

# ROI of Building a Company-wide, Video Podcasting Portal Using Microsoft® SharePoint® 2010

How Microsoft Academy facilitated peer-to-peer knowledge sharing, improved learning, and enabled virtual events while reducing costs

## Abstract

This paper shows how the Microsoft® Academy team used Microsoft SharePoint® to build a company-wide video podcasting portal that enhanced knowledge-sharing and helped to increase personal and organizational productivity, reduce duplication of effort, and reduce total cost of ownership (TCO).

This paper describes Microsoft's experience running the Academy program and provides business decision makers with key insights, guidelines, metrics, and cost data to help them evaluate the costs and benefits of implementing a social media-based, video podcasting portal in their own organization.

The paper presents prescriptive guidance on how organizations can apply the social media and video podcasting capabilities of SharePoint 2010 in their own environment and gain tangible financial value. A Microsoft Office Excel-based calculator is included to help organizations use internal metrics and apply Microsoft Academy methods to derive a reasonable estimate of the TCO and return on investment (ROI) of implementing a video podcasting portal.

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## Executive Summary

The Microsoft® Academy team implemented a social media-based, video podcasting portal that uses Microsoft SharePoint® and successfully applies user-generated content and the principles of consumer social media to improve knowledge sharing and learning within Microsoft.

The Academy portal was launched over three years ago. Since then, Academy has vastly increased many types of training, including virtual, live, and on-demand podcasts and events. Use of the Academy portal throughout Microsoft has contributed to a decrease in the number of instructor-led, onsite training sessions; many Academy events have virtually replaced on-location training. The Academy portal has enabled many Microsoft executives and product groups to broadcast top-down messages and simultaneously encourage peer-to-peer knowledge sharing across all disciplines. As a result, Microsoft has substantially decreased or eliminated costs throughout the company.

During the three years since the Academy portal was launched, Microsoft has generated a significant return on investment and saved or avoided costs in four key areas of operations. These areas are:

- Knowledge sharing from key people such as executives, product group members, and managers
- Instructor-led, onsite training
- On-location, live events
- Peer-to-peer knowledge sharing

After three years of consistent double-digit growth in use, Academy is reaching more than 50 percent of Microsoft employees. During Fiscal Year 2010, there were more than 9,000 Academy podcast uploads and almost 1million downloads.

Academy is successful as a social media-based, video podcasting program for knowledge sharing because it easily promotes, fosters, and rewards individuals, teams, and groups for participating and connecting subject matter experts (SMEs) and learners in a continuous process of learning. This process can be either live or on-demand, whenever it's convenient for the individual learner. Additionally, the Academy portal enables individuals to search, browse, or subscribe to interesting content that is downloadable to almost any podcast-enabled mobile device such as smartphones and personal digital assistants.

The timeliness and relevance of the knowledge and insights gained in this way has helped enable Microsoft to maintain its overall business and technical agility in a rapidly evolving and highly competitive market. These improvements were enabled by a flatter, non-hierarchical means of distributing content throughout the company.

Key takeaways relevant to every type of organization include:

- Almost everyone in your organization is a SME in one form or another and either contributes to or consumes knowledge.
- Every part of your organization probably wants to engage in knowledge sharing and learning.
- Knowledge sharing, which is not limited to acknowledged experts, executives, or professional trainers, can be democratized.
- Your SMEs can easily create and publish knowledge quickly and cost-effectively.
- Your people can easily access the knowledge they need from a centralized repository, whenever they want it.
- Your training readiness and event production organizations can become more efficient and cost-effective.
- Your organization has the potential to use its human and capital resources more efficiently by implementing an Academy-style video podcasting portal.

This paper walks you through the basics of how the Microsoft Academy team achieved its goals. It also provides a framework for applying the same process of developing an estimated cash flow that can be used to build a business case for a social media-based, video podcasting portal in large organizations.

## Introduction

The explosive growth of online social media and user-generated content in the consumer space has transformed the ways in which people create, share, and consume information and interact with their network of family, friends, and colleagues.

In response to the rapidly increasing popularity of social media and user-created content, Microsoft Academy, a team within the Microsoft Enterprise and Partner Group (EPG), asked themselves these questions:

- “Can the consumer social media experience and user-created content be applied successfully within Microsoft?
- As a business organization, can we use these resources to share knowledge, improve learning, increase peer-to-peer collaboration, *and* improve cost efficiencies?
- Can these resources be built and used so that they provide a tangible, financial return on investment?

The Academy team had an underlying premise as they built the Microsoft Academy portal: *Social media and user-created content can change a company by turning it into an agile organization of continuous learning.*

The Academy team achieved this goal by developing a company-wide, social media-enabled, video podcasting portal based on Microsoft SharePoint. The portal was designed to meet core human needs as well as those of organizations and provide a place, where individuals can share, learn, and connect on topics of mutual interest, on their own schedule.

This paper, which looks at social media and video podcasting at an enterprise from business and financial perspectives, answers three essential questions:

- What are the key elements that enable successful implementation of social media-enabled, video-based knowledge sharing?
- How can success be measured, so that a credible business case based on real metrics can be developed?
- How can the financial benefits of a company’s social media-based, video podcasting portal be quantified?

This paper is targeted at business decision makers, who require “hard” financial metrics to build a credible business case for decision making. It presents the financial benefits of the Academy portal as an example of the tangible value of a social media-based, video podcasting portal in an enterprise. It also provides a way for you to evaluate whether implementing a video podcasting portal would make good business sense at your organization. That is, based on standard investment criteria, would financial returns of the portal exceed investment and operational costs within a specific time period?

This paper presents the financial benefits of cost avoidance and cost savings that have accrued since Academy was first launched. Then it will walk you through the process that might enable you to do the same for your organization.

## Challenges in Company Knowledge Sharing

There are key challenges to sharing knowledge within an enterprise environment. Some employees want to share their knowledge but don't have a way to reach other employees. Learners might want to connect with experts but can't easily identify those experts. And, employees might want to find communities of interest but don't have a natural venue to find those communities.

Key organizational challenges include:

- **Knowledge locked within the minds of individuals is not easily unlocked and shared.**
  - Employees want to share what they know but don't have an easy, open, and simple-to-use system that helps them do so.
  - A hierarchical, tightly controlled organizational structure can prevent knowledge from being easily shared.
  - Employees have difficulty finding the right information, which might be distributed over many organizational portals or team sites.
  - Employees have a hard time finding and connecting with peers—subject matter experts (SMEs)—who have an answer to their work challenges.
- **Duplication of effort and increased costs.**
  - Numerous information portals that randomly multiply throughout the organization.
  - Duplication of effort caused by people in one part of an organization, who do not know that the knowledge they need exists elsewhere in the organization. They unknowingly re-create it, incurring additional effort and costs.
- **High training and readiness costs, which might prevent timely training.**
  - This is especially true for training or readiness requirements with short shelf life (for example, 3 to 6 months), when it is hard to justify the high cost of developing formal, instructor-led, onsite training. This is also true for training that employees need quickly—within 2 to 3 weeks of development—rather than the typical 2 to 3 months it often takes to create and roll out formal, instructor-led, onsite training.
  - Individuals with time conflicts might be unable to attend formal training and have to wait until the next training date is available.
- **High costs for on-location, in-person marketing events.**
  - On-location in-person events can be expensive to produce. For example, costs can include venue rental, travel and expenses (T&E) for event organizers, media preparation, and marketing.
  - On-location, in-person events can be expensive to attend. Companies can incur high costs of travel and related expenses and time lost by employees while they travel and attend events. These costs can be even greater if attendees are dispersed over several geographical locations.
  - Individuals with time conflicts cannot attend the event. Critical knowledge can be lost by these employees because they cannot attend the event remotely by live broadcast or on-demand.
  - On-location events can be limited in scale and participation due to venue limitations in seating capacity.
  - Ineffective feedback from attendees to presenters at onsite events.
- **A structured model, which defines tangible financial returns on investment for an organization-wide, social media-enabled, video podcasting portal, is not readily available.**

These factors, which directly influence the effectiveness and productivity of individuals (and collectively the organization), can affect its agility and competitiveness in an ever-changing world.

