The Return on Collaboration: Assessing the Value of Today's Collaboration Solutions

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What You Will Learn

In the last decade, the Internet, mobile, and broadband technologies redefined our way of life. Collaboration tools have become business-critical, adding value in many ways. This paper presents a framework for assessing the return on a collaboration investment across three areas:

- Operational return on investment (ROI): Achieved by reducing and/or avoiding costs
- Productivity ROI: Realized through more efficient processes, faster time to market, and reduced cycle time
- Strategic ROI: Leading to business transformation and strategic advantage

We have moved from the first generation of collaboration focused on individuals within a single company to more advanced tools that facilitate social sessions across organizations. Now more than ever, a network-centric approach is essential to maximizing the benefits of today's collaboration technology.

Introduction

In the last decade, the powerful trio of Internet, mobile, and broadband technologies changed everything - from the way we search for information and consume media to how we interact with our peers. Facebook and YouTube, smartphones, and blogging became part of our everyday lives. Today, we enjoy infinite content, no barriers to entry, one to-many communications, and rapidly expanding social networks.

Most of us first tried these technologies at home - and then we wanted the same capabilities and interactive experiences at work. What began as a consumer trend quickly turned into a mandate for the enterprise. Can you imagine work without instant messages in today's hurried business environment?

In an era of dispersed teams and reduced travel budgets, it is increasingly difficult to build trusted relationships with customers, partners, and even colleagues. Private social networks, audio and web conferences, team spaces, video, and chat help us overcome the limitations of distance and time zones. Indeed, effective use of these collaboration tools has become essential to business success.

Collaboration technologies add value in a host of important ways. We know this fact from our day-to-day experience in the workplace, but can we really measure the effect on the business? The answer is yes. As mentioned previously, the return on collaboration can be assessed in three areas: operational ROI, productivity ROI, and strategic ROI.

This paper retraces the evolution of business collaboration, introduces a framework for measuring ROI across three areas, and highlights some examples of the companies that are achieving business results through collaboration technology. Finally, it describes the strategic value of a network-based approach to collaboration.

Collaboration 1.0 and 2.0

In order to understand the importance of collaboration today, it is helpful to go back to the beginning. The first generation of business collaboration tools began with a focus on documents that were created and shared by individuals who used one device: the PC. Information resided safely within the walls of the enterprise, and personal productivity improved.

Collaboration 2.0 shifts the focus from documents and PCs to people and social sessions, defined as the new fundamental unit of collaborative work, in which groups of individuals interact across company and geographic boundaries. The goal of a social session is to create the effect of presence within the reality of absence.

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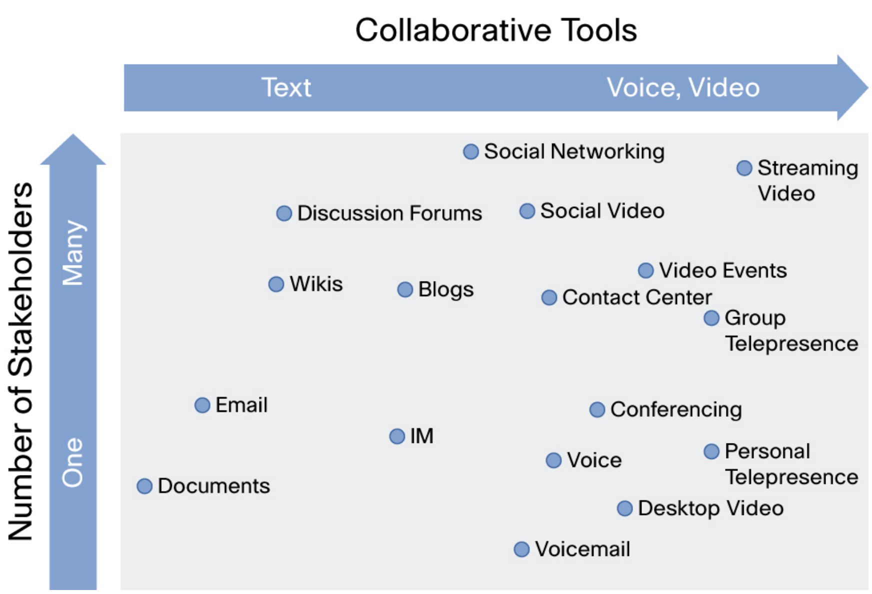
This new collaboration experience helps us cope with information overload by delivering only what we need, just when we need it. We can find experts in an instant and participate in blogs, videos, wikis, social networks, team spaces, and conferences from a variety of devices. Thanks to advanced security and policy management, we can include partners, customers, and suppliers in our one-to-many communications, as shown in Figure 1.

