



**2017 North American  
Unified Communications  
Growth Excellence Leadership Award**

FROST & SULLIVAN

**BEST**  
*2017* **PRACTICES**  
**AWARD**

**NORTH AMERICAN  
UNIFIED COMMUNICATIONS  
GROWTH EXCELLENCE LEADERSHIP AWARD**

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## Background and Company Performance

### *Industry Challenges*

The Internet Protocol (IP) telephony and unified communications (UC) market is in a state of significant transition. Businesses are deploying converged voice and data systems to gain operational efficiencies and implement more sophisticated applications (i.e., multi-site networking, mobility, multimedia conferencing, presence, etc.) in order to more effectively address shifting customer and employee demands. In the industry's transition from hardware-based point solutions to more fully integrated communications and collaboration software suites, Frost & Sullivan independent analysis confirms that the evolving marketplace is posing certain challenges to providers and vendors.

The rise of cloud computing technologies is creating opportunities for both businesses and UC solution providers alike to benefit. When compared with UC platforms owned by customers and deployed on their premises, cloud-based unified communications-as-a-service (UCaaS) solutions can provide considerable advantages, including CAPEX avoidance, reduced risk of technology obsolescence, predictable billing, and outsourcing operation to expert providers. Businesses increasingly recognize the value of cloud-based solutions and are adopting UCaaS at a rapid rate. Frost & Sullivan forecasts compound growth rates (CAGRs) of 20 to 30 percent in terms of both installed users and revenue over the next decade. As the UCaaS market experiences a sharp rise, on-premises telephony line license sales are forecast to decline by four percent from 2016-2023.

The shift from premises to cloud adoption is shaking up the provider landscape. Businesses evaluating the migration to cloud are going out to bid, which has increased churn, with many customers selecting new providers over incumbent vendors for their UCaaS solutions. The opportunities are compelling providers of varying backgrounds to enter the industry. The result is a highly fragmented marketplace; providers often compete on the basis of lower prices, which decrease their margins and overall individual growth. At the same time, providers are finding it increasingly difficult to differentiate on a feature/solutions basis, with most competitors offering integrated suites of telephony, voicemail, instant messaging, mobility, and conferencing applications that are highly comparable.

Vendors with an on-premises solution background likewise face numerous obstacles to growth. In order to survive and capitalize on the trend toward cloud solutions, on-premises platform developers have modified their products to serve as the basis of cloud services, or have chosen to become UCaaS providers themselves. The shift from one-time sales revenue recognition to a recurring revenue model requires a dramatic transformation for many on-premises platform developers and their channel partners — they must build up their recurring revenue streams enough to maintain operations, as their on-premises sales decline.

Still another challenge providers and vendors are experiencing is continued demand for on-premises and hybrid cloud/on-premises solutions by certain customer types, verticals (i.e., government, healthcare, financial services), and sizes due to investment culture, the need to protect existing assets, and the superior control and security compared with cloud-only solutions. As such, many vendors and providers are struggling to accommodate all three worlds — on-premises, cloud services and hybrid — that together comprise the broadest addressable opportunities.

Frost & Sullivan points out that a growth excellence leader has proven successful in addressing these and other challenges. Such a position evidences a company's ability to anticipate changing market conditions and customer demands, while envisioning and developing solutions to effectively address them. A growth excellence leader furthermore proves itself adept at not only acquiring new accounts, but also in retaining and adding value to its existing customer base. These attributes are also valuable assets for a company's partner ecosystem, which help them to find continued success through a shared vision and recognition of rapidly changing demands. A growth excellence leader, therefore, sees opportunities - where others do not. Accordingly, such a company is ideally positioned to increase its mind and market share through the acquisition of synergistic technologies, personnel, and customers. Overall, the successful execution of well-planned internal development, sales, marketing, and acquisition strategies ensures that this company maintains its growth excellence leadership status.

### *Growth Performance and Customer Impact*

Frost & Sullivan recognizes that Mitel has established itself as the UC industry growth excellence leader based on the following criteria: growth strategy execution; achieving above-market growth; growth diversification; customer purchase experience effectiveness; and delivering a superior customer ownership experience.

#### **Growth Strategy**

Mitel has executed on a strategy that successfully blends organic growth and expansion through merger and acquisition (M&A).

