A White Paper

**Unified Communications ROI
For Microsoft Office Communication Server 2007**

Sponsored by Microsoft

Developed by
Vanguard Communications
in association with
UniComm Consulting and UCStrategies.com

July 2007

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Summary

Microsoft Office Communications Server 2007 delivers new functionality that can improve how your business or government enterprise operates. These improvements have the potential for a very attractive return on investment (ROI). This paper outlines the major areas where the Office Communications Server 2007 produces substantial ROI. A review of each of these areas will assist in determining where to invest in Office Communications Server 2007 and will support a solid justification for that investment. In addition, a case study from Global Crossing shows significant returns from their innovative deployment of these systems.

Office Communications Server 2007 in Perspective

Among the most powerful examples of productivity gains and strategic business benefits are situations in which a company uses a change in its fundamental infrastructure to transform how it does business. Using the capabilities uncovered by the shift enables new processes, unleashes creativity, and opens an array of new possibilities. Evolving business reliance on the Internet is a clear, powerful example. The mobile communications explosion and a shift from wired to wireless transmission is another.

The merging of all communications into a seamless infrastructure encompassing voice, data, video, and a range of deployment approaches will fuel another wave of innovation in how work is accomplished. There will be many examples and many implementations embodying this fundamental concept. Microsoft's Office Communications Server 2007 is a powerful capability in this arena, a building block to add rich communications to the widely deployed Office and Exchange environments. Beyond that, Office Communications Server 2007 is a platform for innovative communications methods, including fully integrated interfaces across media boundaries, rich presence, and a SDK to enable thousands of developers to create specific applications for a myriad of common and niche business processes.

ROI Overview

Return on Investment (ROI) analysis answers the question, "How much does my company get back compared to the amount invested?" The amount that is recovered can be measured in pure financial terms as cost savings or as increases in revenues, margins or profits. The amount recovered can also be measured in non-financial terms as accomplishment of business objectives, such as improvements in speed or quality of operations, increases in customer satisfaction and loyalty, or increments in employee productivity and retention rates.

This paper will identify potential Office Communications Server 2007 ROI for both types of benefits – (1) Cost Savings (only financial cases) and (2) Business Process Optimization (both financial and non-financial cases). Total Cost of Ownership (TCO) is not a subject of this paper; however some areas of TCO improvement will appear in the Cost Savings category.

Key Office Communications Server 2007 Values

Office Communications Server 2007 brings multiple categories of new functionality to your enterprise, which can be deployed to produce business process improvements and resulting ROI. The highlights of the significant improvements include:

- Office Communicator 2007 (Desktop, Web, and Mobile editions)
- Presence
- Instant Messaging
- Microsoft Office Integration
    - ♦ Office Software – Word, Excel, PowerPoint
    - ♦ E-Mail Software – Outlook and Exchange
    - ♦ Collaboration Software – SharePoint
- Web, Audio and Video Conferencing
- Audio and Video over Internet Protocol
- IP Telephony
- Speech Server
- Software Development Kit (SDK)
- IM Archiving and Call Detail Recording
- Administration
- Deployment Options

ROI-Producing Applications for Office Communications Server 2007

The vehicle for creating value and achieving ROI is to apply one or more of these new functional capabilities to the operational needs of users and relevant business processes. Top applications for Office Communications Server 2007 include the following:

Cost Saving Application Cases

- **Conferencing via In-house Servers**. For companies that currently buy audio, video and/or web conferencing from an outside service, there is very likely a direct cost saving available by installing Office Communications Server 2007 for this application.
- **Expanded Use of Conferencing**. Once conferencing is just a click away on the users' desktops, usage will likely expand dramatically. As this occurs, travel costs will drop. This can generate major time and expense savings both for long trips such as air travel and for the many short trips to a nearby building or customer location. And, of course, business can proceed much more rapidly and meetings can be shorter and more efficient, supported by easy information sharing.
- **Instant Messaging (IM) and Presence for Cost Avoidance**. It is possible to use the presence and IM functions of Office Communications Server 2007 to see which persons are not available for a call, thus avoiding a wasted call and voice message, or to communicate with internal and external users via IM to avoid telephone calls entirely. (refer to the savings in the Internal Voice item below).

