How Cisco IT Automated Vendor Services Delivery

Automated vendor management system improves productivity and reduces costs.

Cisco IT Case Study / Business Management / Automated Vendor Services: This case study describes Cisco IT's internal deployment of a networked solution to centralize and control ordering, provisioning, and asset management for a broad range of vendor services. This solution provides corporate finance and department managers with decision-making information, provides users with a streamlined ordering process for approved services, and enables the cost-effective management of service-related assets. Cisco customers can draw on Cisco IT's real-world experience in this area to help support similar enterprise needs.

CHALLENGE

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>
> **— Mark Edmondson, IT Services Expense Management, Cisco Finance**

Cisco Systems is both a supplier and a consumer of technology. More than 34,000 Cisco employees worldwide rely on a constantly growing number of outside vendors for technology-related services, including:

- Communications: Cell phones, calling cards, pagers, and e-paging services
- Collaboration: Audioconferencing, Web conferencing
- Telecommuting: Virtual private networks (VPNs), ISDN lines, and ADSL, satellite, and cable broadband connections

Managing vendor relationships with the suppliers of these services has presented Cisco's IT team with a multidimensional challenge—to keep up with a dynamic field of players, and to negotiate appropriate services and contract terms with each. And once a vendor relationship has been established, the IT team must manage that relationship in a way that satisfies all of the end users:

- Employees need an efficient process for learning about available services, ordering what they need, initiating service, getting support when problems arise, and keeping their services and related equipment up to date.
- Finance teams need to know where assets are located, and when the assets have been returned to the vendor or replaced.
- Accounts payable teams need processes for reconciling invoices against assets and services in use.
- Managers need to know what their direct reports are spending, with which vendors, and how they can reduce current and future costs.

- The executive team needs to know what the trends are, and how to manage operating costs to contribute to company success.

Initially, Cisco had no formal program in place to address these needs. Individual groups and departments handled vendor services independently, resulting in many parallel and duplicate efforts. Related costs were not tracked and managed at a corporate level, and in the absence of any corporate guidelines for entitlement, managers were left to manage their costs without the data and tools that they needed. In addition, skyrocketing costs for particular services—such as cell phones—dramatically increased the urgency for centrally managing vendor services.

SOLUTION

Cisco IT had created the Telecom Cost Management (TCM) program to begin tracking and approving telephony and other telecommunications invoices (see the Cisco IT case study, "Telecom Billing: Controlling and Strategically Managing Essential Operations Expenses" at http://www.cisco.com/en/US/about/ciscoitatwork/case_studies.html). In parallel with its TCM efforts, the IT team set out to internally apply Cisco networking technology to build an efficient foundation for managing the ordering, provisioning, and tracking of vendor-related assets and services. "The biggest incentive for changing our approach to vendor services was being able to reconcile invoices against inventory," says Mark Edmonson, IT Services Expense Management, Cisco Finance. "Most Cisco teams understand that it is hard to manage the back end when you don't set up the front end correctly. Before we could effectively automate invoice reconciliation, we needed a single point of contact for each vendor service, an automated workflow, and an easier way for employees to order and use services. In the absence of a managed process, chaos had crept into every aspect of vendor services."

Cisco IT's vendor services team first focused on an automated workflow—streamlining every step of the process from initial service request to the termination of that particular service, or an employee leaving the company and requiring closure of multiple accounts. The Cisco network provided a perfect foundation for a centralized approach. The IT team defined a process that could use the network to connect all of the groups involved—the employees and their management teams, finance, accounting, security, the service providers, and the IT team.

Today, vendor services and related assets are managed by a new set of network-based tools, each of which fits into the in-house enterprise management (EMAN) environment. The tools employ industry-standard concepts such as an IT Infrastructure Library (ITIL) framework for process flow, and access a database at the core of the Cisco EMAN environment for up-to-date information about each Cisco employee, organizational reporting structures, and approved vendors. As services are ordered and provisioned, employee entries are updated to include information about the assets assigned to them as part of a provisioned service. Serial numbers and other identifiers are entered for each asset, and status is maintained to indicate who has the asset and where it is located, and to track any updates, repairs, or replacements of the asset. The structure of the employee, asset, and service vendor information that is tracked has evolved in step with the vendor services management solution, and is adjusted often to respond to the changing product structures for services and the dynamic nature of business practices within the services industry as a whole.

A graphical user interface (GUI) simplifies the service ordering process. Employees or administrators can select from preapproved vendors and services, and submit requests from their desktops. Requests are routed to validate the requesting employee's entitlement to a particular service, and to get management approval for that service. Once approved, the vendor services solution routes the request to the provisioning group. Within the IT group, service managers work with the finance team to oversee the service requests.

