

Collaboration Without Boundaries

Enabling your employees, customers and suppliers to connect on the move

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Executive Summary

“The only constant is change.” This quote could very well be the mantra of most IT departments, and is especially relevant when considering the ways communication and collaboration have evolved over the past decade. Long gone are the days of employees sharing the same physical office, able to quickly collaborate around a common conference table. Instead collaboration takes place across time zones, languages and organizational boundaries.

Also changing are the tools employees rely on for day-to-day communication. Mobile devices are quickly replacing desktop phones and applications such as web, audio, video conferencing, messaging, and document collaboration are increasingly viewed as critical components of an effective collaboration strategy for the increasingly distributed enterprise.

This demand for anytime, anywhere, any-device access presents a huge challenge for many IT departments. As they struggle with decreasing budgets, staff and expertise more decision makers look to outsource management or consider bundled applications and hosted services to effectively roll out collaboration within the organization.

The Distributed Workforce

Enterprises are more distributed than ever before with a growing percentage of staff operating across multiple offices, regions, or countries. Nearly 90% of Nemertes research participants say they operate a “virtual” organization in which members of distributed workgroups must collaborate with each other, as well as with partners, suppliers and customers. Virtual workplaces include branch offices, home offices, hotels, airports, etc.

Additionally, a majority of companies (52%) have a global presence. This goes for both large and small organizations. Twenty-five percent of small companies (less than 250 employees) support global locations, while 77% of very large companies (more than 10,000 employees) do. (Please see Figure 1: Global Locations By Company Size, Page 2).

