356,250**

Idea Management Efficiency

Spigit's innovation management platform allowed interviewed organizations to manage a large and growing number of innovation challenges without adding resources to their teams. Each innovation challenge produced hundreds of ideas. With its previous management tools — a few CRM systems cobbled together to collect and manage ideas — sorting through these ideas, evaluating them, and prioritizing

them was a massive undertaking. With Spigit, these ideas were managed automatically, with the platform's crowd science technology doing the work to surface key ideas, eliminating the need for employee resources to manually sort through them.

- One interviewee estimated that his team would require 40% more resources to manage the team if they weren't leveraging Spigit.

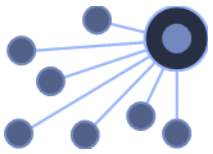
For the composite organization, Forrester assumes that:

- The composite organization's innovation team consisted of two people in Year 1, then grew to three in Year 2 and five in years 3 and 4 as it expanded its remit from one business unit to the entire organization.
- The model assumes that the composite organization would have required an additional half a resource in Year 1, a full resource in Year 2, and two resources in years 3 and 4.
- These positions would have been filled by innovation managers, with fully loaded salaries of $90,000 growing at 2.5% per year.

An organization's ability to achieve these outcomes will vary based on several factors, including:

- The skill set of existing resources.
- The desired level of hands-on time from the innovation team.
- The fully loaded salary of innovation managers.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a four-year risk-adjusted total PV of $336,122.



Without Spigit, the composite organization would require 50% more resources to manage its pipeline of ideas.

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.

Idea Management Efficiency

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3	YEAR 4
C1	Number of additional resources needed to manage the idea pipeline		0.5	1	2	2
C2	Fully loaded salary for innovation managers		$90,000	$90,000	$90,000	$90,000
Ct	Idea management efficiency	C1*C2	$45,000	$90,000	$180,000	$180,000
	Risk adjustment	↓10%				
Ctr	**Idea management efficiency (risk-adjusted)**		**$40,500**	**$81,000**	**$162,000**	**$162,000**

Corporatewide Participation And Collaboration

The Spigit platform reached employees who previously never had a place to speak. People with similar ideas found a place to collaborate on those ideas, when previously they didn't have a method for finding each other. It allowed people with different backgrounds and skill sets to tackle the same problem, leading to unexpected and innovative solutions. As one interviewee described, "It's the social part that has value. Employees have so many ideas that are in their head and on their desk, but they have nowhere to put it. That is the power of Spigit."

"It's the social part that has value. Employees have so many ideas that are in their head and on their desk, but they have nowhere to put it. That is the power of Spigit."

Chief innovation officer, healthcare

- One interviewee cited a scenario in which a long-tenured employee saw an opportunity for efficiency in the plant he worked in. For years he never spoke up, but when Spigit became available, he submitted the idea. "We engage the people who never dared to speak up. In the anonymous environment of using the tool, they felt comfortable sharing their ideas. That's the benefit of the tool: It reaches everyone."
- Another interviewee highlighted the benefit of cross-departmental collaboration: "People with different backgrounds will look at a problem differently: Their background and training may produce a very different solution." One team, made up mostly of mechanical engineers, had been struggling with some inefficiency for years. With Spigit this team shared their challenge with the whole company. A distant team, made up mostly of developers, provided the winning (and nontraditional) solution.
- One interviewed organization saw additional efficiency as a result of collaboration. The senior director of worldwide innovation noticed that people were submitting similar ideas, representative of solutions they were working on within their own teams. When they noticed these similar postings, they met offline and starting building out these solutions together. Without the platform to find each other, they would have continued to work on duplicative initiatives in isolation.

