

A Forrester Total Economic  
Impact™ Study  
Commissioned By Polycom And  
Microsoft

Project Director:  
Bob Cormier,  
Vice President and  
Principal Consultant

August 2015

# The Total Economic Impact Of Polycom Voice Solutions For Skype For Business

Cost Savings And Business Benefits  
Attributed To Polycom Voice Solutions  
For Microsoft Lync And Skype For  
Business

FORRESTER®

## Table Of Contents

<b>Executive Summary .....</b>	<b>1</b>
<b>Disclosures .....</b>	<b>2</b>
<b>TEI Framework And Methodology .....</b>	<b>3</b>
<b>Analysis .....</b>	<b>4</b>
<b>Financial Summary .....</b>	<b>14</b>
<b>About Polycom Voice Solutions For Microsoft Lync: Overview .....</b>	<b>15</b>
<b>About Microsoft Skype For Business: Overview.....</b>	<b>16</b>
<b>Appendix A: Total Economic Impact™ Overview.....</b>	<b>17</b>
<b>Appendix B: Glossary.....</b>	<b>18</b>

### ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit [forrester.com/consulting](http://forrester.com/consulting).

---

© 2015, Forrester Research, Inc. All rights reserved. Unauthorized reproduction is strictly prohibited. Information is based on best available resources. Opinions reflect judgment at the time and are subject to change. Forrester®, Technographics®, Forrester Wave, RoleView, TechRadar, and Total Economic Impact are trademarks of Forrester Research, Inc. All other trademarks are the property of their respective companies. For additional information, go to [www.forrester.com](http://www.forrester.com).

---

## Executive Summary

In the summer of 2015, Polycom and Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study to examine the potential return on investment (ROI) enterprises may realize by deploying Polycom voice solutions for Microsoft Lync and subsequently upgrading to Skype for Business. The purpose of this study is to provide readers with a framework to evaluate the financial impact of the investment. To better understand the benefits, costs, risks, and flexibility options associated with an investment in Polycom voice solutions for Microsoft Lync, Forrester interviewed an existing customer (referred to as the *Organization* as anonymity was requested) that is using Polycom voice solutions for Microsoft Lync and will be upgrading to Skype for Business. Microsoft Lync and Skype for Business each provides presence information within email and business applications and promotes voice and video collaboration within virtual teams, and with customers and partners. Polycom extends the benefits of Lync's voice solutions with Polycom voice endpoints and enables collaboration experiences in multiple environments within the Microsoft Lync or Skype for Business interfaces.

Prior to Polycom voice solutions for Microsoft Lync, the *Organization* had deployed a number of Microsoft applications, including OCS 2007 (Office Communications Server), and had phones from several vendors, including Polycom, which resulted in a disjointed communication experience across the *Organization's* global employee base. With Polycom voice solutions for Microsoft Lync, the *Organization* was able to simplify communications, improve collaboration, increase productivity, and reduce hardware costs. Now the *Organization* will upgrade to Skype for Business, and the future benefits of this upgrade are discussed in the Flexibility section. For more information on Polycom's solutions, see the About Polycom Voice Solutions For Microsoft Lync And Skype For Business: Overview sections at end of this study.

### POLYCOM VOICE SOLUTIONS FOR SKYPE FOR BUSINESS AND MICROSOFT LYNC IMPROVE PRODUCTIVITY AND REDUCE COSTS

Our interviews and subsequent financial analysis found that the *Organization* experienced the risk-adjusted ROI, benefits, and costs shown in Figure 1.

The analysis points to risk-adjusted benefits of \$15,363,925 over three years versus implementation costs of \$7,774,160, equating to a net present value (NPV) of \$7,589,765. This translates to benefits of more than \$554 per user over three years, implementation costs of \$278 per user, and an NPV of \$276 per user.

**Polycom voice solutions for Microsoft Lync helped the *Organization* achieve the following benefits (risk- and present value [PV] adjusted) over three years:**

- **Improved productivity and collaboration: \$12,341,123.**
- **Employee relocation cost savings: \$452,351.**
- **Phone purchase and installation savings: \$1,988,182.**
- **Managed services cost savings: \$582,269.**
- **Total cost savings and benefits: \$15,363,925.**

**FIGURE 1**  
Financial Summary Showing Three-Year Risk-Adjusted Results

ROI:	Benefits:	Costs:	NPV
98%	\$15,363,925	(\$7,774,160)	\$7,589,765

Source: Forrester Research, Inc.

