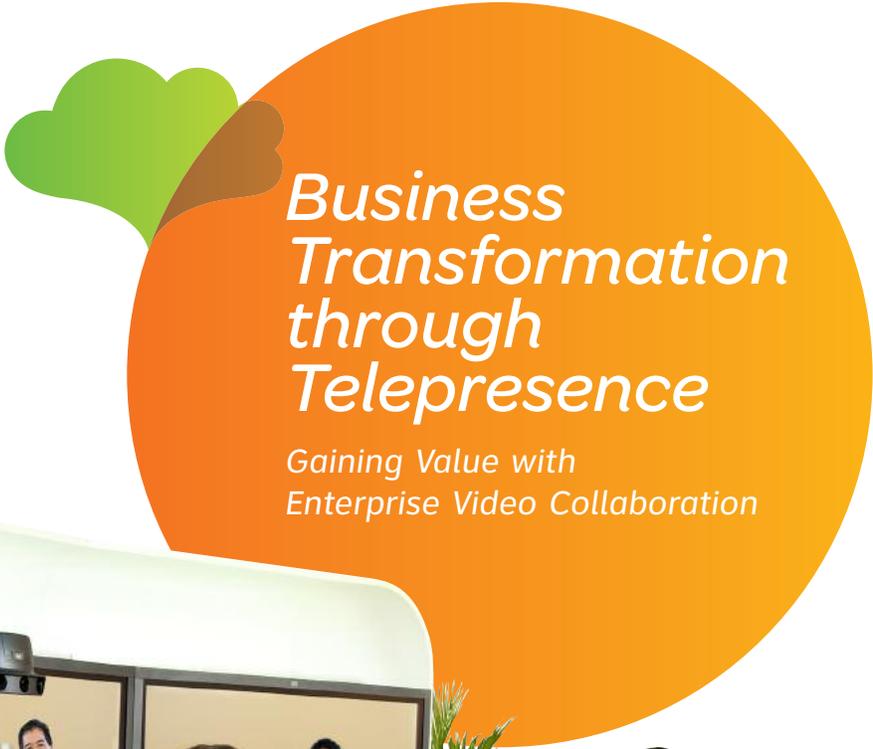


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Business Transformation through Telepresence

*Gaining Value with
Enterprise Video Collaboration*



April, 2011

Business Transformation through Telepresence: Gaining Value with Enterprise Video Collaboration

Based on the responses of over 260 organizations in 2010, this research is designed to show the best practices tracked by Aberdeen for gaining business value and achieving the critical mass of adoption of enterprise video collaboration necessary to support business goals. By showing the key business pain points and most effective strategies for integrating video, this report will show end users how telepresence can be used to transform organizations.

Why Does Your Business Need to Transform?

Traditionally, organizations have worked in silos that have hindered their ability to react to market pressures and business needs. Tactical departmental processes, skill set acquisitions, and technologies have been acquired and developed based on ad-hoc selections driven by the most urgent operational needs rather than a strategic collection of business assets designed to aid the company as a whole.

To move away from this purely operational model of organizational acquisitions and develop a more mature ability to manage people, processes, and technologies, companies have started to move towards a model of Business Transformation. This Business Transformation model is designed to:

- Define key strategic business initiatives
- Identify the people, processes, and technologies associated with each strategic initiative
- Define the data and metrics needed to define the success of each initiative
- Ensure ongoing alignment between key operational and technology investments, current performance, and strategic business strategies

In research completed for Aberdeen's February 2011 report [*Real Time Collaboration: Innovate Your Business and Increase Revenue*](#), nearly half (48%) of respondents currently had enterprise-wide initiatives focused on strategic or transformational innovation. Enterprise-wide innovation cannot simply be considered as a buzzword or catch phrase used within the organization, since innovation can provide a number of benefits based on whether they are pursuing operational innovation, strategic innovation, or disruptive innovation. All three categories are important to the business, but their value propositions differ (see the attached Aberdeen Insight for details).

Research Brief

Aberdeen's Research Briefs provide a detailed exploration of a key finding from a primary research study, including key performance indicators, Best-in-Class insight, and vendor insight.

