

A photograph of the Golden Gate Bridge in San Francisco, viewed from a low angle looking across the water towards the towers. The sky is blue with some light clouds. The bridge's cables and towers are prominent in the scene.

National Summit on  
Telecom Expense Management

**Making the Case for TEM  
Before & After Implementation:  
8 Challenges Overcome**

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# Our TEM Implementation

- 36,000 Telco Circuits
- 15,000 Unique End Points
- 8,000 Wireless Devices
- 1,200 Moves, Adds, Changes, Discos Monthly
- 1,100 Invoices Monthly
- 300 Telecom Vendors
- 100 Legal Entities
- 70 Countries
- 37 Currencies
- 30 Languages

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# Our TEM Implementation

- Developed electronic feeds to accounting system
  - Invoice approvals
  - Payment status
  - FX rate tables
  - Inventory database
- Obtained and incorporated telco electronic billing
  - EDI
  - Portals
  - Soft billing
- TEM system customization
  - TEM system to handle approval and reporting in three currencies: Invoice, Branch Office and Common
  - Process and report on monthly, quarterly, annual, and bi-monthly invoices
  - Invoice handling and tax allocation
  - Invoice scanning, storage and e-mail distribution system
  - Invoice approval chains

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# What is Telecom Expense Management?

- TEM is a methodology to manage expenses, not just a vendor or application
- It's a combination of technology, standard processes, business rules and telecom expertise
- A true TEM system will provide your organization the ability to perform:
  - Inventory Management
  - Invoice Processing
  - Order Management
  - Contract Management
  - Network Management
  - Financial Management
  - Security Management
  - Reporting and Business Intelligence

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# Why Telecom Expense Management?

- You can apply some practices on your own
  - Create inventory database and reporting tools
  - Perform regular invoice audits
  - Manage contract terms to build leverage with suppliers
  - Centralize network/telecom management decisions
  - Standardize the procurement process and cost allocation
  - Perform price benchmark exercises and be willing to change suppliers
  - Raise fiscal awareness across IT groups
- Having a good TEM vendor really helps
  - Lightens the load to allow you to perform value-add services
  - Quickly obtain proven tools and have access to subject-matter expertise
  - Provides reporting capabilities to run the business better
  - Standardizes operational practices and centralizes data access
- But don't always believe the hype....
  - Savings are sometimes calculated as \$1 x 36 months
  - Implementing a TEM vendor is not a quick and simple process



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# Who Manages Your Telecom Expenses?

- Many folks performing telecom oversight are not trained properly
- They know what they know but don't know what they don't know
- Common mistakes
  - The wrong expertise
    - Voice folks making data decisions, Data folks making voice decisions
    - Finance folks making tech decisions, Tech folks making finance decisions
  - Sacrifice OPEX over CAPEX
  - Lack financial understanding or have basic accounting principles
  - Have limited resources to do the job right
  - They might trust what the telco account reps tell them
  - Have limited ability to deal with the complex contract legal-ese
  - They might still track stuff on paper, rather than use databases or Excel and exert manual efforts rather than manipulate available electronic data
  - They might not know market rates and accept percentage discounts over price
  - Because it's time consuming and difficult, they might enter into longer term rather than shorter term contracts

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# The Benefits of TEM

- Centralized telecom process and data for better reporting, analysis and business intelligence and universal business rules
- Electronic and a single invoice format for all telecom suppliers globally
- Improved financial, inventory and usage reporting tools for budgeting, forecasting, analytics & accrual processes
- Automatic verification of static invoice line items, GL coding, cost center allocation, surcharges, domestic and international taxes
- Process invoices on time, faster approval, reduced late fees and with less effort
- Accurate telecom inventory with better change control and historical data
- Track usage and mobile devices
- Allows just-in-time provisioning
- Dispute all incorrect charges (favorable & unfavorable)
- Allocate charges back to the correct business units
- Negotiate better contracts and rates
- Measure service level agreements
- Optimize network resources
- Change technology platforms easily
- Create telecom budgets and track expense

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# It's a Tough Road Ahead

- Ask yourself if you have the influence, resources, time and/or empowerment to get the job done
- Will you be able to obtain management buy in and then enforce the processes to ensure the integrity of the implemented solution?
  - You will need to unite various groups
    - Accounting
    - Finance
    - Operational
    - IT groups
  - You will need to overcome many roadblocks
    - Cultural
    - Technical
    - Operational
    - Geographical
  - Expect 300 to 500 cross-department man hours to implement
  - Can you manage the implementation and do your day job as well?!