The IT service managers are also responsible for setting up new vendors and services on the system. As "rogue" purchasing is discovered, or requests received for new entries, the service managers follow a formal process. A business case is performed to evaluate the vendor and the value that would be derived from the service. A pilot is carried out to evaluate the entire lifecycle of the service, and appropriate approvals are obtained from the entitlement group, corporate security, IT management, and finance. If the service is approved, the IT team then defines the

development required to introduce the service (the EMAN database and related tools must be modified to accommodate the service) and prioritizes the project based on demand and required resources.

Today, the invoice reconciliation solution ties into the same EMAN platform. The databases that are updated by the vendor services tools provide the information needed to validate the invoiced charges for each service. As new employees are added or change jobs within Cisco, the system accurately tracks their service-related assets. When an employee leaves the company, services can be promptly discontinued to avoid unnecessary charges, and managers can ensure the prompt return of any previously provisioned equipment.

RESULTS

“After the initial years of chaos, we have created a solution that has really taken off within the U.S.,” says Edmondson. “As domestic groups get their expenses under control, other countries are also getting on board. First, they recognize the need for invoice management, and they soon see the benefits of the streamlined provisioning process.” Employees can now receive services like calling cards in two or three days, instead of the previous 10-day delay between ordering and receipt. Some services are provisioned in a completely automatic fashion; others require some manual steps. All are streamlined. “We are always introducing enhancements as we work with the vendors to develop more automated processes,” says Edmonson.

Employees also enjoy the simplified service selection process. The list of preapproved vendors and services shortens selection time and provides the assurance of better service—vendors are screened for the ability to deliver services and respond to customer support needs.

IT provisioning teams, service managers, invoice reconciliation teams, and managers all benefit from automated tools that allow them to get at the information they need in real time. By automatically identifying overcharges and promptly discontinuing services when no longer in use, the solution also provides cost savings that have more than paid for the development and support of the solution. “Not only can we answer in-house questions about inventories and usage trends, but we really keep vendors honest with our vendor services solution,” says Edmondson. “The system automatically identifies invoicing discrepancies and we have the data we need to substantiate our refund requests from vendors. If we had to carry out all of the checks and balances manually, we could never allocate the required resources for this task.”

Cisco’s new procurement and tracking system initially requires technological and process adjustments from the service vendors. The system electronically routes requests directly to vendors. “Service vendors understand why we are doing this, but it does create some overhead for them. They have to adapt their processes to work with our automated approach,” says Edmonson. “As with any business, all vendors make mistakes. This system catches their mistakes and highlights their operational inefficiencies. Luckily, many vendors recognize the benefits, and are taking advantage of the opportunity to automate their operations and reduce their people-related costs. With our solution, we can help our vendors define their own requirements and take part in the evolution of an effective business-to-business framework that works for both sides.”

LESSONS LEARNED

The main lesson learned relates to the need for a flexible and adaptable solution—what works for one service provider may not work with another. Similarly, accommodations must be made to protect existing service provider relationships in parts of the world where no alternative service vendors exist. Some of these service providers have little incentive to change, and service managers must balance requesting information that will streamline Cisco processes with protecting the vendor relationship. The introduction of international service providers underscores this need for flexibility. “Many basic services are from large incumbents, and these vendors can be very inflexible,” explains Beth Gesson, Cisco IT project manager for Europe, the Middle East, and Asia (EMEA). “Also, local rules must be followed. For example, some countries have strict privacy rules that prohibit us from getting individual call data. Bottom line—all policies will not work in all countries. Our solution has to remain flexible to meet the local

requirements. This program has taught us to be more realistic about managing global differences—we now know that global tools have to allow for variations in practices and if we take that into account, we can better work together, identify common issues, and maximize our efficiencies on a very large scale."

NEXT STEPS

Success with the vendor services management program has been costly for Cisco—the overhead required for enterprise management has grown to the point where it is taxing IT. Cisco now manages so much information that EMAN is reaching its scalability limits. One solution being considered is the purchase of some product platforms designed to manage inventory tracking and management. Currently, the commercially available solutions adequately manage equipment as it is purchased, but do not offer the flexibility required to track the equipment through to end of life.

"In IT, when you do your job well, it does not get easier," says Edmondson. "Instead, your solutions and automated processes generate demand for more advances and improvements. The vendor services tools have achieved that level of success. We have achieved a new level of efficiency across our entire company—for the users of the services, and for all levels of Cisco management. Now, we just need to keep moving things forward by bringing more vendors in line with our automated processes and extending support globally."

FOR MORE INFORMATION

To read the entire case study or for additional Cisco IT case studies on a variety of business solutions, visit Cisco on Cisco: Inside Cisco IT www.cisco.com/go/ciscoit

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