- › **Benefits.** The *Organization* experienced the following benefits, which totaled \$15,363,925 (risk- and PV-adjusted):
- **Improved productivity and collaboration savings (\$12,341,123).** Easier collaboration allows power users of Polycom voice solutions for Microsoft Lync to save 20 minutes per day. In 50% of cases, this saved time is put to productive use within the organization.
  - **Employee relocation cost savings (\$452,351).** With Polycom, the phones no longer need to be physically moved when a user relocates offices, saving IT staff \$30 per move.
  - **Phone purchase and installation cost savings (\$1,988,182).** Polycom phones allow cost savings on purchase and installation.
  - **Managed services cost savings (\$582,269).** The *Organization* reported that Polycom voice solutions for Microsoft Lync were easier to manage and maintain providing cost savings associated with third-party managed service maintenance contracts.
- › **Costs.** The *Organization* experienced the following costs, which totaled \$7,774,160 (PV-adjusted):
- **Phone purchase and Lync license costs (\$4,665,316).** The costs to purchase various Lync-enabled Polycom phones. It also includes a one-time Lync license fee of \$9.00 (paid to Polycom) for each VVX model phone.
  - **Ongoing platform maintenance costs (third-party managed services company) (\$2,821,187).** These include third-party costs for ongoing administration and maintenance of the solution, totaling \$3.5 million over three years.
  - **Professional services costs — Polycom (\$287,657).** These include project management and implementation services provided by Polycom, and initial end user device deployment.

If risk-adjusted costs and benefits still demonstrate a compelling business case, it raises confidence that the investment is likely to succeed because the risks that threaten the project have been taken into consideration and quantified. The risk-adjusted numbers should be taken as “realistic” expectations, as they represent the expected value considering risk. Assuming normal success at mitigating risk, the risk-adjusted numbers should more closely reflect the expected outcome of the investment.

## Disclosures

The reader should be aware of the following:

- › The study is commissioned by Polycom and Microsoft and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.
- › Forrester makes no assumptions as to the potential return on investment that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the study to determine the appropriateness of an investment in Polycom voice solutions for Microsoft Lync or Skype for Business.
- › Polycom reviewed and provided feedback to Forrester, but Forrester maintained editorial control over the study and its findings and did not accept changes to the study that contradict Forrester’s findings or obscure the meaning of the study.
- › The customer name for the interviews was provided by Polycom. Polycom did not participate in the customer interviews.

## TEI Framework And Methodology

### INTRODUCTION

From the information provided in the interviews, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing Polycom voice solutions for Microsoft Lync with a future upgrade to Skype for Business. The objective of the framework is to identify the benefits, costs, flexibility, and risk factors that affect the investment decision.

### APPROACH AND METHODOLOGY

Forrester employed four fundamental elements of TEI in modeling Polycom voice solutions for Microsoft Lync: benefits, costs, flexibility, and risks.

Forrester took a multistep approach to evaluate the impact that Polycom voice solutions for Microsoft Lync can have on the interviewed *Organization* (see Figure 2). Specifically, we:

- › Interviewed Polycom and Microsoft marketing, sales, and product management personnel, along with Forrester analysts, to better understand the value proposition for Polycom voice solutions for Microsoft Lync and Skype for Business.
- › Conducted in-depth interviews with the director of unified communications of the *Organization* to obtain data with respect to costs, benefits, risks, and flexibility options.
- › Constructed a financial model representative of the interviews using the TEI methodology. The financial model is populated with the cost and benefit data obtained from the interviews.
- › Risk adjustment is a key part of the TEI methodology. While the interviewed *Organization* provided cost and benefit estimates, some categories included a broad range of responses or had a number of outside forces that might have impacted costs and benefits higher or lower. For that reason, benefit totals have been risk-adjusted and are detailed in each relevant section.

Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

**FIGURE 2**  
TEI Approach



Source: Forrester Research, Inc.

## Analysis

### THE INTERVIEWED ORGANIZATION

For this study, we conducted interviews with the *Organization's* director of unified communications.

- › The *Organization* is a global biotechnology company headquartered in the United States that researches and manufactures medicine.
- › The *Organization* has been using Microsoft Lync and Polycom phones for approximately three years, with the ability of employees to make voice calls using Lync over the past year. The *Organization* had deployed the solution to 3,000 users in Year 1 of our analysis, and anticipates having 24,000 Polycom voice devices, with a total of 28,000 Lync users (employees and contractors) having enterprise voice capability at the end of Year 2.
- › The *Organization* currently uses Microsoft Exchange, Outlook, Office Communicator, and Lync 2010. For its enterprise voice deployment, it first introduced Microsoft Live Communications Server (presence, instant messaging), then Microsoft OCS, and then Microsoft Lync. It added web and audioconferencing and screen sharing in Year 1 of our analysis.

### INTERVIEW HIGHLIGHTS

#### *Situation*

After an extensive RFP and business case process evaluating multiple vendors, the *Organization* selected Polycom voice solutions for Microsoft Lync for its ability to simplify collaboration across its global staff using one UC platform for voice communications.