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# The Eight Challenges

#1: Preparation

#2: Vendor Evaluation

#3: Obtaining Buy In

#4: System Design

#5: Implementation

#6: Operational Support

#7: Business Intelligence

#8: Justification

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# #1: Preparation

- Obtain a full understanding of the operational workflow from every group that is involved
  - Ordering process to payment validation
- Understand what will change and how it will impact stakeholders and the existing processes
  - Figure out how it will benefit each group
- Obtain conceptual buy in from management and support groups
- Decide what services your organization will require
- Perform a scope-of-work document to meet your needs
- Short list vendors based on essential requirements

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# #1: Preparation (continued)

- Gather essential information now
  - Contract and circuit inventory database
  - How services are ordered and who can order them
  - Who is responsible for each service, in each location
  - Who are the telco vendors and associated billing info
    - Name and Mailing Addresses
    - Remit Addresses
    - Account Numbers
    - Bill-To Numbers
    - Net Payment Terms
    - Legal Entities
    - Billing Cycles
    - Invoice Currency
  - Who approves the invoices now and who will approve them going forward and dollar value limits?
  - How will you get the invoices to the TEM vendor?

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# #1: Preparation (continued)

## **Deciding on what services your organization requires**

- Invoice Management
  - Inventory Management
  - Order Management
  - Audit Services
  - Sourcing/Negotiation
  - Price Benchmarking
  - Reporting/Metrics
  - Contract Management
- Or**
- Total Telecom Expense Management

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## #2: Vendor Evaluation


- Expertise and system capabilities of the relevant services you plan to use
- Vendor limitations (reach, technology platform)
- True cost of the service
- Time to savings and/or return on investment
- Customer service and support
- Speed and ability to grow with your needs
- Change management control
- Viability of the company to stay in business
- References – check them!
- Select a vendor



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## #3: Obtaining Buy In

- You'll need to gain buy in from management and the various support groups
  - Not everyone involved will accept it with open arms
  - Can you communicate the goal effectively?
  - Will the various groups have the time, the resources and the will power to do it?
- You'll need to know...
  - Full scope of work
  - Impact to business units and processes
  - The true cost (money, time, resources)
  - Return on investment or time to savings

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## #3: Obtaining Buy In (continued)

- Try to align with your organization's current mission
  - Headcount reductions
  - OPEX reductions
  - Better budgeting
  - Reporting/metrics
  - Transparency
- Sell the idea around how it will overcome existing obstacles, improve workflow and create transparency
  - Tailor your plan to meet your audience's needs
  - Identify any additional operational benefits or cost savings
  - Be prepared to deal with:
    - Job security, old-school thinking, past failures, nay sayers, dotted-line responsibilities, hurt egos, turf wars, misunderstandings and who will own it in the end
- Decide who will actually own it in the end

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# #3: Obtaining Buy In (continued)

- Set SMART Goals
  - **Specific:**
    - What do we want to accomplish?
    - Who will be involved?
    - What's the purpose and/or benefits?
  - **Measurable:**
    - What will be done? When will it be done?
    - How will you know when it is accomplished?
  - **Attainable:**
    - Can you achieve the goals that you set?
  - **Realistic:**
    - Are they realistic?
    - Does each goal represent substantial progress?
  - **Timely:**
    - Set specific time frames to meet operational needs

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## #4: System Design

- Technical
- Operational
- Accounting
- Process Integration

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# #4: System Design

## *Technical*

- Business Process Outsource
  - Third-party software and resources to perform services
- Licensed Application
  - Own and operate using vendor software tools
- Managed Application
  - Access to an application and service resources
- Hybrid
  - A combination of services and application use
- The Data
  - Will you actually own and have full access to it? Download it
  - Is it summary or detailed? Is it historical?
- Web Application
  - Dedicated or shared hardware?
  - Is it really Web-based or is it Citrix?
  - Can you access it from any location?



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# #4: System Design *Operational*

- How well do you know how your company works?
  - There are many differences
    - Legal
    - Cultural
    - Regional
    - Language
  - Document the different operational processes and existing business rules
  - Account for the operational differences and then set a universal set of business rules that work for everyone, everywhere with contingencies

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# #4: System Design *Accounting*

- There is a lot to figure out and it all matters:
  - Invoice handling and country-specific rules
  - Cost and profit centers
  - General ledger and country codes
  - Expense categories
  - Taxes & surcharges: VAT, GST, state, federal, local, withholding
  - FX calculations rules
  - Accounting and benefit periods
  - Accruals and reporting
  - Credits: Additive invoices, credits and refund checks
  - Remit addresses
  - Vendor roll ups
  - Approval chains
  - Auto-pay
  - Wire transfers
  - Branch/location structure
  - Company best practices
  - SOX compliance