Organic growth is enabled by the company's visionary innovation and recognition of how technology can address shifting business demands. Mitel is well-established among the upper echelon of premises-based telephony and UC solution vendors. Early-on, Mitel recognized several dynamics that were shifting business demand and utilization requirements. Mitel became the first vendor to help businesses and partners achieve the operational efficiencies enabled by virtualizing the full breadth of both its real-time and asynchronous communications software, which delivers the physical footprint, power and cooling, processing power, distribution and redundancy advantages of true software-based solutions. In addition to its successful on-premises platform and endpoints business, and associated ecosystem, Mitel leveraged its development and services prowess to embrace

UCaaS opportunities in both direct and partner-enabled service delivery models. Excluding 2016 acquisitions, Mitel held a healthy 9.7 percent share of the total global on-premises private branch exchange (PBX) line revenues in 2016. By leveraging this strength and its partner-friendly UCaaS initiatives, Frost & Sullivan points out that Mitel has earned a hard-fought foothold in the highly competitive and fragmented North American UCaaS market.

While many on-premises PBX and UC platform vendors have struggled to make the transition to support customer migration to cloud services, Mitel has leveraged the circumstances to add to its technology, partner ecosystem and customer assets. In 2013, Mitel completed the acquisition of prairieFyre Software, a strategic partner for Mitel which gave the company greater control over innovation in the important customer interaction market, created more of an end-to-end portfolio, and enabled it to keep competing with contact center providers outside of its own UC accounts. Also in 2013, Mitel acquired UC platform competitor Aastra Technologies, which expanded Mitel's customer base, partner ecosystem, and technology portfolio globally, with specific strength added in Europe and in mobile UC applications. In 2014, Mitel further bolstered its contact center portfolio with the acquisition of call recording and quality management solution specialist, OASYS. Most recently, in 2017, Mitel purchased the unified communications systems business assets of Toshiba, and all technology and personnel assets of ShoreTel, which reinforced Mitel's prowess and market share within the small, mid-size and distributed business segments - with particular strength in the United States.

Frost & Sullivan appreciates how Mitel has selectively added to its assets and resources through organic growth and acquisitions during a timeframe in which other competitors are simply fighting for survival.

### **Above-market Growth**

Mitel's dual-prong growth strategy has notably impacted the overall unified communications industry, which comprises a declining on-premises segment and highly competitive and fragmented UCaaS segment.

Effective individual performances by Mitel, ShoreTel and Toshiba prior to their merger bode quite well for the combined company that will now have a broader customer base to sell into - as well as a larger and more diverse partner ecosystem to support existing and net-new accounts.

### **Growth Diversification**

During 2016 and 2017, the UC market experienced a number of mergers and acquisitions. These included several large telcos and network service providers merging, a number of UCaaS providers merging with one another, numerous examples of UC market participants acquiring the technology and personnel of specialty ecosystem participants (i.e., security,

identity management, provisioning, connectivity, etc.), and several notable UC providers acquisitions by IT and private equity firms.

Frost & Sullivan notes that Mitel has approached the UC market with a diverse growth strategy that is rarely seen. The company has leveraged internal as well as external growth levers to expand and more deeply entrench itself in certain technology segments, including on-premises UC platforms and UC services, contact center, mobility and more, as well as enhance its partner ecosystems serving these segments, and its geographic footprint in North America, Europe, and elsewhere.

Mitel's growth strategy is very much leveraging its home-grown and acquired customer base in anticipation of a continued mass migration to UCaaS. Toshiba, ShoreTel and Mitel have all been historically successful in the small and mid-size business segments that are today most rapidly adopting UCaaS. Together, Mitel, Toshiba, and ShoreTel installed on-premises PBX and UC platform customers represent several hundred thousand systems and more than 70 million users than can be migrated to cloud services. These will be supported by a channel network of approximately 4,000 partners worldwide.

While employing a more aggressive and diversified approach than its other competitors, all of Mitel's selective and strategic actions play close to the company's core strengths. With this measured approach, Mitel has targeted assets that complement its own, as well as organizations of a size and culture that are a good fit. Mitel has previously proven to be clearly successful in merging technology, personnel, and partners into its organization - with minimal disruption and churn. Each time the company has emerged ever more powerful and competitive.

