

WHITE PAPER
**What to Avoid When
Selecting a TEM Vendor**

TABLE OF Contents

2	Introduction
3	No Business Justification
4	Having Unrealistic Expectations
5	Engaging Too Many Vendors
6	Not Establishing Quantifiable SLA Measures
7	Failing To Make A Decision
8	Conclusion

In our experience, as TEM programs have become more complex, the time to select a solution provider has increased to 18 months or longer. Since not all TEM engagements are the same, there is an opportunity to develop a tailored solution for your needs. However, too much flexibility often leads to unnecessary delays and mistakes in selecting a TEM supplier. These delays and mistakes are unfortunate, and as each day passes from not having a TEM solution, savings may be lost forever. This report will help evaluation teams make better decisions and reduce the time to make selection by avoiding the top five errors of selecting a TEM supplier.

Most organizations are spending too much money on telecom services because they do not have proactive systems to validate and optimize expenses. The Telecom Expense Management (TEM) market has grown from a small market of bill auditing and call accounting companies into a market with more than 100 companies that offer a wide range of solutions. No two TEM Solution Providers are the same and can vary considerably based on clients' needs and the providers' capabilities. This variety can provide benefits by offering clients' solutions that are tailored for client's specific needs, but the wide variety of choices can also lead to costly errors.

Another challenge comes from the fact that enterprises have multiple groups from IT, Finance, Procurement, Operations, Facilities Management, to Human Resources that get involved in managing some aspect of telecom expenses. Establishing alignment among these different groups on how to select a supplier is critical. It starts with developing a common language that enterprises can use with TEM suppliers to discuss solution options, thereby ensuring that the proper solution is delivered.

This report shall focus on five common mistakes in selecting a TEM supplier and recommendations to avoid them. In turn, readers will learn how to reduce the time to evaluate TEM providers and help evaluation teams make better decisions. Companies will benefit by realizing savings from TEM faster and avoiding the pitfalls of selecting TEM providers that fail to deliver effective programs.



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No Business Justification

Often we find organizations, which are in the final stages of selecting a TEM supplier, have not developed a business justification for TEM. Although it is necessary to identify the size and scope of the project to get accurate costs for a TEM solution, managers of the evaluation team should not wait until they are ready to sign the contract before developing a business justification for TEM.

After developing an understanding of TEM, the evaluation team should begin assessing their needs and evaluating their current business processes. The teams should identify what is working and areas that need improvement. Some areas to use for the business justification include:

- Reduction of telecom expenses
- Improving business processes
- Financial management and compliance
- Centralizing control of the network

