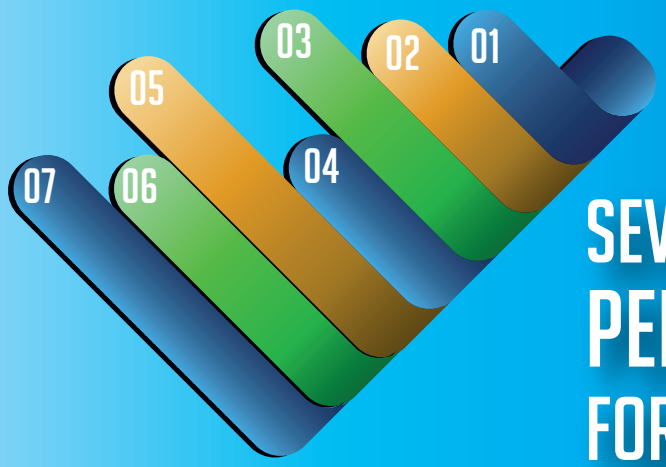


# SEVEN KEY PERFORMANCE INDICATORS FOR BUSINESS TRANSFORMATION

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## Overview

The telecommunications environment is commonly viewed by senior leadership as an operating expense. Historically, fixed and mobile services are often managed as utilities, just as power and water. Addressing and changing these imbedded perceptions is the first step toward leveraging the value of a telecommunications environment and transforming it into a recognized strategic business asset.

Business analytics and key performance indicators (KPIs) present the telecommunications environment management team the opportunity to use facts and business metrics to elevate telecommunications into highly valued strategic asset status.

Before identifying any valuable KPI, the organization must have a comprehensive view of the entire telecommunications environment. A complete, accurate and validated inventory of telecommunications assets and services is essential to establish reliable baseline measurements. An effective, automated management tool to store asset and service inventory is an ongoing requirement. There are Telecommunications Expense Management (TEM) products and services available that will meet your requirements for a range of processes across multiple deployment methods from buying software licenses with training to a managed service, SaaS or complete outsourcing of your telecommunications expense management environment.

Integrated business processes enable the combination of an accurate inventory with an effective management tool to deliver KPIs. If KPIs cannot be concisely identified, aligned to strategic business objectives, consistently measured and tracked to identify trends and manage results; the organization cannot take corrective action or identify the underlying business requirements for investment in telecommunications.

What does that mean? Too often, KPIs are tracked and measured only to present the *operational performance* of the telecommunications function and only provided to the telecommunications management. Senior leaders responsible for telecommunications need to identify which metrics are tracked along with determining "how" and "why" the information is important to executives driving to achieve functional and organizational goals. These goals and objectives range from improved financial performance, operational efficiency or client satisfaction to the recognition that a telecommunications platform can enable strategic growth initiatives.

The telecommunications environment is an integral and essential component of all organizations. Investment in telecommunications is not just another expensive cost to be "managed" but provides a technological platform that enables organizational change, growth, expansion, customer visibility, efficiencies or even blue sky programs that can fundamentally transform businesses. Who can imagine doing business today without connectivity, communications, texting and mobility? All enabled through telecommunications infrastructure, investment and innovation.

Transforming the view of telecommunications across the organization is crucial to enhance the perceived value of the current investment and to explore new ways to maximize the value of these comprehensive assets. This whitepaper serves to assist in the transformation process through the identification, measurement and presentation of KPIs.

## Seven Key Performance Indicators to Initiate Business Transformation

KPIs are used to demonstrate the value telecommunications brings to an organization. Selecting the right KPIs to measure and monitor, over time, is a critically important step. Equally important is understanding the cause and effect of any KPI movement, especially over time. These are seven (7) KPIs organizations use to elevate telecommunications to a recognized strategic business asset.

### KPI #1 Enterprise Telecommunications Spend per Employee

***Why is it important?*** Enterprise telecommunications spend per employee establishes a service-to-cost baseline for evaluating workforce telecommunications enablement.

This metric enables organizations to monitor how effectively and efficiently telecommunications services are being provided to individuals. Alignment of role profiles to spend should be established to provide telecommunications-to-role cost ratios. These metrics allow an organization to understand how costs are applied to individuals by their role, by their geographic region or country and compare results across roles by function or geography.