Before the Polycom decision, the *Organization* had made numerous investments in Microsoft applications and wanted a way to streamline communications throughout its 28,000 employee global user base without increasing UC complexity.

- › Prior to deploying the current solution, the *Organization* had a mix of Polycom and other branded phones and headsets. The *Organization* is moving exclusively to Polycom phones because they are an always-on device that eliminates the dependence on users' computers as required by headsets. Prior to deploying Polycom phones, reliance on headsets saw call quality and connection issues that have since been resolved with the use of Polycom phones with their separate processing power. Polycom is able to provide an all-in-one vendor solution, including Lync compatible phone devices for desks, common areas, and conference rooms.
- › The *Organization* also describes ease of use and access as a key benefit of using Polycom phones in conjunction with Microsoft Lync. Polycom's devices work directly with commonly used Microsoft applications, including Lync, SharePoint, Office, and Active Directory. This provides an intuitive communications experience, allowing users to connect and collaborate regardless of location or device.
- › Standardizing across the *Organization* on a single UC platform, combined with the ease of configuration and management of the joint Polycom Lync solution, has provided staff cost savings in the areas of installation, maintenance, and user relocation.

---

*“To enable and simplify collaboration by our global staff, partners, and customers anywhere, anytime, from almost any device. That was the end goal.”*

~Director of unified communications, the *Organization*

---

### *Solution And Deployment Schedule*

The *Organization* selected Polycom voice endpoints for Microsoft Lync for their ability to simplify collaboration across its global staff using one UC platform for voice communications.

- › In Year 1 of our analysis, Polycom voice solutions for Microsoft Lync were deployed to 3,000 users within the *Organization*.
- › At the end of Year 1 the *Organization* invested in approximately 17,853 additional phones along with professional services expertise to aid in implementation, in order to extend the joint UC solution to additional users.
- › During Year 2, the *Organization* will purchase 3,957 additional phones for a total of 24,000 phones deployed across the enterprise in support of 28,000 Lync users.
- › The *Organization* expects to complete deployment of 24,000 Polycom phones during and by the end of Year 2 of our analysis.

### *Results*

The interviews revealed that:

- › **Introducing Polycom devices to the Lync environment provides an important alternative to headset use.** Prior to introducing Polycom phones, the headset-only deployment of Lync had issues with call quality and connection reliability. Additionally, users relied on their PCs to make calls, so time would be lost waiting for their PCs to reboot following meetings or upon arrival to the office. Introducing Polycom devices not only mitigated connection issues, but also provided a separate device that could be used to view presence indicators and access contact information so that calls could be made without reliance on a PC.
- › **Moving to a single communication environment reduces complexity and costs.** With the combined Polycom and Lync solution, the various ways users connect are integrated into a single, more manageable environment. Fewer on-site IT staff are needed due to Lync enabled Polycom devices making user moves and changes much simpler to manage. Previously, office relocations required IT staff to be on-site to physically move the phones. With Lync enabled devices, users simply sign out of their old location's device and sign into the new location, reducing the need for on-site IT staff support and saving the *Organization* \$30 per move or change.
- › **The Lync solution has been well received within the *Organization* and increasing productivity and collaboration.** The *Organization* reported that user experience with Lync has been overwhelmingly positive. With Lync, users can choose the best way to connect based on presence/status indicators so there are fewer missed calls and voicemails, and IM can be used to avoid short calls. Remote and traveling workers are connecting to coworkers via Lync, potentially saving telephony costs, including long-distance fees (not quantified for this study). Using VoIP, Lync can route calls over the corporate data network or over the Internet. With the further expansion of Lync enabled Polycom devices, the *Organization* is anticipating increasing productivity savings and overall collaboration as more users are added to the platform.

---

*“With Lync-enabled devices, the user simply signs out of their old location’s device and signs into the new location, reducing the need for on-site IT staff support and saving the organization \$30 per move or change.”*

~Director of unified communications, the *Organization*

---

## BENEFITS

The *Organization* experienced four quantified benefits in this case study:

- › Improved productivity and collaboration.
- › Employee relocation cost savings.
- › Phone purchase and installation cost savings.
- › Managed service cost savings.

Other important benefits mentioned by the *Organization* include ease of access as Polycom devices work directly with Microsoft applications, as well as a “coolness factor” associated with the use of the Lync environment by users.

### + Improved Productivity And Collaboration

The *Organization* achieved improved productivity resulting from streamlined communications both internally and externally. The joint Polycom and Microsoft solution offers several time-saving functionalities that when combined can save up to 20 minutes per day for each “power” user. These include the ability to quickly find and connect with the right contact and the ability to use Polycom phones to connect when the user cannot access their PC quickly. Additionally, Lync’s presence capability displays coworkers’ availability, helping users choose the best way to connect, and reducing missed calls and voicemails. External collaboration is also made easier through desktop sharing when the external parties are federated with Lync. Overall, collaboration is made easier as all the methods used to connect with other users are streamlined into one environment using a single identity and presence across PCs, phone, and the Internet.

