

Outsourcing Journal

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Telecom Expense Management Provider Helps Johnson & Johnson Manage Global Communications

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Global health conglomerate Johnson & Johnson reached a vital crossroads in 2005. Its ability to manage a sophisticated telecommunication network and keep expenses in line had become a source of concern.

"We had difficulty managing budget variances and identifying cost drivers, many of them difficult to decipher," says Peter Tarhani, J&J's manager of Global Networking. "Throughout our organization, we had a number of different telecom payment and management processes for handling and paying a large number of diverse invoices. We weren't managing it properly."

And that was just the money side. Managing the network itself, especially mobile device churn and the myriad of headaches it posed, also begged

for attention.

Why TEM outsourcing is growing

According to an early 2008 Telecom Expense Management Industry Association report, the total U.S. annual spending on TEM services is several billion and growing.

Telecom expense management (TEM) outsourcing is more than the simple service of identifying telecom billing errors that can run as high as 15 percent. It's now a big "umbrella" term that includes all communications expenses such as the provisioning of mobile and wireless services including wireless broadband voice and data. It impacts inventories and business processes along with the data and billing silos telecom can create.

"In many respects, TEM evolved into supply chain management for telecom services," says Joe Basili, president of NetworkTrendsNow, which surveys and monitors the world of communications management. "Most companies like Johnson & Johnson have underdeveloped skills in this space because the entire industry is exploding with mobile devices that are fast becoming the staple for corporate communications networks." He adds that managing such a network itself imposes "heightened risk across the board if not done right."

Basili adds that replacing old telecommunications equipment with newer equipment is another arrow in a TEM outsourcing provider's quiver. Suppliers "understand how to do this for the least amount of money and in the most expedient manner. Firms that outsource to adept providers realize a better bottom line."

Moreover, in today's economic environment, "cost-cutting has returned to the top of everyone's list of outsourcing benefits," adds Basili. He notes the business intelligence of a full-service TEM provider gives the buyer a good picture of what to expect. "Today, the fewer the surprises, the better," he adds.

Supplier selection

J&J needed an outsourcing provider with deep experience in planning and execution so it could get its North American TEM house in order. Then it planned to overhaul its global divisions (J&J has units in 60 countries).

It was clear what it wanted in a TEM provider. "To us, the objective is not only managing costs but looking for a best-in-class provider," says Tarhani. "The outsourcer had to be a business intelligence partner that would provide a safety net for our overall mission of pulling all global telecommunications under fewer umbrellas," he adds.

J&J's experience in initially doing its own internal audit made it an ideal partner for Avotus, according

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to Alan Gold, CMO for the provider. "We take the 'broad footprint' approach," he says. "We look at TEM from a total life cycle management perspective. "

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Avotis Corporation performs audits, but that's just the beginning. Its knowledge in procurement, inventory, and usage management allows buyers to outsource TEM management, not just auditing and bill pay.

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"Customers that work with us as their outsourcing partner have usually thought more broadly and deeply about what they want from a TEM provider," Gold continues. "Buyers that want relationships with us tend to make decisions more strategically while buyers who make vendor TEM decisions like SaaS are often at lower, more tactical levels of an organization."

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J&J North America = TEM v 1.0

Like many large companies that awaken to the need for TEM, J&J first performed an internal audit of its telecom assets and how it managed them. It bought some software and conducted an audit, which took the better part of a year to complete. Though Tarhani and his group got more right than wrong according to this internal audit, they learned the tactical aspects of TEM are not their core business.

What most intrigued Tarhani with TEM was how it could ultimately aid J&J's entire global organization. But it was first necessary for J&J and Avotis to tackle the firm's U.S. and North American operations.

"With the Americas generally leading the way in the telecom space, the lessons they learned from those sophisticated markets are a foundation for their global TEM," notes Basilli.

The engagement began in 2006; today J&S is managing 40 domestic carriers among as many as 200 available.

It took about two years to reformat J&J's domestic TEM (U.S. and Canada). It yielded about a six percent savings off an approximate \$35 million total budget. In addition, outsourcing produced more efficient billing and management protocols and provided J&J with the business intelligence and best practices necessary to tackle the rest of its global communications system.

Three years later, J&J now benefits from more efficient communications practices. It has also saved money.

But both provider and buyer say the total job "is just getting started. J&J clearly has internal expertise to take what they learn from us and do it themselves," Gold says. "They just didn't have the muscles. So our engagement involved ceding a bit more control to them and providing our best data, practices, and experience-related consultation."

Taking telecom management global

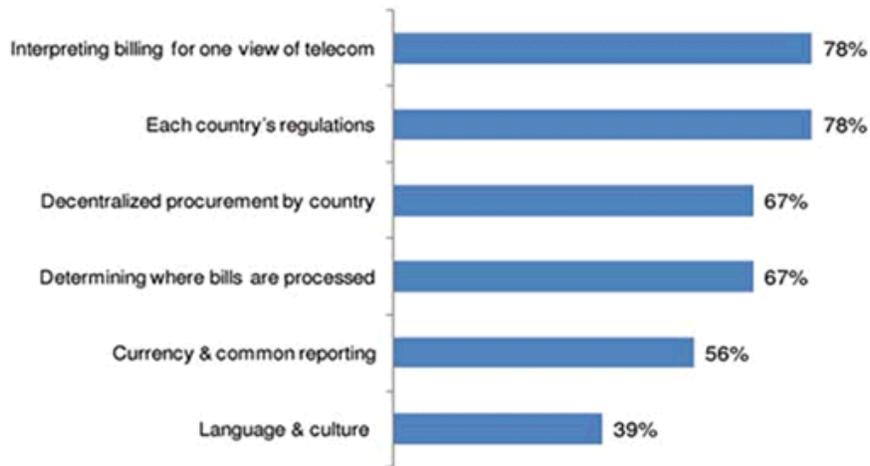
The first step in J&J's global TEM program involved a five-country pilot in which the supplier weighed issues such as device procurement, telecom service offerings, billing cycles, cultural and privacy issues unique to a particular country, security levels, and government oversight. Then the partners developed plans unique to each country.

And along the way, these programs created additional business intelligence that forms the foundation for additional TEM programs in more countries. "This drives new thinking in how we leverage information and use it to make decisions throughout our TEM program," concludes Tarhani. He says there's a "tremendous amount of useful information for me to continue driving down costs, raising profits, and improving service levels."

"TEM -- and outsourcing this service -- is still uniquely North American," concludes Basilli. "Many foreign countries have yet to reach the point that makes it necessary, although more are moving in that direction. But technology certainly leads us to similar sophisticated practices in places like Lithuania or Kenya. Developing these plans - which have many diverse 'moving parts' unique to different countries and company cultures - is the foundation for successful TEM."

The following chart lists some of the international challenges companies face.

Top Challenges of an International TEM Practice



Source: NetworkTrendsNow.com
March 2009

Such broad complexities explain why Johnson & Johnson is such a big fan of outsourced TEM.

Lessons from the Outsourcing Journal:

- Outsourced telecom expense management (TEM) has grown beyond the simple task of auditing and bill pay due to the explosion of wireless voice and data devices and the churn brought on by adding and subtracting employees. Outsourcers have expertise in managing these networks.
- Successful TEM providers and their buying partners now view the management of communications assets within a company in the same way as manufacturers or retailers view a supply chain.
- Utilizing pilots allows companies to incorporate new knowledge as they roll out change in outsourcing initiatives. A best practice approach for a global roll-out is to start with one region and then incorporate the lessons learned into the roll-out for each new region. In TEM outsourcing, this roll-out approach also drives new thinking in how to leverage information in making future TEM decisions.

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