- **Internal Enterprise Voice**. Office Communications Server 2007 includes an excellent Voice over Internet Protocol (VoIP) functionality accessible through Office Communicator. Wherever Office Communications Server 2007 VoIP calls are made between enterprise locations instead of calling on the public telephone network, a cost savings will accrue. Since Office Communications Server 2007 enables users to "click to call" another user after checking that user's presence status or sending a quick IM, this should be a popular application with good ROI potential. Early customers are already reporting as much as a 50% reduction in departmental (e.g. logistics) and functional team (e.g. IT) telephone tolls for inter-location calls, especially between their home office (in North America, Europe or Asia) and their international locations, where the toll savings are still significant.

- **External Enterprise Voice**. The Office Communications Server 2007 can be configured to make and receive calls from regular PSTN phones. See Appendix A for a discussion of four ways to deploy the system to enhance communications with external parties, with suggested relevant ROI opportunities for each.

- **External Conferencing participants**. Office Communications Server 2007 Conferencing via Live Meeting enables inclusion of external parties in secure Office Communications Server 2007 Conferences through a web browser. If the enterprise is currently using a network service provider for web or video conferences that require external party participation, there may be a direct savings.

- **Archiving and Call Detail Reporting**. Office Communications Server 2007 provides the option to log and archive all instant messages, a function required for regulatory compliance in many industry sectors, and which Office Communications Server 2007 provides most economically. Similarly, Office Communications Server 2007 includes Call Detail Reporting (CDR) that will provide valuable metrics for Unified Communication adoption and returns, at a very economical price.

- **Integrated Administration**. Office Communications Server 2007 can administer a broad set of communications services through a single administrative management console and delivers the services through a single Office Communicator client type. Also, much of the administration can be automated through software scripting. Consequently, it is possible that administration of the Office Communications Server 2007 services may require less staff than the previously used for disparate or non-automated application administration.

- **Integrated Operations**. Office Communications Server 2007 can be integrated into the enterprise Network Operations Center using the Microsoft Operations Manager. With this advanced tool set, it is possible that operational of the Office Communications Server 2007 services may require less staff than the previously used disparate or non-automated system operations.

Business Process Improvement Applications

- **Improved Contact Management from External Parties**. Office Communications Server 2007 provides improved methods for contact from (and to) external parties, especially customers and supply chain members. Use of federated IM and Presence will increase the contact speed and rate with those parties shortening the sales, service or supply process times. Also, Office Communications Server 2007 provides for rules and filters, as well as customized call management, to route incoming calls to an available and knowledgeable

party, for "first call resolution" of issues and questions. This has not been easy in the past outside of a call center, and it is expected that this application can return significant ROI.

- **Enhanced Resource Identification and Problem Resolution**. Office Communications Server 2007 provides advanced presence capabilities such as group availability management (name) and custom presence searching to find the best available resource for problem resolution at any time. Office Communications Server 2007 also provides a full range of communication options for problem resolution when the appropriate resources have been identified. Both of these functions can be integrated into business applications such as service, logistics, sales, or enterprise support functions (IT, Finance, HR) to accelerate the process completion, removing the delays associated with messaging, message queues, call backs and other latency factors. By analyzing the most critical processes for the communication "hot spots", it is possible to accelerate transactions and problem resolution for significant ROI.

- **Accelerated Collaboration**. Office Communications Server 2007 provides new tools to enhance collaborative processes such as development, marketing, management, enterprise support, and logistics. All of these functions require the sharing of information, the creation of options or alternatives, evaluation of the options, and concurrence on a decision, leading to action. Since Office Communications Server 2007 integrates communications into the entire Microsoft Office Suite, especially into SharePoint, SharePoint portals, Outlook/OWA, and Office document tools (Word, Excel, PowerPoint), it is possible to increase dramatically the speed with which collaborative projects are completed with equal or better quality. The acceleration of those processes can be measured and will produce valuable ROI.