The *Organization* has made Polycom devices available to 3,000 users in Year 1; and for all 28,000 users by the end of Year 2. For Year 2 benefit calculation purposes, we’ll use an average of 12,500  $([28,000-3,000]/2)$  users throughout Year 2. By Year 3, all 28,000 users will have Polycom devices available to them. However, the productivity benefits calculated in this study are limited to the 20% of the employee population considered “power” users who will save an average of 20 minutes per day. Forrester acknowledges that these time savings may not always be used productively; therefore, we assume that 50% of the saved time is “captured” for ongoing productive use. See Table 1 for benefit calculations.

Productivity and collaboration benefits are very much dependent on how quickly and frequently the users leverage the functionality provided by the solution. To adjust for the learning curve, employee turnover, etc., this benefit was risk-adjusted (reduced) by 13% in Table 1. See the section on Risks for more detail.

**TABLE 1**  
**Improved Productivity And Collaboration Savings**

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
A1	Average number of employees with Polycom/Lync voice enabled		3,000	12,500	28,000
A2	Number of power users	A1*20%	600	2,500	5,600
A3	Hourly wage		\$48	\$48	\$48
A4	Time saved with Polycom devices and Lync (hours per day)		0.333	0.333	0.333
A5	Days per year		260	260	260
A6	Productivity percent captured		50%	50%	50%
At	Productivity benefit (not risk-adjusted)	A2*A3*A4*A5*A6	\$1,125,000	\$5,200,000	\$11,648,000
	Risk adjustment		↓13%		
Atr	Productivity benefit (risk-adjusted)		\$1,087,500	\$4,524,000	\$10,133,760

Source: Forrester Research, Inc.

### ★ Employee Relocation Cost Savings

The *Organization* indicated that a key benefit from the Polycom voice solutions for Microsoft Lync was a reduction in time spent on employee moves and changes. With the previous solution, a ticket was created to move or change the physical phone from its existing location to the new location. With the joint Polycom Lync solution, when users change location they simply sign out of their existing phone and sign in to their new location's phone. There is no longer a need to physically move the phone, therefore reducing the IT support costs associated with moves and changes. The *Organization* reported savings of \$30 per move or change.

Across organizations, the number of moves or changes per employee can vary. For this study, we assume that the average Polycom phone user (device) moves every 24 months (see Table 2). The risk-adjusted total benefit resulting from relocation cost savings over the three years was \$574,725. See the section on Risks for more detail.

**TABLE 2**  
**Employee Relocation Cost Savings**

Ref.	Metric	Calculation	Year1	Year2	Year3
B1	Employees and contractors		28,000	28,000	28,000
B2	Average number of Polycom devices		3,000	12,500	24,000
B3	Number of moves per year per device	Every 24 months	0.50	0.50	0.50
B4	Cost savings per move		\$30	\$30	\$30
Bt	Relocation cost savings (not risk-adjusted)	$B2*B3*B4$	\$45,000	\$187,500	\$360,000
	Risk adjustment		↓3%		
Btr	Relocation cost savings (risk-adjusted)		\$43,650	\$181,875	\$349,200

Source: Forrester Research, Inc.

### ★ Phone Purchase And Installation Cost Savings

The *Organization* reported an average per unit cost savings of \$75 per Polycom phone when compared to other comparable phones. In Year 1, the *Organization* purchased 3,000 phones; in Year 2, it purchased 21,000 phones; and there are no phones scheduled to be purchased in Year 3. In addition, Polycom phones were easier to install, on average saving one-half hour or \$24 per installation. See Table 3 for details.

**TABLE 3**  
**Phone Purchase And Installation Cost Savings**

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
C1	Number of phones purchased		3,000	21,000	0
C2	Average cost savings per phone purchase		\$75	\$75	-
C3	Cost savings on phones	$C1*C2$	\$225,000	\$1,575,000	-
C4	One-half hour savings for reduced installation time per phone		\$24	\$24	-
C5	Cost savings for reduced installation time	$C1*C4$	\$72,000	\$504,000	-
Ct	Total phone purchase and installation cost savings (not risk-adjusted)	$C3+C5$	\$297,000	\$2,079,000	\$0

Source: Forrester Research, Inc.

### ★ Managed Service Cost Savings

The *Organization* was able to reduce its third-party managed service contract fees associated with supporting the overall UC environment. This is a result of the joint Polycom Lync solution being easier to manage due to minimal changes to the feature sets included on the phones, as well as cost avoidance in the administrative maintenance and licensing costs for avoiding multiple communications platforms. Additionally, adding new users will be automatic from Active Directory, and the *Organization* is looking to automate further by provisioning the voice solution automatically at the same time. In Year 2, this third-party managed service savings is estimated to be \$250,000, increasing in Year 3 to \$500,000 as the solution is fully deployed. (The *Organization* reported zero savings in the Year 1 as it was still using multiple phone vendors.)