Flexibility

The value of flexibility is 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 an innovation program with the support of the Spigit platform and customer success team and later realize additional uses and business opportunities, including:

- **Tapping into its pipeline of ideas.** Organizations produced thousands of ideas during their challenges. Even if they temporarily stopped running new challenges, they could mine these pools of ideas for projects to implement. As one interviewee said, "When we have a new focus, we can look in the database for existing ideas and people who are interested in a topic. That access gives us a huge head start."
- **Extending platform functionality to engage broader audiences.** While most interviewees leveraged the platform to engage employees, they can expand audiences to include customers, partners, and suppliers. When these audiences participate, the organization has an opportunity to not only partner directly with these key influencers, but tackle entirely new initiatives.
- **Launching new businesses.** One interviewed organization launched entirely new businesses based on ideas stemming from open innovation challenges.
- **Increasing revenue from improved customer loyalty and brand image.** When the platform is used to collaborate with customers to design a new experience or tap employee knowledge on how to improve the experience, and those ideas are subsequently implemented, an organization could see improved loyalty and brand image. Forrester's research shows that improved customer loyalty drives incremental revenue.[4]

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 so.

Total Costs

REF.	COST	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL
Dtr	Innovation program setup and ongoing management	$386,481	$876,198	$1,462,389	$1,498,949	$4,224,016
Etr	Spigit platform setup and ongoing management costs	$29,404	$50,738	$52,006	$53,306	$185,453
Ftr	Fees to Spigit	$115,500	$204,750	$178,500	$178,500	$677,250
Gtr	Resource time for training, events, idea generation, commenting, and voting	$59,495	$355,732	$729,250	$747,481	$1,891,958
Htr	Project implementation	$1,537,500	$6,406,250	$187,500	$235,938	$8,367,188
	Total costs (risk-adjusted)	**$2,128,380**	**$7,893,667**	**$2,609,645**	**$2,714,174**	**$15,345,865**

Innovation Program Setup And Ongoing Management

The cost savings and incremental profit benefits outlined above are the result of a comprehensive innovation program, complete with a clear strategy and supporting processes. The outcome of each challenge run on the platform and its resulting projects were linked with the success of the entire innovation program. These programs had countless initiatives but were influenced by the work of Spigit's customer success team, informing strategy, assisting with implementation, and leading training.

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over four years, the composite organization expects risk-adjusted total costs to be a PV of just over $12 million.

- Setup of the innovation program began with securing executive buy-in, setting program-level goals, and onboarding staff.
- With the overarching structure in place, each interviewee began thinking about execution. Collaborating with Spigit's customer success team, interviewees developed strategies for meeting their goals and tactics for framing challenges that would solicit the right ideas and engage employees.
- Interviewees then ran their first challenge, again with the support of Spigit's customer success team. This included partnering with a business leader to understand current needs and translate them to a challenge. From there, they executed participation campaigns to employees and partnered with the business again to determine next steps. Each additional challenge followed the same pattern but did not include support from Spigit.
- Interviewees estimated that challenges required an average of three months from inception to greenlighting of ideas. During this time, one interviewee estimated that the relevant business unit leader dedicated 10% of his time to supporting the effort.
- To encourage participation across the business, the innovation team recruited and trained innovation advocates. They sat in the business and supported change management efforts, surfaced challenge ideas, encouraged participation, and answered questions.

- Once they were fully up and running, interviewees' innovation teams ranged from five to 10 employees. Depending on the level, these employees partnered with Spigit to set strategy or train employees, collaborated with business unit leaders to design and execute challenges, managed communication efforts, led workshops, and much more.

This cost category includes management of the entire innovation program, excluding the Spigit platform, from challenge development to greenlighting of projects. Once projects were greenlighted, responsibility for project development passed to the business unit. Costs associated with managing these projects to fruition are included in a subsequent cost category, titled Project Implementation.

For the composite organization, Forrester assumes that:

- The innovation team is staffed with 1.75 resources in Year 1, 2.5 resources in Year 2, and 4.5 resources in years 3 and 4. The average fully loaded salary of these resources is $140,000.
- Each challenge required 3 hours of support from business leaders per week over an average period of 12 weeks. The composite organization ran four challenges in Year 1, 10 in Year 2, and 16 in years 3 and 4. The average fully loaded salary of the business leaders was $200,000.
- Executive support averaged 5% of one resource at a fully loaded salary of $350,000.
- Innovation advocates dedicated 5% of their time each to innovation-related activities. There were 10 advocates in Year 1, 50 in Year 2, and 75 in years 3 and 4. Their average fully loaded salary was $150,000.
- All salaries grew at 2.5% annually.