- **Seamless Information for Mobile and Remote Workers**. Office Communications Server 2007 can improve the seamlessness of information provided to mobile and remote workers, since the Office Communicator client can operate in desktop, web and mobile modes and provides access to presence and IM tools that were not previously available. With these new tools, mobile and remote workers will spend less time searching for information or support resources and will be able to resolve customer or project issues in much less time, usually with less travel time and fewer return visits, to produce measurable ROI.

> ### Calculating ROI
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> A comprehensive ROI calculation model is available through your Microsoft Account Team or Authorized Microsoft Partner. The model is designed to provide to enterprises, Microsoft channel partners, and Microsoft personnel with a simple, but accurate, way to calculate the ROI from Microsoft Office Communications Server 2007 implementations. The model flexibly accommodates a variety of business situations.
>
> In general, users will work their way through the formatted tabbed worksheets, answering questions about their enterprise's operation, and providing estimates of usage and financial data. The model will then calculate ROI factors including payback period and Internal Rate of Return (IRR).
>
> We encourage you to use this model to assist your organization and management team in defining and then realizing the full economic value of Microsoft Office Communications Server 2007.

- **Customized Business Process Integrations**. Office Communications Server 2007 is delivered with a software development kit (SDK) and is supported by a large cadre of Microsoft Partners. This enables custom solutions that can deliver specific, differentiating value and ROI for a business that integrates Office Communications Server 2007 into their core business applications.

An orderly analysis of these primary areas of return on an Office Communications Server 2007 Investment will produce a well-structured ROI evaluation. The results of this analysis can be captured and presented using the associated ROI Tool provided by Microsoft and supported by your Microsoft Account Team or Microsoft Certified Partner.

Assessing Applicability of Various ROI Opportunities

When determining ROI for a particular installation, understand what sorts of benefits will be appropriate to be included. Here are some of the kinds of opportunities that could be discovered:

- Cost reduction – direct cost savings, for example from conference calling
- Cost avoidance – e.g. using IM rather than a toll call
- Revenue and Margin gains – additional sales (more time to sell, more accounts, cross- or up-selling) and the additional margin from those sales.
- Revenue and Margin acceleration – Getting each sale completed more quickly, which will produce a one-time revenue and margin increase.
- Indirect revenue and strategic benefits – e.g., increased customer satisfaction and loyalty
- Various productivity and efficiency gains for the individuals who use UC capabilities, potentially resulting in improved or accelerated business processes.

The first three of these opportunities are easily defined, although users will need to think through the business processes to be sure to capture all the effects. Identify these cost and revenue benefits, and include them in your analysis. The last three can be more challenging.

The bottom line impact of revenue acceleration, i.e. getting each sale done more quickly, begins with sending the invoices out sooner. This is a one-time boost in revenue, but often allows a permanent reduction in inventory and carrying costs for a cost-of-money benefit. Also, in some cases, acceleration may produce ongoing benefits by lowering sales expenses as a percentage of revenue (the expense to revenue ratio or E:R), since the sales rep is involved in each sale for less time.

The indirect revenue and strategic benefits are frequently an important opportunity. Many of the UC implementations help to speed answers to customer questions, or help in service applications. Although such instances may not directly result in an immediate revenue gain or cost reduction, the long-term bottom-line impact of customer retention, loyalty, and referrals is well known. While the accompanying model does not calculate the benefits from this source, estimates can be made. Work with the LOB managers who best understand the life cycle implications of improvements in customer retention and referrals.

The final category, individual's productivity and efficiency gains, is an area that many companies are reluctant to include when accounting for benefits, on the theory that such improvements do not necessarily improve the company's bottom line. This is why suggestions that "each user saves 15 minutes a day" often fall flat. Multiplying 15 minutes times 1000 users means that, mathematically, you are "saving" about 30 of those 1000 users. Yet the companies have difficulty finding or reassigning those "30 people."

For this productivity-driven category, the recommended approach is to understand how these personal productivity gains can realistically aggregate into a benefit measurable at the group, division, or corporate level, and then include that aggregate benefit in calculating ROI. If a salesman gains personal efficiency and can realistically turn that extra time into a measurable increase in sales calls, then you have a benefit that can and should be included in the ROI.