**TABLE 4**  
**Managed Service Cost Savings**

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
Dt	Reduced managed service contract fees (not risk-adjusted)		\$0	\$250,000	\$500,000

Source: Forrester Research, Inc.

### Total Benefits

Table 5 shows the total of all benefits, as well as present values (PVs) discounted at 10%. Over three years, the *Organization* expects risk-adjusted total benefits to be a PV of \$15,363,925.

**TABLE 5**  
**Total Benefits (Risk-Adjusted)**

Benefit	Year 1	Year 2	Year 3	Total	Present value
Improved productivity and collaboration	\$1,087,500	\$4,524,000	\$10,133,760	\$15,745,260	\$12,341,123
Relocation cost savings	\$43,650	\$181,875	\$349,200	\$574,725	\$452,351
Phone purchase and installation cost savings	\$297,000	\$2,079,000	\$0	\$2,376,000	\$1,988,182
Managed service cost savings	\$0	\$250,000	\$500,000	\$750,000	\$582,269
<b>Total benefits</b>	<b>\$1,428,150</b>	<b>\$7,034,875</b>	<b>\$10,982,960</b>	<b>\$19,445,985</b>	<b>\$15,363,925</b>

Source: Forrester Research, Inc.

## COSTS

The *Organization* incurred costs in three categories associated with Polycom voice solutions for Microsoft Lync:

- › Phone purchase and Lync license costs.
- › Ongoing platform maintenance costs (third-party managed services company).
- › Professional services costs — Polycom.

These represent costs experienced by the *Organization* for purchase and deployment of Lync enabled phones and ongoing maintenance associated with the solution.

### ☛ Phone Purchase And Lync License Costs

Prior to investing in Polycom phones, the *Organization* had been deploying Lync using a headset-only approach. Due to call quality and connection issues, the *Organization* moved to Polycom phones because they are separate, always-on devices and because the Polycom suite of phones offered an all-in-one solution that includes desktop, common area, and conference phones. The *Organization* invested first in the CX desktop and conference phones, and is currently deploying the VVX desktop phones with plans to have a VVX phones on the remaining desks and conference rooms by the end of Year 2. VVX phones (and not CX phones) incur a Lync license (perpetual) cost that we have incorporated into the costs in Table 6.

**TABLE 6**  
Phone Purchase And Lync License Costs

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
Et	Phone purchase and Lync license costs (not risk adjusted)		\$587,587	\$3,703,275	\$860,450	\$0

Source: Forrester Research, Inc.

### ☛ Ongoing Platform Maintenance Costs (Third-Party Managed Services Company)

Each year, the *Organization* contracts with a managed service company for ongoing administration and management of the Polycom voice solution platform. In Year 1, the Polycom and Lync solution is deployed to 3,000 users. In Years 2 and 3, the ongoing maintenance costs increase significantly from \$500,000 in Year 1 to \$1,500,000 in Years 2 and 3 as the number of phones in the environment increase substantially to 24,000 globally, and Lync voice capabilities are expanded to the entire employee base (see Table 7).

**TABLE 7**  
Ongoing Platform Maintenance Costs (Third-Party Managed Services Company)

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
Gt	Ongoing platform maintenance costs (not risk adjusted)		\$500,000	\$1,500,000	\$1,500,000

Source: Forrester Research, Inc.

## Professional Services Costs — Polycom

The *Organization* invested in professional services support through both Polycom and a third party. These services include project management, implementation services, and end user device deployment. The end user device deployment costs are a cost per phone for a third party to be on-site to ensure that users have properly set up their new phones and are able to use the phones features (see Table 8).

**TABLE 8**  
Professional Services Costs — Polycom

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
H1	Project management		\$8,300	\$0	\$0
H2	Implementation services		\$9,895	\$0	\$0
H3	Initial phone deployment to desks		\$9,000	\$318,150	\$0
Ht	Professional services costs (not risk-adjusted)	H1+H2+H3	\$27,195	\$318,150	\$0

Source: Forrester Research, Inc.

## Total Costs

Table 9 shows the total of all costs as well as associated present values, discounted at 10%. Over three years, the *Organization* expects costs to total just under \$9,000,000, with a present value of \$7,774,160. Forrester chose to not risk-adjust costs because the *Organization* had received fixed price quotes for a vast majority of the costs.