## A Paradigm Shift in Knowledge Sharing

To benefit from the advantages that a social media-enabled, video podcasting portal can provide, your organization might need to change some of the ways that knowledge is communicated and shared. This shift requires behavioral changes from management as well as content owners; it is both a top-down and bottom-up transformation. Most importantly, executive leaders and managers need to be comfortable that knowledge need not be verified and approved in a classical, hierarchical context. An organizational climate of openness needs to be established, so that this form of knowledge sharing can take root.

Table 1 shows an example of old and new views of how organizational culture can evolve so that learning and knowledge sharing via social media can be successful. Note the distinctly different characteristics of these views. In a traditional, more tightly controlled approach, training organizations only build and roll out instructor-led onsite training. More open social structures encourage, empower, and support individuals at any level of the organization to openly share their knowledge without censorship.

Paradigm Shift in Organizational Knowledge Sharing	
Old View	New View
Top-down training methods and governance	Bottom-up, democratized instruction
In-person, classroom instruction	Virtual (online) instruction
Date-specific availability	Instruction provided as needed and on demand
Limited scalability	Highly scalable
Relatively expensive (venue, trainer, travel and per diem costs)	Cost-effective; (cost avoidance multiplier)
Centralized, top-down	Distributed, flatter hierarchy
Uses training vendor expertise	Leverages employee knowledge
Company-mandated training	User-empowered, user-driven training
Reflects need for control	Driven by empowered employees

**Table 1 – Paradigm Shift in Sharing Knowledge**

The fewer layers there are between the knowledge owner and the knowledge consumer, the greater the opportunity for knowledge sharing, and the more quickly and efficiently that sharing occurs. Whether you call it disintermediation or simply getting rid of the middleman, the result is the same: knowledge can be created and published more quickly and consumed and evaluated more readily when there is a direct connection between the content owner and the content consumer.

*As in consumer-oriented social media environments, the emphasis is on people, interaction and collaboration, not simply an exchange of information.*

## Solution

Microsoft Academy is a direct response to the shift in organizational mindset that enables people to learn directly from each other. The Academy portal is based on the fundamental premise that timely knowledge is power, and that a company culture that fosters continuous learning is the basis of innovation and creativity that enables a more agile response to market opportunities.

The Academy portal addresses all key knowledge sharing and distribution challenges. It enables company-wide knowledge sharing by:

- **Providing a central knowledge repository.**
  - Unlocks the knowledge stored in the minds of many individuals, who might be dispersed at different geographic locations.
  - Makes knowledge available through a centralized and easily searchable repository.
  - Enables employees to learn, share their knowledge by uploading their own video or webcast, and make connections with others, for example, a SME in a particular subject area.
  - Connects employees with each other by providing short podcaster or webcaster biographies that include contact details.
  - Leverages a core human need to share what each person knows by creating and uploading their knowledge as a webcast or podcast.
  - Enables individuals to build their brand and scale their messages far beyond their immediate circle of influence.
  - Is fun because SMEs can clearly measure the popularity of their content through immediate ratings and the number of content downloads.
- **Significantly reducing the cost of training and readiness.**
  - Sharing insights and expertise directly from employees possessing knowledge and making it available to employees who need it.
  - Cutting out the middleman. The employee SME creates content in the form of a podcast or webcast, without involvement of a costly training development effort.
  - Improving extensibility of training requirements with a short shelf life, fast turnaround time, or both.
  - Increasing scalability because videos, webcasts, and podcasts are available on demand for download or viewing 24 hours, 7 days a week.
- **Significantly reducing costs for on-location, in-person marketing events.**
  - Broadcasting via a virtual platform, with no cost for venue, travel, or per diem expenses.
  - Enabling virtual events to be attended from home or office or, as the Academy team has seen, collectively in meeting rooms or cafeterias in various Microsoft offices throughout the world.
  - Enabling employees, who have schedule conflicts at the time of the live broadcast, to view the event on demand, based on their own schedule.
  - No limits to capacity or scaling in a virtual environment, in almost all cases.
  - Enabling comments, feedback, and ratings to be reviewed systematically by the presenters (SMEs) and if necessary, followed up individually.
- **Accelerating the pace of providing and consuming knowledge that individuals and the organization need to stay competitive.**



The Academy team focused on building a company-wide, social media-enabled podcasting portal that addressed four key business scenarios, which included:

- **Knowledge sharing** by key people such as executives, members of product groups, managers, and initiative and campaign owners. Shared knowledge provided updates on strategy, business insights, new products, and campaigns.
- **Substitution for top-down, trainer-led, onsite training and readiness** content with a relatively short shelf life or time-sensitive content.
- **Substitution for certain types of onsite, in-person conferences and events**, which take place at different locations or are time-sensitive and can be better accomplished by webcasts or podcasts.
- **Do-it-yourself, peer-to-peer knowledge sharing**, in which employees share knowledge in a non-hierarchical environment.

## The Academy Portal: Social Media-Enabled Video Podcasting

The Academy team applied the phenomena of social media and user-generated content to enable SMEs to provide content directly to learners, their peers. Originally focused on content delivery to a mobile workforce, the Academy portal has evolved into a dedicated, social media-based, video podcasting portal built on Microsoft SharePoint. Content is generated by SMEs and content owners at all levels and from all business units of Microsoft worldwide.

The Academy portal is based on SME-generated, self-service media. SMEs create content, for example, a video or webinar (a webcast using Microsoft Office Live Meeting), without assistance or support from the Academy team. Alternately, SMEs can request professional video or webcast support from the Academy team for a relatively low fee.

For example, if content owners are executives, or if they simply want the convenience of a professional media team, they can get assistance from the Academy team to produce the video or webcast. They then upload their video or webcast to a single, centralized content catalog and assign key words as metatags. These metatags enable internal Microsoft users to easily search for and access the knowledge they want. The knowledge consumer can evaluate the content and form communities of interest around the content, ideas, SMEs, or thought leaders.

Figure 1 shows the Academy home page. This is one example of how a video podcast portal home page can be designed to be more user-friendly, like a consumer-oriented social media website rather than a typical corporate portal home page. Guidelines on how to design a video podcast portal are presented in the *Prescriptive Guidance* section.

The podcaster profile page makes it easy for knowledge learners to directly contact the SME, ask a question, or directly comment on the podcast. Because the Academy portal and the SharePoint platform are integrated with the Microsoft Office Outlook® messaging and collaboration client, learners can know whether they have found the right person, for example, a SME. Learners can connect immediately from within the Academy interface because the SME's online presence, contact information, and primary communication tools (i.e., Instant Messenger, email, telephone numbers, and so on) are easily viewable and available.

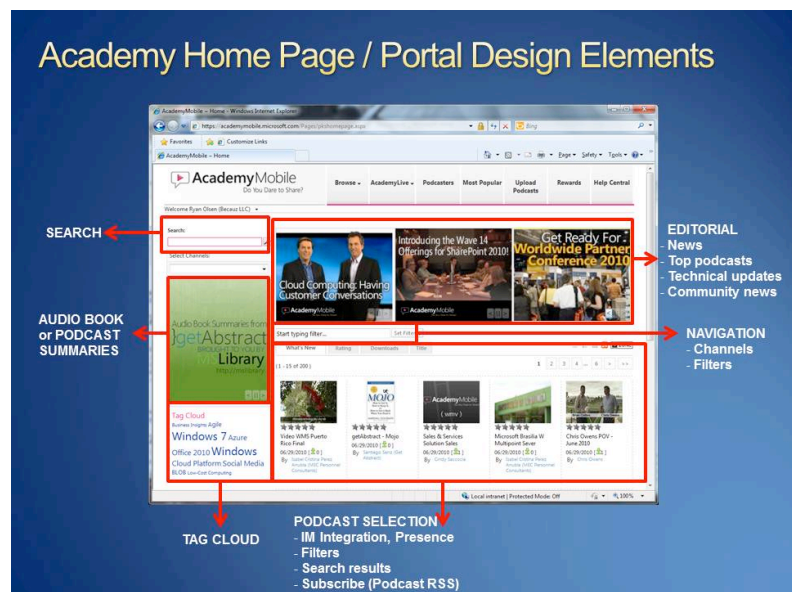


Figure 1 - Academy Home Page / Portal Design Elements

Approximately two-thirds of the more than 9,000 pieces of content that were uploaded to Academy in Fiscal Year 2010 (FY10) were generated by SMEs, without support or assistance from the Academy team. More growth metrics are presented in the section, “Adoption and Growth Metrics.”

