



The
7 Most Common Mistakes
CFOs and CIOs make in
**Telecom Expense
Management**



Improved Process. Real Results.



Introduction

After years of turmoil and a prolonged economic recovery, the climate of cost consciousness in Corporate America remains strong. CFOs are still engaged in the rigors of business process improvement and resulting gains in expense management. Meanwhile, CIOs want to demonstrate their prudent stewardship of company resources. Executives everywhere are looking at areas where they can eliminate inefficient processes to free up dollars to fund growth. For these reasons, now is the ideal time to evaluate opportunities for reducing telecom spend, typically one of IT's top expenses and an area ripe with savings opportunities.

TEM projects, when implemented correctly, generate impressive ROI (not to mention extraordinary process improvements). These hard-dollar savings could easily fund more mission critical programs – like innovative development or needed network security enhancements. But first, you might need to refresh your view of TEM so you can challenge your teams to think about what can be achieved through enhanced processes. The following are some common mistakes made in considering or implementing TEM.

Mistake 1: Under-estimating your organization's potential to achieve savings.

Executives often under-estimate the amount they could save through better TEM. If you don't fully appreciate how the savings are achieved, you aren't able to reasonably evaluate the savings potential. For example, one IT director said he didn't think his organization could benefit from enhanced TEM because he already had a very lean telecom group. (He incorrectly assumed most of the savings would be derived through headcount reduction.) Another manager said most of their telecom needs were supplied by a small group of carriers, and they had just negotiated deep discounts for high volume. (He assumed (1) That most of the savings would be derived from consolidating services and through contract negotiation, and (2) That the new contracted rates were accurately reflected in his current invoices - although he had no automated audit process in place.) Another manager said he didn't need a TEM provider because his organization had its own efficient, automated processes whereby invoices were scanned and imaged. He assumed the savings were to be derived by lowering invoice processing costs.

In reality, companies that implement best-in-class TEM solutions achieve savings through an array of techniques. The primary means is through an automated process that (1) populates a data warehouse of detailed expense information, (2) audits each detailed charge against contracts and service orders, (3) delivers actionable business intelligence identifying errors and overcharges (4) equips the TEM organization's staff to manage billing disputes and recover fees. Unless your current process is built around a software platform that fits this description, you're probably under-estimating your ability to find savings.



Mistake 2: Under-estimating the value of the data assets.

When organizations develop RFPs for TEM services, they very often miss the real value proposition of TEM. They don't focus on how they will be able to use the resulting data once the process has been refined through controls and automation. Instead, buyers are sometimes focused on the ability of the TEM provider to perform audits of paper invoices and increase efficiencies in processing paper. But if your focus doesn't include the value of the data, you'll miss the big picture: business intelligence. If you select the right service provider, you'll know more than you ever imagined about your telecom expenses. You'll have actionable data at your fingertips.

Sure, any one-time audit may uncover savings. But your real goal is continuous process improvement. You can't improve a number that isn't visible to you. So your RFP should focus on the amount of visibility you will gain from the process once the TEM solution has been deployed. You should understand what capabilities you'll have to customize dashboards and reporting views. You will want to understand what reports are available. You should ask how the provider's other clients use this data to drive further cost reduction. TEM is really a business process improvement project and, as such, the data assets are the key to continued success.

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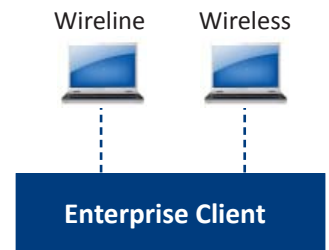
Mistake 3: Separating wireless and fixed communications in your view of TEM.

The most forward-thinking organizations today have outsourced TEM. However, today's "complete" solution is most typically a pairing of two disparate systems – one for fixed communications (local and long-distance voice and data) and a second one for wireless communications. The plurality occurs because traditional TEM solutions initially focused on enterprise voice and data services. A separate set of vendors emerged later to address enterprise needs for managing the growing exposure of wireless expenses. While some traditional TEM providers have partnered with wireless TEM providers to offer a complete package, clients are still generally relying on two separate platforms.

As long as you've chosen two reliable service providers, why are two systems a problem? With separate platforms, you won't have one reliable "global view" of your telecom expense data. Instead, you will likely have to navigate two portals for reporting and need to aggregate and normalize data to generate comprehensive reports. For example, you won't have a single view to "roll up" expenses associated with suppliers of both mobile and fixed services (such as AT&T).

Other problems include having separate processes for provisioning and managing inventory. What's the solution? Look for an established TEM service provider with an integrated solution for both fixed and wireless expenses.

Disparate Systems:



Integrated TEM System:





Mistake 4: Blurring the distinctions between a full-service solution and poorly implemented tools.

A CFO in one Fortune 1000 organization decided to mandate change, and issued a directive to his controller to work with the CIO to implement a TEM program. Later, disappointed with the results, the CFO learned why the newly implemented solution didn't achieve the targets he had set for expense reduction. Instead of engaging a firm to take accountability for the business results, the team ended up buying hosted software, and owning the problem internally. This CFO didn't fully appreciate the distinction between a full-service BPO and a provider that offered little more than SaaS tools. When the project didn't achieve desired business goals, the software company's response was "we delivered the software." What the CFO was looking for was a business partner that would share accountability for business results.

The trend in telecom expense management today is to partner with a business process outsourcer (BPO) that shares accountability for business results. Organizations should look for a provider that has demonstrated competencies in EDI implementation, audit analysis, dispute resolution, automated general ledger accounting and wireless optimization.