**TABLE 9**  
Total Costs (Costs Were Not Risk-Adjusted Due To Vendor Fixed Quotes)

Cost	Initial	Year 1	Year 2	Year 3	Total	Present value
Phone purchase and Lync license costs	\$587,587	\$3,703,275	\$860,450	\$0	\$5,151,312	\$4,665,316
Ongoing platform maintenance costs	\$0	\$500,000	\$1,500,000	\$1,500,000	\$3,500,000	\$2,821,187
Professional services costs — Polycom	\$0	\$27,195	\$318,150	\$0	\$345,345	\$287,657
<b>Total costs</b>	<b>\$587,587</b>	<b>\$4,230,470</b>	<b>\$2,678,600</b>	<b>\$1,500,000</b>	<b>\$8,996,657</b>	<b>\$7,774,160</b>

Source: Forrester Research, Inc.

## FLEXIBILITY

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for some future additional investment. This provides an organization with the “right” or the ability to engage in future

initiatives but not the obligation to do so. Our *Organization* is already using Microsoft Lync and can therefore easily upgrade to Skype for Business. Potential flexibility option benefits that can be realized with this upgrade include:

- › Direct integration of Polycom RealPresence video solutions with Microsoft UC platforms for high-quality user experiences in rooms such as huddle rooms and immersive telepresence rooms.
- › Introduction of new types of Skype for Business devices to address various room needs, with each room having Polycom audio and video capabilities.
- › Implementation of installed audio solutions to deliver clear, immersive sound for productive voice and videoconferencing for rooms of all sizes, including boardrooms, auditoriums, and theatres.
- › Migration to Office 365 Online with the Polycom VVX series supporting public switched telephone network (PSTN) calling.
- › Seamless connection of Skype for Business with other video environments with Polycom RealConnect.

The value of flexibility options is clearly unique to each customer, and the measure of their value varies from organization to organization. For the purpose of this analysis, we have assumed that the *Organization* sees future value in upgrading to Skype for Business, although the customer was not able to calculate the benefits at this time. The value of the flexibility option (when calculated) is based on the Black-Scholes Option Pricing model. (For information regarding the flexibility calculation, please see Appendix A.)

## RISKS

Forrester defines two types of risk associated with this analysis: “implementation risk” and “impact risk.” Implementation risk is the risk that a proposed investment in Polycom voice solutions for Microsoft Lync may deviate from the original or expected requirements, resulting in higher costs than anticipated. “Impact risk” refers to the risk that the business or technology needs of the organization may not be met by the investment in Polycom voice solutions for Microsoft Lync, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for cost and benefit estimates. Note: Forrester chose to not risk-adjust costs because the *Organization* had received fixed price quotes for a vast majority of the costs.

**TABLE 10**  
**Benefit And Cost Risk Adjustments**

Benefits	Adjustment
Improved productivity and collaboration savings	↓13%
Employee relocation cost savings	↓3%
Costs	Adjustment
(Costs were not risk-adjusted)	↑0%

Source: Forrester Research, Inc.

Highlighting investment risk and impact risk by adjusting the costs and benefits results in more-meaningful and accurate estimates and a more accurate projection of the ROI. In general, risks affect costs by raising the original estimates, and they affect benefits by reducing the original estimates. The risk-adjusted numbers should be taken as “realistic” expectations since they represent the expected values considering risk.

The following implementation risk that affects costs is identified as part of this analysis:

- › **Phone purchase and installation cost savings.** Although Forrester did not risk-adjust this benefit, other organizations' phone purchase costs may vary due to volume discounts.

The following impact risks that affect benefits are identified as part of the analysis:

- › **Improved productivity and collaboration savings.** The expected improvement in productivity may not be as comprehensive as anticipated due to lower user adoption of the solution's features and functionality.
- › **Employee relocation cost savings.** The frequency of employee moves and changes will likely be different for readers of this study.