Many top-notch enterprises are actually very skilled at this process and use the budgetary mechanisms to capture the savings, whether before or after implementation of a new technology. In the sales example above, it is possible either to increase the quota per sales rep or to lower the expense to revenue ratio (E:R) for the sales department to reflect the potential of the new tools. From that point, the sales management and even the entire sales team can act to translate the new tools into higher revenue or lower expense, either by formally changing their processes (e.g. implementing software and rules so that customers always get answered and served on the first call) or by informally changing the culture (e.g. just agreeing to always check presence before making an internal call or sending an internal e-mail). Productivity gains can be translated into profits.

In general, when considering benefits, carry the analysis through to capture the impact on the bottom line. That points the way to benefits that should be included.

While the discussion of these six points above has concentrated on for-profit corporations, many of the same principles apply to government, education, not-for-profit, and similar organizations. These organizations have clear business goals – serve constituents, achieve missions, be cost-effective – and these goals can be used as the basis for the calculations suggested

Customer Case Studies and Examples

Customer case studies documenting results from early Office Communications Server 2007 implementations are just now (in the summer of 2007) starting to appear. Many public beta installations have been done as technology proof points without any rigorous attempt at cost justification or ROI analysis.

Many early examples of benefits are coming from direct cost reductions. Conference calls are an early success. There have been reports of companies which have recouped the equipment installation cost in months simply by using Office Communications Server 2007 functionality to replace conference call services. This application is a direct cost reduction. But, the manager at one company reports an additional benefit, "Not only are we saving money, but we are making decisions faster and better." Previously, the use of a conference bridge service meant than the

invitees had to be notified in advance of the conference time and bridge information. The need for lead time meant that *ad hoc* conference calls to quickly resolve an issue or speed a transaction that would have been helpful weren't done. In a rigorous ROI analysis, measure the realistic impact of those calls in terms of more business, better customer satisfaction, lower cost, etc.

Global Crossing Case Study

An example of the innovative use of these capabilities comes from Global Crossing (GC). GC was an early adopter of Microsoft Live Communications Server 2005 (LCS) and embedded its capabilities directly into the business processes involved in responding to customer service and provisioning issues. Building communications links directly into these processes helped to achieve dramatic results. And with the introduction of Office Communications Server 2007's additional functionality, they anticipate further benefits. Let's look at their example in detail.

Global Crossing provides telecommunications services over a world-wide integrated IP-based network to enable a variety of voice, data, and security products. As an early adopter of LCS, they observed how its tools helped what they call "unified work" – "the right people at the right time for the right tasks".

In 2005, GC was seeking ways to transform and streamline its business by installing LCS and the Office Communicator client throughout the company. They wanted to use enterprise chat as a new communications concept. Rather than just make the tool available, however, they wanted to put presence awareness into an existing application – PeopleFinder, the corporate directory managed by IT. Employees use this tool daily, and now LCS and presence provided the ability to see whether and how someone was available.

But to achieve their transformation vision, GC realized that these unified communications tools needed to become embedded in a mainstream business process. Managers noticed that whenever there were exceptions to the normal flow of processing customer requests, technicians needed to go to a different set of communication tools to resolve the issue. Usually the staff would call someone to get the information needed. Frequently, those calls would go to voice mail, adding delay to resolution time. But even when the call was successful, getting the information was accompanied by a lot of "social chit chat." In early LCS trials, managers observed that IM functionality prompted the people using it to get right to the point, and also let them work on several issues simultaneously.

In 2006, GC added LCS to their existing provisioning and network inventory system. The system already shows the workflows and the ownership of tasks. When an exception occurs, the person resolving the issue can see the individuals who are responsible for performing the work steps before and after. With LCS integrated into the provisioning software interface, the users now have Presence information too, which facilitates reaching the right person much more quickly. When there is an issue, the technician doesn't have to leave that application to deal with the exception. The communication tools to get resolution are built into the regular workflow process.

