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Why Telecom Audits Alone Are Not Enough

Telecom Expense Management Is Necessary to Maximize Ongoing Savings

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Technology-enabled Telecom Expense Management (TEM) solutions help organizations leverage the information gained through an audit to implement permanent process improvements and maximize long-term savings.

The audit is an important tool for defining the initial state of an organization's telecom environment and identifying opportunities for improvement. As a long-term expense management strategy, however, the audit alone is a blunt instrument that fails to maximize sustainable, long-term value. Without continuous management and optimization after the audit, the telecom environment rapidly reverts to a sub-optimal state. Organizations relying on auditing as their primary telecom expense management tool must periodically repeat the audit – at significant effort and expense – to temporarily restore expense visibility and control and return to a state previously achieved (and lost).

TEM solutions that offer the greatest return on investment are those that leverage software to automate best practices and provide continuous value. These solutions will maintain the optimization achieved through the audit process, adapt to changing conditions (such as the incorporation of new technologies into the telecom environment), and provide continuous improvement of processes – such as wireless expense management and contract management – that might otherwise spiral out of control.

The Audit – Identifying Opportunities

In discussing TEM, it is important to define what we mean by "audit." Audit is sometimes used in a narrow sense, to refer to a specific process such as invoice validation. This white paper does not use audit in that sense, but rather, defines audit as the totality of primarily manual processes performed "on demand" to baseline a telecommunications environment, identify historical billing errors and credit opportunities, and expose opportunities to reduce expenses through service optimization on a go-forward basis. Because this type of audit is both forward and backward looking, it is sometimes referred to as a "historical audit."

The historical audit is an important first step in any comprehensive telecom expense management program. It is typically a labor-intensive engagement in which TEM consultants baseline inventory and services, review invoices and contracts, and identify opportunities to eliminate unused services and recover credits for overcharges, extending as far back as possible – sometimes achieving credits from errors made 6–12 months prior.

This type of audit will often deliver immediate, hard-dollar returns and uncover opportunities for process improvements and other expense management initiatives that will yield hard- and soft-dollar savings in the future.

TEM revolves around invoice management and may also include inventory audits, asset and contract management, reporting and analytics, wireless optimization, and other processes designed to reduce telecom spend and improve productivity.

Limitations of the Audit as a TEM Strategy

Historical audits can yield significant savings. So it's not surprising that organizations that commission audits feel they are highly effective. They might even be inclined to think that periodic auditing is an adequate means to control telecom costs. This approach, however, is shortsighted and leaves untold dollars on the table.

An audit that yields high returns is a sign of ineffective telecom management. Indeed, the more effectively an organization manages its telecom spend, the less it can expect to gain – in terms of hard-dollar returns – from a historical audit. Sound management leaves little room for improvement.

Periodic auditing of an unmanaged telecom environment produces temporary cost reductions separated by intervals during which inefficiencies tend to return to pre-audit levels. This leads to increased total expenditures and savings lost between audits, as shown below:
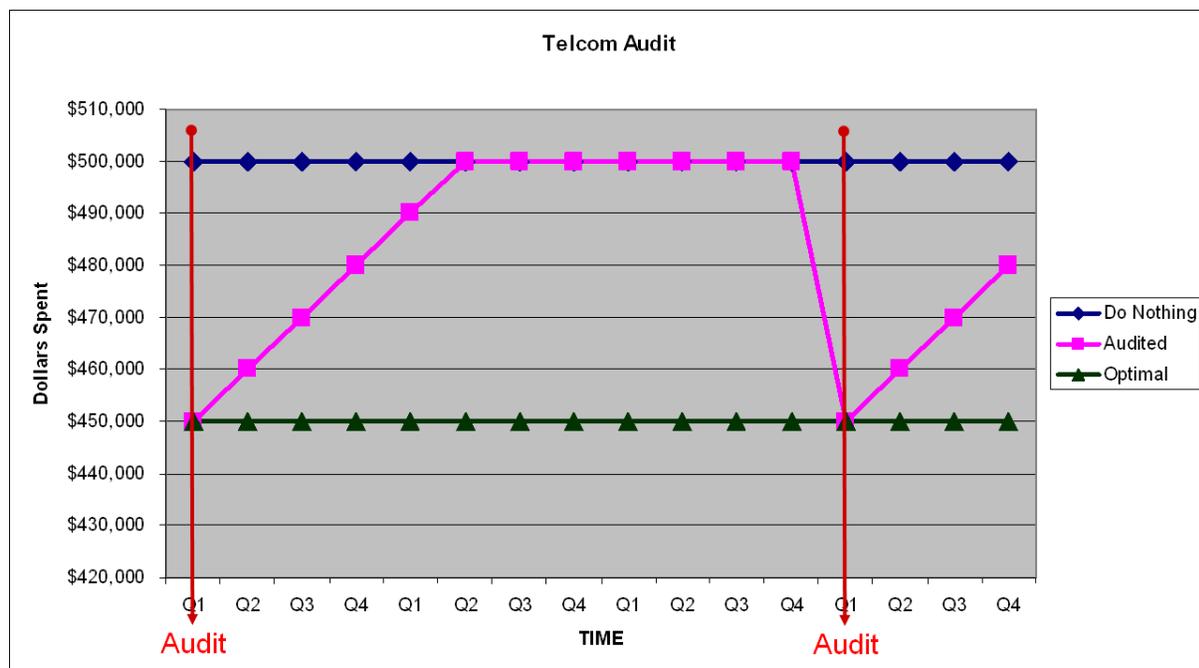
The effects of an audit - without ongoing telecom expense management, telecom costs tend to return to pre-audit levels

