Executive Summary

OVERVIEW
Unified communications can provide significant benefits to organizations of any size, including the ability for IT to manage all communications as a single entity, the ability for users to have a single interface into all of their communications functions, the ability for organizations to make faster decisions, and reduced overall costs because of the integration of today’s distinct communication silos into a single communications platform.

However, deploying, configuring and managing a unified communications system is no small feat. Issues like the up-front and ongoing costs of many unified communications solutions, the difficulty of justifying the technology to senior management, and lack of management buy-in – coupled with the negative impact of the recession on IT budgets – have all contributed to the somewhat slower than expected growth of unified communications.

KEY TAKEAWAYS
• Unified communications provides a number of benefits compared to the disparate collection of communication silos in use today. These benefits include the ability to integrate email, voice and instant messaging into a more cohesive communications system than most organizations have available to them today; faster corporate decision making; and lower overall costs because of the integration of IT and telephony functions into an integrated system.

• Microsoft Office Communications Server 2007 (OCS) and its successor, Lync Server, are becoming an increasingly important component of many organizations’ communications platforms and will become the dominant unified communications system in Exchange-enabled organizations.

• However, many organizations have yet to fully deploy OCS because they perceive it to be too expensive to deploy and/or too complicated to manage. Plus, many organizations lack the IT expertise to deploy OCS properly, and they lack both the IT expertise and staff to monitor and manage it.

• Consequently, many decision makers are looking to Microsoft Lync Server 2010, the next generation of the Microsoft unified communications family server series (originally code-named CS14) to be an easier and less expensive way of deploying unified communications. Even so, there continue to be a variety of unknowns surrounding OCS – and even more for Lync Server – that may continue to inhibit adoption of unified communications unless organizations can realize their benefits without the ongoing difficulties and expense of deployment and IT management inefficiencies.

BACKGROUND AND METHODOLOGY
Osterman Research conducted an in-depth survey of North American organizations in support of this white paper. The survey was conducted with 121 organizations in a wide range of industries during September 2010 that had a mean of more than 13,000 employees.
employees (the median was 1,100). Respondents to the online survey were queried about their opinions about the impact of unified communications, the penetration of these systems currently deployed in their organizations, and their views on various issues both enabling and inhibiting the growth of unified communications over the next few years. In addition, content from the Osterman Research report *Unified Communications Market Trends, 2010-2013* was also used in writing this white paper.

**ABOUT THIS WHITE PAPER**
This white paper discusses the results of the survey mentioned above, as well as the various benefits and challenges that organizations face as they attempt to deploy unified communications – and Microsoft solutions – in particular. The paper also provides a brief overview of the sponsor’s (Azaleos Corporation) OCS/Lync Server service offerings.

### The Importance of Unified Communications

Unified communications is becoming a more top of mind priority for many IT and business decision makers because of the benefits that it offers, even in small organizations:

- The ability for users to launch a Web conference, audio conference or videoconference easily and from within another communications tool, thereby enhancing their productivity.

- The ability to integrate email, voice and instant messaging into a more cohesive communications experience than most users have available to them today.

- Potentially faster decision-making because all of the data that users and organizations need is available on any platform (desktop, laptop, smartphone, home computer, etc.). This permits users to communicate with others inside and outside their organization more easily and more quickly.

- Reduced overall IT and telecommunications costs, particularly for labor, because of the inherent economies of scale available with an integrated communications platform.

However, one of the key issues that organizations will need to resolve is where to start deploying unified communications. For example, should an organization use its existing PBX as the starting point and then add capabilities like video conferencing, email, mobility and presence into that infrastructure? Should it begin with its email system and then slowly add IM /presence, audio conferencing and then finally enterprise voice into the mix? Should it choose a middle route and preserve its email and PBX infrastructures as they are now and simply “glue” them together to provide unified communications capabilities?

Further complicating the decision is the fact that there are different ways of deploying unified communications systems: completely on-premise; using a public cloud based software-as-a-service (SaaS) model; as a managed service in which infrastructure is in a
private cloud and/or on-premise but management is remote; or a combination of these approaches.

