

Developing an Exceptional TEM Program: Best Practices for Enterprises and Suppliers that Raise TEM Performance through Key Performance Indicators and Industry Standards



Telecom Expense Management
Industry Association

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Why are TEM Standards and KPIs Needed?

Lack of TEM standards has led to confusion. TEMIA is seeking to raise the bar by introducing industry standards that will improve performance for all TEM programs.

Telecom Expense Management (TEM) has evolved from simple programs to complex offerings to meet customers' specific needs. Efforts to develop tailored solutions for clients have made the market appear to be more complex than it really is. It is like going to a restaurant that has suddenly changed its menu by adding hundreds of combinations of entrees that are now written in foreign languages. You are hungry so you go to your favorite restaurant to order food that will satisfy your hunger, but it is much harder to know if you will like what you order.

TEMIA is working to establish standards and Key Performance Indicators (KPIs) that can be used by managers and personnel that are performing operational roles at enterprises and suppliers. Customers need standards that can be used to help answer critical questions.

- ***What are the essential elements of a TEM solution?***
- ***How can I clearly define the scope of work?***
- ***How can I streamline the buying process?***
- ***What are the critical factors that contribute to supplier performance and a better return on investment?***
- ***How do my results compare to "best practice" performance metrics?***
- ***What Service Level Agreements (SLAs) will drive results?***
- ***How will I measure the success of the TEM solution?***

Requirements for TEM Standards and KPIs

TEM engagements vary considerably from one client to the next, and suppliers vary in their capability and focus. Our goal is to provide clear points of comparison and guidance for measuring TEM results that will help to eliminate confusion and raise performance of all TEM programs. Ideally these standards will work like "miles per gallon" for cars. The standards and KPIs must meet the criteria list below:

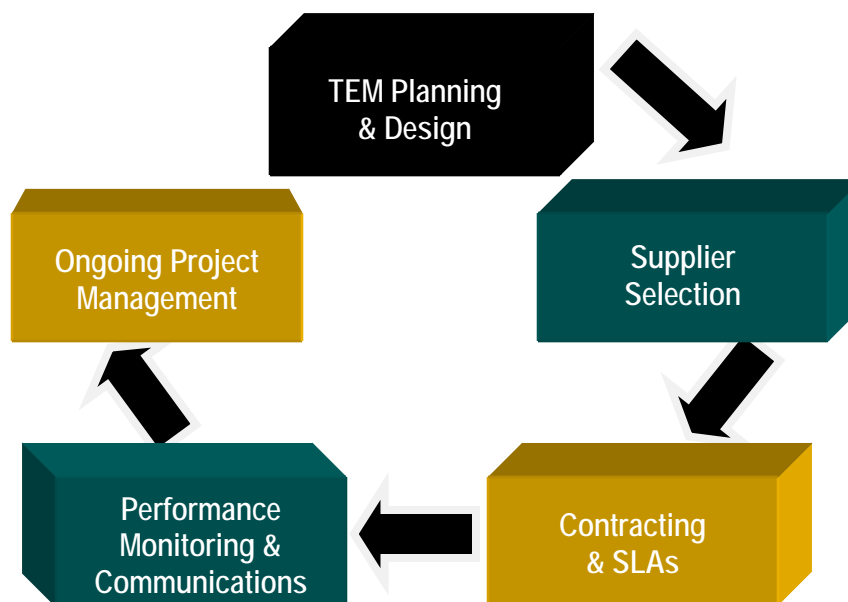
- **Openness** Each measure, its definition, and calculation must be completely open and visible to all interested parties.
- **Quantitative vs. qualitative** The standards should provide clear quantifiable measures that are objective, granular, and comprehensive.
- **Universally applicable** The standards must be able to be applied and provide valid outputs or results and immune to variances in methods, process or tools applied. **Standards must apply regardless of whether the TEM program is managed internally, licensed software installed behind a corporate firewall, hosted software, or a business process outsource solution.**
- **High inter-rater reliability** No matter who applies the metrics, the results will be the same given the same input data. There will be minimal variance between measures, given the same data.

When Should TEM Performance Metrics Be Used?

The earlier TEM performance metrics are applied, the stronger the more productive the program. TEM performance metrics should be used for pre-project planning, TEM supplier selection, contracting, SLAs, ongoing project management, measurement, and communications.

Figure 1: When to Use TEM Performance Measures

Analysts can play a role in helping to drive adoption and establish threshold values for these standards.



TEM planning and design makes it possible to identify business goals and requirements that map to questions which will allow enterprises to compare each supplier's capabilities. This streamlines the evaluation process and enables organizations to establish contracts and SLAs for performance requirements, business impact, and projected Return on Investment (ROI). TEM performance metrics can be applied as benchmarks to measure the "before and after" impact of changes in process, methods, or tools.