Aberdeen Insight — Enterprise Innovation

Operational innovation is focused on creating greater efficiencies, providing more granular and differentiated services, and ensuring the scalability of optimized practices and services throughout the organization. Traditionally, this operational innovation is driven through internal collaboration and sharing of best practices

Strategic innovation is based on the company's need to directionally shift revenue contribution by creating new products, developing new value propositions, expanding geographic scope, and establishing new business units. To identify these new business tracks, businesses must pursue these new opportunities from a strategic and cross-departmental perspective. This level of innovation requires both internal and external collaboration, including real-time and immersive collaboration with partners, suppliers, and customers.

Disruptive innovation actually requires the organization to pursue a path that actually destroys the current business value proposition to establish a next-generation value proposition. Companies pursue this path because they would rather disrupt their own business themselves rather than have another organization disrupt them first. Although this level of innovation creates the greatest level of growth, it also requires the greatest level of transformation and shared collaboration throughout the organization to guide the business through this process.

In today's market, companies that are not actively challenging or optimizing their own business models risk the challenge of being rendered obsolete by the accelerated demands of market needs and the efforts of market competitors.

To meet this need for Business Transformation, Aberdeen has tracked the specific role of video collaboration in the business to aid this need for Business Transformation. Through the analysis of over 260 organizations over the past 12 months, Aberdeen has identified that the top business pressure (identified by 55% of companies using video) is the need to support collaboration and communications with employees in remote locations. As businesses become increasingly dispersed and global, they desire the ability to acquire needed skill sets and operational capabilities outside of the home office. However, this pressure shows how organizations still struggle to provide these remote locations with optimal alignment and visibility to core business goals.

"The top benefit to telepresence is the ability to quickly bring together the best people from the global organization to address urgent issues."

~CIO, Automotive Industry

Defining Telepresence

Telepresence has been defined in a number of ways over the past several decades. When the term was originally termed by Marvin Minsky in 1980, the concept of telepresence was meant to imply your own ability to work remotely in another area without actually being there. This "presence" was

intended to provide mankind with the ability to work remotely in dangerous or uninhabitable areas and incorporate all the human senses.

Over time, the definition of telepresence was scaled back based on the technologies that could be practically developed and deployed in corporate and industrial settings. The visual and aural aspects of telepresence ended up as most technically feasible aspects that could be replicated, which led to a launching of "immersive telepresence." This form of telepresence is typically shown as a room setup including several high definition screens showing lifelike size and visual quality, spatial audio tracking, and realistic eye contact.

As videoconferencing has become increasingly adopted by mainstream audiences, a third version of telepresence has emerged that describes telepresence as simply providing a valued and trusted remote presence. This remote presence typically includes a live video component, data sharing, and endpoints that provide end users with an optimal combination of utility and mobility. This approach can include the immersive telepresence rooms defined above, but advances in interoperability have provided additional flexibility and form factors. Telepresence can now also include single-screen room solutions, personal computer-based videoconferencing, and even mobile devices that provide this added level of visually-driven remote collaboration. This report will focus on the business benefits that companies can derive by properly implementing this more flexible definition of telepresence in the workplace.

Building the Business Case for Telepresence

To effectively use telepresence, companies must understand why they are bringing video into the workplace. It cannot simply be a technical endeavor; telepresence must solve a salient business need and support specific departments. Traditionally, businesses implementing telepresence have focused on the need to reduce travel as a key business pressure. However, the tide has shifted over the past year as the top pressure identified by telepresence-using organizations is the need to support real-time collaboration among geographically dispersed employees. 55% of organizations identified this as a core pressure driving the need for telepresence while only 41% mentioned the need to reduce travel costs. Although travel cost will always be part of the Return on Investment for telepresence, corporate users have progressed to the value-added benefits associated with telepresence.

To provide context on the types of collaboration supported by telepresence users, respondents were asked which departments used telepresence within their own organizations. The answers provided included some expected departments such as Learning and Development and Executive Management, but also showed that companies were able to find value throughout their enterprise (Table I).