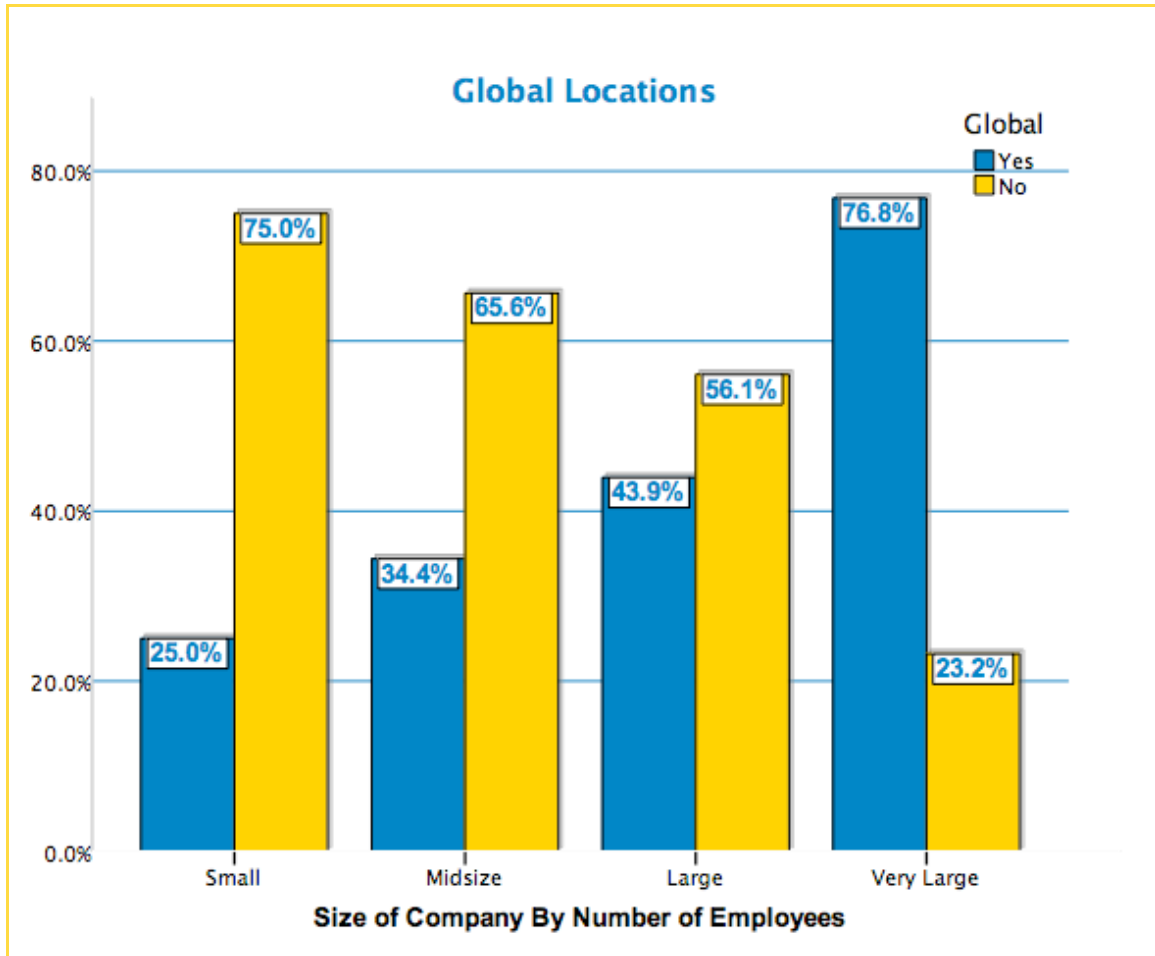


Figure 1: Global Locations By Company Size

2.2 THE BRANCH OFFICE

In 2009, the number of branch locations actually decreased for the first time since 2004, but is poised for a rebound in 2010. Primarily the result of the recession, companies reduced the number of branch locations by an average of 3%. This year, though, we expect an average increase of approximately 17%.

Those who plan to increase the number of branches are doing so in large numbers for a few key reasons. First, they can open offices closer to customers and closer to employee home offices at record-low lease rates because of the recession. Second, many very large companies are eyeing acquisition targets of competitors that would be unaffordable in any but this economy. In joining with other companies, they expect the number of branches to increase substantially. Third, organizations expect to re-establish their international expansions in 2010 to take advantage of lower labor costs in emerging markets.

2.2 TELECOMMUTING

The branch office scope is broadening to include the “micro-branch,” mobile worker or single-person telecommuter site. An overwhelming majority of companies (85.6%) increased the number of telecommuters in 2009, after two years of relatively mild growth in the number of telecommuters (17% in 2007 and 20% in 2008).

The primary driver for increased teleworking support is to attract and retain valuable employees, cited by 82% of organizations. (Please see Figure 2: Reason for Increased Teleworker Support, Page 3). By allowing employees to work from home, companies have found a dramatic reduction in turnover. For example, the contact-center manager for an energy company said his turnover dropped from 35% to less than 10% after implementing a telecommuting solution for contact-center agents.

