
Making Telecom “Earnings Season” Easier via Business Intelligence

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Telecom business intelligence organizations should consider the benefits of business activity monitoring/business process management implementations for financial reporting and Sarbanes-Oxley compliance.

Wall Street’s quarterly dance known as the “earnings season” is upon us. And for the telecom service provider sector, the results are already starting to come in. The two “giants,” AT&T and Verizon, have already made their announcements and the news is good. Wireless revenues from Cingular and Verizon Wireless are good. High-speed Internet service numbers are showing healthy growth.

While the “earnings season” is a Wall Street-driven concept, one of the “new” drivers for reporting financial information quickly, accurately and with the appropriate audit trails is the Sarbanes-Oxley Act (SOX).

Auditors Driving Your SOX \$\$\$?

Since Sarbanes-Oxley has been around since 2002, it is hardly new. However, after many years of manual processes driven by auditors and consulting firms (*and their associated hourly rates...*), the members of the CxO suite are looking to reduce the costs and timeframes associated with Sarbanes-Oxley compliance and the processes that fall under Sarbanes-Oxley’s purview.

There are several areas of business intelligence (BI) that can assist with Sarbanes-Oxley compliance and streamlining the processes associated with financial reporting for the SEC. Business activity monitoring (BAM) and business process management (BPM) from the operational business intelligence space are two. These operational business intelligence practices provide the ability to map, monitor and act upon process events to ensure compliance with many different regulatory areas. Tom Dwyer wrote an [interesting article about these practices/technologies last year](#).

Activity or Achievement

In a recent study, [Nathaniel Palmer](#) took a look at business process management trends as they relate to current initiatives. In Palmer’s survey, 45% of the respondents



indicated that business process management concepts or software were being used for the concept of interdepartmental process improvements similar to those that I consider as key to assisting with Sarbanes-Oxley compliance in general, and financial reporting in particular. When Palmer looked at the telecom industry, that number jumped to 57%. This shows that telecom service providers are leaders looking into those areas to improve interdepartmental processes.

Palmer's study also showed that the telecom industry was lagging in a key area – that of centers of excellence. Success or failure with these types of operational business intelligence projects, or any BI project for that matter, is greatly enhanced with the implementation of a center of excellence to guide the projects and to supply the control framework necessary to provide true value to the types of information that a financially based business intelligence implementation would create. This reminds me of a quote from John Wooden, the former basketball coach at UCLA:

“Never mistake activity for achievement.”

This can be related to the telecom industry's use of business activity monitoring/business process management to assist with required financial reporting. It appears that the telecom industry is making the effort, or showing activity. However, they are lagging behind in the area of success, or achievement, relating to those efforts.

Command and Control

What is needed is for the business intelligence organizations of telecom service providers to embrace the concept of the center of excellence. These centers of excellence are not only for technologies and business intelligence practices, but also for the showcasing of completed BI implementations. Business intelligence organizations need to provide a centralized location for business intelligence implementers to find access to best practices and standards. Data needs to be normalized to match a standard enterprise format (data governance). Presentation layers need to be consistent to provide maximum value to those looking at the data (BI governance). Also, it goes without saying that those business intelligence organizations need to include the facilities for standardized and best practice documentation of processes and controls to truly comply with Sarbanes-Oxley.

In addition, to take goals of the business to the next level, a highly visible destination for this financial reporting data needs to be created. A key component of the winning solutions in the [Business Finance 2006 Vision Awards](#) was that the organizations had created a place to prominently display the implementation of business intelligence



practices linked with the ultimate business goals of revenue generation and cost minimization.

For financial reporting and Sarbanes-Oxley compliance in telecom, this could be a setting similar to existing network operations centers. Network operations centers provide a vital look at the health of the network that is generating revenue for the telecom service provider. Looking at financial processes and activities should have that same standard of visibility for monitoring and management as the actual telecom network.

Conclusion

Telecom business intelligence organizations can raise their stature beyond the CIO within the company via business activity monitoring/business process management implementations for financial reporting and Sarbanes-Oxley compliance. The CEO and CFO will both have great interest in an implementation that can not only keep them in compliance with Section 302 of Sarbanes-Oxley, but also start to show demonstrable savings by reducing the cost and scope (you can never truly eliminate accountants... 😊) of the small army of outside auditors and consultants that currently provide those services.

Monthly Notes

Event of the Month – I don't usually talk about events in the past, but for this I will make an exception. On January 29, 2007, the noted economist [Milton Friedman](#) was honored posthumously with [his own day](#). While not everyone may agree with the ideas and concepts that Dr. Friedman taught and espoused, it cannot be denied that Dr. Friedman has had an impact on economics and economic theory over the past 40 years. For anyone interested, the PBS special, "The Power of Choice: The Life and Ideas of Milton Friedman," regarding his life and work is well worth the time to TiVo.

MBA Observation of the Month – In the "all public relations all the time" world of corporate announcements, I found this [one to be interesting](#). Normally an announcement relating to a 38% drop in profits (*usually a horrible concept to be denied at every opportunity*) is buried behind some other announcement and/or made by the CFO who replaces the CFO who was responsible for the drop. However, in this case Verizon's stock price barely budged.... I guess meeting The Street's expectations – even it is by a penny...per share...before "special items" – is the way to go.

Book of the Month – This book isn't a business intelligence book or even a business book. It's a book about the U.S. Supreme Court – [Supreme Conflict](#). In this book, Jan



Crawford Greenburg gives an interesting look at the Supreme Court and how it evolved to its current state. Definitely not a John Grisham or a Dan Brown book, but a great look one of the most important institutions in our country.

