



Report

*Industry Research
from AOTMP*

The Value of Maintaining TEM

June 2009



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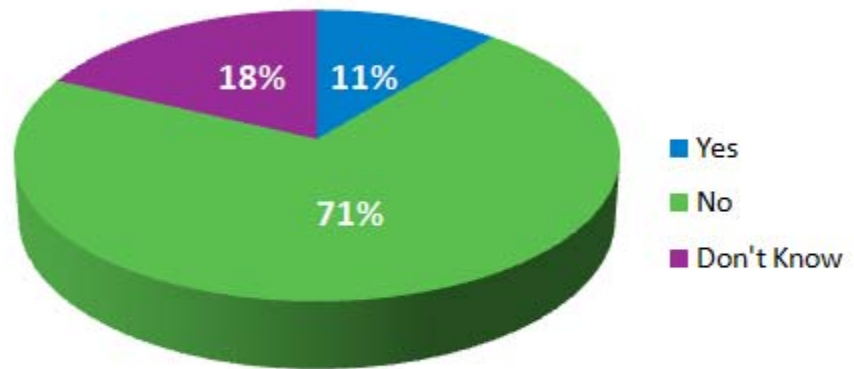
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Executive Summary

For those with an existing TEM program, there are a few questions that can be asked to evaluate the sustainability of the practice. How strategic is TEM to the business? Is the program viewed as a Profit Center or Cost Center by executives? The answer to these questions can provide some sense of the value TEM creates for the organization. Being able to maintain and sustain your TEM program by demonstrating value, particularly through difficult economic times, becomes increasingly important.

A majority of enterprises feel secure in the fact that TEM provides the required benefit to avoid being down-sized. Based on AOTMP research, 71% of enterprises indicate their TEM program would not be eliminated if cost-cutting measures within their organization were taken tomorrow. This leaves 29% mentioning the program would either be eliminated or there would be some uncertainty as to the future of its existence. In these instances, TEM is most likely viewed as a cost center by senior management and sufficient as well as sustainable value has not been created.

Figure 1: Would Your TEM Program be Eliminated if Cost-Cutting Took Place Tomorrow?



All of this underscores the importance of being able to express and convey the value of your TEM program, particularly when executives are asking for validation. The balance of this report will look at the value of maintaining your TEM program, whereby avoiding the potential of being down-sized during difficult times and ensuring longevity and success for the program.

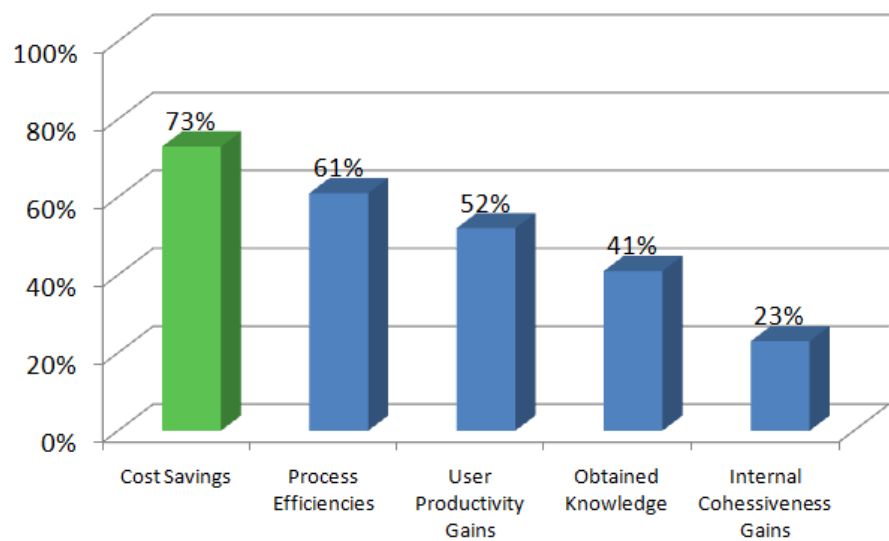
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Chapter One: Life Without TEM

The “buzz” that is created when initial cost savings begin to take shape can be exciting. Months continue to pass and savings continue to compile. Since TEM saves the company money the program should be safe, right? What if senior-level executives began to challenge where dollars are being spent and they look at TEM as a potential means to reduce expenses? They may think the company can still find savings without a formal program or decide they can eliminate TEM today and then reinstitute the program in a couple of years in order to retrieve some of those savings. On the surface, an organization may believe TEM should be a consideration for elimination without fully thinking through all of the efficiencies outside of simple savings that would be lost as a result of the action. So, what would an organization stand to lose if TEM no longer existed? It is not surprising that based on AOTMP research, **Cost Savings** was the obvious number one choice.