The decision about deploying unified communications and how to manage it is not an easy one and will often involve some resolution of philosophical differences between decision makers. The decision will sometimes be a “political” one as email- and telephony-oriented decision makers decide who will manage the project – the IT group, the telecom group or some task force comprised of members drawn from both. The decision will also be guided by an organization’s legacy investments in email and PBX systems – a key issue, since organizations are unlikely to be at a point at which both systems are in need of a major upgrade simultaneously. Add to this the fact that in a difficult economy, IT and telecom budgets are often being cut or holding steady. Then, factor in the cost savings and gains in employee productivity that organizations will realize from unified communications and the decision becomes all the more complicated. Last, but not least, is the sometimes-conflicting information that decision makers hear from vendors who emphasize different aspects of the unified communications problem and who are coming at the problem from various philosophical viewpoints.

ADOPTION OF UC FEATURES AND FUNCTIONS TODAY
Our research found fairly significant penetration of various unified communications systems, including Web conferencing, audio conferencing and real-time communications. It is important to note that the data in the figure below does not represent the penetration of these capabilities into the overall enterprise user base, but rather the proportion of organizations that have deployed these capabilities for at least some of their users.

Penetration of Various Unified Communications Capabilities

![Penetration of Various Unified Communications Capabilities](image)
WHAT IS DRIVING THE ADOPTION OF UC?

There are a number of important factors driving organizations to adopt unified communications. For example, 71% of survey respondents cite improved collaboration between employees and others as a driver or important driver in their decision to adopt unified communications. Other drivers include improved employee productivity (68%), cost savings provided by enterprise voice (56%), and cost savings from decreased travel (53%).

Organizations are also interested in a variety of specific capabilities that can be deployed in the context of their unified communications systems. For example, a study conducted by Osterman Research in August 2010 found that for 75% of organizations telephony/voice services are driving the move to unified communications, while 50% are being driven to unified communications by both enterprise instant messaging capabilities and the ability to conduct videoconferences in unified communications systems. Further, the survey conducted for this white paper found that enterprise voice, instant messaging and Web conferencing are all key drivers in the migration to unified communications systems, cited by 48% to 58% of respondents as drivers or significant drivers.

DOES UC REALLY HAVE ANY IMPACT?

In a word, yes. Our research found that in 7% of the organizations that are using any sort of unified communications system it has had a major impact on the way that employees work compared to their previous, pre-UC environment. An additional 22% told us that unified communications has had a significant impact on users' work capabilities; only 9% of organizations report no changes from their use of unified communications. In addition to productivity impacts, there is also a noticeable email affect. Six percent (6%) of employees that are using unified communications use email much less now than they did before, while email use is a “bit lower” for 32%.

PLATFORMS BEING DEPLOYED

Our research found that penetration of OCS has grown significantly over the past year, increasing from 16% of the user base at the organizations surveyed in 2009 to 21% in 2010. Although OCS has the greatest penetration thus far, growth for other unified communications platforms has also increased over the past year, including Cisco’s unified communications solutions, Lotus Sametime, Skype, Google Talk and ShoreTel. Perhaps indicating an additional growing interest in OCS among organizations that are not using OCS today, 17% had conducted some sort of pilot program for OCS during the past 18 months or they are doing so at present.
COMPARING OCS 2007 WITH LYNC SERVER 2010

We also queried organizations about their expectations for the differences between OCS 2007 and Lync Server. Despite the fact that Lync is not yet widely understood by many decision makers, we found that there are many new capabilities in Lync that will make it more palatable to decision makers than OCS 2007. For example:

- 57% anticipate that the virtualization support in Lync, allowing almost all Lync server roles to be run as virtual machines, will make Lync more acceptable to decision makers.
- 54% expect that Lync’s requirement for fewer physical servers (many configurations will require only one physical server vs. four with OCS 2007) will make it a better choice.
- 51% expect the use of a single client for every service (instant messaging, presence, voice, voicemail, etc.) in Lync to be more desirable than the separation between the Communicator client and the LiveMeeting client as is the case in OCS 2007.

