

Optimizing TCM Results Through Better Telecom Analytics (Telytics)

“How a Major League Baseball Team’s ‘Moneyball’ philosophy can provide lessons and insight for today’s CEOs, CIOs, and CFOs in better managing IT/Telecom costs and delivering winning results”

Recently, as a weekend diversion, I picked up a copy of Michael Lewis’s book “Moneyball: The Art of Winning an Unfair Game”. In reading this book, I saw that many of the challenges faced by the subjects of this book had a direct corollary to the challenges faced by Executives/Managers today in trying to optimize Telecom Cost Management (TCM) results.

For those of you unfamiliar with this book, it tells the story of the Oakland Athletics, their General Manager, Billy Beane, and their efforts in trying to find a way to be successful in a business typically dominated by teams with much larger player payrolls (i.e. operating budgets). Management wanted championship results, but had imposed strict budget limitations (sound familiar?) on what they were willing to pay in terms of player salaries (i.e. value for the dollar). In a nutshell, they discovered that by changing the way they evaluated player performance, and determining the associated statistical analytics that meant the most in the process of generating more runs (i.e. winning more games), that they could project those player investments that had the highest potential rate of return within their confined budget parameters. Over the past six years, employing this new statistical analysis “process” and unique approach to optimizing their player “infrastructure” to match with the

specific goals and objectives of management has resulted in multiple post season playoff appearances, consistently recording the highest winning percentages, while accomplishing this feat with one of the lowest player payrolls in Major League Baseball. Despite their success, industry pundits continue to characterize the results as “a fluke”, and the rest of Major League baseball continues to operate as if spending the most money is still the best way to ensure results.

Some other highlights of this book that were of interest, as they directly reflect similar circumstances in other industries today, included:

- Outside sources of valuable statistical analysis, such as Bill James’ Baseball Abstract, while popular with baseball fans in selecting their fantasy baseball teams, were virtually ignored by industry pundits and Major League teams, who could have benefited the most from the insight these new data sources provided.
- Team staff members, such as player scouts, ignored or challenged the value of outside, academic statisticians and analysts.
- Tradition and “old school” thought processes were a significant barrier to acceptance of new ideas and concepts.
- If management, managers, and staff did not buy into the new process, the chances for success were slim.
- New ideas always seem to get initial resistance until someone else is successful in implementing them.
- The key reason for the success of the Oakland Athletics was they had a plan and the right people to execute it.

Some observations and challenges cited in this story are in direct parallel with my experience with many companies who are struggling with

trying to get a handle on better managing their telecom related costs. Some of these observations included:

- Acceptance of the value of new metrics is often slowest by those who would actually benefit most from their insight.
- Many business decisions are based on “gut feel” or “this is the way we have always done it” rather than good contextual analytics.
- Just as traditional baseball player valuations were based on simple concepts such as hits, RBI, and batting average, businesses still rely on standard traditional metrics such as spend trends, TCO, and ROI to measure performance, often ignoring additional key analytics that may offer better strategic guidance.
- Statistical data by itself is often not very useful. It is the correlation of this data to answer specific questions and to validate a specific strategic approach that is the key to success.
- Companies often rely on third party provided data when the lack of internal resources to accumulate and evaluate the data internally exists, but then fail to provide the necessary internal checks and balances to insure the provided data is both accurate, useful, or provided in context.
- The practice of many industry pundits to offer generic, non-contextual, assessment of industry trends and best practices often results in companies making poor business decisions, especially when it comes to outsourcing efforts, since it is safer for them to recommend more well known and heavily funded service providers, even though they may not have the in house expertise offered by more specialized firms.

The art and science of creating insightful, meaningful, actionable, and contextual telecom

cost management analytics is a process that requires a thorough understanding of how telecom services are priced, how they are contractually provided, the potential business ramifications of certain courses of action, the variety of analysis techniques, and the business processes required to ensure the right information is provided to decision makers. In most companies today, there are either minor or major process deficiencies that prevent optimum success in the TCM arena.

To put this challenge in perspective, consider these questions in relation to your own IT/Telecom analytics development process:

- Does your company have a documented formal plan for the reduction and control of IT/Telecom related costs and the metrics upon which the success of that plan will be measured?
- Do you know the average cost per user, by service type, for every telecom service your company uses, so you can track spend trends and monitor the success of your cost control strategies?
- Do you currently track key unit cost trends for different IT/Telecom services to determine if these cost trends are increasing or decreasing?
- Does your company actively track telecom contract compliance and spend to commitment? Do you know your contributory index?
- Do you know if the spend trend data used by management to make strategic decisions is based on usage cost data or approved spend data?
- Does your company assess the relationship of IT/Telecom spend to revenue/profits to measure the success of IT/Telecom projects and cost management strategies?

If you answered “no” or “I don’t know” to any of the above questions, then your company’s telecom cost management process is probably not producing optimum results and needs to be reviewed.

When I ask prospective clients where they get their decision analytics relating to telecom cost management, I usually get the following answers:

- Accounting department
- IT Finance
- Vendors/carriers
- Outsourced Telecom Expense Management (TEM) service provider
- Consultant
- Vendor/Carrier provided software tools
- Other third party provided software tools
- Industry pundits (e.g. Gartner)
- Peers in other companies

Unfortunately, all of the above tend to be sources of incomplete or even incorrect data. While each is capable of providing some very viable and useful data, very few of these individual resources can provide both the needed data and the insightful analysis to yield the answers most decision makers are truly seeking.