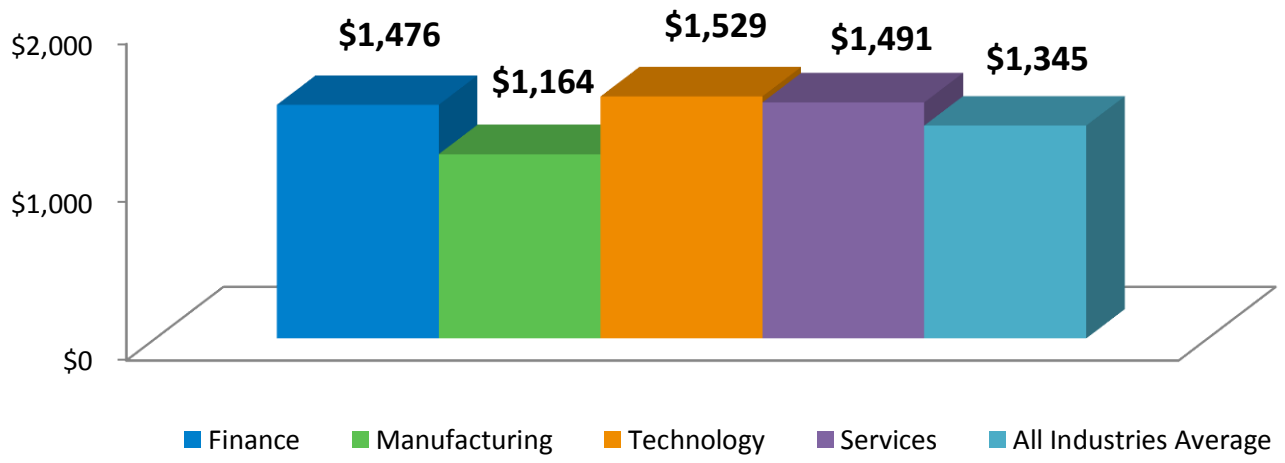
For example, a manufacturing company with a few small sales sites may have a lower telecommunications spend per employee ratio, because of the limited number of offices and sales people.

However, if the manufacturing is highly automated with robotics and has interdependencies among sites, higher costs could be caused by the infrastructure required for the core business.

After establishing and understanding a baseline that correlates with the number of employees, an increase in the measurement, without changing the organization's employee population may indicate potential telecommunications overspend. The results of this information should stimulate further investigation for a root cause analysis.

Watching this trend will give early indicators of costs rising or declining inconsistently. Aligning this metric to human resources planning, the number of employees per role definition and hiring patterns will enable early indicators to highlight the need for a more in-depth look at where and how spending trends are changing.

***Calculation:*** *Total Telecommunications Spend*
*Number of Employees*




Source: KPI figures are derived from AOTMP's proprietary Efficiency First® Engine containing data gathered over ten (10) years from thousands of organizations. Organization sizes range from small companies with less than $50 million in annual revenue to Fortune 50 multi-billion multi-nationals.