Figure 1. Higher-Order Collaboration



Source: Cisco, 2010

As a result, virtual communication has become more lifelike and personal, and these richer interactions make for better business. The question is, how much better?

Consider one example: According to a March 2010 report from Bernstein Research, "technical advances in video conferencing have moved the capability to an entirely new level over the last 18 months, so that it now has the potential to fundamentally impact business travel". Based on the success of telepresence among early adopters, the firm predicts that 70 percent of internal travel and 10 percent of external travel could be replaced over the next 10 to 15 years, resulting in an aggregate reduction of 21 percent in corporate travel spending.

How to Measure Success

Joining a social session may sound intriguing, but what can a business leader expect in terms of practical ROI? Remember the three ways we have identified to measure success: operational ROI, productivity ROI, and strategic ROI.

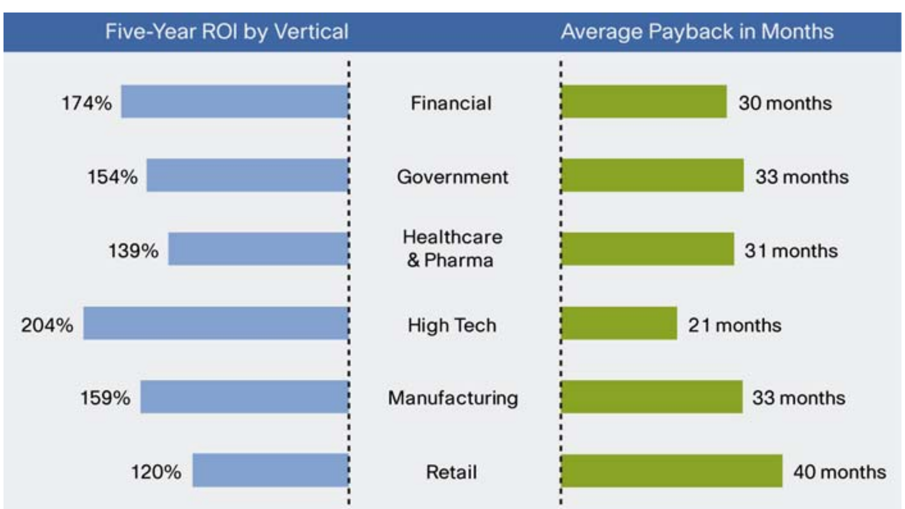
Operational ROI: Start with Savings

Companies achieve operational ROI by reducing and/or avoiding costs. They may migrate from a private branch exchange (PBX) to IP telephony to reduce infrastructure costs; use telepresence to reduce travel costs; or deploy the Cisco WebEx™ suite to enable virtual meetings, thereby reducing office-space requirements. This type of ROI is easiest to measure because it reflects hard-dollar savings that go right to profits - and the financial savings here can profoundly affect the business.

In February 2010, research provider Salire Partners published a report on the operational ROI of collaboration. Over a period of 3 years, Salire conducted hundreds of ROI analyses for companies of different sizes and in different industries around the globe that had deployed unified communications, IP telephony, and collaboration solutions. Researchers asked companies to report on the net benefit of their technology investment, the total expected cost to implement their solution, and the length of the payback period.