Among the enhancements to Lync that will have the least impact on decision makers’ motivation to deploy the platform will be the Silverlight-based Communicator Web client, the expanded “contact card” information, the improved Silverlight-based admin control (configuration, routing and policy rules), and the new media bypass configuration that reduces the need and expense for an additional Mediation Server to connect to the PBX. It is important to note, however, that features cited as relatively unimportant may be
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details of Lync that are not all that well understood today, but that will become more important as decision makers evaluate Lync further.

SOME WILL DEPLOY LYNC SERVER QUICKLY
Our research found that 5% of organizations will deploy Lync quickly – within three months after its introduction in late 2010 or early in 2011. Another 10% will do so within six months of Lync’s introduction and another 15% will do so within a year after its introduction. All told, 30% plan to jump on board within the first year, post launch! Additionally, of the 41% who indicated that they have no plans to deploy, it would not be surprising for this number to decrease over the course of the next two to three months as new information regarding Lync Server is made available. We also found that among organizations that have adopted a unified communications solution, but not on the Microsoft OCS platform today, 23% will probably or definitely consider deploying Lync.

Planned Adoption of Lync Server

Factors Limiting Adoption of Unified Communications

THE RECESSION HAS IMPACTED UNIFIED COMMUNICATIONS
Not surprisingly, the single most important factor that has inhibited the adoption of OCS and other unified communications systems has been the lack of IT budget created by the recession: 58% of organizations that are using or had at one point evaluated OCS 2007 told that this is issue was an inhibitor or serious inhibitor to using the platform. We found similar results for non-OCS unified communications systems.
Other inhibitors to the deployment of OCS/Lync include the up-front cost of the solution (48%), the on-going cost of the solution (45%), the difficulty of finding a business case for which to justify OCS/Lync (42%) and lack of management buy-in (40%). Results were similar for non-OCS platforms, although more pronounced. For example, 54% of respondents indicated that the up-front cost of non-Microsoft unified communications solution was an inhibitor or serious inhibitor to the use of these solutions, while 61% cited on-going costs as this much of a factor.

**A SLIGHTLY BETTER PERCEPTION FOR OCS/LYNC?**

Our research showed that OCS/Lync is perceived as being somewhat less difficult to justify than some other unified communications platforms in the context of both up-front and ongoing costs, the level of IT expertise required to manage them, the ability to get management buy-in for deployment, and overall ease of use. However, the results also indicate that some other unified communications platforms cause fewer performance problems and friction between the IT and telephony groups in the organizations that have either deployed or considered deploying these systems.

On balance, however, the results for both the OCS/Lync and non-OCS responses were largely similar and point to several significant issues that are potentially slowing the adoption of unified communications in many organizations, including a lack of IT budget related to the recession, the up-front cost of deployment and the ongoing cost of managing the system.

**THE NEED TO HIRE ADDITIONAL STAFF MEMBERS**

One of the inhibitors to adopting unified communications for many organizations is the need to hire additional IT personnel who possess unified communications expertise and experience. We found, for example, that 26% of organizations had to deploy additional staff (or they plan to deploy additional staff) to support their unified communications deployment. Not surprisingly, this would be a particularly difficult expense to justify in difficult economic times, especially in the large proportion of organizations that have cut back on their IT budgets.

However, the additional staff requirements (which are likely underestimated by many organizations) when deploying unified communications are only the tip of the iceberg. The complexity of unified communications systems and the new paradigm that they represent in many organizations, coupled with the wide array of functionality that they include, leads to costs that many organizations would like not to absorb.

**THE BOTTOM LINE**

Clearly, the current economic climate has taken its toll on the deployment of unified communications in many organizations: decision makers rightly perceive that unified communications can sometimes be difficult to implement as an on-premise or private cloud system and so many have not taken advantage of unified communications as a result. Many prospective OCS 2007 customers are looking to Lync Server with the expectation that the Microsoft “Version 3” effect and the new Lync features and functionality – including virtualization, the need for fewer servers and a single client to manage – will make unified communications more affordable and approachable than it is today.
Considering a Managed Service Approach

MOST WANT UNIFIED COMMUNICATIONS TO REMAIN ON-PREMISE...