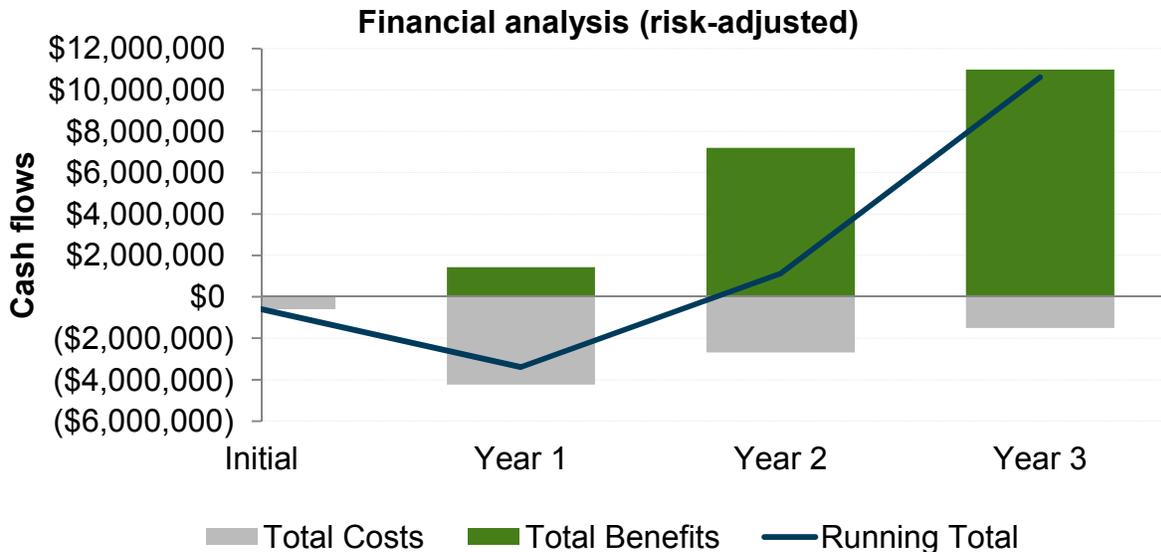
Table 10 shows the values used to adjust for risk and uncertainty in the cost and benefit estimates. The TEI model uses a triangular distribution method to calculate risk-adjusted values. To construct the distribution, it is necessary to first estimate the low, most likely, and high values that could occur within the current environment. The risk-adjusted value is the mean of the distribution of those points. Readers are urged to apply their own risk ranges based on their own degree of confidence in the cost and benefit estimates.

## Financial Summary

The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the *Organization's* investment in Polycom voice solutions for Microsoft Lync.

Table 11 below shows the risk-adjusted ROI, NPV, and payback period values. These values are determined by applying the risk-adjustment values from Table 10 in the Risks section to the total benefit and cost numbers in Table 5 and Table 9.

### Financial Analysis (Risk-Adjusted)



Source: Forrester Research, Inc.

**TABLE 11**  
Cash Flow: Risk-Adjusted

	Initial	Year 1	Year 2	Year 3	Total	Present value
Total costs	(\$587,587)	(\$4,230,470)	(\$2,678,600)	(\$1,500,000)	(\$8,996,657)	(\$7,774,160)
Total benefits	\$0	\$1,428,150	\$7,034,875	\$10,982,960	\$19,445,985	\$15,363,925
Net benefits	(\$587,587)	(\$2,802,320)	\$4,356,275	\$9,482,960	\$10,449,329	\$7,589,765
ROI	98%					
Payback period	21 months					

Source: Forrester Research, Inc.

If risk-adjusted costs, benefits, and ROI still demonstrate a compelling business case, it raises confidence that the investment is likely to succeed because the risks that threaten the project have been taken into consideration and quantified. The risk-adjusted numbers should be taken as “realistic” expectations, as they represent the expected value considering risk. Assuming normal success at mitigating risk, the risk-adjusted numbers should more closely reflect the expected outcome of the investment.

## About Polycom Voice Solutions For Microsoft Lync: Overview

The following information is provided by Polycom and Microsoft. Forrester has not validated any claims and does not endorse Polycom or Microsoft or their offerings.

Together, Polycom voice solutions for Microsoft Lync unify communications across work environments — on the go, home and work offices, and conference rooms. Polycom's portfolio of 40 video, voice, and content sharing solutions are interoperable or optimized to work with Lync today, and a software extension to the Polycom RealPresence platform will deliver broad interoperability for Lync. Polycom provides scalable HD voice and HD video integration in Microsoft Lync, Microsoft Exchange Server, and Microsoft SharePoint Server environments. And together, Microsoft and Polycom offer a complete UC&C portfolio at a low total cost of ownership.

Polycom offers a broad and growing portfolio of phones and desktop solutions, including:

- › CX500. This is an IP desktop phone with Microsoft Lync embedded. It features device-only mode, a color display, Polycom HD Voice technology in the handset and headset, and a wall-mountable version.
- › CX600. This is an IP desktop phone that delivers all the features included in Microsoft Lync environments. It features Polycom HD Voice technology in the handset, headset, and speakerphone, onscreen presence status indicators, and does not require a PC to make calls or access other features. This is a cost effective desktop phone.
- › CX3000. This is an IP conference phone that delivers conference calls in Microsoft Lync environments. The phone features Polycom HD Voice technology, native integration with Lync, large color display, and simplified pin authentication for easy sign-in.
- › VVX 201. Designed for small businesses and medium-size organizations, this is a two-line SIP phone that delivers HD voice technology and a wide range of business telephony features.
- › VVX 300. This is a business media phone that features Polycom HD Voice technology, a large display that complements workplace applications on the user's computer, and is designed for enhanced interoperability.
- › VVX 500. This is a performance business media phone designed for a broad range of UC environments. The phone has a touchscreen interface and serves as an application platform that complements the applications on a user's computer. It also features Polycom HD voice technology and supports EHS and USB headsets.
- › VVX600. This is a premium business media phone delivering best-in-class desktop productivity for corporate executives and managers.