Table 1: Departmental Adoption for Telepresence

Department	Percentage Using Telepresence in the Department
Learning and Development	44%
Information Technology	39%
Marketing	35%
Business-to-Business Sales	32%
Project and Portfolio Management	27%
Executive Management/Communications	26%
Product and Service Development	22%
Customer Service	14%
Talent Acquisition	14%
Supply Chain Management	12%
Consulting	10%
Manufacturing	8%
Business-to-Consumer Sales	7%

Source: Aberdeen Group, March 2011 (n=245)

As this table demonstrates, the value of telepresence was seen far beyond simply conducting one-off executive quarterly meetings or other corporate communications use cases. Although these meetings are a valuable use case identified by over a quarter of respondents, the majority of respondents found value in integrating their video collaboration capabilities throughout the enterprise. These departments can roughly be divided into two categories:

- **Operational departments where revenue may be a goal:** Learning and Development, Supply Chain Management, Manufacturing, Customer Service, Talent Acquisition, Information Technology, Project and Portfolio Management, Corporate Communications
- **Departments directly goaled on revenue:** Marketing, Business-to-Business Sales, Product and Service Development, Consulting, Business-to-Consumer Sales, Executive Management

Regardless of whether telepresence is being used within an operational department or in a more direct revenue-producing role, the goal of using telepresence is to improve key business needs and goals. The vast majority of individuals are familiar with the broadcast and educational nature of video through prior experiences with videoconferencing and television. However, telepresence provides for a deeper set of remote experiences that can be valuable in improving revenue. Four quick examples of these capabilities include:

Video-enabled Talent Acquisition: As companies have become increasingly distributed and our ability to work remotely has increased, the search for strategic talent has become global. Companies who only seek talent in their own geographic vicinity are at a strategic disadvantage. To interview potential employees in a cost effective manner, 14% of respondents use telepresence to improve their ability to remotely assess applicants. By doing so, recruiters and managers gain a better sense of the applicant's personality, engagement, and capabilities while reducing time and money both for the applicant and the company.

Business-to-Business Sales: B2B Sales often require long sales cycles and an extended education period to demonstrate the value that business products and services can provide. The sales cycle can be exacerbated when the value proposition is best experienced in person or with a hands-on experience. To create a better experience for a potential customer, 32% of respondents integrate telepresence into their sales training and activities. They provide telepresence-based walkthroughs and product demonstrations which demonstrate the productivity benefits and ease of use more clearly than a pamphlet or even a streaming video asset could elucidate. In addition, video can also be used as a sales training tool to help empower remote employees who may not be able to come into the office. By providing these sales personnel with updated product and service information, companies can ensure that they have the information needed to maximize their deal size and margins for the organization.

Supply Chain Management: Extended supply chain complexity has challenged organizations to manage upstream and downstream logistics and provide timely and accurate inventory. To manage suppliers and partners, 12% of respondents used telepresence to maintain these relations. In the March 2011 report [*Supply Chain Visibility Excellence*](#), the top 20% of respondents completed 96% of orders to customers and received 96% of orders from suppliers complete and on time. These top companies were almost twice as likely as all others to leverage role-based visibility within the organization and into external partners. Telepresence, with its ability to provide an immersive and realistic experience to remote locations, can assist in this granular visibility to make sure that partner and supplier alignment occurs.

Product and Service Development: Aberdeen's research showed two contradictory pressures for these teams. Development departments are being asked to capitalize on new market opportunities, even though their own development teams are dispersed throughout the globe. To meet these contradictory needs, 22% of respondents have used telepresence to create virtual development workshops where engineers, product marketing, focus groups, and other key stakeholders can share information remotely. For technology-intensive environments, these telepresence setups may include integrated CAD tools, digital product simulations, and annotated/tagged recorded meetings to keep all employees on task and accelerate the development of revenue-producing products.

"Telepresence is valuable for cutting down the time to take really good, innovative products to market."

~ Product Development
Manager, Computer Equipment

The Value of an Executive Champion

Businesses seeking to gain enterprise-wide value from telepresence were far more likely to have an executive champion for video collaboration. When Aberdeen compared the Best-in-Class, defined as the top 20% of our respondents, to Laggards, defined as the bottom 30%, we found that 2/3rds of Best-in-Class organizations had an executive champion for telepresence compared to only 19% of Laggards. Best-in-Class companies were over three times as likely to have this champion in place, which assisted their ability to decrease travel, increase revenue, and achieve greater ROI.