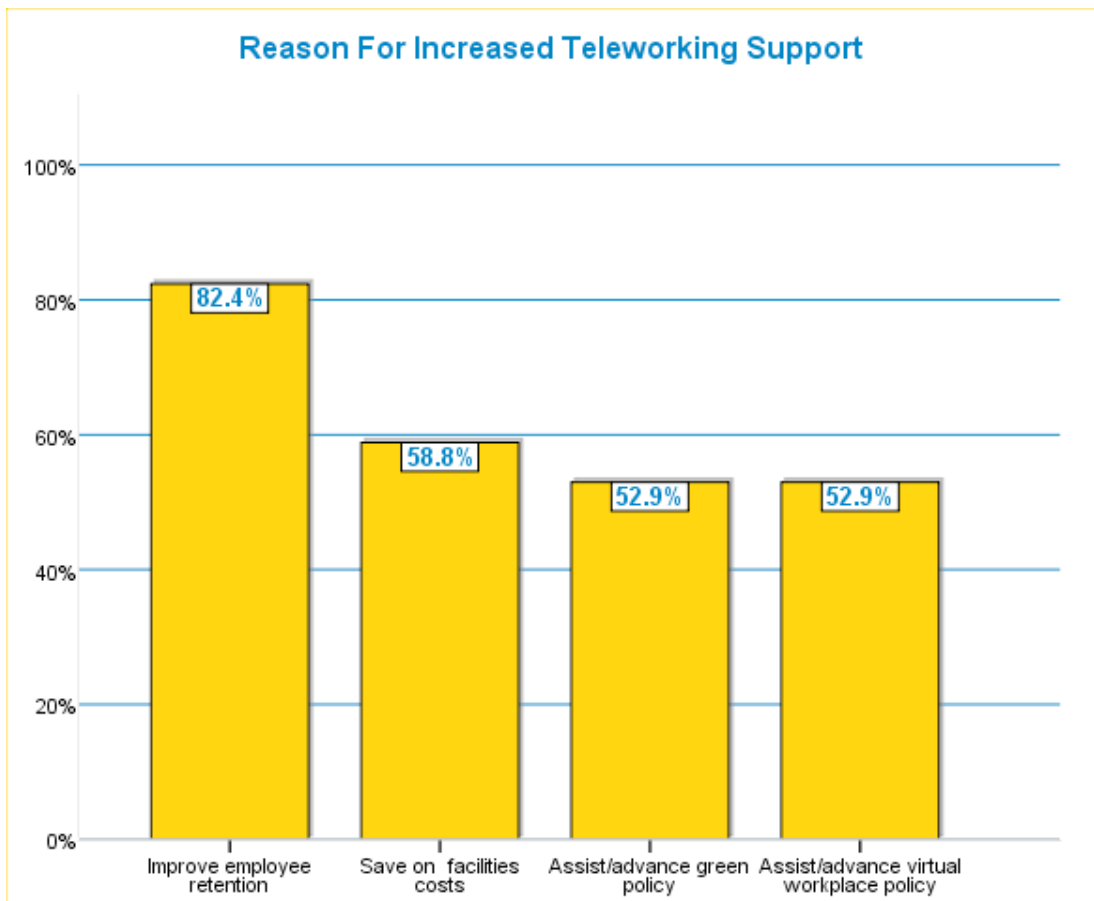


Figure 2: Reason for Increased Teleworker Support

Collaboration-Enabling Applications

As a result of the increasingly distributed and global workplace, effective collaboration is no longer a “nice to have”; rather it is a critical requirement for success. Workers operating from remote locations, customers and suppliers need to easily share information, communicate, and interact unencumbered by technical limitations.

2.2 UNIFIED COMMUNICATIONS

To meet the collaboration needs of the distributed workforce, a majority of organizations have deployed unified communications. In fact, only 16% of companies are doing absolutely nothing with UC. More than one-third are in the initial planning stage—basically, evaluating and trying to determine a strategy that makes sense for their organization—and 28% are in a limited deployment, meaning they are implementing a few applications to a limited number of locations. The balance has adopted a UC strategy already and is in the process of implementing it.

Demand for UC applications is rapidly shifting outward away from IT and toward lines of business. Nemertes finds a 10% drop in the number of participants saying that IT is the primary driver of UC demand within their organization’s, instead demand grows from end-users, business units, management, and a mix of all four areas. (Please see Figure 3: UC Demand, Page 4).