Without ongoing management, gains secured by an audit are lost for the following reasons:

- **Employee turnover** – Staff changes trigger device and service moves, adds, changes, and disconnections. Extensions and devices must be properly reassigned and inventory must be updated. Without a TEM solution in place, these changes are difficult to coordinate and verify. Errors tend to accumulate and the ability to validate invoices, track wireless devices and plans, and manage expenses is undermined.

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- **Lack of adherence to policy** – Appropriate use policy is often defined but rarely enforced. An ongoing usage management solution, drawing on data from call accounting and invoice management systems, can provide the information necessary to identify misuse of telecom resources.
- **Manual processes** – Without adequate software support,management of sourcing, procurement, invoice, and inventory are labor-intensive manual processes prone to errors that propagate and cause debilitating "ripple effects." For example, inaccurate inventory counts interfere with the ability to validate invoices and can lead to payment of overcharges or late-payment penalties.
- **Multiple applications and databases** – A holistic approach to telecom expense management is impossible when inventory, invoice, and usage data are managed with separate applications and databases.
- **Changing technology** – As the corporate telecom network evolves and technology is upgraded – for example, fixed/mobile solutions are rolled out – these changes need to be reflected in the telecom management systems. TEM solutions greatly simplify this kind of planned transformation.
- **Increasing network complexity** – New office locations, new requirements, and the deployment of hybrid systems on the path to unified communications – these add complexity to the network and can create problems for manual expense management systems.

Case in Point: Historical Audit

The historical audit for a Fortune 500 company based in North America included the following:

- Inventory and review of voice and data services at all locations, customer service records (CSRs), vendor invoices and contractual rates; network topology and analysis.

- Verification of all wireless numbers and landline services and circuits by location. Each number was called as many as three times to ensure that it was valid and properly assigned.

- Invoices were reconciled to CSRs and service contracts. Service contracts were reviewed and evaluated in light of services actually being used.

- A competitive analysis was performed to see if there were alternative providers or plans that would be more cost effective for the level of service the company was using.

- Carrier overcharges were identified as far back as possible.

- Deliverables included recommendations for integrations, reporting requirements, and workflow designs.

Millions of Dollars in Savings:

- Where service verification showed that the company was paying for deactivated numbers or unused trunks, the provider was instructed to remove those unused services from the bill. For example, thousands of wireless numbers were found to be not assigned or assigned to non-employees; these were disconnected to yield millions of dollars in savings.

- Where invoice analysis uncovered billing errors, disputes were lodged against service providers. Savings and credits obtained from carriers for charges billed contrary to contract terms (such as "loose traffic" and carrier access charges) amounted to hundreds of thousands of dollars.

- Where contracts and services plans were found to be ill-suited to actual usage, new, more cost-effective agreements were negotiated with carriers.

Audits provide only snapshots of the telecom network and fail to provide organizations with the sustained visibility they need to identify trends, make forecasts, and do strategic planning for long-term success.