For example, the Accounting Department is a common source for telecom expense data. After all, they usually are responsible for paying the related invoices, often responsible for auditing them, providing most of the internal cost reporting to management, and usually are the primary interface with third party invoice processing companies. But since this group is not generally very knowledgeable regarding telecom or IT, they usually are not the ideal candidates for TCM analysis. The IT Finance group, if applicable, generally are involved with spend trend data and contract

compliance issues. They tend to be more focused on budget management but not necessarily focused on optimization efforts, that task being left to the technical staff.

Carriers generally go to great lengths to disguise useful cost data both within their invoices and their online tools. While many customers are impressed with the multitude of reports offered by these online tools, few of these reports are actually useful for TCM purposes. Outsourced TEM providers are often focused on invoice processing and payment, and while also touting their cost saving services, in reality they are not motivated to provide the client cost savings due to the structure of their service agreement which frequently provides no incentive for finding cost savings. Their primary role is one of accounting and reporting. Companies that assume they can get significant insight into their spend data to assist them in optimizing and controlling their costs are often surprised and disappointed that this information is not inherently available.

Consultants specializing in TCM expertise can be of great assistance, but the quality of this expertise can vary greatly and it is important to find the right consultant for the specific needs of your organization. In some cases, particularly in larger companies, industry pundits will be engaged for assistance and guidance. These pundits may provide general advice, but do not always perform the contextual analysis needed by individual companies. They tend to promote other third parties whom they have a business relationship with, not always knowing what real skill sets they actually have, only what they advertise. Often, a “strong positive” rating requires additional due diligence. The availability of real experts in this area is scarce and you need to make sure you are getting the right expertise.

Personally, if I had a tough math problem, I would prefer one Albert Einstein to a group of 100 high school math students

General Manager Billy Beane and the Oakland Athletics ownership faced this same scenario. Because of their unique circumstance in trying to compete in an environment of constrained financial resources, they needed to look at the available data in a different way and develop an evaluation process that met their criteria for accomplishing maximum results with minimum outlay; a goal worthy of most businesses today. They were not willing to sacrifice performance; they just needed a methodology for maximum efficiency in achieving their performance objectives.

The methodology they employed offers guidance to companies searching for better efficiency in getting the “best bang for the buck” in their telecom expenditures. Their success came from strict adherence to a plan of action based on specific goals and objectives. Some keys to their success, which I believe directly equates to TCM environment, include:

- Detailed upfront analysis to identify unique key performance analytics not used by the competition.
- Utilization of specialized outside expertise to perform financial analysis.
- Creation of an evaluation process to identify candidates that offered best value in meeting performance criteria.
- Development of a strategic plan with clear goals and objectives to achieve performance results.
- Ensuring the implementation team is on the same page.
- Implementation of the plan and refinement of the plan as circumstances (business needs) dictate.
- Direct management involvement

- Continually monitoring success and making corrections as necessary.
- Repeating the process to continue to identify refinements and new optimization opportunities.

This process for success is the same methodology our company tries to convey to our clients. While in its fundamental simplicity it makes perfect sense, the actual implementation is often hindered by “old school” habits still prevalent in many companies.

Some of the common mistakes we see made by these companies when implementing their TCM efforts include:

- Not being able to recognize good data from bad data.
- Focusing on the data and not on the answers being sought.
- Not identifying key contextual metrics that can assist in the evaluation process.
- Failure to develop a formal plan of action that delineates the internal process requirements to support the TCM effort.
- Failures to educate and include Executive management in the process, and have them play an active supportive role.
- Outsourcing to a third party TEM provider without first doing the due diligence to fully understand the service provider’s process and outputs.
- Failure to put into place a process of checks and balances to validate data obtained from outside sources.
- Procuring a software tool to assist internal data collection and reporting, but due to either a lack of training, expertise, time, or external changes that impact the tool’s effectiveness, fail to realize the full potential the tool may offer.

- Failure to use the right outside expertise to provide the proper guidance and analysis assistance throughout the process.
- Failure to develop performance analytics to continually monitor project success.

The importance of using the right analytics, and developing a process to identify and implement a TCM strategy based on these analytics, cannot be overemphasized. Our company, Telytics, Inc., was founded to assist clients with this process, hence our name. It is important to remember that it is not the tools that are used or the data itself that are the key elements to success. Rather it is the business process developed to take advantage of available tools, data input, and resources that is critical. This process must be conceived as part of an integrated strategy to correlate these elements to identify and report the key analytics needed to provide contextual evaluation criteria and produce optimal results.

I hope this article has prompted some “food for thought” and spurs some action in having companies review their current TCM process for possible areas of improvement.

Great results are possible when thoughtful innovation is allowed to enhance the outcome. This was clearly demonstrated by the “Moneyball” philosophy employed by the Oakland Athletics, and now being migrated to other organizations. Perhaps your company can also begin the process of identifying the new “Telytics” to give your team more “wins” for your telecom dollar.



Gary Eckert
President/CEO
Telytics, Inc.
760-918-5568
www.telytics.com
geckert@telytics.com