Figure 2: What Would be Lost if TEM Program was Eliminated?



However, other items were also mentioned that may not get full appreciation or consideration. Consider all of the verifications, validations and related processes and procedures that take place in any TEM program today; from invoice processing and contract negotiation to inventory validation and reporting of data. Some TEM related processes and activities may be followed for years and become very much engrained within an organization. Since these tasks and steps would no longer be relevant in the event TEM no longer existed, new ways of doing day-to-day tasks would need to be established and learned again.

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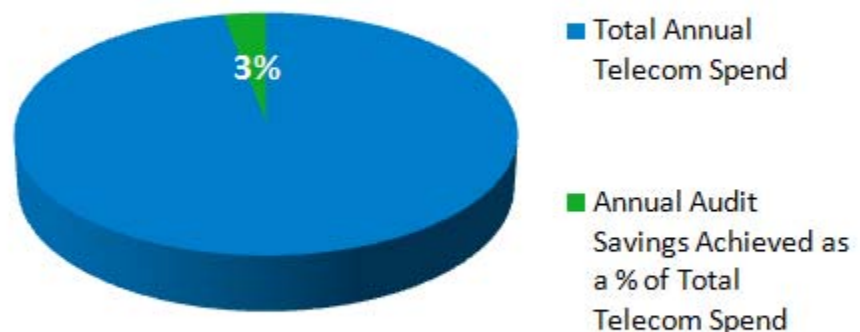
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TEM also makes people more efficient and productive through automated processes and procedures. Imagine if an outside TEM solution was implemented and an organization, who had hundreds of MACD's a month, managed this process efficiently through the vendor's on-line portal. Suddenly, the company now has to manage this process over the phone. Employee time is now being spent on the phone communicating all of the changes with the carriers which takes more time. A process that normally takes a couple of hours, now takes multiple days. Previous AOTMP research indicates that those who place service orders over the phone will spend over 3 times more on rework than those who use a web service portal. Because communication is taking place over the phone, this opens the potential for more errors to occur.

Hard Dollar Audit Savings

Hard dollar savings are an obvious and important part of any TEM program. This is, of course, the primary reason why TEM programs exist; to save the enterprise money. Being able to demonstrate sufficient savings to senior executives is important to any organization looking to sustain their TEM program. Based on AOTMP research, an enterprise can expect, on average, annual hard dollar audit savings of 3% of their total telecom spend through the implementation of TEM. Should the program be curtailed, these savings would obviously become unrealized and furthermore, would be introduced as additional cost into the environment. The hard dollar audit savings percentage may not be seem like an exorbitant amount, however, these audit savings coupled with other TEM related activities such as contract negotiation and cost saving optimization can provide a valuable ROI for an organization.

Figure 3: % Annual Hard Dollar Audit Savings Achieved - Compared to Total Telecom Spend



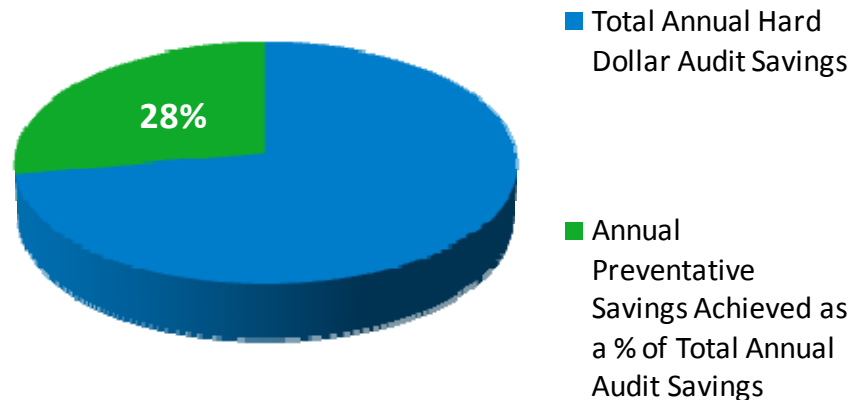
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Lost Opportunity for Preventative Cost Savings

The one area of savings that is most often overlooked is preventative cost savings. These savings include future costs that are avoided by the actions taken through TEM activities. For example, because an enterprise has implemented TEM and has instituted automated invoice processing and payment procedures, the organization is now able to pay their invoices in a timelier manner, thus avoiding late charges that had previously accrued. Based on research gathered by AOTMP, and as a percentage of total hard dollar audit savings, an enterprise can expect to gain an additional 28% in preventative costs savings. If the TEM program was eliminated, these savings would not be gained and the costs would be introduced back into the enterprise.