This executive champion often served several roles for the organization.

- First, the champion provided vision on the need for video in the organization. By looking at the organization as a whole and seeing how departments listed above could be strengthened through the use of video, the champion helped bring appropriate telepresence capabilities into the organization
- Second, the champion served as an example that curtailed travel and increased collaboration through the personal use of video. The champion was able to provide visibility throughout the organization to the importance of video because of a role that was cross-departmental and provided a pulpit to evangelize the value of telepresence.
- Third, the champion helped in supporting best practices to the organization through actions whether it be through the top-down ability to enforce policies or the ability to foster dialogue throughout the organization.

Calculating the ROI of Telepresence

How did companies calculate the value of telepresence in their organizations? A majority of respondents were unable to answer this question. However, from the 92 respondents who were able to define a quantitative Return on Investment from telepresence, Aberdeen discovered several interesting value propositions.

First, it may not be a surprise to learn that 83% of respondents measuring ROI calculated the value of travel reduction. However, after that initial value proposition, companies used a wide variety of hard metrics and soft business value propositions to ascertain the value gained from telepresence (Table 2).

Defining the Best-in-Class

In [Telepresence and the Video Frontier](#), the Best-in-Class, defined as the 20% of respondents, achieved the following results:

- 72% fully quantified Return on Investment (ROI) on a telepresence investment
- 95% of respondents experienced revenue improvement from telepresence
- Reduced corporate travel by 22% over the past year

Table 2: Metrics Used for Telepresence ROI

Metric	Percentage Adoption
Efficiencies gained in business processes	41%
Improvements in learning and development	32%
Green footprint	29%
Acceleration of strategic projects	28%
Revenue created through telepresence	21%
Reduction in IT infrastructure and bandwidth	17%
Products/services developed with telepresence	17%
Improvement in remote talent acquisition	17%
Improvement in sales conversion rates	15%
Return on Marketing Investment (ROMI)	12%

Source: Aberdeen Group, March 2011 (n=92)

As an example of how these metrics were used, Aberdeen asked 69 video-using organizations how their time to productivity for new hires had changed over the past year. Best-in-Class organizations from that set identified a 15% acceleration due to their use of video to provide both remote and immersive training based on the employee's needs.

On the other hand, it was interesting to see how infrequently carbon footprint was brought into the ROI discussion. Despite the carbon footprint benefits that telepresence can provide, over 70% of respondents did not have a quantitative way to measure this benefit. Although there are obvious benefits for companies in highly regulated countries, there are also branding and differentiation benefits associated with being a greener company that a majority of organizations are ignoring.

Ensuring a Foundation of Operational Excellence

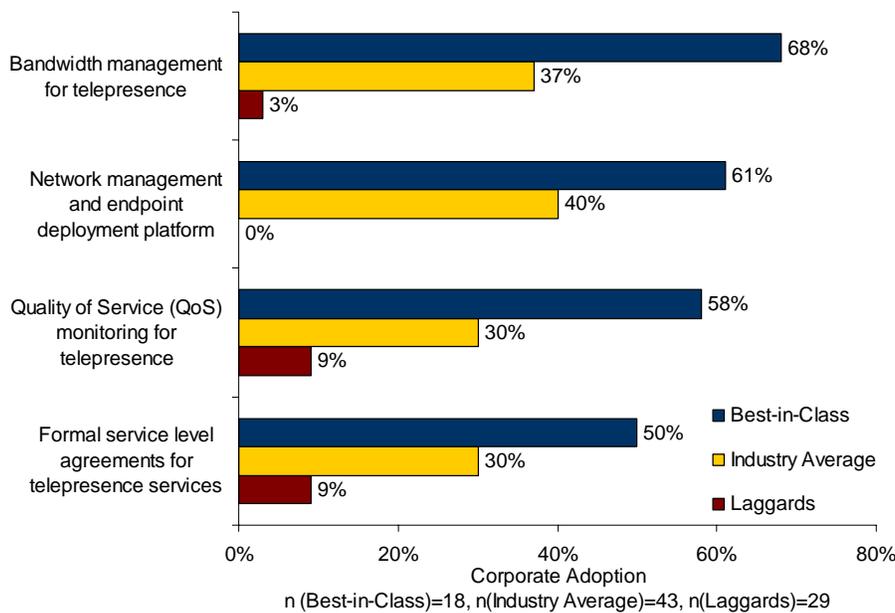
Once the business case for telepresence has been established, the organization must create an infrastructure and management structure to ensure that employees receive a quality experience from their video deployment. The top two challenges for implementing telepresence were in defining budget and gaining awareness of telepresence products. However, once these initial challenges were met through a structured business case, companies had to focus on end user-based challenges for adoption telepresence, such as supporting acceptable network service levels and overcoming the perceptions of poor video and audio quality that end users had previously associated with video solutions.