**TELECOMMUNICATIONS SPEND PER EMPLOYEE**

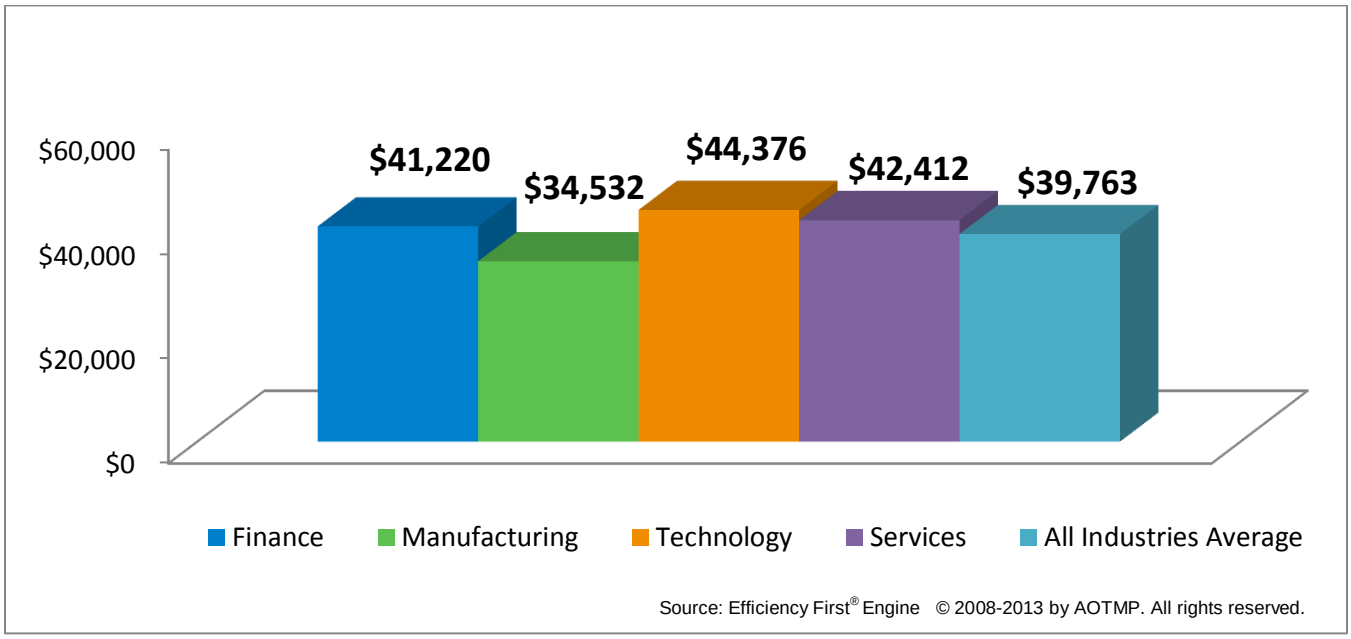
## KPI #2 Enterprise Telecommunications Spend per Location

***Why is it important?*** Enterprise telecommunications spend per location establishes a service-to-cost baseline for evaluating telecommunications investment by location type. This metric enables organizations to monitor how well telecommunications services are being provided across all location types. Organizational location profiles are created to reflect the primary organizational functions. For example, a large retail corporation will have a headquarters complex or office; regional/country head offices; stores tiered by type of merchandise, brand and/or size; distribution centers; call centers; and data centers among other, more unique "types" of locations. This definition of location type measured against spend enables a comparative analysis to provide the most efficient telecommunications services by location type to compliment the role profile service provision from **KPI #1.**

A noticeable change to this KPI with no change in the number, type or location of sites may indicate an unwarranted change to telecommunications costs. Identifying the specific locations contributing to the change and why is occurring is required to understand if it is a shift (up or down) in spend because of a changed location mission or if there is a service or contractual issue.

On the other hand, an increase in spend may reflect the implementation of a strategy to increase telecommunications capabilities or services across the organization. A decrease in this measurement may indicate more efficient telecommunications spend management or fewer locations to support that have not yet been reported in the systems.