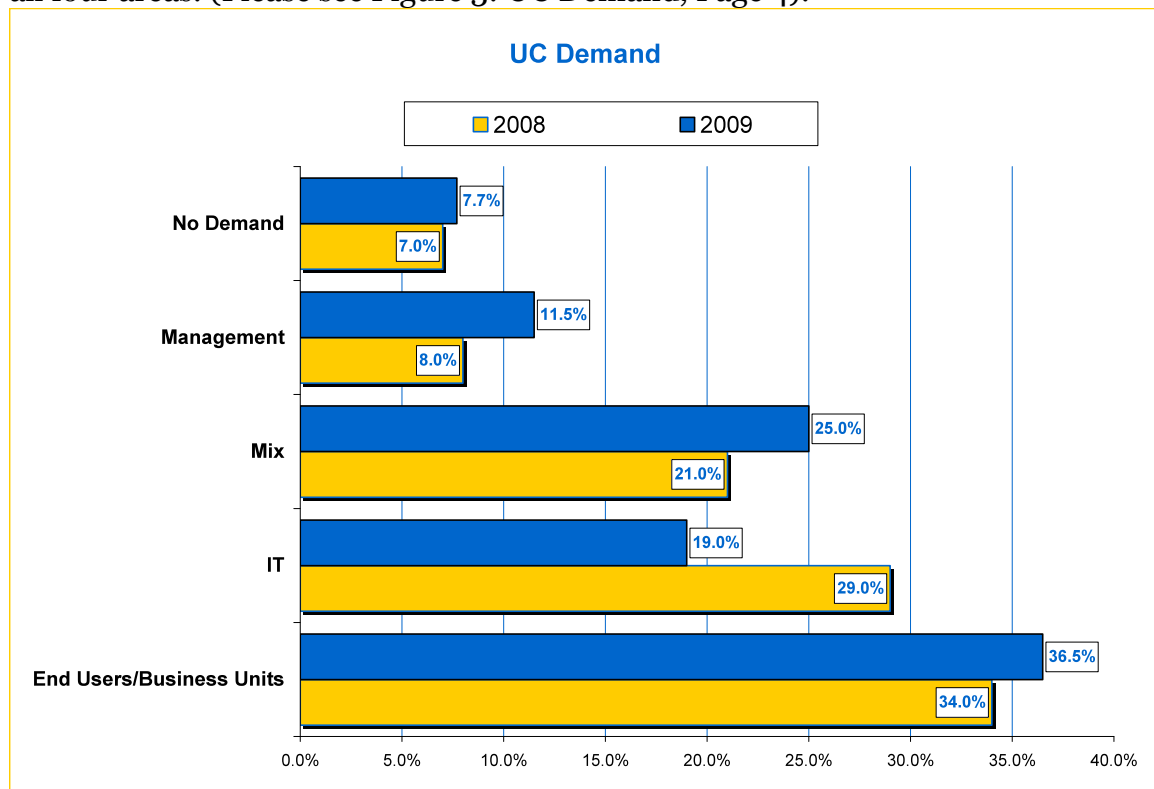


Figure 3: UC Demand

The change in UC demand reflects an overt effort by UC vendors to define the benefits of UC from a business perspective. Rather than targeting IT buyers typically focused on reducing operating costs, improving service delivery, etc., UC vendors are going out to business managers and educating them on the ways that UC can improve their specific business functions.

The change also reflects the trend of consumer applications making their way into the workplace. In Nemertes recent benchmark, participants were asked whether or not IT employees under 30 had influenced the adoption of new technology or services. Forty-three percent of participants said yes, they did indeed influence IT adoption and a majority of influence was around unified communications and mobility.

The millennial generation regularly uses collaborative applications such as web/video conferencing, chat and IPT to communicate within their personal lives. Anyone with teens or tweens knows they thrive on being “hyper-connect” and are used to on-demand access to these applications regardless of location or device. UC decisions makers are aware of these expectations leading 52% to say they consider mobility integration when selecting an enterprise application.

2.2 AUDIO/WEB CONFERENCING

While interesting to note *where* the demand is coming from, it’s more important to understand *what* applications organizations are actually deploying. Due mostly to cutbacks in budgets and staffing, IT executives are slowing plans for a general-purpose UC architecture that integrates voice, video, instant messaging, calendaring and other office productivity applications into a unified dashboard providing users with presence information regardless of location, device, or application.

Instead, organizations are adopting the individual components of UC that make the most sense now, such as audio/web conferencing and video conferencing, while ensuring that whatever they adopt today is part of a longer term roadmap that allows for seamless integration among disparate applications and various types of access methods, including desktop, mobile clients.

IP audio conferencing continues to be an area of growth, both as an integrated component of a unified communications architecture, as well as to reduce conference call costs by bringing bridges in-house. Approximately 62% of Nemertes research participants are deploying IP audio conferencing in some fashion; typically as part of a VOIP migration or in conjunction with Web conferencing applications.

While we see growing interest in using on-premise conferencing services to reduce costs, most IT executives continue to adopt a dual-mode strategy, using in-house bridges for internal calls coupled with a hosted service for external calls. For example, they might rely on Cisco Meeting Place for internal calls, but AT&T Connect for external calls. This approach allows a company to minimize the need

to purchase additional PRI lines to support large volumes of conference calls involving external participants.

Web conferencing is now the single most widely deployed IP-based collaboration tool in the enterprise—quickly becoming as ubiquitous as e-mail and telephony services. Several factors make Web conferencing—and specifically hosted Web conferencing—a success. First, a majority of organizations rely on hosted services, such as AT&T Connect, Cisco WebEx, Citrix GoToMeeting, IBM Lotus Sametime Unyte, or Microsoft Live Meeting because hosted offerings for many years represented the only viable option for enterprise-wide Web conferencing.

Second, hosted services have lower up-front costs, easier support for external meeting participants, and faster start-up. Finally, budget cuts and travel restrictions have encouraged Web hosting (hosted or internal) to enable collaboration among employees who can't travel for meetings any longer.

Sixty-six percent of organizations use hosted Web conferencing and another 8% are evaluating. There is a difference in adoption rates by size of company, with 82.4% of those adopting being very large companies, 61.5% large and 55.6% of small respectively. (Please see Figure 4: Hosted Web Conferencing Plans vs. Size, Page 7).