Figure 4: % Annual Preventative Cost Savings Achieved – Compared to Annual Hard Dollar Audit Savings



Rework/Productivity Savings

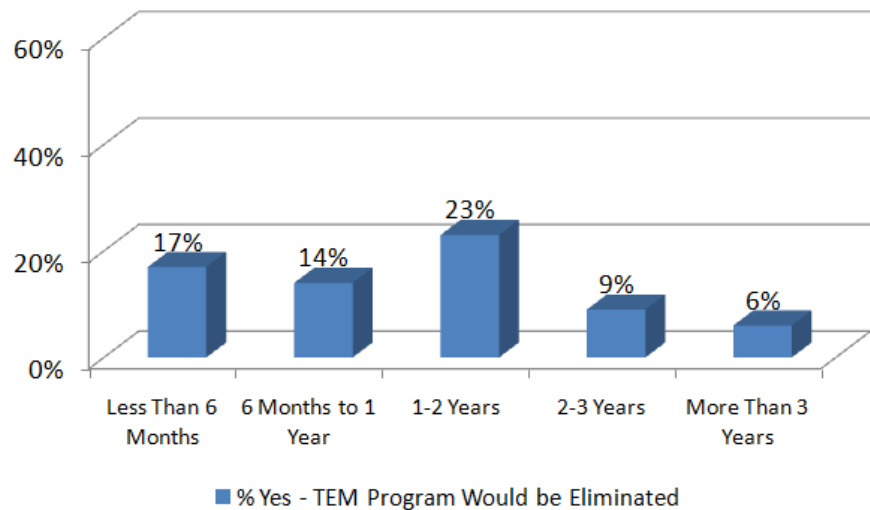
An enterprise also saves time (hours) and gains user productivity efficiency when they implement TEM throughout the organization. The amount of these types of “soft” savings will be dependent upon the level and detail of TEM activities that are being performed. An enterprise saves time if it has easily replicable processes that are performed consistently and achieving organizational goals. If the program were terminated, the efficiency gained by streamlining audit activities would be lost and if the program was eventually reinstated, additional time and effort would be required from the organization to return the program to its original state.

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AOTMP research indicates that the length of time in which a TEM program has been established will have a directional affect on the perception that a program would be eliminated. Those who have an initiative for two or more years are least likely to feel their TEM program will be eliminated. There appears to be a “honeymoon” period in the first year as those who believe their program would be eliminated hover between 14-17%. The 1-2 year period appears to be most critical as this group had the highest percentage indicating their TEM program would be eliminated if expense reductions were taking place. This length of time may indicate the program has had sufficient time to demonstrate savings, however, still infant enough and not yet engrained within the organization to be a candidate for reduction.

Figure 5: Risk of TEM Program Elimination by Program Tenure



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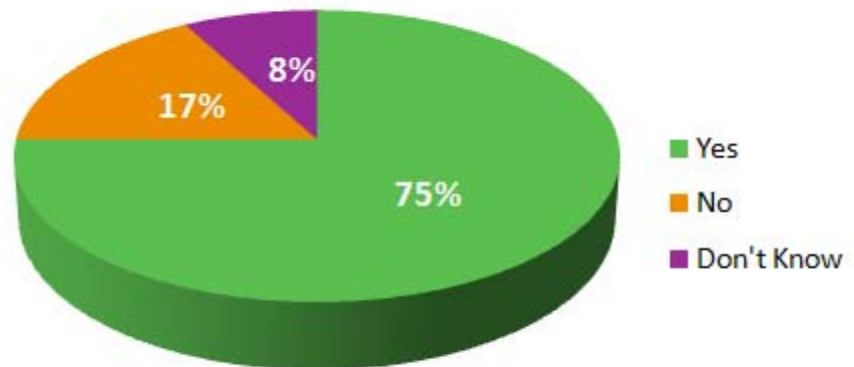
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Chapter Two: Communication Breeds Visibility

If an organization is able to demonstrate sufficient value, the program is in a much better position for sustainability. Demonstrating cost savings and showing the related ROI is one way an organization can begin to establish real value. If the program investment outweighs the generated hard and soft dollar savings, its existence can be expected to be short-lived. Creating visibility for the program is another way for TEM to differentiate itself from other programs within the enterprise. If key stakeholders are not aware of the ROI TEM generates or they simply do not know TEM exists, how can they be expected to back the program during difficult economic times?