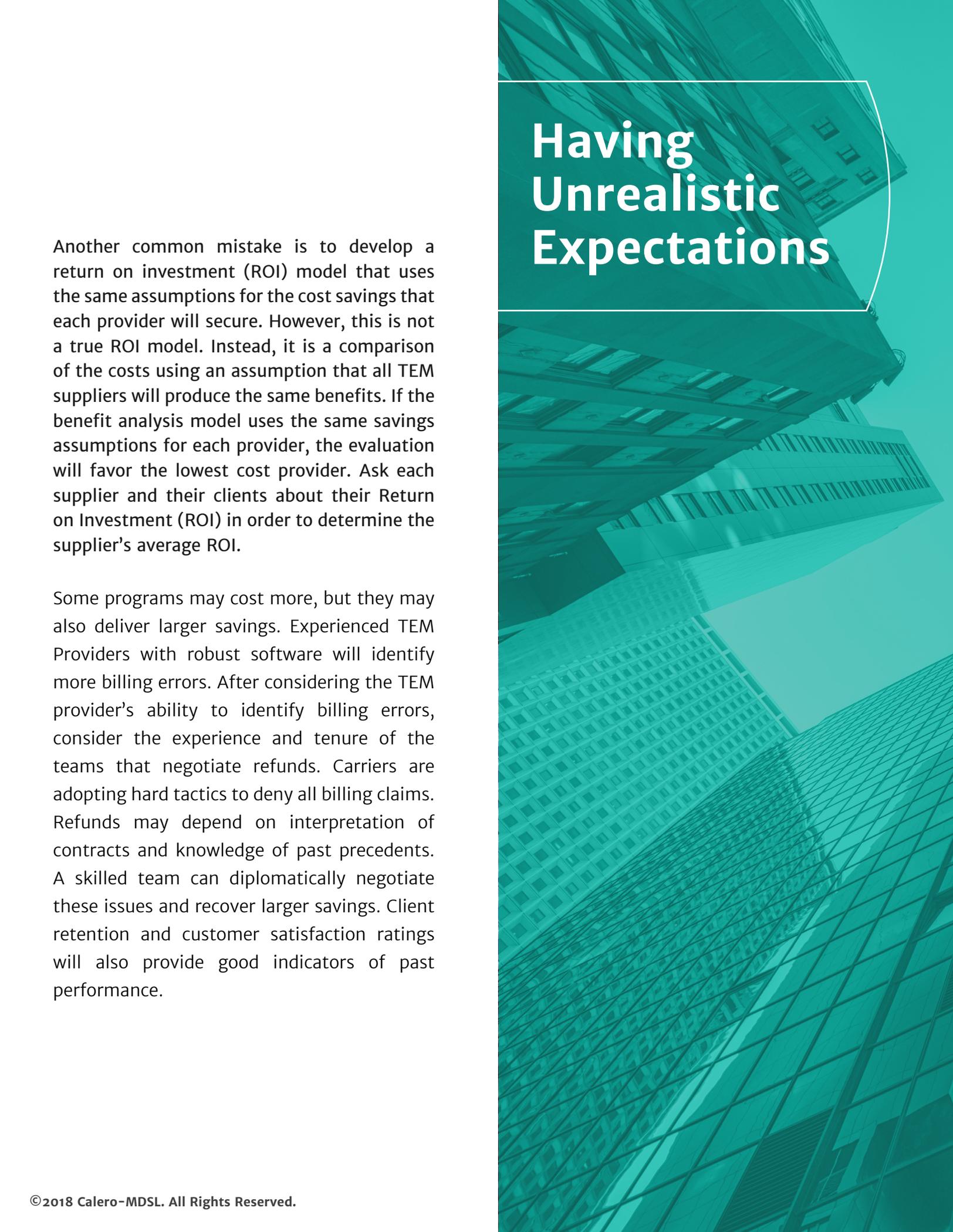
Billing validation and cost recovery can help secure early wins with a TEM program. However, this should not be the sole area to develop the business justification.

Improving business processes will also provide benefits. For example, streamlining labor-intensive manual processes will reduce operational costs and help provide additional justification for the program. Enterprises may also seek to establish better controls for Move, Add, Change, and Disconnect (MACD) processes with telecom carriers. Implementing asset management software that manages MACD order activity and ensures that orders reference contracts will help to improve billing accuracy. Directing orders to the carriers with special contract pricing will also provide savings. In addition, proper documentation of service requests for disconnect and change activity can help to ensure removal of these items from billing in a timely manner.

Controls on MACD activity will facilitate efforts to

maintain a more accurate inventory of telecom services and billing. Enterprises may also gain savings by moving from labor-intensive processing of paper invoices to management of billing in electronic format or outsourcing the process to a third party that can do this more efficiently. The gains from these process improvements can help to reduce late payment penalties, administrative expenses, and disruptions from uncontrolled service disconnects.

Financial management is another important consideration in the business justification for a TEM program. For instance, publicly traded companies must comply with Sarbanes-Oxley regulations. International companies face the European Eighth Company Law Directive on Statutory Audit and U.S. Federal Government agencies must comply with the Office of Management Budget (OMB) mandates. Charitable organizations and educational institutions must meet the expectations and the standards of donors and other stakeholders. TEM can improve financial management including budget forecasting, expense tracking, and expense charge-backs. Finally, many enterprises use telecom expense management as an important step to gain control of their network infrastructure.



Having Unrealistic Expectations

Another common mistake is to develop a return on investment (ROI) model that uses the same assumptions for the cost savings that each provider will secure. However, this is not a true ROI model. Instead, it is a comparison of the costs using an assumption that all TEM suppliers will produce the same benefits. If the benefit analysis model uses the same savings assumptions for each provider, the evaluation will favor the lowest cost provider. Ask each supplier and their clients about their Return on Investment (ROI) in order to determine the supplier's average ROI.

Some programs may cost more, but they may also deliver larger savings. Experienced TEM Providers with robust software will identify more billing errors. After considering the TEM provider's ability to identify billing errors, consider the experience and tenure of the teams that negotiate refunds. Carriers are adopting hard tactics to deny all billing claims. Refunds may depend on interpretation of contracts and knowledge of past precedents. A skilled team can diplomatically negotiate these issues and recover larger savings. Client retention and customer satisfaction ratings will also provide good indicators of past performance.