Lines between on-premise and hosted conferencing are blurring, as companies integrate Web conferencing with videoconferencing and custom business applications, and extend Web conferencing beyond internal participants.

Merger-and-acquisition activity, such as Cisco's purchase of WebEx, AT&T's acquisition of Interwise, and IBM's purchase of Unyte, makes a hybrid on-premise/hosted option more viable. Enterprises can deploy internal Web conferencing systems with some assurance that they'll mesh with hosted conferencing for external meetings.

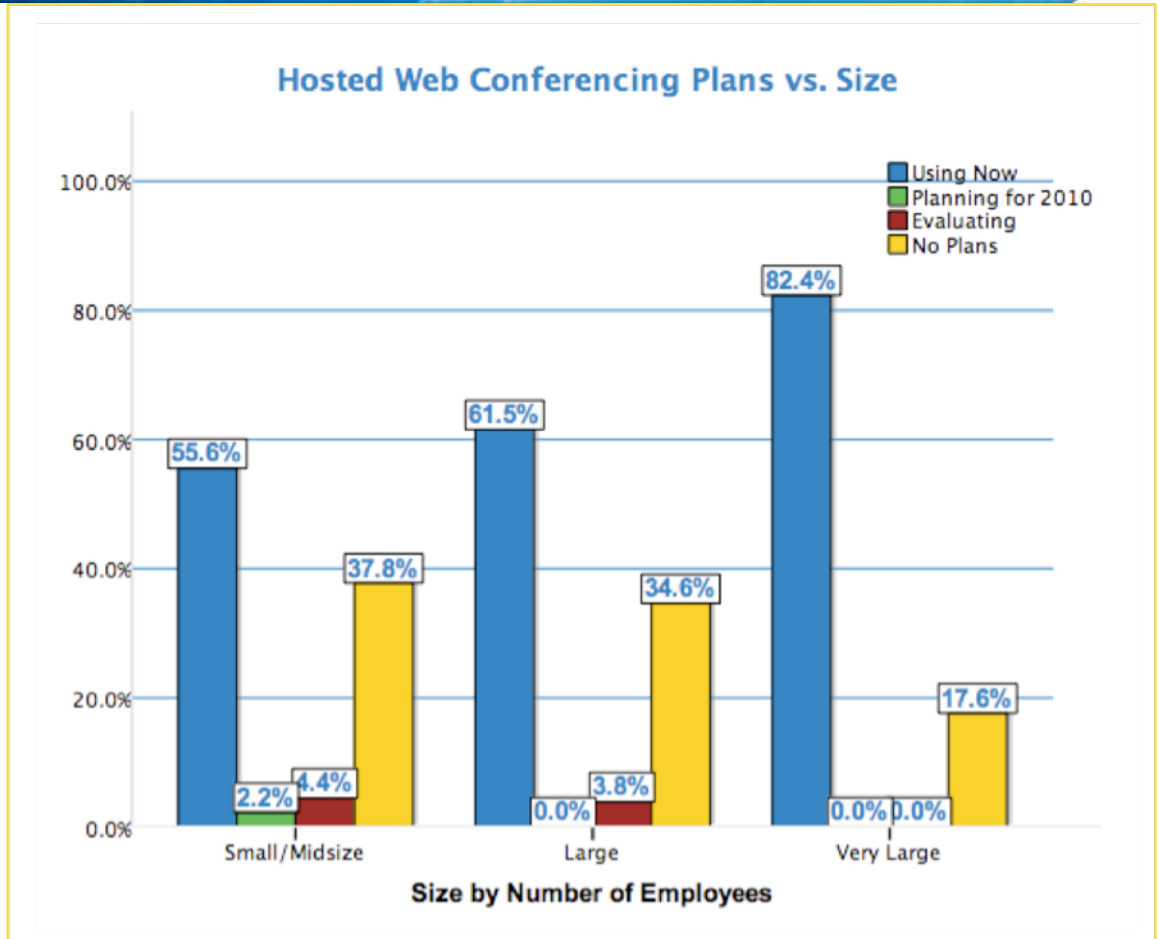


Figure 4: Hosted Web Conferencing Plans vs. Size

1.1 VIDEO Conferencing

No area of unified communications has received as much attention from both vendors and enterprises in the last couple of years as video conferencing. A number of key trends have converged to drive increased interest. These include the rapid distribution of the workforce across geographic boundaries, the coupling of increasingly high-quality systems with falling prices, and economic concerns forcing organizations to reduce travel expenses. As video conferencing adoption grows, companies are increasingly looking at ways to integrate it into their unified communications architectures, extend video conferencing to mobile and remote users via desktop and cellular devices.