### **Customer Purchase Experience**

In its many decades as PBX vendor, Mitel developed a well-known reputation for helping customers retain and add value to their investments over the course of time and throughout technology evolution cycles. The company has focused on helping its customers migrate to newer technologies as needed, from on-premises analog, to digital, to IP systems - and now to UCaaS solutions. As part of this, the company has assured that its endpoints and applications are forward-compatible and interoperable across its call control solutions, all of which lowers the cost and disruption for migrating customers.

In its acquisitions, Mitel has targeted vendors with similar values. Toshiba and ShoreTel are both recognized as providers that have likewise focused on long-term customer relationships, helping them to efficiently upgrade to new communications capabilities while preserving the most value in their existing investments.

Mitel demonstrated a strong commitment in this regard with its acquired Aastra products. The company identified the most popular endpoints and applications from the Aastra portfolio and quickly facilitated integration and interoperability of those products across

Mitel call managers to lower the cost and complexity for customers (whether they choose to migrate to Mitel or Aastra-developed platforms).

Toshiba and ShoreTel customers can remain confident that Mitel will similarly guide them through the transition process with limited disruption and still retain value in their existing assets.

### **Customer Ownership Experience**

Mitel is backed by a strong track record of corporate stability, leadership longevity, and growth that are desired attributes for customers and partners.

Provider strength in terms of financial and technical resources, ecosystem, and corporate stability are essential characteristics valued by businesses that seek to partner with a trusted provider for their mission-critical communications solutions. However, today's unified communications market is littered with providers that do not match these criteria. Many small and unproven competitors vie for the trusted relationships that businesses seek, yet without the track records and resources that are required. At the same time, the market has witnessed the slow demise of several prominent providers in the PBX industry that have experienced highly public financial struggles, leadership turnover, and change of ownership that leave their product and company long-term viability uncertain.

### *Conclusion*

Mitel successfully employs a growth strategy that benefits its customers and partner ecosystem by combining a pragmatic approach that resolves today's problems with the vision to effectively prepare for tomorrow. This strategy is a key driver for Mitel's success in the unified communications market.

With its strong overall performance, Mitel has earned the 2017 Frost & Sullivan Growth Excellence Leadership Award.

## Significance of Growth Excellence Leadership

Growth Excellence Leadership is about inspiring customers to purchase from your company, and then to return time and again. In a sense, then, everything is truly about the customer, and making those customers happy is the cornerstone of any long-term successful growth strategy. Companies that excel in driving growth strive to be best-in-class in three key areas: meeting customer demand, fostering brand loyalty, and carving out a unique, sustainable market niche.



## Understanding Growth Excellence Leadership

Companies that creatively and profitably deliver value to customers ultimately set up their businesses for long-term, rapid growth. This is what Growth Excellence Leadership is all about: growth through customer focus, fostering a virtuous cycle of improvement and success.

## Key Benchmarking Criteria

For the Growth Excellence Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Growth Performance and Customer Impact—according to the criteria identified below.

### Growth Performance

- Criterion 1: Growth Strategy
- Criterion 2: Above-market Growth
- Criterion 3: Share of Wallet
- Criterion 4: Growth Diversification
- Criterion 5: Growth Sustainability

### Customer Impact

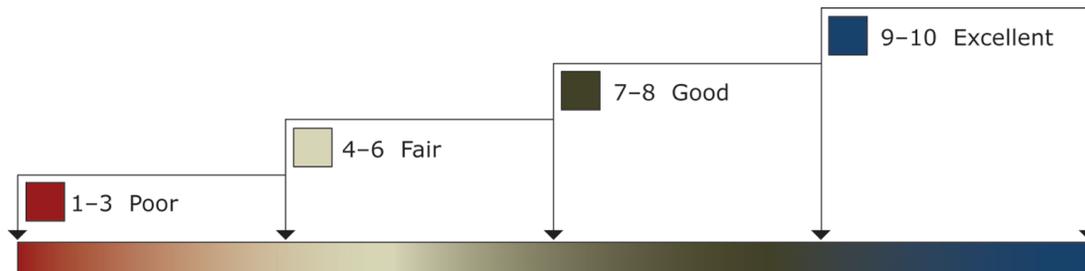
- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

## Best Practices Award Analysis for Mitel

### Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation. Ratings guidelines are illustrated below.