Communicating and reporting information regarding your TEM program is an extremely critical part of the process. It's a way for the organization to view TEM's strategic importance while generating the necessary visibility. One would think that all TEM programs would, to some degree, report and share data with others within the organization. However, AOTMP Research shows that 75% of enterprises share TEM data with their stakeholders. This leaves the remaining one-quarter with either no reporting or are unsure if data is provided.

Figure 6: Do you Report and Share TEM Data with Stakeholders?



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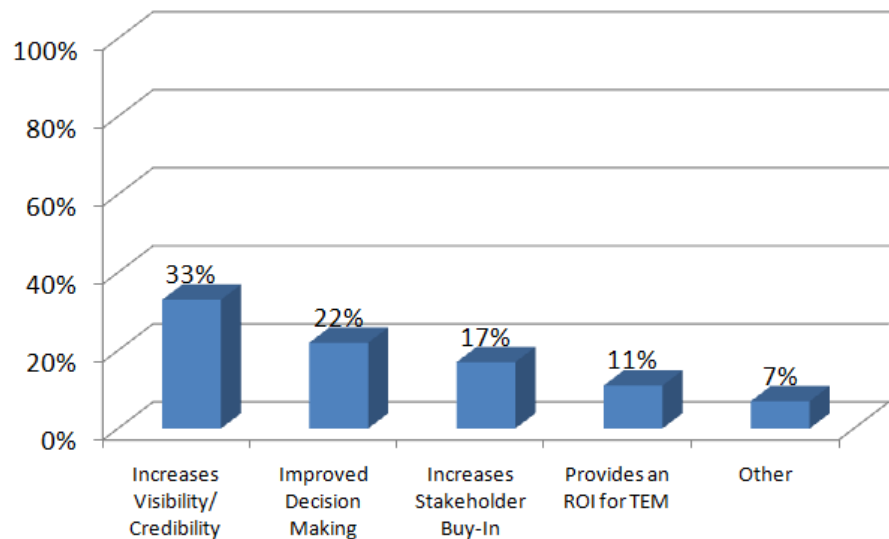
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There are many different items an organization can provide reporting on. An example of a higher level metric would be financial returns versus cost avoidance savings for senior level executives. Another example might include reductions in general ledger expenses for financial stakeholders within the organization. One final piece of information might include help desk performance and/or tickets per user. The specific information that ultimately will be provided should consider both organization objectives and individual needs in order to provide the most value.

Benefits From Reporting

Many benefits are gained by an organization from simply sharing information with stakeholders. As data is gathered and information is presented, the enterprise starts to increase visibility and credibility for the TEM program. Improved decision making can also result as data is collected and disseminated across the enterprise. If actual telecom and wireless costs are able to be tied back to employees or divisions and this information is provided to the appropriate individuals within the organization, this allows them to see unusual spikes in expenses and pinpoint exactly where it is coming from. Furthermore, reporting can provide detailed information regarding circuit usage and assist management in deciding whether to remove under-utilized or unused telecom resources. Other benefits include increasing stakeholder buy-in and providing an ROI for the TEM program.