These network and quality concerns originate from multiple sources. Some employees may have used older videoconferencing solutions that were difficult to set up and lacked proper Quality of Service (QoS) assurance and

Service Level Agreements (SLAs). Others may simply be unaware of the bandwidth and application monitoring tools that currently exist to help manage telepresence in all of its forms. And yet others may simply be concerned about the difficulty of using telepresence as a business-to-business tool or even simply scheduling and organizing telepresence sessions.

To face these concerns, Aberdeen studied the top practices of Best-in-Class organizations and found that they excelled in management, support, and operational capabilities compared to all other companies. Companies that ended up gaining value from their telepresence initiatives started with a focus on QoS, defined SLAs for telepresence, and a management strategy that included network architecture, bandwidth management, and endpoint deployments. In general, a majority of Best-in-Class companies had acquired these capabilities, whereas Laggard companies were still trying to figure out where to start (Figure 1).

Figure 1: Best-in-Class Monitor QoS, Networks, and SLAs

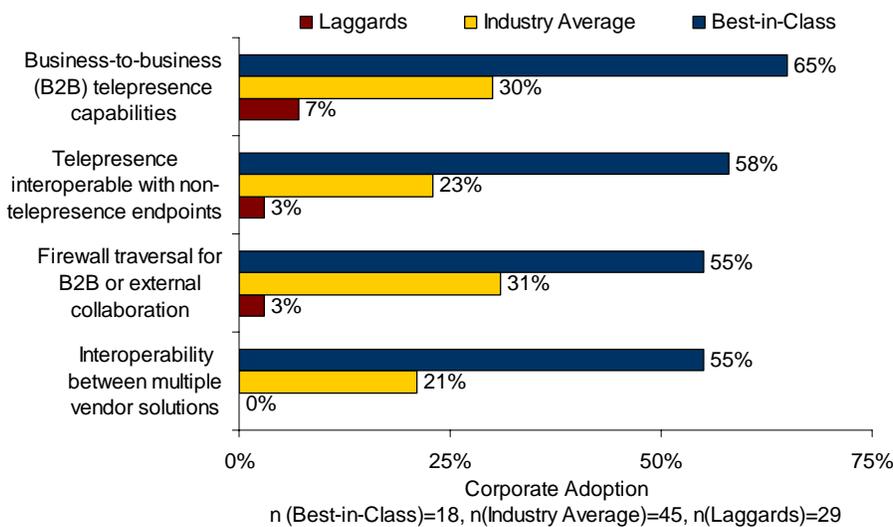


Source: Aberdeen Group, March 2011

In addition, companies gaining the greatest value from telepresence focused on gaining business-to-business telepresence capabilities. There are several important aspects to using telepresence as a B2B tool. First, the solution should be capable of basic firewall traversal to provide access to partners, suppliers, and other locations. Second, the solution should provide interoperability between different types of video endpoints, such as backwards compatibility with room-based and PC-based video endpoints. Third, these video solutions should also be able to connect to non-video endpoints such as cell phones and softphones for those who are unable to participate via video. Finally, these telepresence solutions should be

interoperable with solutions from other vendors. This type of interoperability is typically enabled through gateways that help enable video discussions between standards-compliant vendors. Best-in-Class organizations have thought about all of the aspects of business-to-business video collaboration and have prepared accordingly while Laggards are still living in an insular and proprietary island of video (Figure 2).

