

Communications Lifecycle Management in the Enterprise

Driving EBIT through CLM

By John L. Minerich – CLM Enterprise Consultant

Communications Lifecycle Management entails the management of all things telecommunications from cradle to grave. This includes what is called TEM (Telecommunications Expense Management), WEM (Wireless Expense Management), or (MMS) Managed Mobility Service, and can include MDM (Mobile Device Management), and (M2M) Machine to Machine Management. Recently some suppliers are offering enhanced services that expand the term CLM to “Connectivity Lifecycle Management”, to include Software as a Service such as Salesforce, Quickbase, and other licensed services. This is seen as a natural extension as the process of managing services and users, and connecting them to invoices is a key component of any CLM program.

I have often considered the next logical step would be to include Software Asset Management or even Utility Management, such as Electric, Gas, Water, and Disposal. Managing services assigned to locations, tracking costs, comparing Kwh, Btu, Cubic feet, or pickups, to agreed contract rates or tariff rates. This kind of activity would allow an enterprise to have a consolidated look at the total cost of a location and the ability to compare month over month. However I will leave this for another discussion.

A solid CLM program can drive real savings to the enterprise, not just cost avoidance, although both are equally important as they are reflected in EBIT. The savings generated do diminish somewhat over time; however I have seen a well-run program continue to show 200% return on investment ten years after implementation. Leadership needs to consider CLM as a long term strategic solution for the enterprise, building on a solid foundation, with the concept of continuous improvement. CLM provides the business with many necessary services that will pay for themselves with direct and indirect savings year after year, while improving productivity and control within the organization.

The CLM program office (I like to call it Telemanagement) in any organization can provide enormous benefits to many areas of the enterprise. The CLM sponsor needs to be fully aware of the effect the program is having enterprise wide. Given that in many companies Telecommunications expense are one of the top five categories. Consider this; the OECD Communications Outlook for 2013 indicates telecommunications revenue in the US alone was \$526+ billion dollars in 2011, or 3.51% of the US GDP, and growing every year. The spend in this category for most companies is huge and continues to grow annually! Having such a large portion of a company’s costs managed centrally can offer many benefits across the enterprise. Let’s look at who benefits from a well-run program:

- CFO and Finance – The program provides budgeting and forecasting data that helps smooth out and avoid any spikes in current and expected cash flow. Reporting is useful in understanding department and location expense and for developing realistic long term budgets.
- Accounts Payable - Automated payment process removes hundreds if not thousands of individual invoices from AP processing. The accrual process allows for costs being accounted for even if the actual invoices are delayed. Relieves AP from vendor queries on payment status, as these are now directed to the CLM program managers.
- CIO and Information Technology – This group is probably the key benefactor of the program. Having a solid inventory of lines and circuits, as well as associated equipment is used by support personnel in their daily activity. MACD process is improved and simplified. Help Desk and Mobility Support is

consolidated, and an integrated on/off boarding system is improved. Reporting provided to the CIO provides Key Performance Indicators and highlights how the program is performing, while providing cost and savings statistics.

- Sourcing – All contracts are tracked and individual cost components are entered to verify the enterprise is actually seeing the results of negotiated rates. Sourcing professionals can use this data during negotiations to actually see the potential effect of a deal, and to guide them to where they should target savings. Sourcing savings are tracked and reported.
- Individual Employees - In addition to help desk activities provided by the CLM program, employees have direct visibility to their communications costs. Mobile devices, and work at home lines or circuits are visible to employees and their managers. This allowing them to react to corporate guidelines and cost control programs as well as provide education that contributes to behavior modification.
- The Bottom Line – EBIT is improved by Reducing Cost, and the controls are in place to improve how the company operates.

Leadership of a large enterprise with a CLM program should also benefit from having disparate GL structures aligned as part of the implementation or within the CLM tool to provide a clear view across the enterprise of the cost of specific service types. No longer satisfied with just two or three GL's covering the whole Telecom space, but following a recommended set of detailed GL codes that allow an in depth understanding of where telecom expense dollars are being spent. This becomes important when attempting to understand the cost of a change or negotiating contracts.