Engaging Too Many Vendors

Hundreds of companies offer TEM solutions, but there is not enough time to include all of them in an evaluation. Early in the evaluation, it is critical to focus on the business justification and your needs. Three areas can help narrow the field of suppliers:

- Delivery options
- Project size (telecom spend, assets/inventory under management, MACD activity)
- Project scope (fixed, wireless, international)

TEM delivery options include licensed software, hosted solutions, and managed services or Business Process Outsourcing. Most TEM suppliers can only meet one or two of these three delivery approaches. Your environment is unique. Your security requirements, IT, personnel that can be assigned to the program, existing systems, budget, and other factors – all affect which delivery option is right for your organization. Determining the best approach for service delivery will help to avoid the blurring of Supplier capabilities in the evaluation. For example, an outsourced solution may leverage the Suppliers' personnel to achieve better results. The same Supplier working in a hosted or licensed software environment may depend on the enterprise's personnel to achieve these results.

In some cases, there may be a plan to migrate over time to a different delivery approach. For example, a client may wish to begin with a fully managed outsource program and then change to a hosted solution after a year when things move to steady state. Some organizations may wish to transfer more responsibility to the TEM provider as the scope of the project increases. If the delivery approach needs to change over

time, it is best to limit the TEM suppliers in the evaluation to those that provide multiple delivery options. Selecting the best delivery approach or a combination of options for your needs will help to identify a manageable number of suppliers to include in the evaluation.

Companies should also focus on TEM suppliers that specialize in similar size projects. Most TEM suppliers use annual spending on telecom services or the number of mobile devices to determine the size of the project. Also, consider the size of the network and the assets with the program. A small provider that does not have experience meeting a large project will not be able to meet your needs.

Finally, determine if the scope of the project will include fixed, wireless, or international billing. Each of the carriers for these three areas has different billing systems. Some TEM suppliers specialize on only one of these areas. Also, be sure to determine if the TEM software is fully integrated for each of these areas. Match your requirements with suppliers that offer modular software and integrated platforms to add new capabilities in the future.

Not Establishing Quantifiable SLA Measures

Service Level Agreements may not appear to belong in this listing of the top five errors to avoid in selecting a TEM supplier. However, ongoing management of the program is an integral part of the evaluation process. Most programs focus on the return on investment, but this is a result of a well functioning program. Also, ROI considerations change over time as the program shifts from finding historical errors that have grown over several months or years to a more proactive approach in which errors are found in the first month that they appear on a bill.

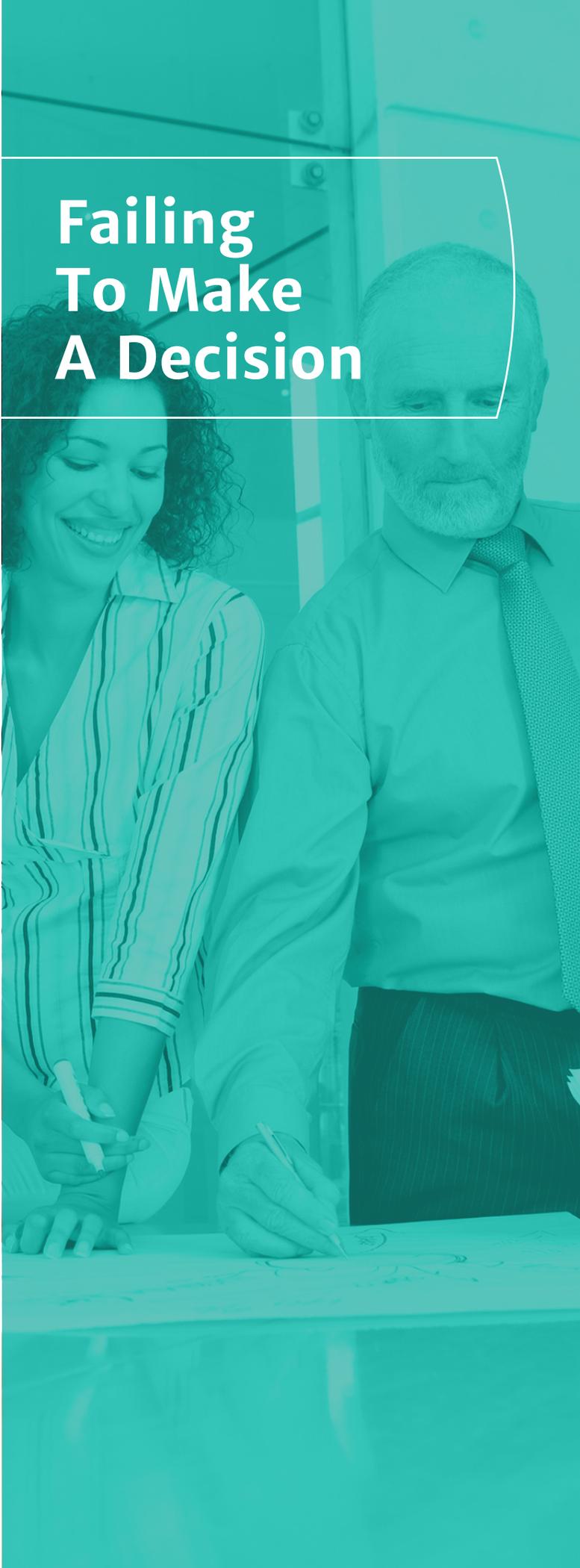
It is important to remember that TEM savings are lost every day that passes with no program in place.