The report concluded that most companies - nearly 80 percent - see a positive return on their investment in collaboration technologies. Numerous important industries showed a 5-year ROI of more than 100 percent and payback periods of 21 to 40 months. And the positive results apply to companies large and small: Those with between 1,000 and 25,000 employees posted returns of more than 170 percent (refer to Figures 2 and 3).

Figure 2. Return on Collaboration by Industry



Source: Salire, February 2010.

Figure 3. Return on Collaboration by Number of Employees

Source: Salire, February 2010.

When Salire studied the results by type of savings, many categories reflected especially high returns, such as reducing the number of moves, adds, and changes to the voice network. As companies get larger, they also benefit from savings on local and long-distance service (refer to Table 1).

Table 1. Return on Collaboration Across Categories

Employee Size	Moves, Adds, and Changes	Local Telephone Service	Long Distance Service	Audio Conferencing
Less than 1,000	-85%	-12%	-6%	-17%
1,000–5,000	-55%	-46%	-12%	-46%
5,000–10,000	-54%	-38%	-49%	-75%
10,000–25,000	-58%	-30%	-30%	-47%
Above 25,000	-36%	-35%	-32%	-58%

Source: Salire, February 2010.

Productivity ROI: Focus on Efficiency

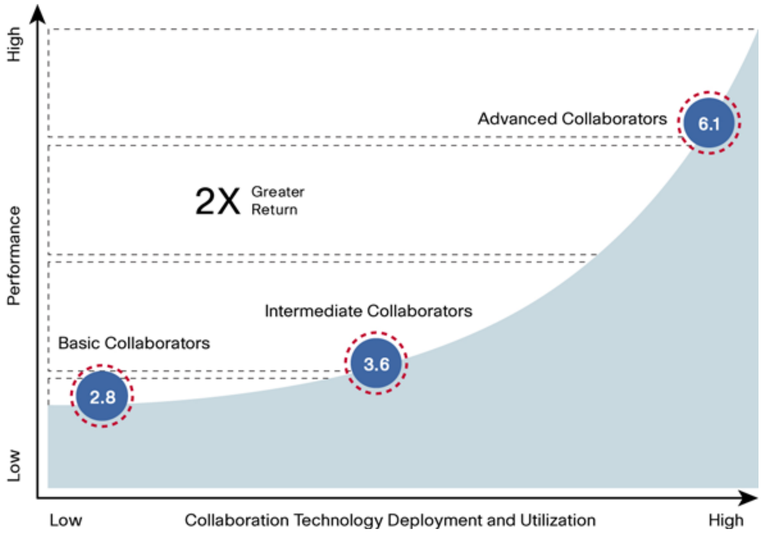
Cost savings are one way to measure the results of business collaboration, but many companies also realize significant productivity gains. Effective collaboration can improve the product-development process or take time out of the sales cycle. What is the value of using video to publish a user manual or Instant Messaging to find the person who can respond to an opportunity immediately?

When you implement more efficient processes, achieve faster time to market, and reduce cycle times, you extract more value from your collaboration investment. If you can identify opportunities to shorten the time needed to make critical decisions, there is no better place to invest.

> “Raising the productivity of employees whose jobs can’t be automated is the next great performance challenge - the stakes are high.”
> **—–McKinsey & Company, The 21st Century Organization**

When Frost & Sullivan performed a global study of more than 3,500 business and IT leaders in May 2009, it concluded companies had realized a return of 400 percent on their collaboration investments. This report also found that the ROI for collaboration follows a continuum: Companies that deploy more advanced tools and foster a stronger collaborative culture enjoy greater benefits than those that concentrate on the basics. That said, even a minimal collaboration effort yields modest results, as shown in Figure 4.