Figure 2: Best-in-Class Support a B2B Telepresence Approach



Source: Aberdeen Group, March 2011

One of the greatest challenges to videoconferencing a decade ago was simply to set up the equipment and ensure that a proper connection could be made. Today, telepresence can be provided in several different ways to make sure that this challenge is mitigated. First, telepresence can be set up as a scheduled and automated dialup, meaning that employees simply have to show up at the right place at the right time to start a meeting. Regardless of if an employee is trying to schedule a PC-based or room-based telepresence experience, this ease of scheduling takes away end-user concerns around proper setup and management of the endpoint.

For those who are more comfortable with initiating their own meetings, 68% of Best-in-Class companies provide the option of unscheduled and ad-hoc telepresence. In these use cases, telepresence becomes a next-generation telephony device that allows employees to call up relevant contacts both within and outside the organization. This type of setup is especially useful for job functions requiring ad-hoc collaboration, such as service, sales, and IT departments.

Finally, an emerging best practice is for companies to integrate telepresence into a strategic meetings management initiative. By providing telepresence as a potential option to physical travel, companies can have a viable alternative for employees who may never have seriously considered video

"Telepresence has resulted in improved collaboration culture by providing the ability to access specialized resources as and when required, either for direct service delivery to clients or timely input to planning and problem resolution processes."

~ IT Manager, Government

collaboration. Best-in-Class companies focus on the ability to make telepresence viable and accessible to line-of-business end users.

Scaling Cultural Adoption to Maximize Value

Obtaining technical excellence is an important step to gaining value from telepresence, but true business value is ultimately predicated on effectively using the technology. Employees need to get involved, learn to use telepresence, and then adapt the technology to their own needs. Best-in-Class companies encourage this in several ways that have allowed them to maximize ROI and improve revenue growth related to their telepresence deployments.

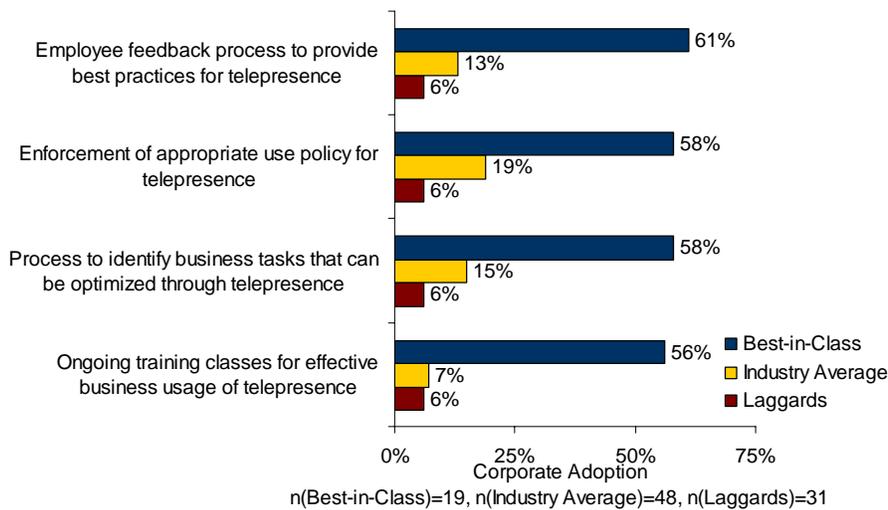
A key strategy to enabling effective telepresence is to create a culture predicated on sharing and training best practices in using telepresence. This culture includes both informal and formal methods of providing and receiving feedback. Best-in-Class organizations start with a focus on identifying business processes that can be optimized. This alignment is important when employees are being educated on the use of telepresence because it provides context for employees to better understand why they should use their telepresence tools. Once these employees are trained, Best-in-Class companies also seek feedback from these employees to make sure that best practices are shared throughout the company.

Successful telepresence users also make sure that their telepresence deployment is used in compliance with appropriate industry and corporate standards. For instance, telepresence calls should be held with the same security and compliance precautions as any face-to-face meeting and any telephone call typically made in the organization.

To make sure that these formal policies and informally discovered best practices are shared throughout the organization, a majority of Best-in-Class companies have ongoing classes to teach employees about best practices in telepresence. Initial classes may focus on basic technical usage and top governance, risk management, and compliance (GRC) concerns, but advanced classes dive into core business needs, such as accelerating remote product development, keeping global project implementations in scope, or closing a remote sale.

