

Pipeline

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IT, Billing, and Black Magic

An Afternoon Chat with a Veteran CIO

By Ed Finegold

IT stinks and we need to do it better. After 12 years following IT markets, and the OSS/BSS sector in particular, this is the one observation that has remained clear. Software development and deployment are inexact sciences. IT projects are too risky. There are too many ghosts in the machine. Compared with hardware, IT is inelegant, inflexible, and unreliable. For all of the new technologies that have promised simplification and risk reduction, maturity just never arrives. IT seems forever stuck in its adolescence. For an IT-intensive business like telecom, which depends on IT-intensive billing to generate revenue, this is a festering problem.

Dick LeFave, president of D&L Partners LLC, a 30 year veteran of the telecom industry, and former longtime CIO of one of the largest multiservice providers in North America, says that the beauty of dealing with hardware is that the light is either green or red – the box either works or it doesn't. And if the box breaks, you swap it out for a new one. Software is almost always reading some shade of yellow. Even when it's working, it's teetering on the edge of failure. When something breaks, fixing it requires a process akin to a forensic post-mortem examination. Unlike CSI, Law and Order, and NCIS however, too many cases remain unsolved. The important question is how do we move telecom IT out of the realm of black magic and into a reliable, empirical, and successful science? An afternoon chat with Mr. LeFave sheds some light on the answers.

Finegold: Dick, what do you think it will take to make IT as a discipline more flexible, predictable and mature, and perhaps more like hardware in those areas?

LeFave: I think it goes back to simplification. IT will always be like black magic as long as it remains complicated. If you want to make software more reliable, have it do less. Companies don't start out saying they want to be sloppy and inefficient, but they let incremental change get in and it changes the infrastructure. Are there some advancements coming that will make it all work better? Absolutely, but until that happens the focus has to be on simplification. There are very few people, even among the major suppliers and service providers, who really understand how it all works.

You also need to have governance. If you have a good strategy that's clear, then chances are you'll have a good IT operation. But if the strategy is not clear and you have a lot of different people who feel empowered to make change happen, then you'll have problems. Running a good business is about making people understand what we're trying to accomplish. Then it's about how you incent people and reward them. Good companies are good at setting that definition and bad companies just aren't.

Finegold: When it comes to billing, which depends almost entirely on IT, what should be a CIO's #1 priority?

LeFave: One of the major problems is time to market, another is scale, a third is predictability, and a fourth is economy. Can you translate time to market into something the business can understand and support? If it takes a month to get a new rate plan in, you probably need to invest in improving that.



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Then there's scale. How long does it take to get through the billing cycle? You're betting the revenue of the company on this thing called billing, and if you don't have the capacity to handle your volume and be able to catch up or adjust when things go wrong, you need to fix that. You need to have a quality assurance process that lets you back the mistakes out. You also need to understand what the cost is to run this thing. What's your cost per bill? How do you benchmark this thing to ensure that it gives value to the business? This is the heartbeat of the company. If you don't bill, there's no money, so you need to get this right.

I think overall that simplification is probably the most important value. If anything, complexity causes you problems in care and in rolling out products. You need to look at these products in terms of whether they are relevant to the market. There may be price plans that just aren't healthy business propositions and they need to be retired. Good marketing departments should know what their top 10 and bottom 10 products are. One of the most important things you do before you do a billing conversion is to clean up the rate plans. Rate plan rationalization is key; get your number down. Every rate plan you have to convert is going to cost you money. The less there is to convert the less it costs.

Finegold: Simplification definitely makes sense, given how complexity often creates the risks that lead to failure. So why does every customer satisfaction study I see point to billing error and confusion as the major contributors to poor customer relationships? Why do we allow these problems to persist and just throw more complexity in the form of band-aid technologies at them?

LeFave: You actually need to back that up the chain. It's rarely the case that someone was billed wrong. The machines, the processes, the rate plans – they don't typically bill wrong. You have to back up the channel and look at what the customer was sold, how they were sold, and who set the expectations. One of the most valuable tools is the welcome call where you go over everything with the customer. It all gets back to selling. It's very rare that you find there's a bad code line or rate plan or duplicate billing because there's plenty of oversight there.