Savings calculations should allow for benefits from better information for improved contract negotiations, and better supply chain management. Also, consider the benefits of cost avoidance, but be sure to establish, both internally with your team and with your TEM supplier, how these savings will be calculated. Many companies have different approaches to calculating preventative savings. Here are a couple of different approaches:

- Savings for the budget year
- Savings for the calendar year
- Savings for the term of the contract
- Savings for a rolling 12-month term

Finally, work to establish metrics for accuracy, completeness, timeliness of inventory, invoice processing, and reporting. Enterprises need accurate and complete data to be loaded into the system. Before entering data in the system, the TEM supplier must validate it to determine its accuracy. Many programs fail because data integrity does not receive the same level of attention in SLAs and reporting as savings from expense validation. Maintaining data integrity never ends. Communications networks are continually changing. For this reason, the program must adapt as well. Periodic updates to the SLAs will help to ensure they remain relevant. There may also be opportunities to raise the standards as the TEM program matures.

Failing To Make A Decision



Managers must focus on selecting a solution that will meet the needs that were identified at the outset of the evaluation. Managers should not allow a quest for perfection to prevent them from selecting a good solution. It is important to remember that TEM savings are lost every day that passes with no program in place.

As time passes, personnel that work on the evaluation team may be assigned to other projects or leave the company. Other priorities may arise that can take divert attention from the project. This often happens because multiple groups get involved in some aspect of managing TEM. If there is no clear leader of the evaluation team, committee politics can derail the decision-making process.

Conclusion

Too often, enterprises and TEM suppliers enter into TEM engagements with short-term thinking. While some quick gains may be achieved from reviewing bills for errors, enterprises need to recognize that most TEM programs require significant changes from their current ways of managing expenses. Enterprises need to develop a strategy for the program that gets different functional groups to work together more effectively. This begins with the evaluation of TEM solutions, but it should continue after the program is in place. Setting the right expectations for a TEM program combined with good communication is a formula for success. It seems simple, but things often get off track because enterprises have stakeholders with different expectations. The manager of the evaluation team should work to identify different goals among enterprise stakeholders and establish alignment with the team members' expectations. Often it is necessary to get a senior level executive to sponsor the initiative and create a consensus on the priorities to create alignment among stakeholders.



Since not all TEM suppliers will provide the same results, it is impossible to select a TEM supplier solely from RFP responses. TEM suppliers can also help by balancing areas of improvement with a balanced assessment of the degree of difficulty and costs to achieve the objectives. TEM suppliers can make recommendations based on experience managing telecom expenses and their work with telecom service providers. However, engaging with too many TEM suppliers will not be helpful because it will delay the evaluation process. Therefore, enterprises should limit the TEM Solution providers by focusing on those that have a realistic chance at winning the business. These providers should match your requirements for delivery options, past experience for similar project scope and size.

Establishing a business justification with common goals for what constitutes success is also critical. Cost savings should consider operational gains from improving and automating business processes. This can

include Asset Management and MACD ordering activity. Reduction of telecom expenses will include savings from identifying billing errors and cost optimization from eliminating unnecessary services and better accountability through reporting of expenses. There will also be savings from financial management and compliance with improved forecasting of expenses, tracking, and visibility into expense chargebacks. Finally, centralizing control of the network can help improve security and management of charges.

Follow the recommendations in this report to avoid the top five errors in selecting a TEM supplier. As you think about this process, try to find ways to shorten the evaluation and the time to benefit from a TEM program. Remember, delays or failure to make a decision can lead to lost savings because many cost avoidance savings can never be recovered. Finally, when selecting a TEM supplier think of the process in terms of building a valuable longterm partnership.

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