Academy is both a platform—a web portal—and a process—posting, sharing, feedback, and community interaction—by which SMEs and content consumers can directly interact to create, share, and learn. Figure 2 shows a typical podcast session page on the Academy portal.

## Academy Addresses Core Human Needs

Academy directly addresses three core drivers of human need, the desire of individuals to share, learn, and connect with others.

- **Share.** Sharing is a basic part of human behavior. All people everywhere want to share what they know with their peers and colleagues so that the overall environment in which they interact reaches a higher standard of performance. Microsoft SMEs start creating content with a standard workflow defined by the Academy team. Next, they share, publish, and distribute that knowledge through a centralized and easily searchable catalog.
- **Learn.** People want to learn, to know more, so that they can be more effective in their work and professional life. People seek knowledge in multiple forms and venues. In organizational environments such as Microsoft, it is ideal that people have a single, centralized, and easily searchable location to access all of what they want to learn. Centralized content access gained through the Academy portal also enables economies of scale and functionality that might not be possible with multiple, dedicated, content-specific portals or team sites dispersed throughout an organization’s intranet.
- **Connect.** Connecting is all about social interaction in its myriad of forms. People want to connect with their peers, teams, and managers and share knowledge and key learning with each other. Building communities with like-minded individuals, where the focus is on a person’s interaction with other people—not solely the consumption of content—is essential. The Academy portal enables the knowledge consumer to view and rate content and share it with the SME and community or contact the SME directly.



Figure 2 - Typical Podcast Session Page on the Academy portal

Table 2 shows some of the critical success factors for building the Academy portal from the points of view of key stakeholders.

Critical Success Factors	Stakeholders				
		Knowledge Sharer	Knowledge Learner	Academy Team	Microsoft Management
	Executive commitment to open knowledge sharing				X
	Financial commitment to fund Academy platform and a dedicated team to run the program				X
	Promote and advertise Academy portal			X	X
	Easy-to-upload media files	X			
	Easy-to-search media files		X		
	Easy-to-rate and provide comments		X		
	Video player capability			X	
	Easy to connect with peers		X		
	Academy platform scalability			X	
	Metrics and reporting	X		X	X

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**Table 2 – Stakeholders and critical success factors**

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Academy has been successful because it takes the abstract concept of a learning organization and makes it real by accelerating the rate of knowledge acquisition and learning and through peer ratings of content relevancy and quality. The Academy portal has helped to improve Microsoft organizational agility and overall competitiveness by enabling Microsoft to move more rapidly towards its vision of a continuous learning organization and at the same time reducing costs of training, readiness, and event planning organizations.

## **Getting Started with SharePoint for Company-Wide Video Podcasting**

The Academy portal was built using Microsoft Office SharePoint 2007 as its foundation and with custom code for specific social media and video podcast functionality. Much of the functionality provided by the custom code has now been built into SharePoint 2010. Therefore, this section briefly addresses the specific out-of-the-box social media and video podcasting functionality of SharePoint 2010 and how it can contribute to an Academy-style video podcasting portal.

SharePoint 2010 makes enterprise content management (ECM) easy for everyone. Combining traditional content management, social capabilities, and powerful search, it is as natural to manage as it is to use. With its simple, “behind-the-scenes” administration, system administrators can quickly set up compliance policies. The familiar SharePoint interface enables your organization’s employees to work just as they would use the familiar Microsoft Office interface. The result is well-managed information that is easy to find, share, and use.

As a result, SharePoint 2010 offers your organization a compelling way to build a blueprint for enterprise video. As highlighted in Table 2 (Critical Success Factors), this can be accomplished by bringing together a consolidated user experience for video that enables improved social interaction, discovery, and presentation, which are crucial to creating a vibrant portal and community. Three areas for creating a successful enterprise video and catalog are presented.

### **Enterprise Video Catalog and Media Management**

The ECM features of SharePoint 2010 also provide the ability to manage enterprise video and media assets, such as asset libraries, centralized document repositories, and enhanced picture libraries. Fewer systems enable easier integration with existing media libraries and help system administrators store and manage media assets more easily and cost-effectively.

### **Social Collaboration and Community**

Site designers can build rich, socially enabled applications that give your organization’s employees a number of new ways to interact with content, connect with SMEs, and create their own communities. This can be accomplished by using the out-of-the-box social web parts for ratings, note boards, and tagging and by combining these components with the power of SharePoint 2010 My Site features, including activity feeds, tags, the common approach to I Like it and Tags and Note.

### **Discovery**

By leveraging Managed Meta Data Services and Enterprise Content Types, system administrators can create and enforce a standard set of metadata collected across media assets throughout your organization. Combined with SharePoint FAST enterprise search, you can search for video across your organization, discover it quickly, and refine and present it from a media-centric view. This enables you to find both content and people quickly and easily.

The next section looks at some basic adoption and growth metrics to provide you with an appropriate context for the total cost of ownership (TCO) and return on investment (ROI) information that follows.

## Adoption and Growth Metrics

The Academy portal started as a grass-roots effort within Microsoft EPG. In just over three years it has emerged as a significant platform for sharing and learning within Microsoft. Academy has reached more than half of Microsoft's employees, across all major role disciplines and in all major geographies.

The Academy team tracked important user adoption metrics, such as the number of podcasts and webcasts uploaded, the number of downloads, and social media metrics such as ratings and comments. It was equally important to build a business case to entice groups within Microsoft to take Academy seriously and recognize that the Academy portal is a significant business tool offering distinct financial benefits of cost containment and cost avoidance.

Academy has become a valuable Microsoft asset since its launch because:

- Employees are producing and uploading content to share.
- Employees are consuming knowledge by searching, retrieving, and watching content.
- Employees are providing feedback and content ratings.
- The Microsoft training and readiness team has converted some of its formal, trainer-led, in-person offerings to online video and podcasts.
- The Microsoft event planning team has substituted some of its on-location events with virtual events.

This section looks at conventional user adoption and growth metrics and sets the stage for the next section, where you will see actual TCO and ROI calculations.

## Growing Academy

Media uploads to the Academy portal for the first two years of production (FY08 to FY09) increased at a nominal but steady pace, growing 166% from 2,344 to 6,241 per year and by another 46% (9,123) in FY10. This growth demonstrates the democratic nature of the Academy portal—anyone within Microsoft who has knowledge that they want to share now has the platform to do so publicly. (Note: These metrics show incremental growth from year to year and are not cumulative.)

From FY08 to FY09, the rate of Academy downloads has been consistent with that of uploads, growing by 184% (from 95,900 to 272,563 per year) and by 245% (from 272,563 to 940,412 per year) from FY09 to FY10.

During the same FY08 to FY10 period, the percentage of employees viewing Academy podcasts has grown from 11% to more than 50%. In other words, more than half of Microsoft employees are using the Academy portal. This number increases to more than 90% among sales and technical sales professionals and to almost 90% among consulting services professionals. Both of these groups were the original audiences, for whom the Academy portal was designed.

Another way that people use the Academy portal is for new niche training opportunities, which would otherwise be too expensive to develop formally or, within normal training parameters, would not appear to have a large enough audience to justify content development.