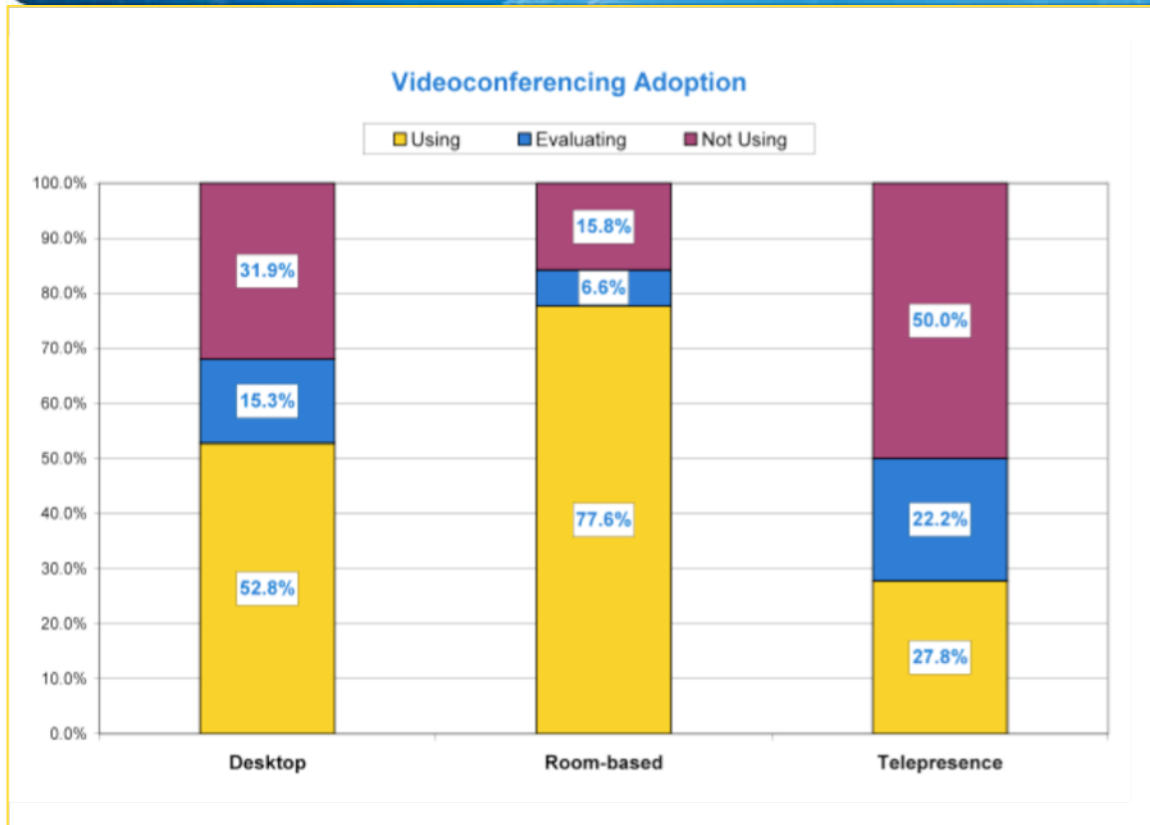


Figure 5: Videoconferencing Adoption

There is a slow, but steady uptake in interest in desktop video, especially as video clients become ubiquitous as organizations adopt UC dashboards such as IBM Lotus Sametime, and Microsoft Office Communicator with an embedded desktop video client, or video increasingly becomes a standard feature in web conferencing applications.

Looking ahead, there are no signs of video uptake slowing. (Please see Figure 5: Videoconferencing Adoption, Page 8). In fact, organizations often cite video conferencing as one of the services that “survives the cut” as IT budgets are scaled back due to the recession. Indeed for all the aforementioned reasons: improved collaboration capabilities, reduced travel, falling system costs, and demonstrable business value, video conferencing deployments will continue to grow.

Mobility Integration

As demand grows for more applications, so do expectations. Users require seamless communications, regardless of location or device, so it’s vitally important that the chosen collaboration platform integrate with other business applications and is accessible from multiple mobile devices. As mentioned, 52% of IT decision makers say they consider mobility integration when selecting an enterprise application.