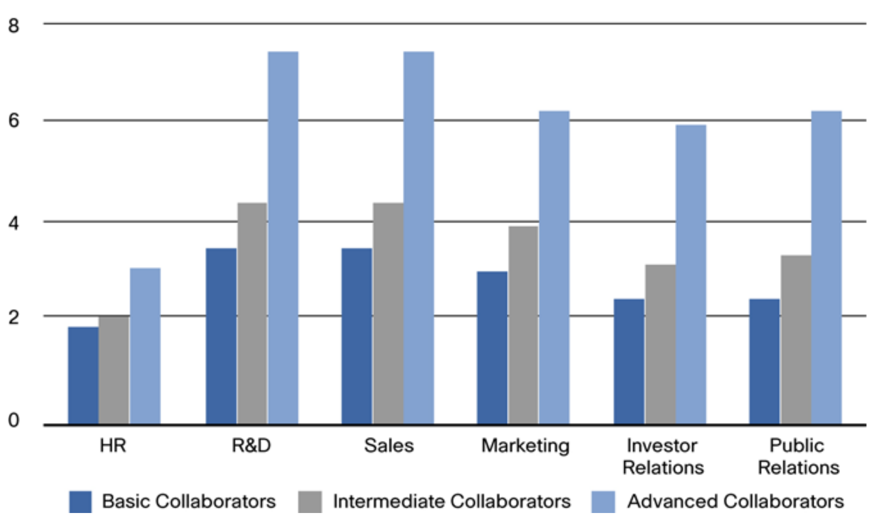
Figure 4. You Get Out What You Put In



Source: Frost & Sullivan.

Frost & Sullivan observed the network effect at work in companies that collaborate: As more people interact, the organization enjoys more of the benefits of collaboration. For example, engineers improved product development and lowered costs associated with innovation. Sales and marketing professionals saw improvements across sales performance, customer retention, and their ability to respond to competitive threats. Investor relations and public relations staff reported that collaboration helped them increase shareholder value and shape corporate reputations. Human resources teams found collaboration tools useful in recruitment, retention, and training activities. To summarize, researchers observed the most profound effect in the areas of the business where the largest numbers of people interact in many-to-many relationships that accelerate productivity and create value, as shown in Figure 5.

Figure 5. More Interactions Mean Greater Benefit



Source: Frost & Sullivan.

> "Collaboration technology is adding value across a broad array of business functions today. Organizations find the most significant value in technology's ability to support complex and distributed teams, improve business activities like customer service and product development, and provide greater reuse and manageability of documents and other content artifacts."
> **—Forrester Consulting**

Strategic ROI: Reinvent the Business

Strategic ROI is often hard to quantify in dollars. But strategy is the area where business transformations occur. Collaboration tools help companies enter new markets; build new business models; accelerate innovation cycles; and make faster, better decisions. These tools enable the major moves that lead to competitive advantage and reinvention of how you do business.

The financial services industry is a prime example of the strategic ROI that collaboration pioneers are achieving. Have you ever had a virtual banking expert greet you at the door? Did you know you can deposit a check by taking a picture with your iPhone? Are you surprised when you speak to a service representative who not only knows your banking history but also can suggest new products based on your personal profile?

The same type of change is afoot in healthcare. Experts and patients have come together to find the right diagnosis and treatment more quickly and accurately. Doctors and nurses are completely mobile, yet they have access to any information they need - in real time.

High-tech manufacturing is another leader in the adoption of collaboration technology. Products today are conceived in one country, manufactured in another, and marketed all around the world. All parties have complete visibility into the process, and the work never stops.

Schools, too, are finding creative ways to make teaching and learning more interactive and mobile - and therefore, more effective.

Collaboration Pioneer: Duke University

Duke University's Fuqua School of Business in Durham, North Carolina, has pioneered a new way to learn using innovative collaboration technology. The school has produced the first-of-its-kind virtual lecture hall to enable global learning. Custom-built using Cisco TelePresence™ collaboration systems, the new facility brings professors, business leaders, and guest lecturers located around the globe to a screen in the classroom. The use of Cisco TelePresence technology has enhanced Duke's ability to attract top talent and transfer knowledge from respected minds around the world. No longer limited by distance and travel costs, the school might invite the CEO of Honda to join a class on international business or ask Jack Welch to address a class on leadership. Clearly, collaboration opens new doors for education. Duke has set the benchmark in education for the kind of transformation that is possible from a strategic investment in collaboration.