Key Growth Metrics for the Microsoft Academy Portal			
Adoption Metrics (annual, not cumulative)	FY08	FY09	FY10
Media uploads (videos and webcasts)	2,344	6,241	9,123
Downloads	95,900	272,563	940,412
Number of unique users (% of Microsoft headcount)	10,203 (11%)	27,465 (30%)	47,300 (53%)
Social Media Metrics			
Number of ratings	696	1,773	7,541
Number of comments	111	748	980

Table 3 – Key growth metrics for Academy portal

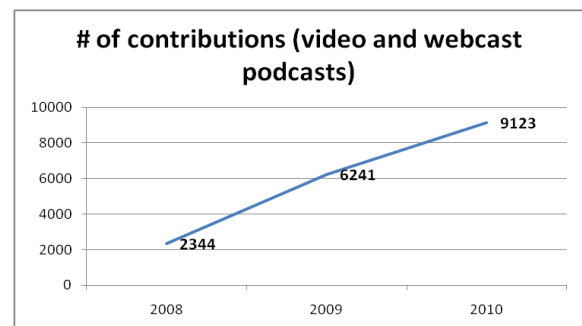


Figure 3- Academy portal content contributors

Table 3 shows the number of annual uploads of podcasts. Again, these are not cumulative numbers; they show the incremental

increase in podcast uploads per year.

With Academy, as with the web and many websites, when it comes to user-generated content, the chances are very good that if someone has a specific interest, it is likely that someone with that knowledge has already developed a related webcast or podcast.

## Building the Academy Community

As important as they are, adoption metrics show only part of the picture of Academy portal use—the part based on podcast uploads and downloads. The other key component is building and fostering communities of interest through direct connections between knowledge sharers and learners. The metrics related to social behavior are equally as important as adoption statistics. Short profiles of each SME on their podcaster profile page provide insight into their professional capabilities and personality.

The number of learner ratings has grown by 155% (from 696 to 1,773 per year) from FY08 to FY09 and grown by 325% (from 1,773 to 7,551 per year) from FY09 to FY10. This roughly parallels the adoption metrics. Learner rating numbers are annual increases, not cumulative year-over-year metrics.

The number of learner comments grew at a similar rate, by 574%, (from 111 to 748 comments per year) during the FY08-to-FY09 period, and by 31% (from 748 to 980 comments per year) from FY09 to FY10.

The parallel growth of downloads and ratings means that the learners are doing more than simply consuming knowledge; they are actively engaging in the knowledge publication process by rating a SME's knowledge and ability to convey that knowledge to the community at large.

Equally as important is the depth to which Academy has penetrated the Microsoft culture worldwide. Virtually every role, from sales and technical sales to marketing, services, engineering and operations, as well as consulting services and support, legal and corporate affairs, research, and other teams are engaged by the Academy portal content and process.

The takeaways from these user adoption and social media metrics are clear and relevant to every type of organization.

- Virtually everyone in the Microsoft community is a SME of one type or another and is either a contributor or a consumer of knowledge.
- Every facet of the Microsoft global organization is engaged in knowledge sharing and learning.
- Knowledge sharing, which is not limited to acknowledged experts, executives, or professional trainers, has been democratized.
- Employees can easily access the knowledge they need when they want it (that is, use on-demand services).
- SMEs can create and publish knowledge easily and cost-effectively.
- The training and readiness and event production teams have become more efficient and cost-effective.
- Microsoft has used its human and capital resources more efficiently.

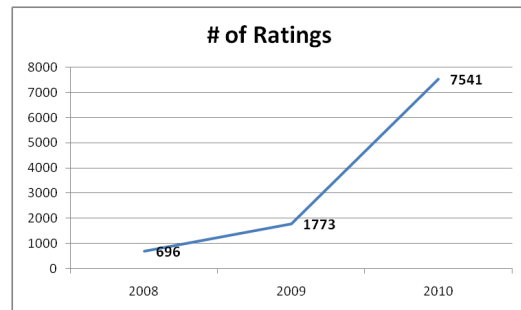


Figure 4 – Commenter ratings on Academy portal

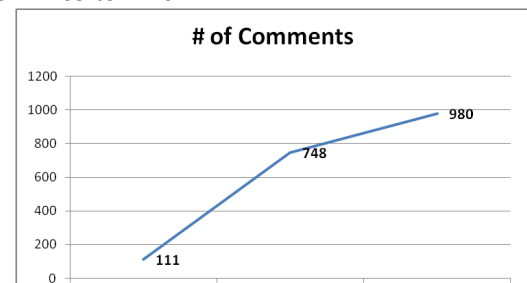


Figure 5 –Learner comments on the Academy portal

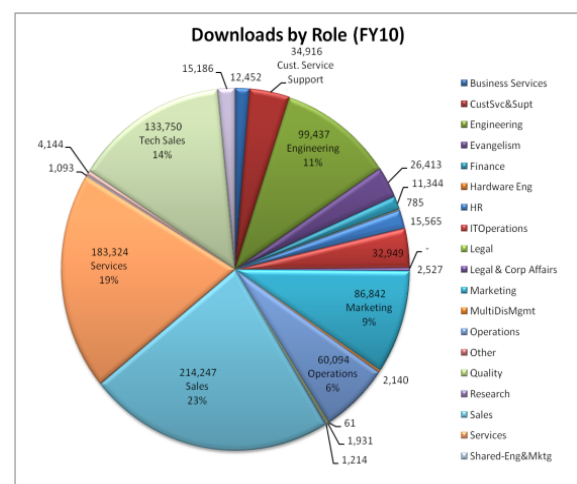


Figure 6 – Microsoft Academy portal participants

The next section, “Academy TCO and ROI,” presents actual cost and financial benefit metrics of the Academy portal.



## Academy TCO and ROI

This section provides a finance-based answer to the question, “Why should our organization consider investing in a social media application in the form of a company-wide, video podcasting portal?” The answer: an Academy-style portal can probably help your organization save costs and time and potentially help it become more agile and competitive.

There has been a lot written about the ROI of social media, but very little can be found with quantifiable, financial justification. This section will show you the specifics of how to build a business case from a financial point of view.

This paper does not try to calculate a general social media ROI. Rather, it focuses on the Academy portal as a financial example of a specific social media application and shows how the Academy portal helped Microsoft contain or avoid costs in several specific business scenarios.

The calculations presented here are estimates of values used by the Academy team as they conducted their own financial analysis. Although the cost categories are fairly standard for most business and IT organizations, you might need to adapt and customize the categories and the financial values to apply them appropriately for your organization. You can use the spreadsheet presented in this section and the Microsoft Excel-based calculator presented in Appendix B, “TCO and ROI Calculator” to calculate estimated cost savings and ROI for your organization. Use these resources to build and financially substantiate your business case. You can apply the analysis of the Academy portal as a blueprint for your organization.

## Defining TCO and ROI

In this paper, TCO is the financial measurement of all costs needed to build, operate, maintain, and market the Academy portal over the first several years since its launch. TCO is an industry-standard measure that looks at direct and indirect costs for any IT project and enables a decision maker to have a comprehensive view of the costs incurred over a specific period of time.

As a standard formula, ROI is fairly basic:

$$ROI = (X - Y) / Y,$$

where *X* = final value

*Y* = starting value.

In other words, if you invest \$5 and get back \$20, your ROI is  $(20 - 5) / 5 = 3$  times your initial investment. In the financial sense, ROI is measured in the context of dollars and is a business decision maker’s metric for a go or no-go decision. Similarly, if you have other costs incurred by different investment alternatives, then the ROI calculated is based on which of those alternatives saves you most money over the lifetime of a project. The return is called cost avoidance, meaning the savings generated by choosing investment option A rather than option B.

## Cost Breakout

Two types of costs are incurred by building, launching, and operating a company-wide, video podcast portal.

- **Direct costs.** IT-related costs for hardware and software, management, hosting, support, and implementation.
- **Indirect costs.** Operating costs for program and account managers, business operations, marketing, and sales promotions

In Microsoft’s case, the total cost over a 3-year period was roughly \$2.077 million per year. This is the approximate amount of investment capital that an organization might need to develop a company-wide podcasting portal that could reach a population of 80,000 to 100,000 employees.

IT-related direct costs are about 40% of total costs; indirect costs needed to operate a full program are about 60% of total costs.