These costs will vary based on:

- Individual resources' initial and continued commitment to the effort. The innovation team can encourage continued commitment by sharing success stories and outcomes.
- Average fully loaded salaries.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a four-year risk-adjusted total PV of $3.2 million.

In addition to program staff, operating an innovation program required support from executives and business unit leaders as well as a network of innovation advocates.

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.

Innovation Program Setup And Ongoing Management						
REF.	**METRIC**	**CALC.**	**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**
D1	Number of resources on the team dedicated to nonplatform activities		1.75	2.5	4.5	5
D2	Average fully loaded salary for innovation team employees	2.5% annual increase	$140,000	$143,500	$147,088	$150,765
D3	**Cost associated with innovation team resources**	**D1*D2**	**$245,000**	**$358,750**	**$661,894**	**$678,441**
D4	Number of campaigns per year		4	10	16	16
D5	Hours required from a business leader per campaign	12 weeks * 3 hours/week	36	36	36	36
D6	Average fully loaded salary for business leaders	2.5% annual increase	$200,000	$205,000	$210,125	$215,378
D7	**Cost associated with campaign support from business leaders**	**D4*D5*D6/2080**	**$13,846**	**$35,481**	**$58,188**	**$59,643**
D8	Percent of time from an executive to support innovation	Average of one executive at 5% of time	5%	5%	5%	5%
D9	Average fully loaded salary for executives	2.5% annual increase	$350,000	$358,750	$367,719	$376,912
D10	**Cost associated with executive support**	**D8*D9**	**$17,500**	**$17,938**	**$18,386**	**$18,846**
D11	Number of innovation advocates		10	50	75	75
D12	Percent of time committed to supporting innovation		5%	5%	5%	5%
D13	Average fully loaded salary of an innovation advocate	2.5% annual increase	$150,000	$153,750	$157,594	$161,534
D14	**Cost associated with support from innovation advocates**	**D11*D12*D13**	**$75,000**	**$384,375**	**$590,977**	**$605,751**
Dt	Innovation program setup and ongoing management costs	D4+D7+D10+D14	$351,346	$796,543	$1,329,445	$1,362,681
	Risk adjustment	↑10%				
Dtr	**Innovation program setup and ongoing management costs (risk-adjusted)**		**$386,481**	**$876,198**	**$1,462,389**	**$1,498,949**

Spigit Platform Setup And Ongoing Management

Implementation of the platform itself required time from an IT resource to enable single sign-on and import employee data, as well as time from an innovation program team member to get familiar with the tool. Implementation support and training from Spigit were included in the licensing fees.

- Interviewees cited varying times for implementation of single sign-on, from a few weeks to a few months.
- Organizations experienced varying levels of time required for innovation team staff to get up to speed on the platform, averaging around 20% to 30% of their time for several weeks.

- Once the innovation program was functional and executing regular challenges, it required minimal dedicated staff to manage ideas through the platform.
- On average, interviewees dedicated 10% of their staff to manage the platform.

For the composite organization, Forrester assumes that:

- One IT resource, with a fully loaded salary of $110,000, spent 80 hours partnering with Spigit to implement single sign-on and import user data.
- Of the composite organization's two team members in Year 1, one team member dedicated 25% of her time to managing the platform. As the team grew to three people in Year 2 and five people in years 3 and 4, she increased her time spent on the platform to 50%. Her fully loaded salary is $90,000, growing at 2.5% per year.

These costs will vary based on:

- The complexity of the IT infrastructure and the organization's ability to implement single-sign on.
- Availability of employee data. For example, if an organization has employees without email addresses, alternative access will be required.
- Fully loaded salaries of IT and innovation team resources.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a four-year risk-adjusted total PV of $144,144.