Although the technical aspects of telepresence were important, this culture of training and iterative improvement ended up being even more important to achieving Best-in-Class success as less than 20% of industry Average companies and less than 10% of Laggards had any of these training capabilities (Figure 3).

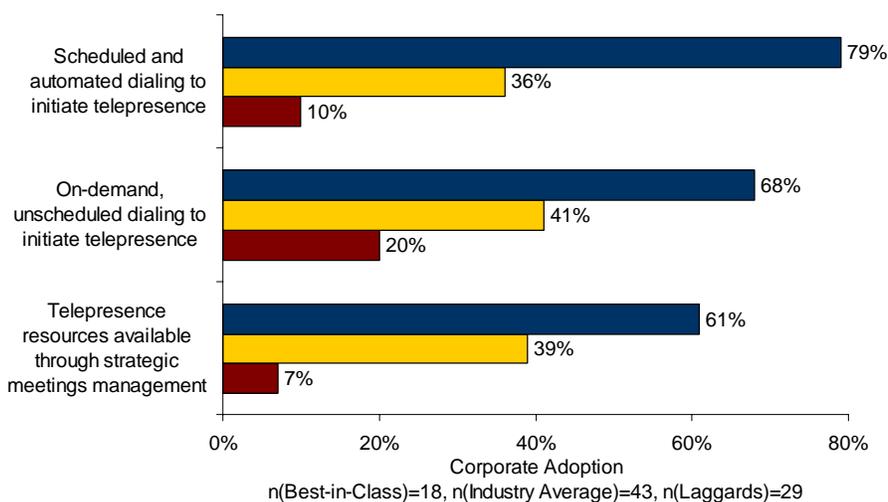
Figure 3: Training is Vital to Unlocking Telepresence Value



Source: Aberdeen Group, March 2011

In addition to training, companies must focus on the ability for employees to access telepresence solutions. 37% of all respondents stated that one of their top two strategies for deploying telepresence was to improve employee access to telepresence resources. To do so, companies need to allow the end user to easily schedule telepresence rooms and services. To make this effort easier, Best-in-Class companies provide multiple options for their employees to effectively schedule their meetings both as a standalone technology and through other enterprise technologies and software packages such as strategic meetings management and unified communications packages (Figure 4).

Figure 4: Adoption Rates for Scheduling Telepresence



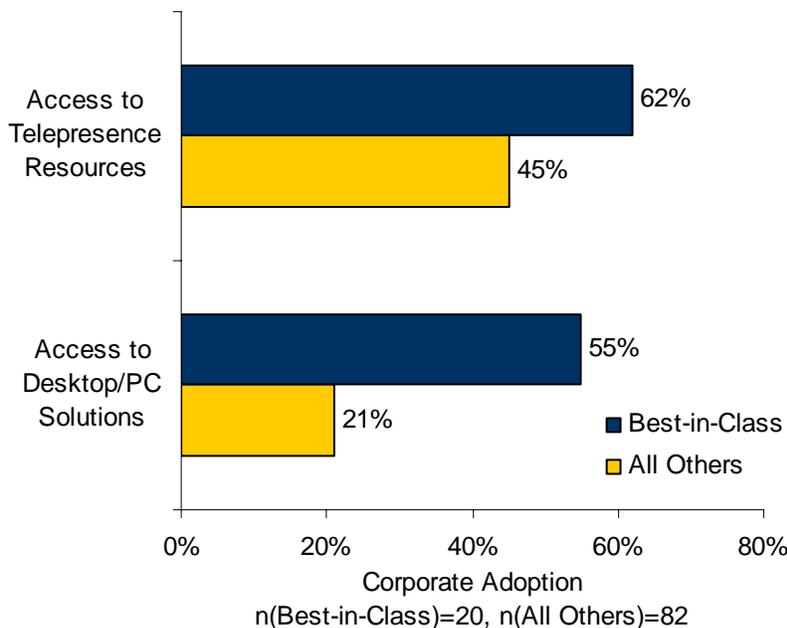
Source: Aberdeen Group, November 2010

Once the meeting was scheduled, Best-in-Class companies were far more likely to make it easy to start a telepresence session. 50% of Best-in-Class companies integrated telepresence into a unified communications platform to ensure that initiating telepresence would be as simple as making a phone call or writing an email. In comparison, only 15% of non-Best-in-Class companies had this same ability. This ease-of-use in both scheduling and using telepresence ended up being key aspects of gaining value from a telepresence solution.