Without a centralized, automated TEM program, these errors and inaccuracies quickly accumulate and impair the organization's ability to manage telecom inventory, reconcile invoices, keep track of corporate telecom requirements, and determine if carrier contract commitments are being met. While the next audit might identify and temporarily resolve some of these problems and inefficiencies, the dollars lost between audits are largely unrecoverable.

And because the organization does not have sustained visibility into the telecom network over time – only snapshots provided by audits – it cannot identify trends, make forecasts, or do the strategic planning necessary to generate ongoing value and enable future success.

Automation and Centralized Data Management – Ongoing Value

Technology-enabled TEM solutions can help organizations leverage the information gained through an audit to implement permanent process improvements and maximize long-term savings.

A proactive managed TEM services approach generates continuous value that builds cumulative savings over time, as illustrated below.
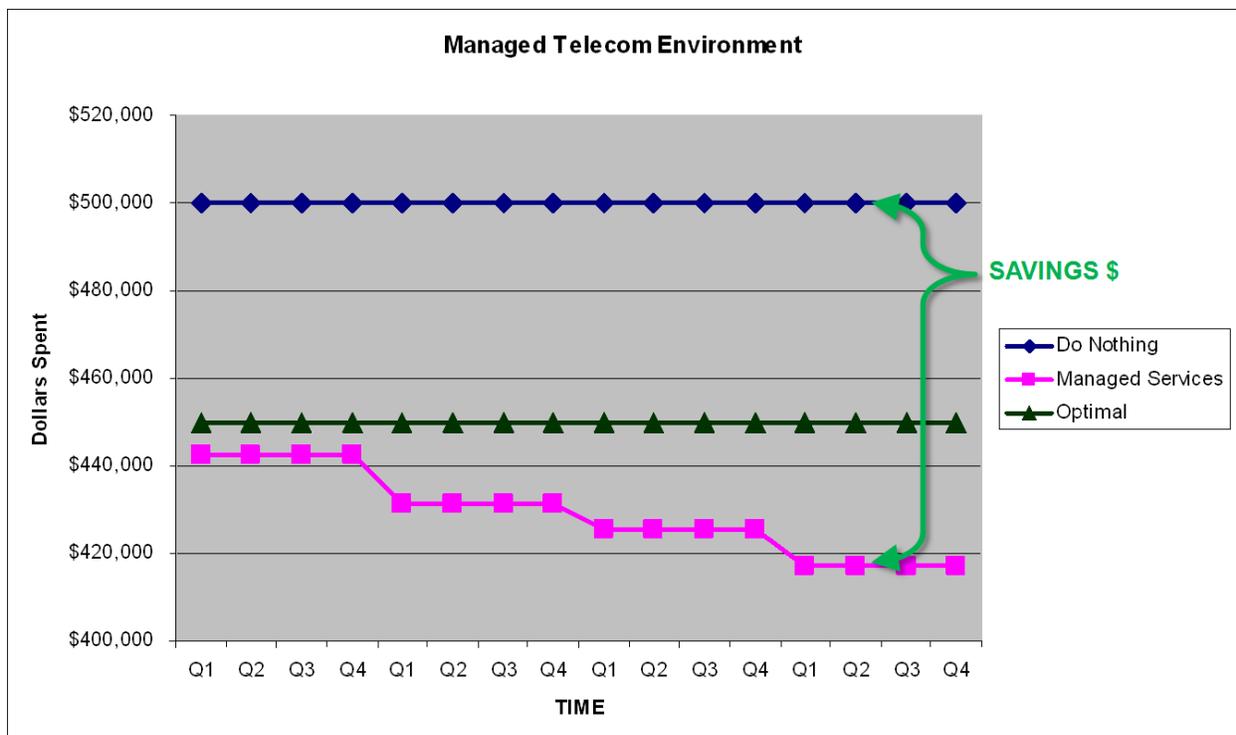
Managed TEM environment supports/promotes best practices to deliver sustained value and capture dollars otherwise lost between audits.

By utilizing automation and centralized data management, TEM solutions can support best practices for:

- **Sourcing Management** – Includes the process of finding vendors that offer the best terms and prices on telecom services and products that match your enterprise requirements. Telecom contracts and vendors are monitored and managed over the life of the agreement.