***Calculation:*** *Telecommunications Spend*
*Number of Locations*




## TELECOMMUNICATIONS SPEND PER LOCATION

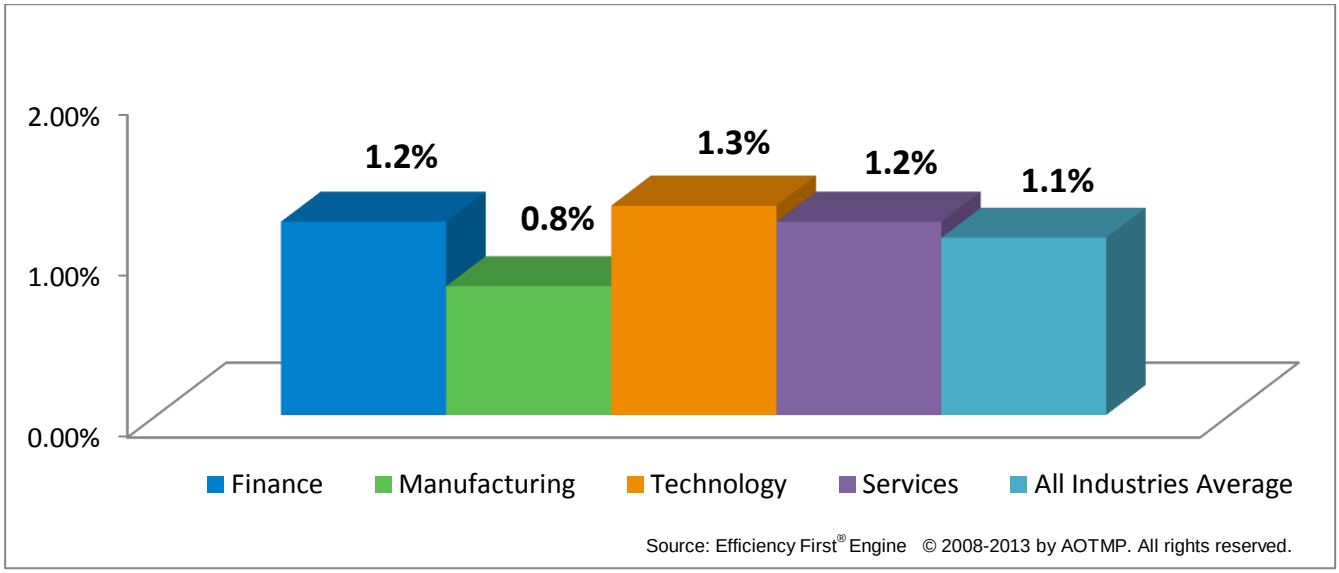
## KPI #3 Telecommunications Spend as a Percentage of Corporate Revenue

***Why is it important?*** This ratio establishes a capability to evaluate telecommunications cost as an element of the organization's financial performance. Senior executives use this KPI to correlate the cost of telecommunications investment to financial performance. If telecommunications is elevated to a strategic business asset, then consistent alignment of cost to revenue must be established.

A change in this KPI could simply mean that corporate revenue has fluctuated, but investigation into what role telecommunications has in revenue growth or decline should be identified and understood over time.

For example, if an organization makes a strategic decision to enable all sales personnel with new smartphones, pay all expenses, manage applications through a "store" and put an international roaming management plan in place, immediate costs would, most likely, increase. However, if that decision was made to drive a 15% increase in sales, the ratio could be tracked to ensure the investment, over the planned time, drives the revenue target. This is an excellent example of how telecommunications is a strategic business asset investment with the intent to drive increased financial results; and how to measure that investment.

***Calculation:*** *Telecommunications Spend / Annual Corporate Revenue*




## TELECOMMUNICATIONS SPEND AS A PERCENTAGE OF CORPORATE REVENUE

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# KPI #4 Telecommunications Spend as a Percent of Corporate Operating Expenses