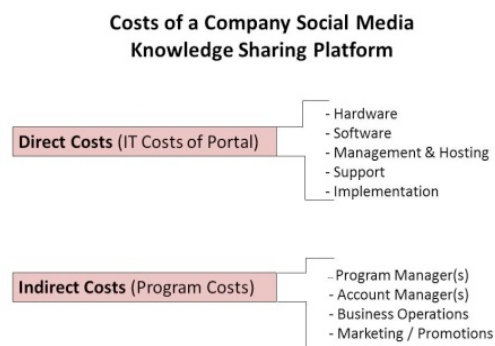


Figure 7 – Social media-based knowledge platform costs

**Note:** The assumptions behind the costs and return calculations shown for the Academy portal are presented in Appendix A, “Assumptions Underlying Cost and ROI Calculations.” By using the Excel-based TCO calculator provided in Appendix B, “TCO and ROI Calculator,” you can substitute actual financial metrics from your organization, values that reflect your infrastructure and personnel costs. Remember, this is an example only; your results might vary based upon your organization’s unique circumstances and internal cost structure.

Direct Costs	Year 1 Pilot	Year 2	Year 3	TCO Life Cycle	% of Total Cost
Hardware					
Total Hardware Cost	\$ 27,000	\$ 18,000	\$ -	\$ 45,000	1%
Software					
Total Software Cost	\$ 202,625	\$ 213,150	\$ 171,050	\$ 586,825	9%
Management					
Total Management Cost	\$ 350,000	\$ 550,000	\$ 650,000	\$ 1,550,000	25%
Support					
Total Support Cost	\$ 50,000	\$ 100,000	\$ 100,000	\$ 250,000	4%
Implementation					
Total Implementation Cost	\$ 50,000	\$ -	\$ -	\$ 50,000	1%
<b>Total Direct Costs</b>	<b>\$ 679,625</b>	<b>\$ 881,150</b>	<b>\$ 921,050</b>	<b>\$ 2,481,825</b>	<b>40%</b>
Managed Service Costs - Program Management (Indirect Costs)					
Academy Program					
Total Program Cost	\$ 670,000	\$ 1,230,000	\$ 1,850,000	\$ 3,750,000	60%
<b>Total Indirect Costs</b>	<b>\$ 670,000</b>	<b>\$ 1,230,000</b>	<b>\$ 1,850,000</b>	<b>\$ 3,750,000</b>	<b>60%</b>
<b>Total Costs</b>	<b>\$ 1,349,625</b>	<b>\$ 2,111,150</b>	<b>\$ 2,771,050</b>	<b>\$ 6,231,825</b>	<b>100%</b>
<b>TCO/Year</b>	<b>\$</b>	<b>2,077,275</b>			

**Figure 8 – Social media-based knowledge platform costs**

## Calculating ROI

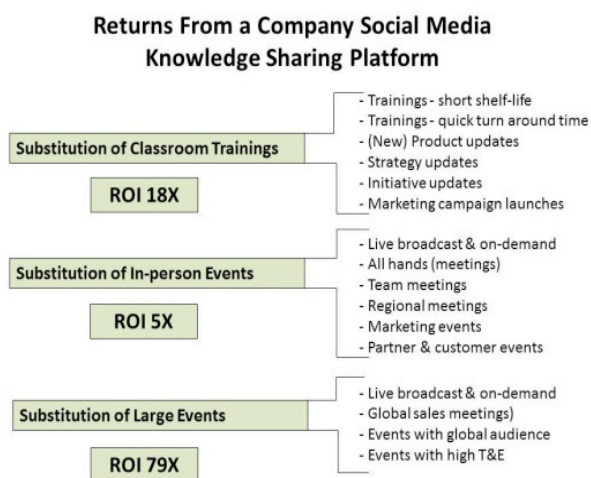
The ROI calculation is more challenging. The Academy team identified three ways that the Academy team used and gathered actual cost and benefits data. Note that this is not a comprehensive, all-inclusive ROI calculation. Certain costs are overstated, and certain financial benefits are not included. Despite these omissions, the Academy team believes that although the actual return is higher than stated, the ROI as calculated with these metrics is sufficient for business justification.

Benefit categories included:

- Costs avoided by the substitution of formal, expensive onsite classroom training events with webcasts.
- Costs avoided by the substitution of small-to-midsize, in-person on-location events with virtual events.
- Costs avoided by the substitution of large-scale on-location events with virtual events.

For example, the Academy team only looked at webcasts and not at (video) podcasts for this analysis.

The cost savings presented in the examples at right will differ from company to company based on internal, organizational cost and benefit metrics.



**Figure 9 – Academy portal: three ROI scenarios**

However, the savings generated and the costs avoided in your organization could parallel those of the metrics presented in this paper. Remember, results will vary based on your company's unique circumstances.

### Cost Savings of Substituting Formal, In-Person Classroom Training with Virtual Events

Based on internal Academy data, substitution of virtual events for formal in-person classroom training provides substantial cost savings to Microsoft. The Academy team calculated the costs for classroom training at approximately \$320 per hour per participant. The cost of conducting a webcast was estimated at \$17 per person, resulting in cost savings of roughly \$303 per participant. The cost avoidance factor is 19 (or 1/19<sup>th</sup> of the cost of conducting classroom training).

Calculations using estimated Academy costs are presented in Figure 10.

Cost Class Room Training		Virtual Briefing (Live Meeting)	
Content Development	\$ 10,000	Webcast Cost (Academy Live)	\$ 1,500
SME Time \$125/hr 8 hrs	\$ 1,000	SME Time \$125/hr 8 hrs	\$ 1,000
Course Material Development	\$ 15,000	Total Cost	\$ 2,500
Trainer Delivery Cost (2 days)	\$ 4,000	Total Cost / hr	\$ 2,500
Total Cost	\$ 30,000	Total Cost / hr per Participant (150)	\$ 17
Total Cost / hr	\$ 3,000		
T&E 25 Participants	\$ 50,000		
Total Cost incl. Participant T&E	\$ 80,000	Cost Avoidance / Participant	\$ (303)
Total Cost per Participant / hour (25 Participants)	\$ 320	Avoidance Factor	19

Figure 10 – Cost comparison of in-person training and virtual event

### Cost Savings of Substituting In-Person, On-Location Conferences with Virtual Events

The cost of substituting in-person, on-location conferences with virtual events yielded cost savings that were still very high; the cost avoidance factor was 6 (1/6<sup>th</sup> of the costs of conducting in-person, on-location events.) The Academy team used a real example of Virtual Summit FY10, a virtual version of the Microsoft Global Enterprise Marketing Summit. The virtual event received extremely high satisfaction ratings and high attendance through live broadcasting and on-demand viewing. For details, see Appendix C, "Example of a Live Microsoft Virtual Event." Cost saving calculations are presented in Figure 11.

Cost In-Person Enterprise Marketing Summit		Cost Virtual Enterprise Marketing Summit	
Conference Cost (Venue, Handouts, Website)	\$ 150,000	Videos and Webcasting Costs	\$ 60,000
T&E 400 Participants each \$2.5k (3 days)	\$ 1,000,000	Program Management, Website, etc.	\$ 140,000
Total Cost	\$ 1,150,000	Total Cost	\$ 200,000
Total Cost per Participant	\$ 2,875	Total Cost per Participant (400 participant)	\$ 500
		Cost Avoidance / Participant	\$ (2,375)
		Avoidance Factor	6

Figure 11 – Cost comparison in-person, on-location conferences and virtual event

### Positive Rapid ROI

As you can see by the spreadsheet in Figure 12, the ROI is already significant. In Year 1 of the Academy portal implementation, cost avoidance was valued at roughly \$5.8 million, and the projected ROI was 432%. With increased adoption of the Academy portal over the next 3 years, the cash flow grew to almost \$17 million, and ROI is estimated at 603%.



Cost Avoidance (ROI)	Year 1 Pilot	Year 2	Year 3	TCO Life Cycle
Substitution of Class Room Trainings				
Total Cost Avoidance Webcasting	\$ (6,817,500)	\$ (13,635,000)	\$ (15,907,500)	\$ (36,360,000)
Substitution of In-person Conferences - Example Virtual Enterprise Marketing Summit				
Total Cost Avoidance Virtual Conferencing	\$ (356,099)	\$ (1,424,396)	\$ (3,560,990)	\$ (5,341,485)
Total Cost Avoidance	\$ (7,173,599)	\$ (15,059,396)	\$ (19,468,490)	\$ (41,701,485)
ROI - \$ (negative amount means SAVINGS)	\$ (5,823,974)	\$ (12,948,246)	\$ (16,697,440)	\$ (35,469,660)
ROI - %	432%	613%	603%	569%
ROI/Year	\$ (13,900,495)			

**Figure 12 – Projected 3-year cash flow reflecting accelerated Academy portal ROI**

Overall, the money spent on Academy over a 3-year lifespan was about \$2.1 million per year, but the total costs saved and avoided per year were about \$13.9 million. ROI for the 3-year period is estimated at 569%.