Companies integrating telepresence into a unified communications environment also gained additional benefits from using telepresence as a standard communications channel. A majority of Best-in-Class organizations (53%) were able to send calls and sessions initiated by telepresence to other video and voice-based endpoints. These Best-in-Class companies were also twice as likely as all other organizations to use video in association with web conferencing solutions. This integration of video and other communications channels provided backwards compatibility, which added greater value to telepresence investments.

When Aberdeen defined Best-in-Class behavior, it did not take adoption into account. In theory, companies gaining ROI and improving revenue through telepresence could have had a very targeted and prioritized approach to providing access to telepresence. However, the reality is that companies excelling in these areas had a marked difference in employee adoption rates compared to companies that struggled to define ROI (Figure 5).

Figure 5: Percentage of Employees with Access to Video



Source: Aberdeen Group, March 2011

Best-in-Class companies tended to give telepresence access to a majority of their employees and a third of them had full telepresence coverage for 100% of employees. In comparison, only 45% of employees at All Other companies, representing the bottom 80% of respondents, had access to telepresence and only 21% of those employees had access to a desktop or PC solution at their desk. This lack of adoption is indicative of an organization that has not given itself a chance to optimize its investment.

Although some of these adoption rates may be due to the longevity of a deployment, consider that only 24% of Best-in-Class companies had been using telepresence for more than five years compared to 17% of All Other companies. Best-in-Class companies simply ramped up their usage more quickly than other organizations and discovered how to use telepresence as a competitive advantage.

Key Insight - Maximizing Business Telepresence Value

Companies seeking to gain the full value of telepresence must not keep their focus strictly on the cost and time savings associated with travel, but must understand how telepresence works as an enabler for Business Transformation. To do this, companies must focus on specific business departments and initiatives that face challenges with collaboration, create the business case, define the parameters of success, create a reliable technological environment, and attract adoption to a technology. By taking this step-by-step approach, companies can gain a greater understanding of the true value of telepresence as a transformation agent in the business.

By doing so, the business stands to gain the following benefits:

- Improved understanding of how technology should be used to achieve strategic and tactical goals.
- Justification of an IT investment going beyond pure infrastructure optimization and travel reduction
- Reduced needs for ongoing support based on a proactive approach to deployment and infrastructure
- Greater internal and external collaboration
- Improved relationships with partners and suppliers
- Accelerated sales, especially for complex or multi-part sales processes
- Improved on boarding and skill upgrades
- Alignment of remote and distributed teams working on key strategic initiatives
- Greater clarity of strategic vision throughout the company

Telepresence is no longer just a technological proof-of-concept or science fiction; it is a mature technology that can be associated with business value throughout the enterprise. As Best-in-Class organizations have shown, the

value of telepresence is not just qualitative; it is now both quantitative and associated with top-line growth.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research	
<u>Unified Communications: Unleashing Transformation, Efficiency, Collaboration, and Compliance</u> ; March 2010	<u>Lights, Camera, Action: Video Enabled Talent Acquisition Takes Center Stage</u> ; December 2010
<u>Business-Class Video: Defining the Standard of Business Value</u> ; March 2010	<u>Video-Based Sales Training Adds to the Best-in-Class Tool Kit</u> ; December 2010
<u>Unified Communications: Improve Customer Satisfaction and Workforce Productivity</u> ; May 2010	<u>Extending APM: Managing Application Performance Inside and Outside the Corporate Firewall</u> ; December 2010
<u>Transforming Information Overflow to Improve Business Performance</u> ; August 2010	<u>Real Time Collaboration: Innovate Your Business and Increase Revenue</u> ; February 2011
<u>Telepresence and the Video Frontier</u> ; November 2010	<u>Supply Chain Visibility Excellence</u> ; February 2011
<u>Working with Multi-CAD? Overcome the Engineering Collaboration Bottleneck</u> ; December 2010	
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