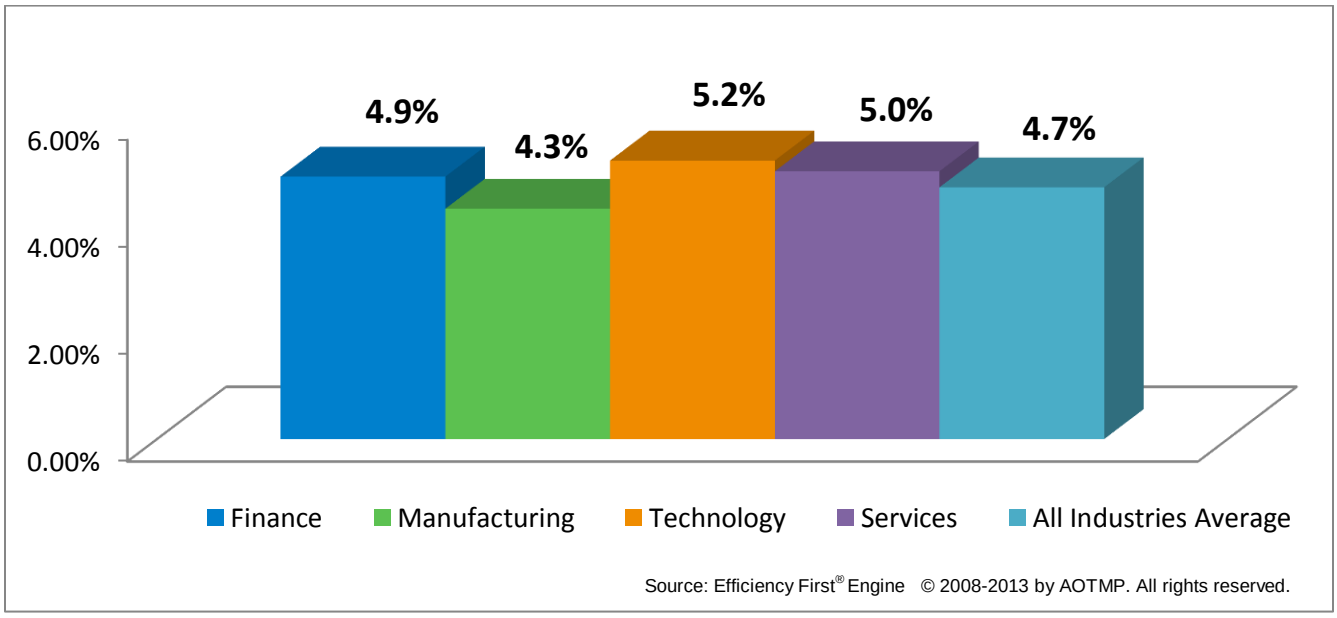
***Why is it important?*** This KPI differs from **KPI #3** as it evaluates telecommunications spend as a percentage of corporate operating expenses, rather than the total revenue number. This metric also can be applied to the operating expenses unique to each business unit and is essential for quantifying, measuring and subsequently controlling the performance of telecommunications operating costs across the business while comparing performance among business units.

Just as with any KPI, identifying the metrics and consistently tracking them will provide early warnings of fluctuations, whether planned or indicate a problem to investigate.

Understanding the target percentage of telecommunications costs to operating expense and how that impacts productivity, efficiency and organizational objectives enables telecommunications environment managers to discuss business results rather than only cost or technology issues with senior executives.

This KPI gives executives a better understanding of the value their telecommunications technology brings to the company and how it impacts the organization. This KPI will also highlight the impact of cost control issues, under-funded telecommunications departments and show reporting trends.

***Calculation:*** *Telecommunications Spend / Annual Operating Expense*




## TELECOMMUNICATIONS COST AS A PERCENTAGE OF CORPORATE OPERATING EXPENSES

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## KPI #5 Ratio of Mobile Devices to Employees

***Why is it important?*** This KPI provides a measure of the growth of mobility of the company's workforce over time. It is essential knowledge to support mobility initiatives and new or emerging technology strategies.

This metric is one of the most dynamic KPIs today; thus it is critical to track as mobility investment continues to increase across most organizations. In many cases, this increase is uncontrolled, spread across multiple areas of an organization and often does not take advantage of economies of scale or benefit from a smooth transition to innovations in mobility.

Mobile devices, their capabilities, costs, security risks, un-seen potential costs and the blur between work and personal use makes this ratio an important trend to watch. If the numbers increase, normally both the "seen" and "unseen" costs increase, sometimes disproportionately to the population.