What is next? Retail, government, and sports and entertainment are all beginning to experience the same kind of transformation because of the power of collaboration. By calculating the benefits of these solutions across the three areas of operational ROI, productivity ROI, and strategic ROI, companies can determine the full effect of a collaboration solution.

City of Tomorrow: New Songdo, Korea

Collaboration can transform entire communities, as in the case of New Songdo, a "smart city" that is being built from the beginning to feature efficient energy use and streamlined services for everything from healthcare and education to traffic and shopping. Every home and building in the city will be equipped with Cisco TelePresence video conferencing screens and connected to engineers who will listen, learn, and release new services. Sound too good to be true? This scenario describes the future of collaboration.

The Importance of a Network-Centric Approach

Effective collaboration begins and ends with the network. Only a network-centric approach can support our increasing mobility and the full range of communication devices that allow us to communicate with one another. In addition, emerging collaboration applications, such as immersive video, fixed mobile convergence, and location-aware services all depend on an intelligent network infrastructure to optimize the experience and improve participation.

A network-based architecture provides end users with an "any-to-any" experience - the ability to collaborate anywhere, on any device, across any type of content:

- Anywhere: Effective collaboration must deliver the richest possible experience whether one is at home, in the boardroom, in the office, in the hotel, or at the soccer game. With Cisco innovations such as Cisco® Intercompany Media Engine (IME), Cisco TelePresence Interoperability Protocol, and Extensible Messaging and Presence Protocol (XMPP) leadership, users can enjoy video, unified communications, and presence when they move outside the corporate bounds. Likewise, collaboration must offer flexible deployment models including premises-based, cloud-based, and hybrid options.
- Any device: Today's collaboration must support all the different endpoints and platforms that people use today, including PCs and phones, but also increasingly smart mobile devices and tablets. It must also support multiple platforms including Android, Mac, RIM, Symbian, and Windows.
- Any content: Collaboration must offer access to any media type - and in the applications that people work in today, including Microsoft and IBM. This content includes data and voice, but also real-time video. Whether it is Cisco WebEx™ meeting applications on a smartphone in the airport, a telepresence meeting in the office, or high-quality video on a laptop at home, only Cisco offers standards-based support and vendor and platform interoperability for collaboration not just in Cisco applications, but in others as well.

As we move from Collaboration 1.0 to Collaboration 2.0, Cisco is delivering a new collaboration experience. Our network-based approach is grounded in an interoperable architecture, flexible deployment models, secure intercompany interactions, pervasive video, enterprise social software, and an integrated experience. The network is our heritage. It is in our DNA.

Conclusion

Business collaboration tools, such as telepresence video conferencing, enterprise social software, and unified communications, have changed our lives. By connecting distributed team members across organizations and time zones, collaboration technology enables companies to reduce and avoid costs, accelerate time to market, and transform entire industries.

Is collaboration worth it? The research says, yes. To measure the full return on collaboration, business leaders should consider results across three areas: operational ROI, productivity ROI, and strategic ROI. A modest level of collaboration results in moderate performance gains; however, progressively better collaboration yields progressively better performance and returns. Now is the time to plan your collaboration strategy. Pioneers in financial services, healthcare, education, and other industries already are defining new enterprise standards in their industries. Don't miss the opportunity to be an innovative collaboration leader.

For More Information

Cisco is uniquely positioned to help companies embrace collaboration and use it to their advantage.

Contact your Cisco account manager to analyze the return on your collaboration investment, or visit: http://www.cisco.com/en/US/netsol/ns870/index.html to learn more about the new collaboration experience.

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