Figure 7: Primary Benefit of Reporting TEM Data

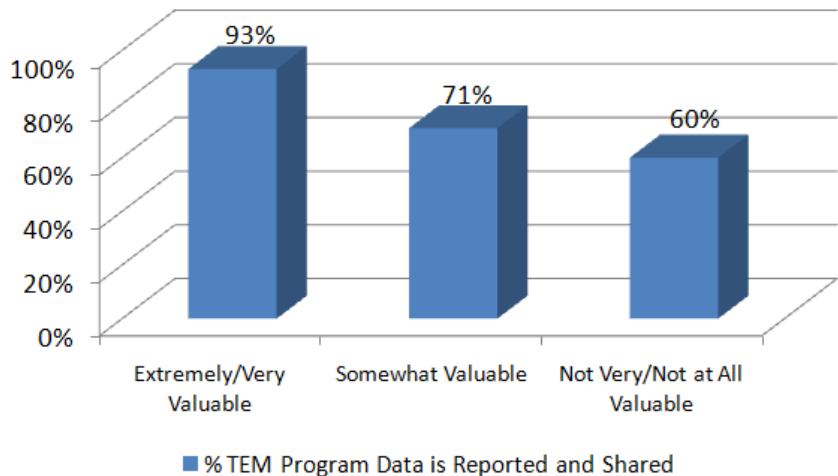


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There also appears to be a correlation between how a TEM program is perceived by executives and whether TEM reporting is present. AOTMP research indicates that of those who mentioned their TEM program was Extremely or Very Valuable to executives, 93% also had a reporting element to their TEM program. This again underscores the value of communicating information throughout the organization in order to obtain benefits such as increased visibility and improved decision making. Another outcome of the findings is that simply providing reporting is not enough as for those who mentioned executives viewed TEM as Not Very or Not At All Valuable, 60% had mentioned reporting was provided. The information that is provided must be targeted and relevant for stakeholders and demonstrate enough value to hold executive attention. Stakeholders also must know what to do with the information that is provided to achieve maximum benefit.

Figure 8: Executive View of TEM Program by if TEM Data is Reported



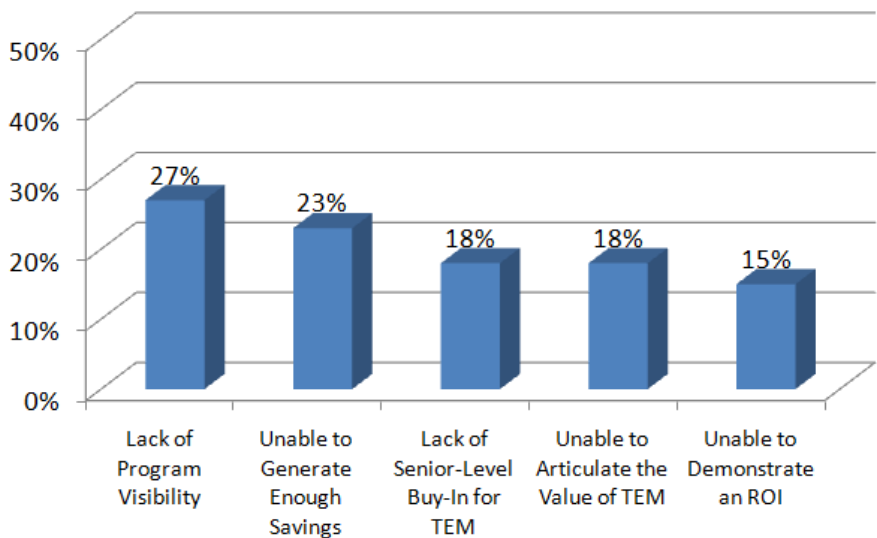
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Keeping TEM From the Chopping Block

Understanding why TEM might become an enterprise casualty can also assist in learning how to maintain the program. It has previously been established that reporting and sharing information generates sustainability and visibility for TEM programs. Keeping this fact in mind, it is not surprising that Lack of Visibility was indicated as the primary reason TEM would be eliminated. Other primary reasons that were most frequently mentioned include the inability to generate enough savings, lack of senior-level buy-in and the inability to articulate the value of TEM. These are all key factors for TEM programs when cost-trimming decisions are being made.

Figure 9: Primary Reason TEM Program Would be Eliminated



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Chapter Three: Standards and Best Practices

Telecom Expense Management (TEM) is the practice of managing the full lifecycle of a telecom expense which may include inventory validation, sourcing, invoice processing, service ordering and reporting/analysis to optimize control over expenses, enterprise spending on telecom, and the operational costs associated with managing those expenses. TEM is a component within a comprehensive telecom environment management practice.

Central to AOTMP's Telecom Expense Management Standards and Best Practices is methodology that promotes informed decision-making and success monitoring that will create intended results. The standards and best practices outline five phases:

- I. Needs Assessment
- II. Business Case Development
- III. Business Alignment
- IV. Performance Monitoring
- V. Program Evolution

Needs Assessment

- Evaluate business objectives
- Evaluate operational objectives
- Evaluate financial objectives
- Evaluate technical objectives

Business Alignment

- Align program components and costs against telecom objectives
- Align sourcing, service ordering, help desk support processes
- Align invoice reconciliation, dispute management and payment processes
- Align asset and inventory management, and change management processes

Business Case Development

- Document current telecom costs
- Create financial cost justification requirements and model
- Evaluate dependencies and variables
- Develop a sustainability plan

Performance Monitoring

- Evaluate operational performance
- Evaluate financial performance
- Evaluate technical performance

Program Evolution

- Perform needs gap analysis against evolving business demands
- Evaluate technology development effects on program structure
- Justify financial change against business needs



Conclusion

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There is no doubt that the practice of TEM can reduce expenses and assist an organization in gaining complete visibility into their telecom environment. As demonstrated within this report, an organization stands to lose many things by eliminating a TEM program and can bring many negative consequences for the enterprise. To achieve true sustainability, however, one must continue to demonstrate the benefits and value of TEM well after the initiative has been launched. Demonstrating savings, whether they come from hard-dollar or soft-dollar avenues, is certainly a key part of this process. Furthermore, sharing the right information with the right people within the organization will help key stakeholders make informed decisions while creating visibility for the program in the process and ensuring longevity for the program.