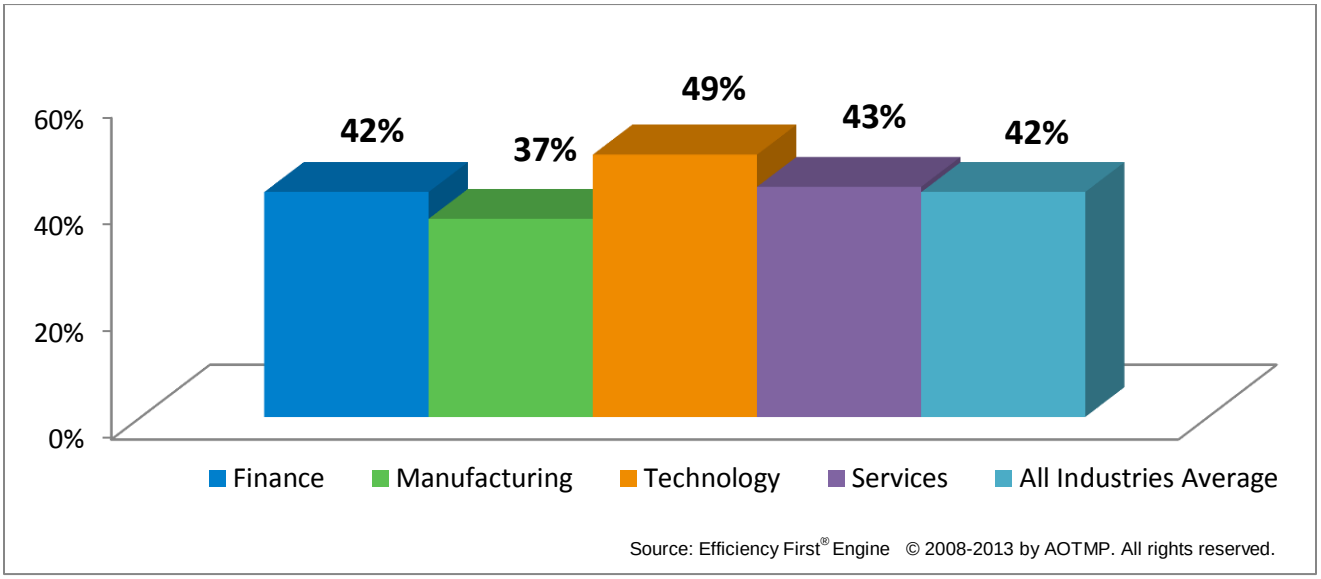
More important, the need for data security on smartphones, tablets and next month's new products not yet available can leave organizations with client personal data or industry secrets open to "attack" or loss.

An increase in this KPI with no change in the organization's number of employees may indicate overspending on mobile devices or services. On the other hand, it may reflect the implementation of an organizational strategy to increase mobile capabilities for employees.

However, caution is recommended! Just the lack of a policy, enforced practices and control mechanisms in one area, such as international roaming, can have significant financial implications to an organization that is neither aware of, nor prepared for, the often costly results.

Whether mobility costs increase or decrease is important to financial health, but the importance of who has access to these extensive mobile telecommunications capabilities and how to identify and secure organization-owned data from personal user data is a concern of every organization that enables mobility. This KPI will identify increases in costs to investigate but also indicate trends in mobility growth that need to be managed to mitigate operational as well as cost risks.

***Calculation:*** $\frac{\textit{Total Number of Mobile Devices}}{\textit{Total Number of Employees}}$




## RATIO OF MOBILE DEVICES TO EMPLOYEES

## KPI #6 Mobile Voice and Data as a Percentage of Total Telecommunications Spend

***Why is it important?*** Mobile voice and data cost as a percentage of total telecommunications spend is a fundamental measure needed to plan mobility initiatives and align to technology strategy. This KPI is a leading indicator of how far an organization is moving into mobility. If the ratio increases significantly, it normally is either reflecting the rollout of a mobility strategy across an organization or the lack of control of mobility costs, or both. If the fixed telecommunications costs remain static, the ratio will, inevitably change as either more users or services are added to mobility.