Many of today's TEM vendors originated as pure software companies. Over time, these vendors have been forced to "extend" their software-centric offerings to meet market demand for a complete solution by adding invoice processing services. In doing so, these software providers are endeavoring to develop nascent competencies in back-office process execution.

When clients select SaaS, the vendor can focus more on the technology and less on the process and the financials; the buying organization retains most of the responsibility for day-to-day process management as well as achieving measurable business outcomes, such as cost savings. Since most SaaS-centric TEM firms are not staffed or experienced in back-office processing and payment servicing, they cannot provide the complete scope that a true BPO model can deliver. SLAs and cost-to-benefit guarantees become hard to enforce, since managing the process is typically done wholly or partially within the client's IT and AP departments, mitigating vendor exposure and accountability in ensuring client success. Executives should look for a TEM business process outsourcer that welcomes accountability to deliver positive business results.

For the above reasons, we believe that the trending toward BPO platforms will continue. Buyers of TEM services are moving away from other models as they strive to push administrative processes out of their own hands and seek increased expertise. Vendors who offer end-to-end processes, with sufficient experience to provide process control, will emerge as the hands-down leaders within the industry.



Mistake 5: Failing to set a goal for paper elimination.

A goal of any TEM project is the elimination of paper invoices from the process. Be sure to ask potential TEM providers how successful they have been in converting their clients from paper to electronic invoices. What percentage of electronic invoicing can you expect to achieve if you go with their service? A TEM provider with a successful track record working with the carriers on this process will willingly accept accountability to help you convert to EDI processing. If the organization can't assure you of a high conversion rate from paper to electronic (depending upon your mix of carriers, you should expect to achieve 88% - 100% electronic), they won't be able to fulfill your long term goals of:

1. Audits that are integrated into an automated process and that drive continuous process improvement. Electronic data formats feed into the system and enable regular system audits. No more dependence on post-process box audits.
2. Lower processing costs, because electronic files are much more efficiently processed than paper
3. Rich data assets feeding a data warehouse of telecom expense information. When paper invoices feed your process, it becomes very expensive to mine large amounts of data from the process. Data must be keyed – from the actual document or from the image. However, when 100% of the data is imported from an electronic file, much more data is available for mining and analysis.

Mistake 6: Not understanding the value of electronic invoice collection and granular audits.

A key to sound TEM is having an automated process that collects feature-level detail so that every last charge on your telecom invoices can be audited. The feature level is where we typically find a large percentage of the errors—such as unauthorized services. These often small, but repetitive overcharges can significantly increase costs when not addressed. The only efficient method for finding these charges is through granular audits that are only possible when invoices are received in standardized electronic formats such as ANSI EDI and XML. Only when you receive and investigate the details can you achieve visibility and control.

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Some TEM providers take shortcuts. They may take in electronic invoice files from carriers, but in formats other than ANSI 811. Or they may accept the invoice file in ANSI EDI format but not extract all the data from the file. We often use the mantra, “garbage in, garbage out” to remind ourselves that the key to any sound process improvement project is making sure your data input is of high quality. TEM projects are no different in this regard. So be sure to understand how the invoice data is being collected. If you're not processing the charge-level detail from ANSI EDI files, find out what obstacles are in the way.

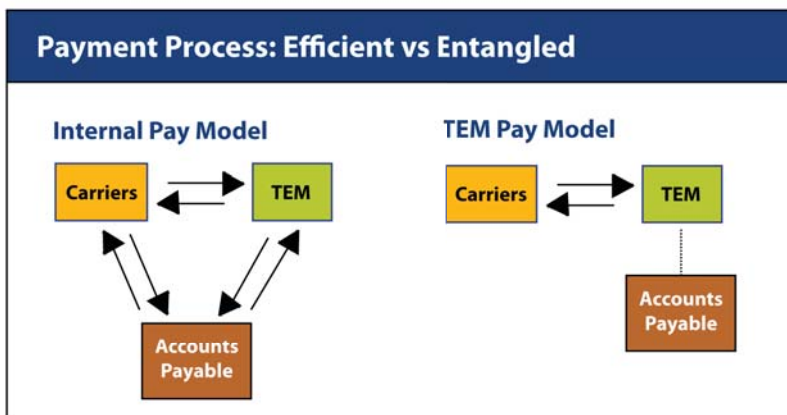
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Mistake 7: Paying too little attention to the payment process.

Two goals of your TEM project are to (1) reduce overall costs and (2) free up your internal resources for higher value tasks. Late fees can be a significant component of your costs. Payment reconciliation and dispute management issues can be a significant time drain. If you manage the process internally, your staff may spend considerable time communicating with your accounts payable team to research payment history. If this information isn't readily accessible, it's difficult to manage disputes.

All the time that your internal staff spends resolving billing issues is time that could otherwise be devoted to higher-value tasks. With this perspective, strategically-thinking organizations prefer to outsource the payment process as a component of overall telecom expense management. This minimizes workload for both the IT and Accounts Payable organizations. And, it allows the controller to hold the BPO accountable for managing on-time payments and minimizing late fees.



Summary: Start by Asking the Tough Questions.

Wonder how much you might save through enhanced TEM? Start asking some tough questions. How automated is your current process? Are you receiving more paper than EDI? Do you have enough data to conduct rigorous, automated audits at the charge level of detail? Does your TEM provider have established competencies in managing high-volume back-office business processing? How much visibility into fixed and wireless expenses do you have? (If you can't see these expenses, how well can you manage them?) Is your TEM provider focused on enhancing the "gee whiz" features of the tool, or in accepting accountability with you for driving cost reduction results?

As you evaluate your current process and investigate potential solutions, these questions will give you a framework to conduct a much more critical and thorough evaluation. And in today's economy, there's no time like the present to find savings.