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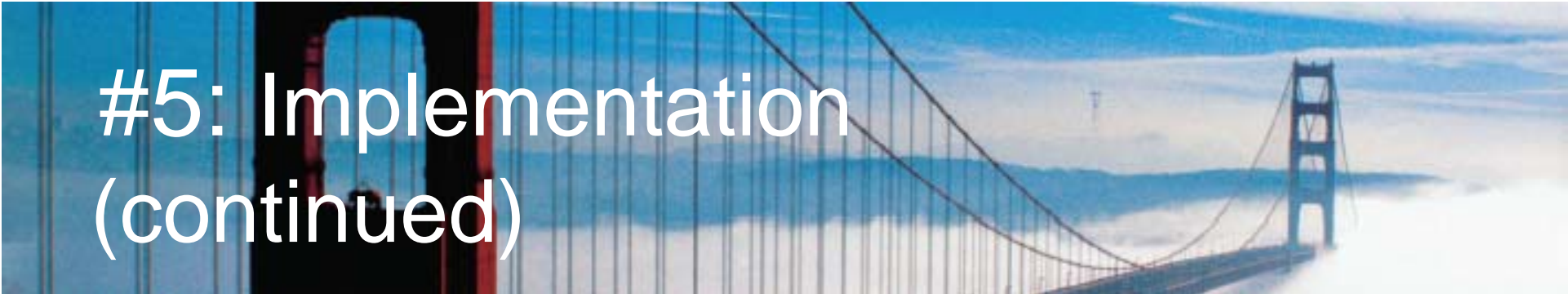
## #4: System Design *Process Integration*

- Tie the systems together
  - Automatic EDI feeds or manual flat files to accounting system
  - Receipt of file confirmations and exchange rates
  - Programming resources to implement
  - Exchange of payment status
- You will need to handle errors
  - Rejected files
  - Exchange rate errors
  - Duplicate invoices
- Decide on how you will pay invoices
  - Directly or will your TEM vendor do it for you?
  - One monthly invoice versus hundreds or thousands

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# #5: Implementation

- How will you roll it out?
  - Vendor
  - Service
  - Region
  - Language
- Invoices might need to be processed in tandem between old and new systems
- Changing mailing addresses
- It can take 2 to 3 billing cycles for the dust to settle
- Build inventory from invoices; you're already paying them
- Don't let the perfect be the enemy of the good, but it has to work correctly!

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# #5: Implementation (continued)

- **Billing Issues**
  - Physical or logical audit
  - Contingency or pay for resource
  - Do your database records match the invoices?
  - Bilateral and associated circuits
  - What is already being disputed?
  - Do you have access to the contracts?
  - How do you place, obtain and track refunds?
  - Are you meeting contractual commitments?
  - Be careful! Don't stir the telco revenue assurance hornet's nest and mess up what's not broken



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## #6: Operational Maintenance

- How will you manage it going forward?
  - Monitor the day-to-day operations
  - Change management and enhancements controls
  - Functionality and processes to meet changing business needs
  - Customer service and support
  - Moves, Adds, Changes, Disconnects
  - Price changes
  - Handle bulk changes
  - Financial structure adjustments
  - Contract obligations
  - Track when services are up for renewal
  - Verify you are getting invoices
  - Organizational and personnel changes

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## #7: Business Intelligence

- Are you applying all TEM disciplines to obtain the highest return?
- Do you have a clean inventory of all services?
- Do you have a universal repeatable process?
- Do you have a process to allocate GL and cost center correctly?
- Do you have financial reporting capabilities? Is it correct?
- Do you perform regular contractual reviews?
- Have you been able to optimize network resources to reduce costs?
- Did you find opportunities to grow your network or bandwidth?
- Did you save money?
  - Credits/refunds
  - Eliminate late fees
  - Reduce headcount or FTEs
  - Achieved price reductions

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# #7: Business Intelligence (continued)

- Can you perform better budgeting? Accruals?
- Did you learn about where and how the money is spent?
  - Which vendors
  - Which products or services
  - Which business units
- Are you making more timely decisions?
- Are you better positioned with your suppliers?
- Are you processing your invoices quicker? With less errors and effort?
- Can you identify and reconcile billing mistakes?
  - Favorable and unfavorable
  - Success rate
- Do you have a process to allocate GL and cost center correctly?
- Do you have financial reporting capabilities? Is it correct?
- Do you perform regular contractual reviews?

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## #8: Justification

- The following issues will come up at some point, and the best defense is a good offense
  - It's Groundhog Day!! People move around or the business changes and upper management has developed amnesia....
    - What is TEM thing? It costs how much? Show me the savings?
    - Can you explain how this helps us? Why are we paying someone to process bills?
    - Did we make the right choice? “My friend uses another system, maybe we should switch....”
    - “I got an e-mail from another company that can reduce costs by an additional 30%”
  - Its now your “system”
    - Business intelligence and solid reporting provides the proof
    - Keep an eye on the industry and know about other TEM systems
    - This keeps you and your vendor honest as well as your business moving along



# Questions?