- **Ordering and Provisioning Management** – Self-service ordering of telecom devices and service plans, MACD, and provisioning workflow automation. Ordering and provisioning management streamlines and controls the entire telecom procurement process – including wireless procurement – from initial requisition and approval to fulfillment and deployment of assets. It supports telecom expense management efforts by delivering greater process efficiency, reduced costs, improved inventory and cost allocation accuracy, and fewer off-contract orders.

- **Inventory Management** – Tracking and management of telecom services, circuits, and assets. All types of tangible and non-tangible telecom assets can be tracked, such as fixed and mobile services and devices, computers and software licenses, asset serial numbers and depreciation, vendor contracts and service level agreements, and much more. When supported by centralized data management and TEM enabling technology, inventory management keeps inventory synchronized with sourcing, usage, invoice, ordering, and provisioning activities.

Case in Point: TEM Automation

A Fortune 1000 company with more than 5,000 employees was handling wireless procurement separately at each of six corporate locations. The process was labor intensive and non-standardized. There was no central database of devices and plans. Cost per user was spiraling out of control.

As part of a comprehensive TEM solution, the company implemented a TEM software suite that included a self-service wireless procurement portal. The portal is accessed through a smart interface that recognizes the logged-in user and presents catalog options based on the user's role and authorizations.

The portal allows users to select from wireless plans and products that comply with corporate policies and leverage negotiated rates. Orders are automatically routed to appropriate individuals for review and approval.

The procurement system is fully integrated with centralized invoice, inventory and contract management systems, providing complete expense lifecycle management and ensuring minimum total cost of ownership (TCO).

Usage data, derived from invoices, is automatically tracked against plan. Excessive or unauthorized use, such as extensive use of expensive data services, triggers an alert so that appropriate action can be taken to adjust behavior or update plan requirements.

The company now has hard data to support contract requirements and is in a much stronger position to negotiate favorable terms with wireless service providers.

30% Savings: For users provisioned through the wireless procurement portal, cost per user is approximately 30% lower what it otherwise would have been. In addition, countless hours of manual wireless procurement processing have been eliminated, generating significant soft-dollar savings that will continue to accrue over time.

- **Invoice Management** – Automated invoice receipt, audit, and approval processing. No telecom expense management solution has a greater or more rapid impact on hard and soft dollar savings than invoice management. Invoice management streamlines invoice receipt, reconciliation, processing, approval, and payment. It reduces invoice-processing costs and improves the accuracy of validation and allocation by enabling electronic receipt and processing through TEM-enabling technology.

- **Usage Management** – Wireless and wireline call accounting and cost allocation. Usage management combines call accounting and invoice data to provide a comprehensive view of wireline and wireless telecom services and usage. It allows you to track and allocate costs by individual, department, cost center, or other user-defined spend category across any number of corporate locations. Usage management also helps you identify theft and abuse of network resources, eliminate unused services, optimize service contracts, accurately forecast costs, and plan your telecom budgets. Usage management may include policy development to help ensure enterprise-wide compliance with internal and external usage rules and regulations.

- **Dispute Management** – Allows you to track and manage the full life cycle of every invoice dispute, from inception to resolution. By automating the dispute management workflow, TEM-enabling technology ensures the rapid recovery of credits owed to you and helps you manage short-pay and no-pay decisions. The system will alert you when disputed charges reappear on future invoices and gives you leverage in negotiating optimal plans and contract terms with service providers. Dispute management is an essential component of telecom expense management that is supported by invoice management and provides ongoing cost avoidance.

TEM solutions can provide the business intelligence necessary to optimize utilization of telecom resources and services, and to support strategic planning for future capital investments, technology deployments, wireless plans, vendor selections, and more.

Management by Exception

Technology-enabled TEM offers advantages beyond service optimization and expense reduction. By centralizing and automating processes such as invoice management and wireless procurement, TEM-enabling technology reduces labor demands, improves productivity, and reduces the potential of error in these processes.

The consequences of this process improvement are twofold:

- Employees who had previously been performing these processes manually can now be assigned to other tasks that provide greater value to the organization or align more closely with core competencies.

- Managers responsible for the successful performance of automated processes no longer need to "babysit" these processes and can instead manage them by exception. The TEM software will operate with far greater autonomy than the manual processes it replaces, and will alert management only when critical, pre-set thresholds (such significant deviations from planned expenses or time frames) are exceeded.