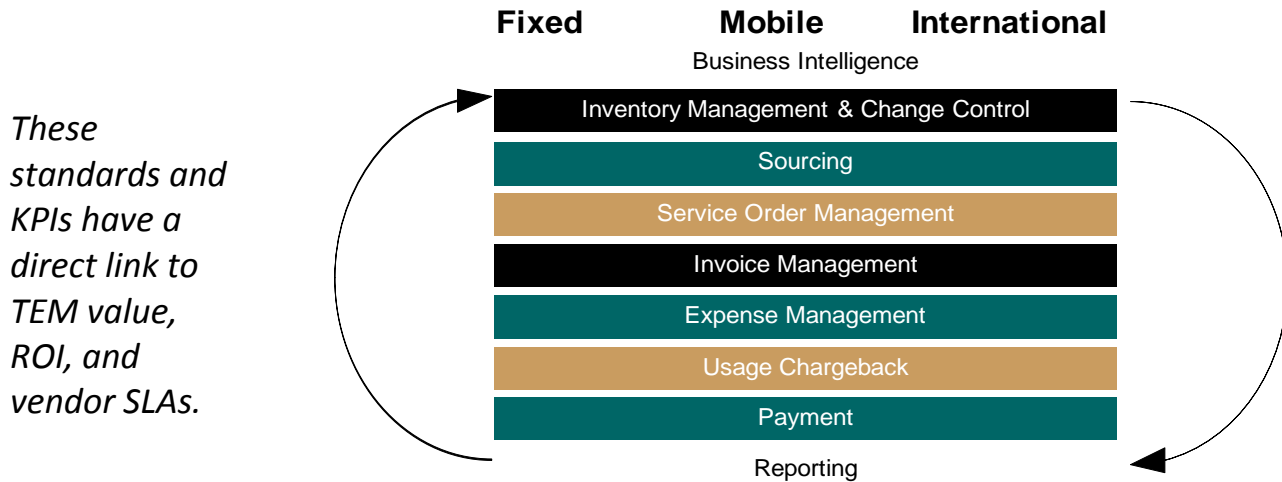
TEM programs can transition ineffective decentralized processes into a unified program to manage telecom expenses. Organizations can leverage TEM applications to achieve economies of scale and benefits from a united approach. Work can be outsourced or dispersed among different functional groups, but TEM programs can foster communication, collaboration, and unification of expense management processes to drive better results.

With this approach, project management, measurement, and communications can focus on the achievement of specific performance results. For example, threshold values must be established to measure performance in each specific area. If the business objective is to gain an ROI from reducing costs by eliminating billing errors, streamlining labor intensive invoice processing, and cutting late payment penalty fees, then threshold values need to be mapped for each of these areas.

Defining Telecom Expense Management

An effective TEM program manages the full lifecycle of a telecom expense with a focus on eight major service domains of sourcing, service ordering and provisioning management, inventory and asset management, invoice management, expense management (including validation and optimization), usage chargeback, bill payment, and reporting which provides business intelligence.

Figure 2: TEM Components



Aligning TEM Performance Metrics to TEM Components

TEMIA's goal in publishing this information is to help educate the market by providing critical information that can be used by enterprises and suppliers to raise the performance of their TEM programs.

Areas of emphasis and challenges in delivering TEM programs vary from management of fixed, mobile, and international services, but the performance metric tied to each domain does not change. Market participants may also have different names for service domains or their units of measure, but the information that will appear in the next report makes it possible to understand the information and translate the nomenclature for their environment.

Each TEM service domain maps to a unit of measure, performance metrics, and calculations that are objective, quantifiable, granular, and comprehensive. TEM metrics tie directly to the TEM program ROI.

The next report provide more specific definitions for each TEM service domain, explanations for performance measures and specific calculations for each area. It will also show business goals that are addressed by each domain, things that can be learned from KPI performance standards. and the actions which must be taken when positive or negative results are identified from each metric.

About TEMIA

The Telecom Expense Management Industry Association (TEMIA) was founded in late 2006 by the country's largest Telecom Expense Management (TEM) service providers that cumulatively manage \$31 billion of telecom and data spend. TEMIA's mission is to raise awareness and knowledge of the benefits of TEM solutions, to improve the quality and value of TEM solutions through the development and promotion of industry standards, and to cultivate shared industry knowledge among TEM providers, business partners, telecom service providers, and enterprise clients. For more information about TEMIA, please visit, <http://www.temia.org> or contact info@temia.org.



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