You have to follow the chain and the lifecycle. If any one piece is broken or not performing, it looks like billing is broken. It all depends on the quality of the service and the experience of the customer. How simple is it for the customer to come in, buy a product, use the product, and get billed for it. If you make it too complicated – even with the best intentions – then you’re lighting the fuse. Care is really the biggest issue for any telecom company. Think about why people call. They call because of handset problems, coverage problems, and billing problems. But all of this is aggravated by things like complicated care engagements and IVR systems that are meant to handle volume. These are band-aids meant to treat the symptoms, but they add to the complexity. The best term I know to describe why things are done this way is that you’re changing the tires on the truck while it’s rolling down the highway. If you could stop the truck that would be great – but who can do that? You can’t stop billing. But when you start making changes you poke the customer. You poke the bee hive and so you start having issues.

A graphic advertisement for ConceptWave. The top half features a blue background with a photograph of an orchestra performing. The text 'Let us orchestrate your order process' is written in white. Below this, a list of services is provided: 'ASK CONCEPTWAVE ABOUT ...' followed by 'multi-play orders', 'exception order handling', 'centralized dynamic catalog', and 'processing millions of orders'. The ConceptWave logo is in the bottom right. The bottom half of the graphic has a white background with the text 'Empowering Service Orders' and 'Proven, high performance order and catalog management solutions.'

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For example, one of the big areas of concern is changing a bill format. You spend a lot of time asking people and testing formats. No matter how many consultants you have doing the analysis, you’re going to upset some group of customers. You just can’t have focus groups for everybody. You should never change bill formats when you go through conversions because it draws attention to something you don’t want people to be concerned about. You’re whacking the bee hive with a stick.

Finegold: So, as you said, it really comes down to strategy and governance. It seems like the complexity grows because of incremental fixes, which points to a lack of strategy. If a telecom provider lacks a strategic approach, it’s because things are managed and governed improperly. So when it comes to billing, which organization is responsible? Billing is a strange animal because it has one foot in IT and the other in the CFO’s organization. Is there a best place for billing to live, either under IT or under the CFO?

LeFave: The question you have to ask is why would you put it in one place or another if it covers both sides of the fence? If you’re in a highly intensive systematic upgrade and you’re rebuilding the infrastructure, doing conversions, upgrading hardware, then being in IT probably makes sense. When it is a steady-state operating environment, then it’s not a bad idea to have the CFO run it. The bottom line is, there always needs to be someone in charge of billing, some kind of chief billing officer, who sees it not only as a means to recover money, but also as the number one place where you touch the customer. That’s often forgotten. Everyone gets a bill. If there’s dysfunctional activity, that can generate a lot of concern.

Coming back to your question, it really depends on how much effort and investment is going into the technology side. If there's a lot, it makes sense to have it in IT where they're used to running these programs. That's assuming, of course, that IT is competent. In the two major conversions I've worked on, it made it a lot easier to have billing in the IT organization for that period of time. The more people in the pie, the more complicated it is. If you want to pull the whole thing together, it's not a bad idea to stick it in IT.

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That said, we always talked about moving it. If it made sense to move it back to finance, we'd do that. And we even talked about creating a separate billing organization. There are many different ways to split it, but you want to preserve revenue assurance no matter where it lives. So if billing is in IT, then you want revenue assurance in finance as a checkpoint. Think about it; the groups that work closest together are marketing, finance because of revenue assurance, IT, and the care folks who touch collections and billing support. All of those pieces need to play well together.

Finegold: Just to wrap things up, I think our readers would value your perspective on what this economic mess will do to billing budgets and projects this year. What should we expect?

LeFave: I think there's a lot of pressure on getting as much value out of your current infrastructure as you can. People just want to "make the donuts" for awhile. You have to be very cautious and prioritize your investments. Maybe changing that bill format isn't something you can do right now. If you've got only so much to spend, you're going to spend it on products, services, capabilities, capacity in the network. You're going to squeeze every penny you can out of things that are running okay and hope in 2010 that you can move forward. But every time you turn on the TV it scares the \$#!+ out of everyone and I think a whole generation of people are just beginning to realize how bad this economy really is.