#### RATINGS GUIDELINES



The Decision Support Scorecard is organized by Growth Performance and Customer Impact (i.e., These are the overarching categories for all 10 benchmarking criteria; the definitions for each criterion are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

<i>Measurement of 1–10 (1 = poor; 10 = excellent)</i>			
<b>Growth Excellence Leadership</b>	Growth Performance	Customer Impact	Average Rating
<b>Mitel</b>	<b>9.0</b>	<b>10.0</b>	<b>9.5</b>
Microsoft	8.5	8.5	8.5
Cisco	8.0	7.0	7.5

## *Growth Performance*

### **Criterion 1: Growth Strategy**

Requirement: Executive team has a shared vision for the organization’s future growth and has created and implemented a strategy that is consistent with that vision.

### **Criterion 2: Above-market Growth**

Requirement: Company’s growth rate exceeds the industry’s year-over-year growth rate.

### **Criterion 3: Share of Wallet**

Requirement: Customers allocate a greater percentage of their total spend to purchasing products or services produced by the company.

### **Criterion 4: Growth Diversification**

Requirements: Company is equally able to pursue organic (e.g., distribution channel optimization, new product innovation) or inorganic (e.g., acquisitions, partnerships) growth opportunities consistent with the long-term objectives of the organization.

### **Criterion 5: Growth Sustainability**

Requirement: Company has consistently sought out opportunities for new growth, enabling the organization to build on its base and sustain growth over the long-term.

## *Customer Impact*

### **Criterion 1: Price/Performance Value**

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market.

### **Criterion 2: Customer Purchase Experience**

Requirement: Customers feel they are buying the most optimal solution that addresses both their unique needs and their unique constraints.

### **Criterion 3: Customer Ownership Experience**

Requirement: Customers are proud to own the company’s product or service and have a positive experience throughout the life of the product or service.

### **Criterion 4: Customer Service Experience**

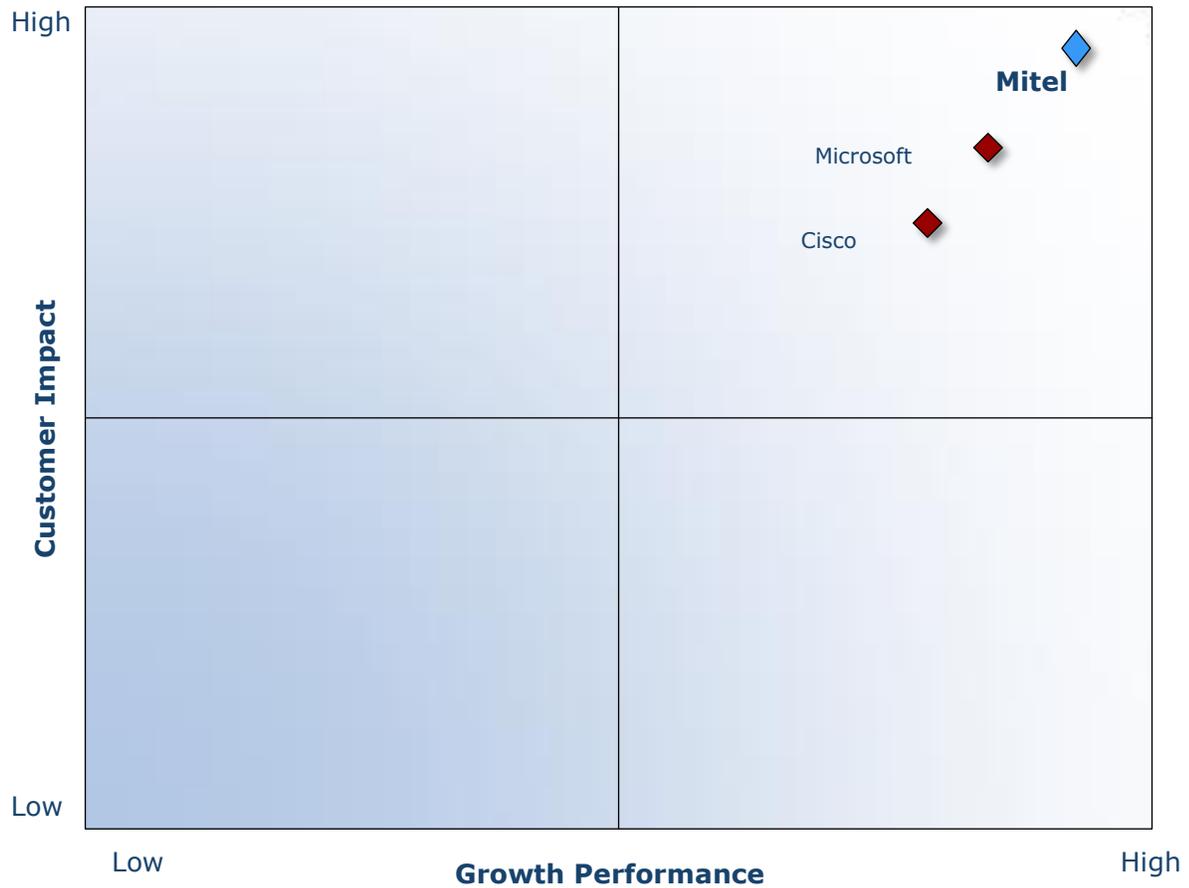
Requirement: Customer service is accessible, fast, stress-free, and of high quality.