A major indication of how critical mobility has become is the dramatic leap in percentage of organizations that have a mobility strategy in 2009 versus 2008. Fully 75% of organizations said they had a mobility strategy in 2009. That compares with just 40.6% in 2008. That's an 85% jump, and it indicates, more than any other statistic, how critical mobility has become.

Another metric is spending. In 2009 when IT spending was crashing, mobility represented the one bright spot. Organizations spent a median of 16% more on mobility than they did in 2008, with a median spend per mobile employee of \$2,883. (This figure includes all components that organizations considered as part of their mobility budgets: hardware, software, services and IT support).

Recent events help highlight the criticality of having a mobile strategy. In the spring of 2010 volcanic eruptions forced airlines to cancel thousands of flights, leaving business travelers stranded. Many were forced to work from airports, hotel rooms and cafes, using their mobile devices to stay connected. It's probably a safe bet to say those companies affected that did not have a mobility strategy in place then, do now. The success of Apple's recent iPad, with more than two million sold in less than two months only underscores the rapidly changing nature of mobile demands

BlackBerry's are still the dominant mobile device in enterprise organizations today. But when it comes to investing in new technology, interest in iPhone clearly outpaces all other devices (Please see Figure 6: iPhone Adoption, Page 10). Why? There's no single reason, although many IT practitioners cite end-user demand. As mentioned, employees under 30 are influencing buy decisions, including mobility. Others are concerned about the costs of BlackBerry's, and some mention that iPhone use is likely to go up with the increase deployment of Macintoshes within the company.