### Other Cost Savings Scenarios: Substituting Large Events with Virtual Events

By using the Academy portal, Microsoft has found that the bigger the event, the higher the cost savings. This is because virtual costs of delivering an event of almost any size are almost the same. However, the portal offers enormous scaling opportunities, which enable many more people to attend virtually at essentially no incremental cost to the conference. In addition, travel and hotel costs for people who do not attend onsite can be avoided.

For example, once a year, Microsoft conducts an internal global sales and marketing conference, which about 12,000 employees attend in person. This event involves renting an enormous venue; event-related hotel and travel costs are incurred by event organizers and participants. These costs can be decreased significantly by reducing the number of people attending in person by giving attendees the option to attend virtually from their office or home or with their colleagues, watching and commenting in an office meeting room or company cafeteria.

In FY2010, Microsoft took advantage of the opportunity to increase the actual number of employees attending this event. Employees who normally do not attend this event were offered the opportunity to watch it live from their home, office or many of the company cafeterias or it on demand, after the event. The Academy team calculated that roughly 5,109 employees took advantage of this option for many different reasons.

Figure 13 shows that the Academy team estimated potential savings of \$3,446 per employee to Microsoft. These savings were enabled by virtual rather than in-person attendance. The avoidance factor is 80. Another way of looking at this is that by participating in this event virtually, an attendee incurred 1/80<sup>th</sup> of the costs of an onsite attendee.

The financial metrics presented for this event are potential and not actual (realized) savings. As a result, they are not included in the projected Academy ROI calculations presented previously.

Cost Avoidance (ROI)	Year 1 Pilot	Year 2	Year 3	TCO Life Cycle
Substitution of Large Scale Events - Based on FY10 Data (Potential Cost Avoidance)				
Total Cost Avoidance Virtual Large Event	\$ -	\$ -	\$ (17,600,505)	\$ (17,600,505)
Total Potential Cost Avoidance (incl. partly substitution of large scale events)	\$ (7,173,599)	\$ (15,059,396)	\$ (37,068,995)	\$ (59,301,990)
Total Potential ROI - \$ (negative amount means SAVINGS)	\$ (5,823,974)	\$ (12,948,246)	\$ (34,297,945)	\$ (53,070,165)
ROI (Potential) - %	432%	613%	1238%	852%
ROI/Year (Potential)	\$ (17,690,055)			

**Figure 13 – Cost avoidance of substituting virtual events on Academy portal for large-scale, on-location events**

However, for the sake of analysis and future financial value, the Academy team has calculated the potential ROI for the portal as if the number of employees sent to this event were increased by an estimated 5,100 people. The projected 3-year cumulative savings grow to almost \$17.7million (up from \$13.9 million), and the overall ROI is estimated at 852% (up from 569%).

## Non-Financial Benefits

Academy video podcasting can deliver many benefits to SMES, large content organizations, and learners. These benefits are tangible but more difficult to quantify. This section looks briefly at some of these non-financial benefits.

- **Greater audience reach.** Learners have more options of when and how to consume podcasts, for example, on home PCs, via mobile phones in cars, trains, or planes, public kiosks, customer sites, and more.
- **Avoidance of content duplication.** Centralized storage and delivery save time, effort, and money not to mention the opportunity costs of duplicating work when there other value-added activities that an employee or team could be doing.
- **Content synchronization.** SMEs or presenters can search for similar topics. If there is a duplicate or potential duplicate podcast, they can work with other SMEs to create a single podcast or make sure that a second podcast is not redundant, does not cover the same topic in the same way, or is oriented to a different audience.
- **Reduction of intranet sites.** A centralized repository helps to reduce redundancy of intranet sites that have smaller media libraries that have value to an audience greater than the site.
- **SME recognition.** Content provides SME with the opportunity of being sought out as a SME for specific projects or to be hired by another team based on specific expertise.
- **Improved learner productivity.** With on-demand podcasts, users can learn at their own pace, fast-forward through sections they already know, or stop and start the podcast when they want, according to their own schedule.
- **Presentations.** Learners can download a specific presentation without having to play email tag with the content developer or find the presentation on a team site or other intranet portal.

## Accelerating ROI

ROI can be accelerated by faster user adoption and grown by having more content available for consumption. A quick way to accomplish this is to reach out to key individuals or groups that generate a majority of content for your organization. For most organizations, this is the training and readiness group, product marketing groups, and on-location event planning teams. Converting or substituting content from these teams to virtual events can provide as much as 80% of the overall ROI.

There's a natural resistance to change. Members of formal, instructor-led training and readiness teams are sometimes concerned that, if they adopt and embrace an online experience, their jobs will be eliminated. Executives or key stakeholders in your organization's podcasting portal will probably get push-back from individuals on these teams. Often, members of established teams might respond, saying that they already have a portal for sharing knowledge or that formal courses with instructor-led training cannot be substituted with SME podcasts or videos because that mode of learning is not as effective.

A push towards more virtual events will probably trigger some concerns from people who manage on-location events. Encourage them to think about different ways to save the company money and that can simultaneously inform and educate employees in a more flexible fashion.

Change needs to be rewarded and recognized. Whenever possible, congratulate individuals and teams when they successfully convert a cost into savings (or to a cost avoided) by using your company's social media knowledge sharing platform.

The success of your video podcasting portal might depend on key content owners. It is essential to make a credible business case to groups that own large amounts of content and show them how a centralized, video podcasting portal can be to their financial advantage.

Consider the case of a content owner in the training and readiness organization. If you can get him or her to develop a podcast or video, promote it effectively and gain results (demonstrated by user metrics) that are greater than those of instructor-led classroom training, you have a credible, metrics-driven basis for wider adoption within the training and readiness organization.

## Discipline is Key

You can generate a higher ROI more quickly if you follow a disciplined approach to substituting your training and events catalog with a virtual podcasting and webcasting environment and review the monies spent on each. For example, you can start by identifying:

- ***Which cost-intensive training (usually a trainer-led, in-person event) can be substituted with podcasts or webcasts.***
  - Calculate the estimated dollar amounts that can be saved in a year.
- ***Which on-location, in-person events can be conducted virtually.***
  - Calculate the estimated dollar amounts that can be saved in a year.
- ***Which customer meetings can be conducted virtually rather than in-person.***
  - Calculate the estimated dollar amounts that can be saved in a year.
- ***Where it is important to scale audience reach.***
  - The answer is a virtual event because there is almost no limit to the number of people who can “fit” into a virtual room.

Another approach is to identify which knowledge and company communications can be distributed by a centralized, company-wide, social media-based knowledge sharing platform rather than unsuccessfully seeking specific knowledge on various intranet sites. In this case, one of the best approaches is for management to establish specific cost reduction targets that must be realized over a specified time period. For example:

- Reduce instructor-led classroom training budget from \$X to \$Y within Z months (applicable metrics are dollar amounts, elapsed time, and % cost reduction).
- Reduce the onsite event budget from \$X to \$Y within Z months (Again, the applicable metrics are dollar amounts, elapsed time, and % cost reduction).

Make the goal and metrics very clear and keep focused on getting answers for the costs that your organization estimates that it will save or avoid by investing in a company-wide, video podcasting solution for knowledge sharing.

Similarly, apply the same exercise to the location-based marketing events you conduct today. Which onsite events with their high venue and travel costs are absolutely necessary, and which ones can be conducted virtually? Be bold and courageous, and you will quickly see savings.

Sharpen your pencil, work with the training and event teams of your organization, and identify those instructor-led training and location-based events that can be substituted for and made available as live webcasts and podcasts.