### **Criterion 5: Brand Equity**

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty.

### Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.



## Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate Award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 <b>Monitor, target, and screen</b>	Identify Award recipient candidates from around the globe	<ul style="list-style-type: none"> <li>• Conduct in-depth industry research</li> <li>• Identify emerging sectors</li> <li>• Scan multiple geographies</li> </ul>	Pipeline of candidates who potentially meet all best-practice criteria
2 <b>Perform 360-degree research</b>	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> <li>• Interview thought leaders and industry practitioners</li> <li>• Assess candidates' fit with best-practice criteria</li> <li>• Rank all candidates</li> </ul>	Matrix positioning of all candidates' performance relative to one another
3 <b>Invite thought leadership in best practices</b>	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> <li>• Confirm best-practice criteria</li> <li>• Examine eligibility of all candidates</li> <li>• Identify any information gaps</li> </ul>	Detailed profiles of all ranked candidates
4 <b>Initiate research director review</b>	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> <li>• Brainstorm ranking options</li> <li>• Invite multiple perspectives on candidates' performance</li> <li>• Update candidate profiles</li> </ul>	Final prioritization of all eligible candidates and companion best-practice positioning paper
5 <b>Assemble panel of industry experts</b>	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> <li>• Share findings</li> <li>• Strengthen cases for candidate eligibility</li> <li>• Prioritize candidates</li> </ul>	Refined list of prioritized Award candidates
6 <b>Conduct global industry review</b>	Build consensus on Award candidates' eligibility	<ul style="list-style-type: none"> <li>• Hold global team meeting to review all candidates</li> <li>• Pressure-test fit with criteria</li> <li>• Confirm inclusion of all eligible candidates</li> </ul>	Final list of eligible Award candidates, representing success stories worldwide
7 <b>Perform quality check</b>	Develop official Award consideration materials	<ul style="list-style-type: none"> <li>• Perform final performance benchmarking activities</li> <li>• Write nominations</li> <li>• Perform quality review</li> </ul>	High-quality, accurate, and creative presentation of nominees' successes
8 <b>Reconnect with panel of industry experts</b>	Finalize the selection of the best-practice Award recipient	<ul style="list-style-type: none"> <li>• Review analysis with panel</li> <li>• Build consensus</li> <li>• Select recipient</li> </ul>	Decision on which company performs best against all best-practice criteria
9 <b>Communicate recognition</b>	Inform Award recipient of Award recognition	<ul style="list-style-type: none"> <li>• Present Award to the CEO</li> <li>• Inspire the organization for continued success</li> <li>• Celebrate the recipient's performance</li> </ul>	Announcement of Award and plan for how recipient can use the Award to enhance the brand
10 <b>Take strategic action</b>	Upon licensing, company is able to share Award news with stakeholders and customers	<ul style="list-style-type: none"> <li>• Coordinate media outreach</li> <li>• Design a marketing plan</li> <li>• Assess Award's role in future strategic planning</li> </ul>	Widespread awareness of recipient's Award status among investors, media personnel, and employees

## The Intersection between 360-Degree Research and Best Practices Awards

### Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.

### 360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS



## About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages more than 50 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.