Our research revealed that the vast majority of decision makers anticipate that their unified communications deployments will remain on-premise: 80% of unified communication systems are on-premise today and that figure will be 75% by early 2012, despite the gains for both private cloud and public cloud/SaaS deployments during this period.

Deployment Models for Unified Communications, 2010 and 2012

....BUT THERE IS LOTS OF UNCERTAINTY AND CONFUSION ABOUT CLOUD SOLUTIONS

Although the research revealed that organizations anticipate most of their unified communications functionality will remain on-premise for at least the near future, most organizations also told us that public cloud/SaaS-based unified communications solutions either offer the same level of functionality as their on-premise counterparts or they weren’t sure if this is the case. This reveals that many (possibly most) decision makers still lack much of the knowledge they will need to make a fully informed decision about public cloud/SaaS-based or managed solutions. It also reveals the relative lack of maturity in the decision making process by many organizations and the uncertainty about how unified communications functionality will ultimately be deployed.

Osterman Research believes that a greater proportion of unified communications will ultimately end up being deployed as cloud-based solutions than decision makers indicated in the figure above. We believe this will be due to two factors:
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• There is still much uncertainty about the details of deploying and managing unified communications. For example, many enterprises that would like to deploy VoIP/enterprise voice simply do not do so because it’s too hard to manage. As evidence of this, our research found that the cost savings from VoIP is a top-three business driver for deploying unified communications, but only one-half of current unified communication deployments actually implement voice services.

• As decision makers learn more about cloud-based unified communications solutions, their resistance to deploying this model for at least some of their users will ease and demand for the cloud will increase.

Summary

Unified communications has the potential of providing significant benefits to IT and end users alike. However, organizations find the costs associated with licensing, deploying and managing unified communications to be quite high as evidenced by the fact that the leading inhibitors to deployment are lack of budget, up-front costs and ongoing costs. Further, while many organizations want to deploy voice services as part of their unified communications solution, they find it too difficult to manage as evidenced by the relatively low penetration of voice in these systems. What organizations need is a way to realize the benefits of unified communications without the significant cost and expertise required to implement these solutions.

About Azaleos

Azaleos Corporation provides email, collaboration and unified communications services for organizations with private cloud, on-premise or mixed environment deployments. Azaleos’ 24x7 managed services for Microsoft Exchange, SharePoint, Active Directory, OCS/Lync Server, and BlackBerry Enterprise Server improve availability, security and performance, while reducing maintenance time and costs.

Hundreds of companies from Fortune 500 to mid-market enterprises rely on Azaleos to manage their unified communications infrastructures and address issues before users ever know they exist. A Microsoft Gold Certified partner and member of the National Systems Integrator program (NSI), Azaleos is one of Microsoft’s top 35 partners in the United States. Azaleos also works closely with key partners like Verizon Business and IBM to reduce costs and find the right-size solution for your business – from BPOS for customers with reduced customization and security needs to multi-site dedicated private cloud data centers. Azaleos’ managed solutions flex to fit your needs, NOT the other way around.

Azaleos’ Managed OCS/Lync Services assure the health and stability of your Microsoft Unified Communications system, covering IM/Presence, voice, video, web conferencing and enterprise voice telephony. Azaleos will help you improve performance, functionality and security while reducing cost and time spent on maintenance. Azaleos Managed OCS/Lync Services can reduce the total cost of ownership for OCS/Lync

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environments while providing a predictable monthly cost. CIOs get an SLA on their environment that’s supported by a team of experts 24 hours a day, 7 days a week for a fraction of the cost of doing it in-house.

Azaleos’ skilled group of UC experts deliver on organizational requirements quickly and effectively, enabling CIOs to extend IT department skillsets around key UC applications improving processes and systems for the business as a whole. Azaleos enables key IT resources to move beyond day-to-day reactive tactical tasks and focus on strategic initiatives that help employees and lines of business be more productive.