Results have been dramatic. The new systems with embedded unified communications capabilities have improved cycle times 75%, reduced response time 80%, and achieved dramatic headcount reductions. All this while volumes have increased 70%.

There have been other impacts from the deployment of unified communications, as well. Global Crossing recently acquired Impsat, the Latin American network and managed services company. Unified communications capabilities were installed throughout the Impsat employee network. When the acquisition was formally completed, the UC functionality was turned on. Immediately, the Impsat employees were part of the new, larger family, with robust communications links and access into the GC organization.

In the future, GC plans to do even more, by extending the unified communications links directly to their customer base. With the combined functions of portals, presence awareness, and secure connections directly to GC staffers, customers will have unprecedented access to order services, to get answers to questions, and to resolve issues.

This vision and the tools to enable it are just one example of how unified communications will help transform business operations. Yes, there are dramatic direct cost reductions available. But equally important is the potential to create a business climate that brings customers closer to your business and promotes long-term satisfaction, loyalty, and business growth.

Conclusion

The early implementation successes have concentrated on the communication-intensive, information-critical parts of the business where speed makes a difference.

- Front line sales and service staff
- Traveling managers
- Project teams (M&A, product launch, etc.)

Another type of application opportunity is to eliminate process and communication steps and job positions by streamlining the business processes through more effective communications. Look for workflows with:

- Intensive communications requirements
- Approval steps
- Concurrence by other groups

Therefore, to get real ROI benefits it's not necessary to uproot the legacy environment, or to upgrade the entire company. Rather, understand your business processes, identify key communications hotspots, and put those solutions in place. Then use the demonstrated benefits to expand interest, to identify additional applications, and to fund future enhancements.

Appendix A

This Appendix describes several possible deployment options and their potential for ROI returns for enterprise telephony applications. These options are also discussed in "Integrating Telephony with Office Communications Server 2007."

- Standalone: While the users will have either two disparate devices on their desktop, or only Office Communicator with PC-based communications, this scenario supports ROI both through lower Total Cost of Ownership (TCO) and through business process optimization and productivity gains within teams. TCO is improved by lowering toll charges between users of Office Communications Server 2007, especially for international calling, and by avoiding PBX expansion costs when an enterprise adds employees or opens a new location. Business process and productivity ROI is achieved when workgroups and teams use Office Communications Server 2007 to accelerate and coordinate their work, or to integrate their communication functions directly into their most important applications, whether Microsoft Office products or other business applications.

- Co-existence: This scenario may provide the most functionality and integration with the enterprise operations, though it will also have implementation costs related to integration with the existing PBX(s) and telephony networks in the Enterprise, possibly including an upgrade of the PBX Release and Feature levels. The ROI for this scenario includes all of the ROI potential for the Standalone scenario above, as well as the ability to route calls to and from users on the PBX systems, to control calling features from Office Communicator, and to provide telephony indications and status for callers on the PBX, when interoperating to the published specifications.

- Remote Call Control: This scenario provides for control of the PBX from Office Communicator, when integrated with the CSTA protocol. However, in this scenario the voice media stream is isolated from the IP voice, video, IM and other media streams of Office Communicator, so the ROI for this option is usually less than the ROI of either Standalone or Co-existence.

To enhance the ROI further in any of these three scenarios, use the Conferencing functions of Office Communications Server 2007. These functions establish secure, VoIP calls with anyone in the world who has 1) a PC with at least speakers and microphone (even those built-in), and 2) the Office Communicator conferencing client. Not only does this cut out the costs for PBXs and Public Network interfaces and tolls, it sets up the call in the richest of media environments, capable of IM, voice, video, web data sharing, and conference recording in a single session. While this is not yet likely to be a user's primary format, it could be ideal for lengthy or intense interactions with customers, business partners, or suppliers.

ROI would of course be achieved by slashing toll costs and trunking costs for long holding time calls, but would also be a major enabler for some important UC applications, such as Collaboration Acceleration or Resource Identification and Problem Resolution (see UC applications in the main text). In summary, significant ROI potential should be available from any one or combination of these deployment options.