## Prescriptive Guidance and Best Practices

This section presents some of the lessons learned by the Academy team; lessons that can help you build your own Academy-like video podcasting solution. There is one caveat: these guidelines should be applied contextually and appropriately within your organization. Based on the cultural dynamics of your organization, you'll need to determine whether one particular approach will gain traction more readily than another. So, while these findings worked well within the Microsoft culture, the Academy team suggests that you use only the key insights and suggestions that could work for you and your organization.

### Prescriptive Guidance

The Academy team has identified key steps for building an Academy-style video podcasting portal. These steps are not linear or sequential; some can be done in parallel. You decide the best way to apply these practices in your organization.

- **Step 1 – Obtain executive management buy-in.**
  - Foster a company culture of democratic knowledge sharing.
  - Have key executives promote the idea of a video podcasting portal and secure support from management.
  - Set up the knowledge sharing platform as an internal business.
  - Secure funding from executive stakeholders to seed platform development.
- **Step 2 – Build the company-wide, social media-based, knowledge sharing platform.**
  - Build the platform and staff it appropriately for startup operations.
  - Make it easy for people to share knowledge (for example, limited governance on knowledge sharing).
  - Make it easy for SMEs and content owners to upload content to the platform.
  - Make it easy for consumers to find and view content on the platform or download it.
  - Build momentum by evangelizing the podcasting portal and promoting it at company events and in cafeterias through banners, t-shirts, contests, and so on.
  - Design a fun, engaging, and hip portal site that embraces a consumer social media look and feel, not a corporate-looking portal site.
- **Step 3 – Build your video podcasting portal team.**
  - Build the internal business and administrative infrastructure.
  - Staff your team appropriately to anticipate future growth.
- **Step 4 – Evangelize the portal and idea of podcasting and webcasting throughout your company.**
  - This is perhaps the most important part of the process. The Academy team encourages you to evangelize your platform to gain momentum, develop traction, and confirm tangible financial results.

Without buy-in and adoption from content creators and content consumers, you will have implemented a sophisticated software application that could potentially sit idle. A social media-based, knowledge sharing platform is just a tool. Without people to use it, it will wither.
  - Capture executive visibility and adoption by promoting content of key executives.
  - Work to change behaviors related to democratizing knowledge sharing.
  - Launch the portal across multiple internal organizations. Be creative; encourage groups to reward participation.

- Remove the barriers to content creation by building and supporting a straightforward, simple-to-use, content creation process. Though this might seem obvious, Microsoft has found that this single service has been instrumental in making sure that content is created.
  - For example, Microsoft accomplished this service by creating a program called “Podcast-in-a-Box.” The Podcast-in-a-Box is a loaner program that provides SMEs with access to Flip video cameras, demonstration recording software, and audio recorders in exchange for their commitment to produce content. Make sure to hold SMEs to specific timeframes and commitments. The Academy Podcast-in-a-Box is free to Microsoft SMEs.
  - The Academy team also provides a fee-based service for SMEs who prefer the convenience of having a professional video or webinar produced for them by the Academy team. This approach is quite popular within Microsoft, especially among product group executives, who contact the Academy team to ensure that a professional-quality video or webinar is created. The Academy team charges a nominal fee to professionally produce these videos or webinars. The Academy team does make a small margin on these services, where the financial difference is used to offset portal costs. See Appendix A, “Assumptions Underlying Cost and ROI Calculations,” for more information about this service.
- Use viral marketing approaches to promote your platform within your company. Wear portal-themed T-shirts at company meetings or offer contests, so that potential SMEs and learners can see how easy and fun it is to create videos or webinars.
- Generate excitement through real-time viral marketing campaigns by holding live “cast-ins” at company events or locations such as cafeterias, so that employees can experience how podcasts are created and how easy and fun it can be to create one.
- Develop best practices and coach others on how to produce the most effective content.
- Consider building some form of a reward and recognition program to encourage individuals to share content.
  - Develop a rewards system based on points for the SMEs most engaged in producing content or participating in your company’s knowledge sharing program. Points can be gained by producing X number of podcasts or by garnering Y number of consumer ratings at a specific quality level.
  - If your reward recipients convert points into charitable gifts, you might consider some form of company match.
- **Step 5 – Create content partnership deals and centralizes existing media content.**
  - Identify prime candidates in your company with large content catalogs. These might be training or event organizations, product groups, or executives, who generate a lot of content that is managed centrally. In these cases, decisions can often be made quickly, and content can be uploaded rapidly. This is a pretty quick path to reducing costs for participating organizations.
  - Gain adoption by content owners.
  - Determine which events and training items in the content owner’s current catalog can be converted or substituted with webcasts, podcasts, or videos.
  - Set a timeline for converting the content and uploading it to the portal.
  - Upload the content to the portal and add relevant search tags and SME biographies.
  - Calculate potential savings or cost avoidance for each training item or event substituted.
- **Step 6 – Maximize your return on investment: More adoption + more content = greater \$ returns**
  - To secure a financial return on your investment, you’ll really need the support of core content creators to adopt, embrace, and support your social media platform. Consider introducing a virtual event instead of an onsite event to determine the level of interest, audience impact, and audience participation and determine which events could be substituted.

- After you have confirmed a commitment from the content creators to leverage the platform, you'll need to identify the individuals throughout your organization who would support the portal to create their own podcasts and promote awareness of their brand throughout the company.
- **Step 7 – Demonstrate use and ROI metrics by reporting results to management on a consistent basis.**
  - Present adoption metrics by identifying how many people are using your platform. Show metrics of SME or content owner uploads and participant downloads.
  - Identify the number of instructor-led training and on-location events that are substituted with virtual events and the associated cost savings.
  - Present community and social media metrics. Identify how many content consumers are rating content, leaving comments, or both.
  - Demonstrate the diversity of use by reporting the number of content uploaders and consumer downloaders by company role, company division or group, branch, geographic location, and so on.

## Conclusions

The challenges of knowledge sharing within the modern organization vary, but at its heart lay the ideas that people want to share, communicate, and connect with each other and want to learn from their peers and managers. Producing content isn't the same thing as sharing knowledge and insights because as individuals share their knowledge, they contribute to the creation of communities of interest. The greater the sense of community, the more knowledgeable and aligned the organization becomes, and the more responsive it can be to rapidly evolving markets and conditions.

Microsoft Academy has been successful as a social media-based, video podcasting community for knowledge sharing because it actively engages SMEs, learners, business groups, and executives in a continuous process of learning that has a feedback mechanism, which enables all members of the community to participate, share, and learn.

As with the Academy team, your organization can build a social media-based, video podcast, knowledge sharing solution that can empower and enable your people to think and act with greater insight and can foster greater organizational agility.

Here are key takeaways relevant to practically every type of organization.

- Nearly everyone in your organization is a SME of one type or another and either contributes to or consumes knowledge.
- Every part of your organization would probably want to engage in knowledge sharing and learning.
- Knowledge sharing, which is not limited to acknowledged experts, executives, or professional trainers, has been democratized.
- Your SMEs can easily create and publish knowledge easily and cost-effectively.
- Your people can easily access the knowledge they need whenever they want it.
- Your training and readiness and event production organizations can become more efficient and cost-effective.
- Your organization has the potential to use its human and capital resources more efficiently.

## Recommendations

Here are specific things that you can do to implement a social media-based, video podcasting, knowledge sharing solution in your organization:

- Build a business plan with credible projections based on your organization's metrics.
- Secure executive management support.
- Confirm that your organization's primary content owners will support your effort.
- Build the platform and promote it often.
- Reward content creators and sharers.
- Gather user metrics so you can sustain a credible, metrics-based business case.
- Celebrate the ongoing success of your video podcasting portal because you have contributed to building a continuous learning environment that helps your organization be more agile and responsive to the market.

## Appendix A: Assumptions Underlying Cost and ROI Calculations

This appendix briefly addresses how the cost and ROI calculations discussed in this paper were generated and the assumptions that underlie these calculations. To calculate your own metrics, please use the Excel TCO calculator in Appendix B, “TCO and ROI Calculator,” and your organization’s own financial metrics. Remember, results will vary based on your organization’s internal costs and infrastructure.