Microsoft Lync and Skype for Business provide a single interface that unites voice communications, IM, and audio, video, and webconferencing into a richer, more contextual offering. It makes it easier to find people and keep track of your contacts. It has expanded sharing and collaboration features, including application sharing, whiteboard, and annotation tools, polling, and PowerPoint presentations. It offers recording and playback for meetings, improved meeting join experience, and call quality checks and diagnostics.

## About Microsoft Skype For Business: Overview

According to Microsoft, Skype for Business has the following features and functionality:

- › Messaging, meetings, and screen sharing all in one application that works with Microsoft Office.
- › Meetings and calls with anyone. Meet with up to 250 people — even if they're not on Skype for Business. All they need is a phone or Internet connection.
- › Powerful productivity with Office. See your contacts' online statuses, schedule meetings in Outlook, and start conversations from apps like Word and PowerPoint.
- › Security and control. Conversations are protected by strong authentication and encryption, and you manage employee accounts and features.

## Appendix A: Total Economic Impact™ Overview

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

The TEI methodology consists of four components to evaluate investment value: benefits, costs, flexibility, and risks.

### BENEFITS

Benefits represent the value delivered to the user organization — IT and/or business units — by the proposed product or project. Often, product or project justification exercises focus just on IT cost and cost reduction, leaving little room to analyze the effect of the technology on the entire organization. The TEI methodology and the resulting financial model place equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization. Calculation of benefit estimates involves a clear dialogue with the user organization to understand the specific value that is created. In addition, Forrester also requires that there be a clear line of accountability established between the measurement and justification of benefit estimates after the project has been completed. This ensures that benefit estimates tie back directly to the bottom line.

### COSTS

Costs represent the investment necessary to capture the value, or benefits, of the proposed project. IT or the business units may incur costs in the form of fully burdened labor, subcontractors, or materials. Costs consider all the investments and expenses necessary to deliver the proposed value. In addition, the cost category within TEI captures any incremental costs over the existing environment for ongoing costs associated with the solution. All costs must be tied to the benefits that are created.

### FLEXIBILITY

Within the TEI methodology, direct benefits represent one part of the investment value. While direct benefits can typically be the primary way to justify a project, Forrester believes that organizations should be able to measure the strategic value of an investment. Flexibility represents the value that can be obtained for some future additional investment building on top of the initial investment already made. For instance, an investment in an enterprisewide upgrade of an office productivity suite can potentially increase standardization (to increase efficiency) and reduce licensing costs. However, an embedded collaboration feature may translate to greater worker productivity if activated. The collaboration can only be used with additional investment in training at some future point. However, having the ability to capture that benefit has a PV that can be estimated. The flexibility component of TEI captures that value.

### RISKS

Risks measure the uncertainty of benefit and cost estimates contained within the investment. Uncertainty is measured in two ways: 1) the likelihood that the cost and benefit estimates will meet the original projections, and 2) the likelihood that the estimates will be measured and tracked over time. TEI applies a probability density function known as "triangular distribution" to the values entered. At a minimum, three values are calculated to estimate the underlying range around each cost and benefit.

## Appendix B: Glossary

**Discount rate:** The interest rate used in cash flow analysis to take into account the time value of money. Although the Federal Reserve Bank sets a discount rate, companies often set a discount rate based on their business and investment environment. Forrester assumes a yearly discount rate of 10% for this analysis. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult their respective organizations to determine the most appropriate discount rate to use in their own environment.

**Net present value (NPV):** The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.

**Present value (PV):** The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.

**Payback period:** The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

**Return on investment (ROI):** A measure of a project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits minus costs) by costs.

### A NOTE ON CASH FLOW TABLES

The following is a note on the cash flow tables used in this study (see the example table below). The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1. Those costs are not discounted. All other cash flows in Years 1 through 3 are discounted using the discount rate (shown in Framework Assumptions section) at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations are not calculated until the summary tables are the sum of the initial investment and the discounted cash flows in each year.

TABLE [EXAMPLE]

Example Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3

Source: Forrester Research, Inc.

### FRAMEWORK ASSUMPTIONS

Table 12 provides the model assumptions that Forrester used in this analysis.

The discount rate used in the PV and NPV calculations is 10% and time horizon used for the financial modeling is three years. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult with their respective company's finance department to determine the most appropriate discount rate to use within their own organizations.

**TABLE 12**  
**Model Assumptions**

Ref.	Metric	Calculation	Value
C1	Hours per week		40
C2	Weeks per year		52
C3	Hours per year (M-F, 9-5)		2,080
C4	Hours per year (24x7)		8,736
C5	Average fully loaded annual salary		\$100,000
C6	Hourly	(C5/C3)	\$48

Source: Forrester Research, Inc.