Spigit Platform Setup And Ongoing Management

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3	YEAR 4
E1	IT resource time (hours)		80				80
E2	Fully loaded salary for IT resource		$110,000				$110,000
E3	Number of innovation team resources dedicated to managing the Spigit platform		0.25	0.50	0.50	0.50	0.25
E4	Fully loaded salary	2.5% annual increase	$90,000	$92,250	$94,556	$96,920	$90,000
Et	Spigit platform setup and ongoing management costs	E1*(E2/2080) +E3*E4	$26,731	$46,125	$47,278	$48,460	$26,731
	Risk adjustment	↑10%					
Etr	**Spigit platform setup and ongoing management costs (risk-adjusted)**		**$29,404**	**$50,738**	**$52,006**	**$53,306**	**$29,404**

Fees To Spigit

Spigit's fees were twofold: licensing for the platform and one-time fees for support from the customer success team. Licensing fees were based on registered users. One-time services included implementation, strategy, and training; however, first-time licensing included initial implementation, training, and strategy services to guide the first challenge.

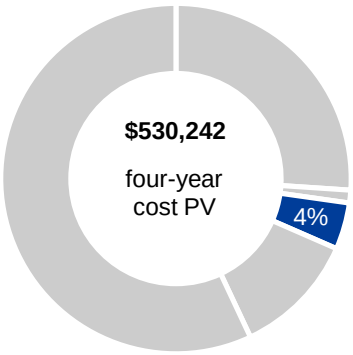
For the composite organization, Forrester assumes that:

- Licensing fees in Year 1 were $90,000 and grew to $160,000 in years 2 to 4.
- It leveraged the customer support team for additional workshops, training, and strategy services in years 1 and 2, for totals of $20,000 and $35,000 respectively. They used these services to support the global expansion, garner executive buy-in, and share best practices.
- In years 3 and 4, it required less support from Spigit but still tapped the customer success team for support running a few workshops. One-time fees were $10,000 in both years.

Spigit provided realistic quotes for this study based on the size and needs of the composite organization. However, costs will vary based on the level of support required from Spigit, which may be influenced by:

- The skill sets and previous experience of innovation team members.
- The organization's commitment to innovation.
- The level of customization desired.

To account for these risks, Forrester adjusted this cost upward by 5%, yielding a four-year risk-adjusted total PV of $530,242.



Fees to Spigit:
4% of total costs

Fees To Spigit

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3	YEAR 4
F1	Licensing fees		$90,000	$160,000	$160,000	$160,000
F2	One-time fees for implementation, training, and strategy support		$20,000	$35,000	$10,000	$10,000
Ft	Fees to Spigit	F1+F2	$110,000	$195,000	$170,000	$170,000
	Risk adjustment	↑5%				
Ftr	**Fees to Spigit (risk-adjusted)**		**$115,500**	**$204,750**	**$178,500**	**$178,500**

Resource Time For Training, Events, Idea Generation, Commenting, And Voting

A robust pipeline of ideas was essential for achieving the desired business benefits, with those ideas coming from employees. To build that pipeline of ideas, employees needed to be trained on the overall innovation strategy as well as the platform itself and to participate in workshops and events that motivated them to engage. Then they had to spend time in the platform posting ideas, commenting on other ideas, and voting on which they believed would be most successful.

- Interviewees encouraged participation by posting flyers and using digital signage throughout offices. They also sponsored in-person events, such as workshops, town halls with executives, and hackathons.
- Employees were encouraged to not only submit ideas but also return to the platform to comment and vote.
- Interviewees cited global engagement levels between 45% and 75%.

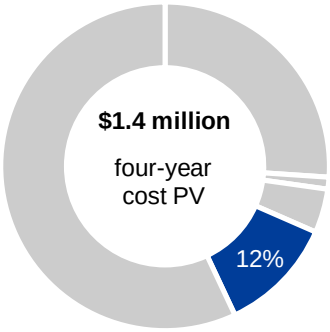
For the composite organization, Forrester assumes that:

- Year 1 engagement levels within the 1,500-person business unit rollout were 50%, or 7.5% of the global workforce.
- Global engagement grew to 35% in Year 2 as it expanded the deployment, and leveled off at 70% in years 3 and 4.
- Employees dedicated an average of 2 hours to innovation-related activities in Year 1 and 2.5 hours in years 2, 3, and 4. This time included training, attending events, creating ideas, as well as commenting and voting on other ideas.
- The average fully loaded salary started at $75,000 and grew at 2.5% annually.

The costs will vary based on:

- Engagement rates and time spent.
- The length and frequency of live events and trainings offered.
- Incentives for continued participation.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a four-year risk-adjusted total PV of $1,406,516.