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Appendix A: Research Methodology

Research Demographics

AOTMP collected benchmark data from a variety of industries to examine the value of maintaining TEM. The findings in this report represent benchmark data from 118 enterprise professionals across 19 industries.

Job Title/Function:

- CIO/Vice President 4%
- Director/Manager 56%
- Staff 29%
- Consultant 5%
- Other 5%

Geography:

- North America 93%
- Europe 2%
- Asia Pacific 1%
- Middle East & Africa 2%
- South/Central America 2%

Annual Revenue:

- Above \$1 billion 60%
- \$50 million - \$1 billion 33%
- Less than \$50 million 6%



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About AOTMP Research

AOTMP research is supported through data collected from a variety of sources. Data points are collected through enterprise and supplier benchmarking projects, training and certification events, research surveys, frequent hot topic polls, virtual conference audience polling, live conference audience polling, and AOTMP Access benchmarking events. AOTMP's data point contributors include over 60,000 IT, telecom and business professionals, supporting domestic and international enterprises and industry suppliers. Data points contributing to research are carefully analyzed using advanced statistical methods. Research findings are confirmed through test/retest validity methodology and, therefore, paint an accurate picture of the industry. The clarity and detail of AOTMP research is unmatched in the practice of telecom environment management, and AOTMP expertise translates analysis into actionable findings representative of the industry and all related industry segments.

About AOTMP

AOTMP is the leading provider of information solutions for managing enterprise telecom and IT environments. Our proprietary certifications, benchmarks, standards and best practices deliver measurable improvement in efficiency and productivity for managing wireless, voice, data and network services. From Fortune 50 companies to SMB, enterprises seeking the best return on telecom and IT services turn to AOTMP's industry research, advisory services, events, educational programs and performance management systems to achieve operational and financial efficiency.

Research & Benchmarks

AOTMP conducts industry-leading research to provide benchmarks, reference points, case studies and reports that deliver timely and relevant insight. We help enterprises make confident, informed decisions affecting their telecom and IT environment, and provide information to recognize trends affecting performance and efficiency, determine budget allocations and resources, and understand how others are achieving success.

AOTMP University

Implementing and executing best practices in your enterprise begins with a staff that understands and supports industry standards. AOTMP University offers staff development and training packages to educate telecom and IT professionals on best practices for driving efficiency and optimizing budgets. You can learn more about our certification programs, online training courses and certified professional program at www.aotmpuniversity.com.



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Advisory & Consulting Services

Our team of industry experts can help you improve and gain visibility into your current management processes, and understand how to effectively measure performance. Put the power of AOTMP's expertise to work in your telecom and IT environment to create the most effective telecom environment management program for your enterprise.

Tools & Resources

AOTMP offers a comprehensive array of tools, templates and reference information for telecom financial, operational, and technology management. Tools like our online Telecom Knowledge Base (TKB), supplier directories, Telecom Environment Management newsletter, and other resources help telecom and IT professionals increase efficiency, make tactical decisions, cut costs, and plan strategic moves.

Events & Programs

AOTMP produces several industry events and programs throughout the year to bring end users, industry experts and suppliers together for education, networking, and collaboration. Our events and programs include semi-annual virtual conferences, monthly web events, an Industry Advisory Board, and an annual in-person conference featuring AOTMP's *Industry Excellence Awards* recognizing the successes of both enterprises and suppliers in telecom environment management.

Performance Management Systems

Our Performance Management Systems help you apply standards and best practices throughout your enterprise to drive continuous improvement of people and processes using benchmarks, metrics and scoring algorithms. AOTMP's Performance Index provides a consistent means of evaluation, and our comprehensive methodology enables you to optimize performance in your telecom environment, and then leverage telecom assets to drive growth, profitability and competitive advantage.

Information on these as well as all other AOTMP publications, programs, and research can be found at www.aotmp.com.

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