Another key benefit of a CLM program is the ability to handle acquisitions and divestures, allowing leadership to understand the impact they will have, and more importantly expedite the process of integrating or disseminating the associated devices and costs.

I could go on outlining the benefits of a well-run CLM program to an enterprise, but I would like to spend some time looking at the services and the options available. There are basically three methods an enterprise can follow.

1. Outsource – There are many qualified CLM providers ready to take on your CLM as a managed service; providing some or all of the services I have outlined above.
2. Insource – Software is available from many of the same providers that will allow you to do it yourself in varying degrees, from software on site, or as a cloud service, to host and load services, where the invoices are loaded into the system for you.
3. Hybrid – Any mixture of Insourced and Outsourced activity that best fits the requirements of a specific enterprise.

Some things to keep in mind when making this decision:

- What will be the impact on your resources?
- Do you have the necessary resources to do what is required?
- How sensitive is your data, does it need to stay in house or in country?
- Make sure the statement of work is very clear, and you understand exactly the impact the engagement will have on the enterprise.
- Are IT resources available to create any required interfaces to AP or HR systems?

- Is necessary data available to seed a CLM system?
- How many General Ledgers will the CLM need to support? How many AP systems?
- Is it time to rationalize the GL structure for this category? Will Finance and AP buy in?
- Are there activities underway in AP, HR, or IT that may affect a CLM implementation?
- Are the CLM provider's standard templates going to work, or is custom development required?
- Is a corporate wide hierarchy available?
- Have leaders across the enterprise bought into the CLM program?

Usually as an enterprise you will need resources available to support the CLM project no matter what method you choose. Be aware of the risk of competing priorities some team members will face if they are not dedicated to the project. Make sure proper expectations are set by both the company and the supplier relative to available resources and time frame for deployment. I cannot stress enough the importance here. Make sure this is documented clearly in the Statement of Work.

Don't let the sales cycle over simplify what is required for a successful implementation. This is a very complicated activity, with many variables. There are many obstacles to overcome both internal and external. There are many Long Distance, LEC and CLEC, and alternative providers out there. If you consider the whole picture this is not an easy task, however well worth the effort if done correctly.

Some simple suggestions I would make to anyone about to undertake a CLM or TEM program either for the first time, or looking to replace an existing program.

- Decide what you want to accomplish, and assign a priority to each. Use this when framing discussions with suppliers.
- Where to start -
 - A good place to start is getting the invoices consolidated and paid.
 - Invoices are paid on time to eliminate any late charges.
 - Costs are properly allocated to the proper cost center and GL codes.
 - Costs are properly allocated to the proper level (department, group, cost causer).
 - Costs are validated to contract or tariff.
 - Inventory is validated.
 - MACD Services are in place.
 - Once consolidated you now have reporting and a pool of services that can be further analyzed to gain additional savings.
- Avoid monthly fees starting on day one in lieu of implementation costs unless explicit guarantees are reflected in the contract as well as the statement of work. In addition be sure you and your team can support the data requests that will be made by the supplier as any delays caused by the company (even unexpected ones) can drag an implementation out for a very long time. This while the supplier is collecting their monthly fee and you are seeing no benefit from a non-functional program.
- Make any agreement a phased approach.
 - Phase in the fees from the provider to the progression of the project.
 - This provides motivation and maximizes the benefit to cost ratio.
 - Look to phase in by service, division, group, or geography.