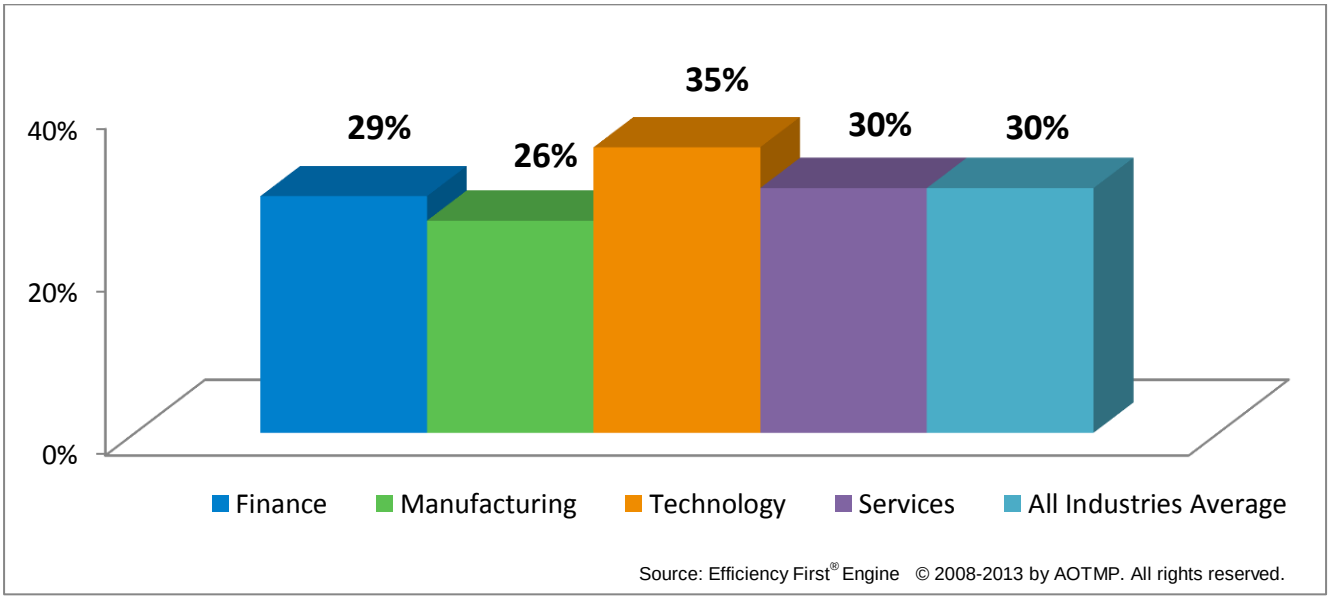
Although, in the current environment, a decrease in this measurement is unusual, it may indicate a more mature and effective mobility strategy with policies, processes and buy-in from all users. It may also indicate an organization falling behind in a technology platform.

**KPI #5** and **KPI #6** can be used together to explain mobility trends. If the ratio of mobile devices to employees rises it may be associated with a rise in the cost of mobile voice and data compared to total telecommunications costs. However, it must be looked at monthly, as improved policies, processes or contract terms may hold costs steady while increasing the ratio of mobile devices. There are economies of scale that can be reached with telecommunications providers that provide better pricing and service level agreements (SLAs) with increased usage.

These KPIs need to be thoroughly understood, consistently tracked and used to measure progress, negotiate contracts or select vendors. Trends in **KPI #5** and **KPI #6**, seen together can also identify the lack of control in an organization. One of the unique issues on mobility costs is the way they are often provisioned and paid. These tasks can take place through multiple processes ranging from totally managed and directly paid; to expense reimbursement for all or part of the cost; to a monthly stipend and any number of variations.

If **KPI #6** is to be implemented it is critical to ensure all costs to the organization are being captured no matter the payment vehicle for the user.