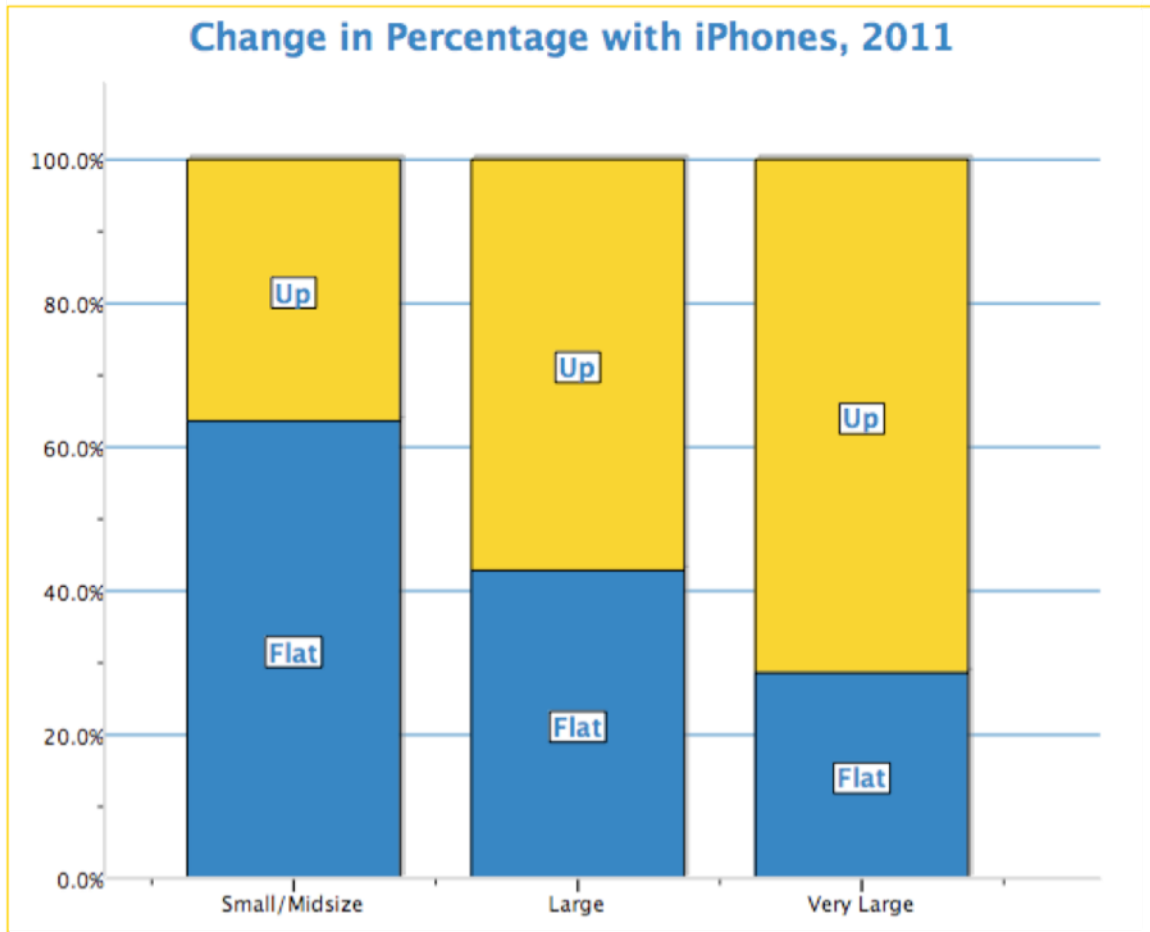


Figure 6: iPhone Adoption

Supporting Collaboration

Supporting the collaboration needs of distributed workers presents an increasing challenge to the IT department. Only 18% of branch offices have on-site IT personnel, so most virtual workers are supported remotely. Moreover, the applications are complex to deploy, integrate, and monitor, and require high availability and stringent Quality of Service.

Prior to converged networking, most companies operated separate networks for voice, data, and video traffic, and some even ran a separate WAN for each application. By doing so, they were able to effectively monitor and manage the performance of each application. Now, most companies have converged an astounding number of applications over a single IP network, making traffic prioritization and bandwidth management even more critical.

To meet management requirements, IT staffs have a couple options. The first is to internally manage the network and add optimization to more effectively use existing bandwidth. To do so requires IT personnel possess the capabilities to identify and measure the performance of collaborative applications across the

network, using specialized monitoring tools. Where distances are long, networks are iffy, or bandwidth is dear, they may require optimization tools as well. They also must be trained on the technology, be able to determine metrics for management, and have the time to provide support.

Unfortunately, shrinking IT staff sizes, lack of internal expertise, and decreasing budgets, are making that increasingly difficult. To meet the challenges of managing on-premise collaboration applications, many organizations are turning to MSPs rather than procure management tools and develop their own internal expertise. For example, half of benchmark participants state UC-professional services are *vital* important. On average, 13% of organizations are turning to third-party professionals to manage all or some of their UC applications. That number jumps to more than 30% for companies with revenues less than \$100,000. In addition, 13% use a combination of both in-house and outsourced expertise.

Another option is to choose a hosted solution that is fully managed by the provider. In a hosted scenario, hardware and applications software is physically located on the provider network/data center. The provider owns, monitors and manages the application, and provides access to management portals to customers.

Hosted Web and video solutions afford businesses all the technical advantages of the UC services without the large capital investment. For most of these services, there is no equipment to purchase, except in some cases of phones for VOIP, or cameras for video conferencing. Even then, some service providers do lease all hardware, as an alternative.

Conclusions and Recommendations

Communication and collaboration applications are an increasingly critical component of successful business operations due to factors such as the increasing virtual nature of the workforce, global spread of partners and clients and the need to increase collaboration effectiveness amidst falling travel budgets. Unified communications is here, and it is offering tangible benefits for those looking to reduce operational spending while delivering improved collaboration capabilities for their staff. IT executives should:

- ⊕ Be prepared to quantify the value to the organization of their investments in collaboration. While most still rely on the vague “improved productivity” to gauge the success of their efforts, a small but growing number of companies are developing quantifiable metrics including: 1) Hard savings from travel reductions. Typically these include the use of Web or video conferencing as an alternative to in-person meetings, thus eliminating travel costs and saving time otherwise spent traveling between locations. 2) Reduced project times as a result of improved external collaboration, leveraging inter-company services to shorten production cycles, better manage supply lines, and improve project and customer management. 3) Reduced long distance charges by using IP-based collaboration applications such as chat and web

- conferencing as an alternative to costly phone calls (especially for international workers).
- ✦ Evaluate bundled and hosted offerings to ensure reliability, security, and performance. Consider management and performance guarantees that support the organizational requirements, business processes, and goals.
 - ✦ Future-proof your selection. Look for solutions that integrate with a wide variety of enterprise applications and mobile platform.
 - ✦ Reliability and user experience for collaborative applications is not just a goal, but a key metric for measuring organizational success. Invest in underlying network services that guarantee and manage the performance of collaboration applications.

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