### TCO Cost Assumptions

Cost details are presented for the scenario, “What if a company wants to replicate the Academy model?” This section provides insight into the thought process for calculating rough costs.

- **FTE salary costs.** Full-time employee (FTE) salary costs were calculated at an annual, fully burdened cost of \$200,000 per Microsoft employee.
  - The Academy team is aware that the actual costs per Microsoft FTE are lower, but the same salary cost numbers were used for each FTE for simplicity’s sake. As a result, some of the headcount-related costs are overstated.
  - Note, that even though FTE salary costs are overstated, there is still a very positive ROI. You will, of course, want to be more precise with your FTE salary costs when you prepare calculations for your organization.
- **Instructor-led, onsite training.** The example of in-person, instructor-led, onsite training is based on rough estimates of Microsoft costs for this type of training. The cost for building content for and conducting a 2-day onsite training event with 10 hours of training content is about \$30,000 (including trainer travel and expense costs). This amount does not include attendee-associated costs such as travel, per diem expenses, or opportunity costs.
  - The Academy team is aware that there are training events that cost less and those that cost much more than this amount. However, this is a typical Microsoft cost scenario.
  - Populate the TCO calculator with costs that more accurately reflect training costs and other cost structures for your organization.
  - Depending on the circumstances, the Academy team believes that the cost avoidance factor can range between 15X to 20X.
- **In-person, onsite events.** The Academy team calculated the costs of a specific in-person, onsite Microsoft event and then used those cost metrics to make the same cost assumptions for other in-person onsite events.
  - The actual cost of conducting the same event virtually on the Academy portal was researched, and the same cost assumptions were made for other virtual events. The Academy team used the actual example of the Microsoft Global Enterprise Marketing Summit, which was replaced by a virtual event, VirtualSummitFY10. The resulting reduction in travel and related cost experienced by event attendees was calculated. Depending on specific circumstances at your organization, the Academy team believes that the cost avoidance factor can range between 5X and 10X.
  - Use the TCO calculator provided in Appendix B, “TCO and ROI Calculator,” to more accurately calculate the cost details of in-person events your organization wants to substitute with a virtual event. Remember, the key cost drivers for in-person events are travel and hotel expenses. Therefore, the more geographically dispersed your audience for the event is, the more it makes sense to conduct the event virtually.
- **Internal charge-back costs help enable a self-sustaining business model.** The Academy team has created a business model with the goal of financial self-sufficiency. As a result, the Academy team charges internal stakeholders more for some of the services the team provides than the actual costs to the Academy team. This margin is used to cover some Academy platform startup costs. The Academy team anticipates that in the future, fixed portal costs will be covered by this margin



- For example, the price charged for a managed webcast of \$1,500 each is higher than the actual cost of \$1,250 presented in the spreadsheet example.
- Another example is the advertising banner space on the Academy portal, which is used to promote podcasts, will be charged for in the future. Your organization might find that this model is too difficult to adopt at the start of your portal program. As a result, the cost positions for program management are overstated for Microsoft but could be more realistic for other organizations.

### Return on Investment Assumptions

The Academy team understated the ROI values in the examples presented in this paper. Please use the Excel-based calculator provided in Appendix B, “TCO and ROI Calculator,” if you would like to determine a more realistic ROI for your organization. Use your organization’s own costs and method for determining ROI. Remember, results will vary based on circumstances.

- **Webcasts included, video podcasts not included.** The Academy team only looked at Live Meeting webcasts (either as live broadcasts or on-demand events) as virtual events. The team specifically omitted video podcasts, even though they comprise about 75% of the 9,123 media pieces uploaded in FY2010.

The team’s reasoning is simple: It would have taken significant time to research concrete examples of actual training sessions that were substituted with podcasts (videos). Although the Academy team knows for certain that this is happening within Microsoft, they have not researched and validated the data sufficiently to have a conclusive, data-driven analysis. Moreover, even without including the podcasts, the ROI is already very positive. From a business decision maker’s point of view, the projected ROI is sufficient to green-light an Academy-style portal and its associated infrastructure.

- **Cost avoidance of intranet sites: not included.** The number of intranet sites that were avoided because a central repository (the Academy portal) is now available was not included in the ROI calculations. Although the Academy team believes that this has saved Microsoft millions of dollars, they have not sufficiently researched this aspect of the portal in enough detail to feel comfortable including it in the ROI calculations.

For example, the Academy team worked with the Microsoft Engineering Readiness team, which had intended to create (duplicate) an Academy-style portal for their audience of more than 30,000 engineers. Rather than building their own portal and operating infrastructure, the Engineering Readiness team decided to leverage the existing Academy portal. This business decision saved the team at least \$100,000 in avoided costs and provided value to their engineering audience by having a centralized repository for readiness content rather than readiness content distributed in various internal team sites or portals. As a result, this cost avoidance metric was not included in the ROI calculations.

- **Content duplication cost avoidance not included.** Inadvertent content duplication is common in organizations as large and dispersed as Microsoft. Many Academy podcast creators want to avoid the creation of content that was already on a Microsoft intranet site or that another group was in the process of creating. Academy connects these content creators with the Academy account management team to avoid content duplication before it is too late.

For example the Microsoft U.S. Partner team saved more than \$350,000 in FY2010 alone by using the centralized Academy portal, having insight into the whole catalog of existing and upcoming content pieces, and leveraging other content to prepare their U.S. Partners. These avoided costs are not included in the Academy ROI calculation. This aspect of the ROI story, in which two parties independently decide to produce podcasts and therefore reduce the total number of media content items, is not included in the Academy ROI calculation.

## Appendix B: TCO and ROI Calculator

The Academy team has developed a Microsoft Office Excel-based TCO and ROI calculator to generate the metric described in this paper.



Excel calculator.xlsx

### Disclaimer

This Excel calculator is provided for information purposes only. It is provided “as-is,” and Microsoft does not make any warranties, express or implied. Information and categories expressed in this calculator may change without notice. You bear the risk of using it.

The financial metrics presented in this calculator are for example purposes only. These metrics represent estimates used by the Academy team in developing a cash flow and return on investment analysis for purposes of this white paper.

The cost categories for calculating total cost of ownership (TCO) metrics conform to commonly used categories for TCO analysis. The direct and indirect cost categories have been modified to meet the specific needs of developing a cash flow model for assessing the financial value of a video podcasting portal such as Academy.

You might need to modify the cost categories to meet the specific and unique circumstances of your organization. Results from using this cash flow and TCO calculator will vary based on your organization’s specific and unique circumstance.

## Appendix C: Example of a Live Microsoft Virtual Event

The assumptions used to calculate cost and ROI metrics were based on real cost data generated by substituting a virtual event (Virtual Summit FY10) for the Microsoft Global Enterprise Marketing Summit, a conventional onsite location-based event.



**Figure 14** – Academy portal web page for Virtual Summit FY10, a large-scale, Microsoft on-location event

Here are some key use and ratings metrics from Virtual Summit FY10:

- Four hundred (400) attendees from over 80 countries were registered to attend Virtual Summit FY10.
- More than 400 people attended four Windows Live™ keynote speeches.
- More than 5,700 virtual attendees downloaded Virtual Summit FY10 sessions.
- Virtual attendees averaged 172 downloads per session.
- Attendees assigned a 92% overall satisfaction rating for all sessions.
- Overall, 92% of attendees responded that they were either satisfied or very satisfied with both the Windows Live-mediated and pre-recorded sessions. The CIO panel discussion scored the highest satisfaction levels across the board.

■

## Appendix D: Resources

- Microsoft Office SharePoint home page available at <http://www.microsoft.com/sharepoint>.
- “Microsoft Eats Its own SharePoint 2010 Dog Food – 7 Lessons,” *CIO Magazine*, 17 June 2010, available at <http://www.cio.com/article/print/597033>.
- “Microsoft gives behind-the-scenes look at internal ‘YouTube’ network,” *Network World*, 16 June 2010, available at <http://www.networkworld.com/news/2010/061610-microsoft-podcasting-network.html?page=1>.