***Calculation***: $\frac{\textit{Mobile Telecommunications Spend}}{\textit{Total Telecommunications Spend}}$



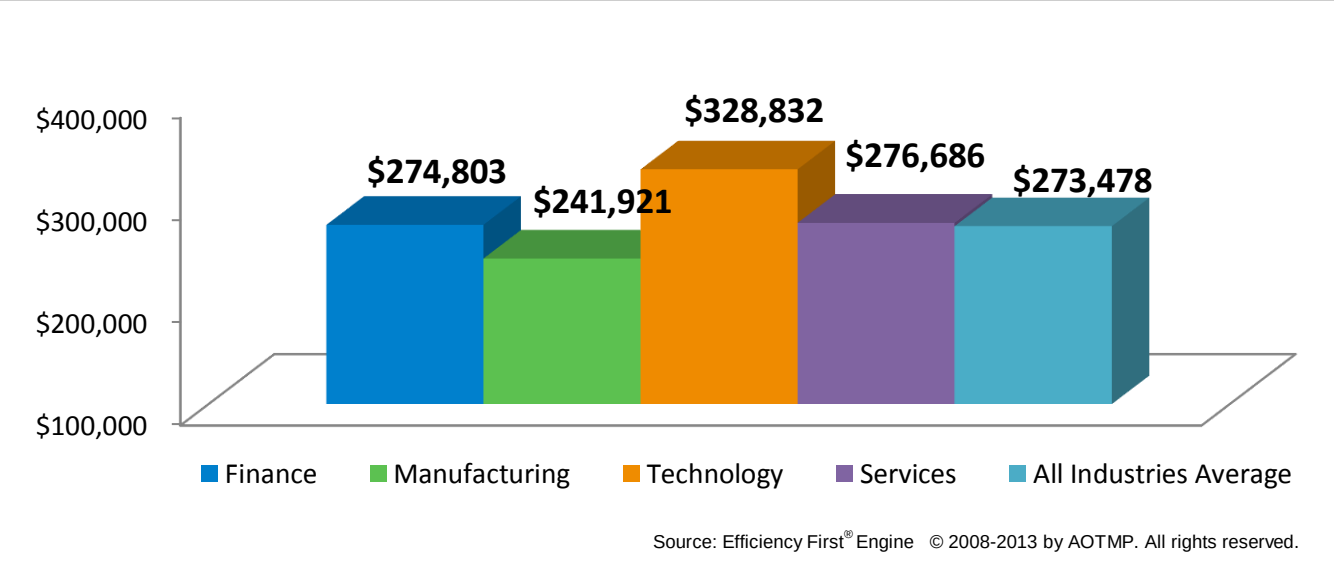

## MOBILE VOICE AND DATA AS A PERCENTAGE OF TOTAL TELECOMMUNICATIONS SPEND

# KPI #7 Telecommunications Spend per Telecommunications Management Employee

***Why is it important?*** Telecommunications management uses this KPI to identify and track service delivery efficiency and effectiveness. For example, in conjunction with other KPIs increasing in costs or usage, this KPI reducing can indicate a high degree of efficiency through training, expertise, systems or processes. However, it must be considered with other measures such as user satisfaction, time to resolve problems for users or other usability trends because it could also indicate a lack of needed investment.

This KPI can be used for resourcing and planning purposes whether headcount reduction or to obtain additional resources. This cost ratio also can be useful when considering a managed service or outsourcing option for telecommunications environment management.

***Calculation:*** *Telecommunications Spend*
*Total Number of Telecommunications Management Employees*




## TELECOMMUNICATIONS SPEND PER TELECOMMUNICATIONS MANAGEMENT EMPLOYEE

## Conclusion

KPIs illustrating telecommunications environment management results are essential to developing a strategic business dialogue in an organization. Understanding organizational efficiency is paramount to understanding the value telecommunications delivers to any organization. To successfully select and implement telecommunications capabilities from an increasingly complex environment and drive the desired business results an organization must

- ✓ consistently measure technical, operational and financial performance
- ✓ regularly mine telecommunications data and ensure accuracy
- ✓ implement a telecommunications expense management (TEM) tool to support financial and operational objectives
- ✓ correlate telecommunications data to organizational objectives and results
- ✓ focus on areas of inefficiency to move the needle in the metrics that reflect improvements in the efficiency of the organization
- ✓ Identify predictive or leading indicators of potential issues

Understanding key organizational objectives and using analytics to quantify the relationship between the telecommunications environment and business objectives will turn *defending the "cost"* of telecommunications into *reporting on how telecommunications assets contribute* to the organization's results. This "transformation through information" establishes telecommunications as a valued, strategic investment integral to achieving the organization's objectives.

## About AOTMP

AOTMP is a leading authority on driving efficiency and high performance into enterprise telecommunications environments. Efficiency First® v2 is a proprietary framework supported by methodologies and best practices. This framework brings a unique, proven and disciplined approach that delivers significant and measurable improvement in financial and operational efficiency to our clients' telecommunications management environments.

From Fortune 50, small and medium businesses, to public sector markets and industry suppliers, organizations seeking to reach peak performance across their telecommunications environment turn to AOTMP. Our industry thought leaders; global knowledge, proprietary performance index, certification programs and unparalleled benchmarking data collected over a decade across thousands of organizations drive a complete and quantifiable telecommunications management approach.

## About vCom

vCom Solutions revolutionizes the way enterprises manage their entire telecommunications lifecycle. vCom customers gain control over inventory, expenses and carrier relationships, achieving better business intelligence that drives profitability. vCom's Telecom Management as a Service (TMaaS) solution includes a suite of cloud-based telecommunications management software tools, complemented by a full portfolio of professional services