Resource time participating in Innovation activities: **12%** of total costs

Resource Time For Training, Events, Idea Generation, Commenting, And Voting

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3	YEAR 4
G1	Number of employees		10,000	10,000	10,000	10,000
G2	Percent of employees engaged with the platform		7.5%	35%	70%	70%
G3	Average time per year spent on innovation-related activities (hours)		2.0	2.5	2.5	2.5
G4	Average fully loaded salary	2.5% annual increase	$75,000	$76,875	$78,797	$80,767
Gt	Resource time for training, events, idea generation, commenting, and voting	G1*G2*G3*G4/ 2080	$54,087	$323,392	$662,954	$679,528
	Risk adjustment	↑10%				
Gtr	**Resource time for training, events, idea generation, commenting, and voting (risk-adjusted)**		**$59,495**	**$355,732**	**$729,250**	**$747,481**

Project Implementation

Business benefits, such as cost savings and incremental profit, were only achieved when ideas converted to projects and were seen through development and testing to successful implementation.

Business growth — or "the next big idea" — projects often required significant financial investments and several years to bring to fruition.

- A manufacturing company dedicated at least six years and hundreds of millions of dollars to launch a new product.
- A healthcare company built a platform to engage its sales team, driving $50 million in incremental sales. The tool required less than $100,000 to build.

For cost saving projects, interviewees cited project costs that varied greatly in terms of effort and financial investment required to implement, ranging from 0.1% to 10% of the associated benefit. These projects often took much less to implement, with the costs incurred the same year as benefits started to be realized.

- For $50,000, a manufacturing firm implemented a quality improvement project that saved $500,000.
- A pharmaceutical company developed a new way to recover funds from claims, saving $50 million. Implementation required several months of resource time from three to four people. It then required a full-time hire to manage the program moving forward.

For the composite organization, Forrester assumes that:

- The new product took two years to develop, requiring $1.2 million in Year 1 and $4.8 million in Year 2. Ongoing costs are accounted through the operating margin adjustment (see Business Growth benefit calculation).
- Project 1, implemented in Year 1, cost $30,000.
- Project 2, implemented in Year 2, cost $325,000 upfront with ongoing costs of $150,000 growing at 2.5% annually.
- Implementation fees for Project 3 were $35,000.

These costs will vary greatly, based on:

- The scope and complexity of the project.
- The time required to implement it.
- The tools and skills available.

To account for these risks, Forrester adjusted this cost upward by 25%, yielding a four-year risk-adjusted total PV of $6,994,169.

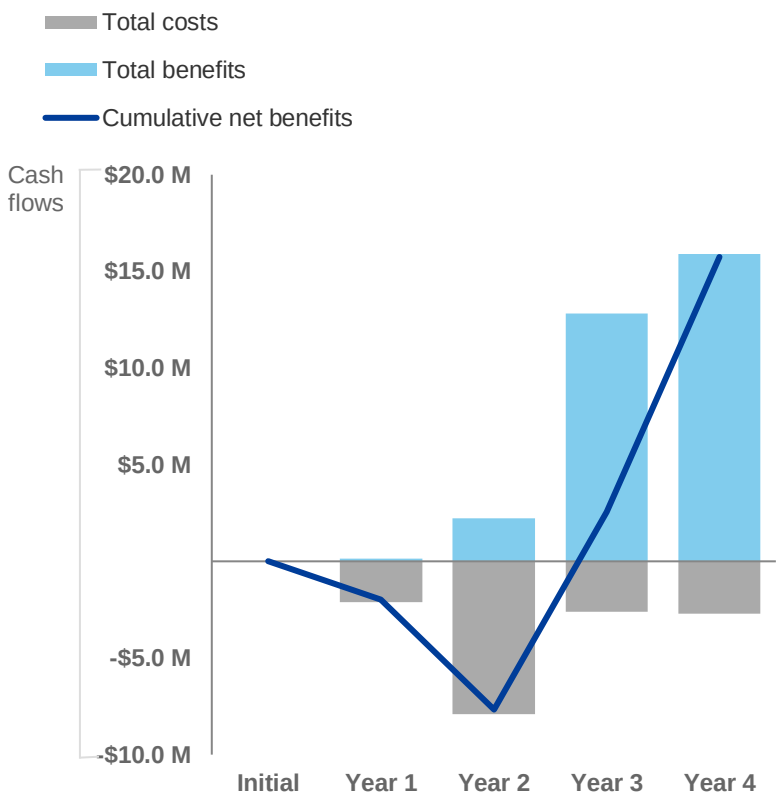
Innovation efforts led to reduced operational costs or revenue growth when organizations implemented winning ideas. Refining, testing, and implementing these projects required resource time and financial investment.