- The goal here is to keep it simple and measurable.
 - Provide milestones that can tie to fees.
 - Keep the project focused and moving.
 - Keep an eye on KPI's and use solid Project Management methods for each phase.
 - This does not mean multiple phases could not be worked in parallel.
- Spend some time getting to know the CLM/TEM industry.
 - Start with an RFI as this may be more beneficial in this space than jumping directly into an RFP. There is just so much to consider, and so many variables. Once you have your short list, an RFP can provide structure for your deal.
 - Draw up a set of requirements and expectations in advance to use as a guide.
 - Talk to the suppliers existing customers, discover their pain points.
 - Reach out to internal stakeholders to understand their needs and wants in the program.
 - I have seen enterprises turn to major consulting firms to help in the selection process, just to have them bring to the table the same TEM/CLM consultants you are reviewing to help guide them in making a decision for you. This is a small industry with many channels and partnerships. Not that this is a bad thing, just be aware some of the suppliers you are looking at may be using the same service provider on the back end!
 - Moving the needle in the CLM/TEM industry in a way that is beneficial to both the Enterprise Customer as well as the CLM/TEM supplier is a company called AOTMP. For those thinking about doing a CLM project in house they offer some great training programs from their AOTMP University that can establish best practice knowledge and consistency across an organization as well as provide on-demand, unlimited access to best practice courseware, role-based certifications and professional certifications. AOTMP also has a program I have always been passionate about from the first time it was introduced. AOTMP's Efficiency First® Program is based on the Efficiency First® Framework, a disciplined and best practice-driven approach to managing fixed and mobile telecom environments. The Efficiency First® Program guides and supports continuous process and improvement and performance measurement discipline across an organization's telecom management practice. Well worth considering as part of your CLM decision.
- Don't get hung up early on, and let the project stall. Don't be afraid to mark something pending and move on to the next. I have seen the lack of data from one group or division stall a program. Keep the pressure on, but keep moving the project forward.

One thing I always felt was important, but is very difficult to accomplish in this space (but none the less needs to be considered). Try and structure the CLM environment during the early stages so it is documented to a point where it could be fairly easily moved from one service supplier to another. Make sure you have a clause in the agreement that gives you an exit strategy, assuring you are provided access to your data during any transition to another supplier. The day will come when you will be negotiating a new service agreement, and having some capability of portability could be an important factor at that time.

Finally let's talk about success. Once our CLM service is up and functional how do we measure the level of success to the enterprise? Other than the obvious such as:

- Implementation meets all the data points outlined in the SOW and contract between the supplier and the company.
- The enterprise business team responsible for CLM is satisfied, and considers the project now in lifecycle mode.
- All points outlined above in “Where to start” are being met.
- Savings Tracker is up to date and is showing anticipated savings.

In the end, my number one barometer for success would be the quality of the reports being produced, are they on time, meaningful and useful to the organization? Also the level of satisfaction as reported in a quarterly or semiannually Service Quality Survey:

- The CIO is getting a quality KPI report that meets expectations
- IT is getting useful inventory and MACD assistance from the CLM service
- The CFO & Finance are getting summary and forecasting reports that meet their needs
- Sourcing is getting detailed vendor reports.
- The AP and HR departments, as well as Individual Employees that interact with the service are satisfied with the overall performance.
- Managers and employees are receiving usage reporting, allowing them to monitor and influence behavior.

Getting feedback is critical to maintaining the constant improvement process and making sure the enterprise is receiving full value from the initiative. Once the function is operating to the satisfaction of the organization, don't be afraid to find additional ways to take advantage of the enterprise CLM function. Make sure Sourcing is taking full advantage, add on additional Divisions or Countries, consider Software as a Service management, or even Software Asset Management.

A robust CLM program (Telemanagement function) is something that every enterprise can benefit from and should consider implementing. Take advantage of the many services it can provide your business and let it pay for its self.

About the author:



John spent ten years in various Telecommunications management positions, followed by eleven years as an IT Director in Telecommunications and Networking, bringing innovation with entrepreneurial insight to Sourcing, Vendor Management, Analysis, and Telecom Expense Management. Developing a TEM/CLM service (Telemanagement Center) in 2000 and leading it to become a Shared Service processing over \$150M a year; winning AOTMP Environment of the year award in 2012. John recently spent 16 Months as AVP of Implementation, Telecom Expense Management services, working with a team of over 38 Project Managers, four Directors and well over 200 active/ongoing implementation projects in a global environment.

John can be contacted at jminerich@globaltem.com