A Comprehensive, Self-funding TEM Solution

In today's challenging business climate, organizations are under pressure to reduce expenses. As one of the top five expenses in most organizations today, telecom is increasingly a target of cost-cutting efforts. The telecom audit can be an important part of this effort – but only a part. A comprehensive, integrated TEM solution – utilizing technology-enabled process automation and centralized data management – is necessary to maximize telecom savings over time.

TEM technology can be deployed as licensed, on-premise software or as a hosted/managed service. The right choice for a given organization depends on its objectives and in-house resources. The hosted/managed service option is typically associated with a subscription-based payment plan, which offers steady and predictable costs that some organizations might prefer. In fact, when deployed as a managed service, TEM can be self-funding, as illustrated int the graphic below. It also eliminates the need for the client organization to invest in hardware to host the software, provide IT resources to administer the system, or manage updates, backups, or application and data security.

As corporate telecom networks continue to evolve toward unified communications, network cost and complexity continue to grow. TEM will play an increasingly important role in helping organizations gain visibility into their communications environment and reduce expenses associated with their voice, data, and wireless services and infrastructure.
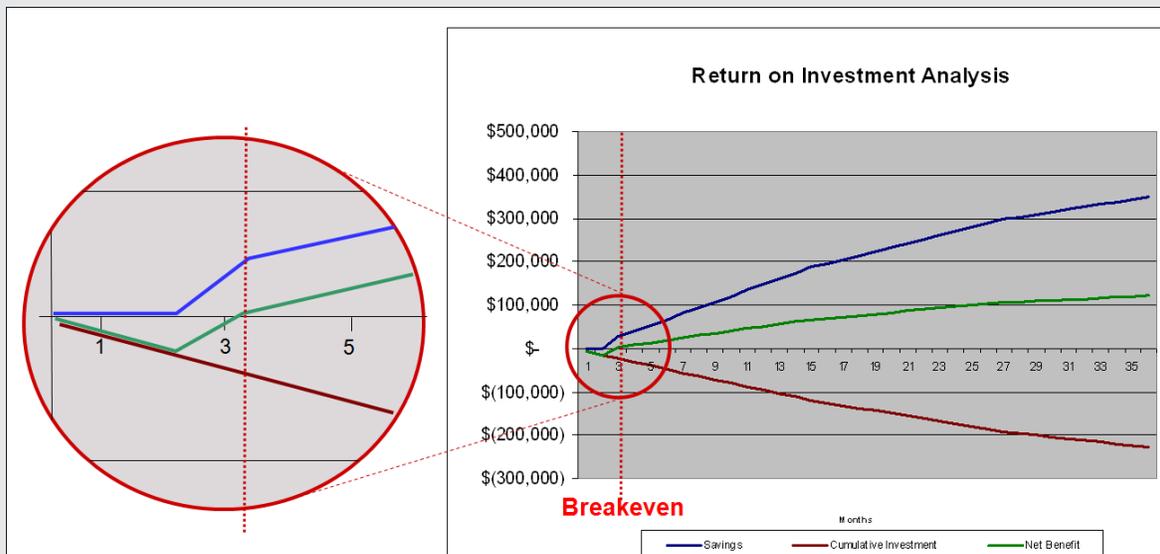
A self-funding, subscription-based financial model for Telecom Expense Management.

Under normal circumstances, management can monitor the performance of the system at a high level through the use of configurable dashboards and other graphical reporting tools. When intervention is required, TEM systems will provide the exception reports and business intelligence that management requires to analyze the situation and take appropriate corrective action.

Telecom expense management by exception is a key benefit of TEM-enabling technology and the ongoing process automation and optimization it provides. Management can spend less time on daily operations and more time on strategic planning – a fundamental driver of long-term competitive advantage.

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ABOUT CALERO
Calero Software is a leading provider of Communications Lifecycle Management solutions with a deep commitment to innovation and customer service. Calero's CLM Suite supports the full communications lifecycle (from procurement to payment) including software/services that aid Telecom Expense Management (TEM), Managed Mobility Services (MMS) and Usage Management. Calero has thousands of customers in the United States and more than 40 countries worldwide, including Fortune 1000 corporations, universities and government agencies. For more information, visit us at www.calero.com or www.call-accounting-solutions.com, or call 585.381.6000.