Project Implementation						
REF.	**METRIC**	**CALC.**	**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**
H1	Product development costs (associated with Business Growth benefit)		$1,200,000	$4,800,000		
H2	Project 1		$30,000			
H3	Project 2			$325,000	$150,000	$153,750
H4	Project 3					$35,000
Ht	Project implementation	H1+H2+H3+H4	$1,230,000	$5,125,000	$150,000	$188,750
	Risk adjustment	↑25%				
Htr	**Project implementation (risk-adjusted)**		**$1,537,500**	**$6,406,250**	**$187,500**	**$235,938**

Financial Summary

CONSOLIDATED FOUR-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)

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL	PRESENT VALUE
Total costs	($2,128,380)	($7,893,667)	($2,609,645)	($2,714,174)	($15,345,865)	($12,273,064)
Total benefits	$134,250	$2,218,500	$12,825,500	$15,912,250	$31,090,500	$22,459,785
Net benefits	($1,994,130)	($5,675,167)	$10,215,855	$13,198,076	$15,744,635	$10,186,721
ROI						83%

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Spigit Overview

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

Somewhere in the mind of an employee, partner, or customer is an idea that can radically transform your business. Spigit enables you to easily uncover these ground-breaking ideas, manage them, and bring them to market with minimal effort from your innovation team.

Spigit was founded to help companies unleash the power of their employees, partners, and customers to drive innovation. With the Spigit platform:

- **Automation slashes effort.** Spigit allows you to automatically graduate great ideas, with no need for manual review. That means less time and fewer people required to manage your innovation software.
- **Crowd science finds the best ideas.** Spigit uses data science and algorithms to help the crowd select, predict, and advance only the best ideas — and prevent herd behavior.
- **Enterprise scale and security.** Spigit is designed to be used across the entire global enterprise — with the scalability, mobility, and security required in today's enterprise environment.

Spigit is the leading software for crowdsourced innovation, and is used by leading companies in systems integration, financial services, insurance, pharmaceutical, healthcare, technology, and more. Spigit innovation management software helps you identify new products and markets, improve customer experience, streamline processes, and increase employee engagement.

Appendix A: Total Economic Impact

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

Total Economic Impact Approach

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

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

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

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

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

PRESENT VALUE (PV)

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

NET PRESENT VALUE (NPV)

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

RETURN ON INVESTMENT (ROI)

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

DISCOUNT RATE

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

PAYBACK PERIOD

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

Appendix B: Endnotes

[1] Source: “Competitive Strategy in the Age of the Customer,” Forrester Research, Inc., October 10, 2013 (https://www.forrester.com/report/Competitive+Strategy+In+The+Age+Of+The+Customer/-/E-RES59159?objectid=RES59159).

[2] Source: “Thrive With Sustained Innovation In The Age Of The Customer,” Forrester Research, Inc., February 18, 2015 (https://www.forrester.com/report/Thrive+With+Sustained+Innovation+In+The+Age+Of+The+Customer/-/E-RES73242?objectid=RES73242).

[3] Source: “Thrive With Sustained Innovation In The Age Of The Customer,” Forrester Research, Inc., February 18, 2015 (https://www.forrester.com/report/Thrive+With+Sustained+Innovation+In+The+Age+Of+The+Customer/-/E-RES73242?objectid=RES73242).

[4] Source: “Drive Revenue With Great Customer Experience, 2017,” Forrester Research, Inc., January 18, 2017 (https://www.forrester.com/report/Drive+Revenue+With+Great+Customer+Experience+2017/-/E-RES125807).