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Negotiating Interconnect Business: Agony or Ecstasy?

InterComms talks to Klaas Scheppink and Mehdi Ahari from Ascom about ipsCAM, the recently developed Contract Appraisal & Monitoring tool for international interconnect carriers

Klaas Scheppink   *Mehdi Ahari*

Mehdi Ahari and Klaas Scheppink are Senior Consultants at Ascom's business unit Systems and Solutions in Aachen, Germany. They have been involved with software development and systems integration in telecommunications for over 2 decades now. Both have also been responsible for multiple large-scale innovative projects in all aspects on International Interconnect Business, in most cases tailored to specific customer needs. Mehdi is educated at Universities of Kent and Warwick, United Kingdom and has been working with Ascom since 2005. Klaas is a graduate of the University of Twente in The Netherlands and joined Ascom in 2000.

Q: Business contracts particularly for interconnection are complex and time consuming. Why has this been and what are the main problems?

A: Answer to this question lies in the history of telecommunications. The industry has been operating for a long time, and the business was managed as governmental organisation. Contracts today reflect many of those bilateral discussions and very little has changed, despite great transformation within the sector. Contracts are typically mired in complexity in three areas. Firstly, the legal clauses, which are flavoured according to historical contract content as well as issues that arise from time to time. Secondly it is the commercial conditions which dictate the mode of doing business. Here lies a body of complexity, where facts and figures are intermixed with elements of boundary conditions of commercial operation. Final issue is the actual method of calculation of contracts. Traders and Account Managers constantly aim to improve the operating margin of bilateral contracts. In the course of negotiation with the counterpart, structure and method of calculation of traffic becomes incredibly exotic. Inclusions and exclusions, type of traffic that should be used for measurements and so on, make the implementation of the contract in the relevant measurement systems almost impossible. To summarise, the impact of these

three points in bilateral contract negotiations, lead to significant delays in contract signing, complex commercial conditions that lead to constant disputes amongst bilateral partners, and inadequacies in producing a true and consistent accounting of the actual traffic based on the negotiated contract.

Q: How does ipsCAM remove these problems and test viability of the agreement?

A: We have looked at this issue from four perspectives: a) Managing contract clauses, b) Commercial conditions which impact final contract calculation, c) A usable modelling tool that provides a flexible method of defining contracts, and d) the processes behind the negotiation and approval processes within the business. Let me briefly explain each point:

We looked at the steps needed for agreeing contract clauses. Each carrier has their own contract template used for negotiation, and for each carrier partner it is modified on a mutual basis. These clauses change very little from one cycle to another. Yet, it takes a long while for the relevant legal departments to read, compare and review the versions and analyse the changes. We provide technology support to pin point changes to contract clauses, highlight discrepancies, so that legal teams can concentrate on what is needed. We even

► take steps to analyse finally signed contracts to ensure that both parties sign "the same" contract.

Next the system manages the commercial clauses. These typically dictate what is measured and how it is billed and when. Whether it is declaration, interim settlement, or final billing, ipsCAM creates background measurement systems and matches the conditions of the contract. For example, if toll free traffic is not to be measured in monthly declarations of exchanged traffic, but included in interim and final settlements, then it should be managed accordingly in the measurements and billing systems, in order to avoid future disputes. Commercial clauses are typical culprits that lead to disputes and inconsistencies in contract negotiations.

Third issue is the need for a flexible modelling tool to capture the agreed method of traffic calculations. Typically, what ends up in a paper contract is not how it is reflected in the measurement or billing systems. In fact, most times the contract is interpreted several times, by different people, and each interpretation leads to a different calculation. You can guess where I am leading with this argument. ipsCAM in simple terms operates on the premise that whatever the trader agrees and implements, is used for measurement and financial statements.

Final point, is the business process behind the contract negotiation. The trader or account manager is not the sole decision maker, and the machinery of approval has its delays. Managers spot anomalies, leading to re-negotiation and adjustments, this in turn delays the contract signature. Delay in the approval process leads to contracts approved way beyond the actual operational date. Here ipsCAM has a sophisticated workflow engine that encapsulates business processes, and ensures that organisation and operational behaviour is correctly captured. If late signature cannot be avoided, ipsCAM is still able to handle all consequences accurately.

Q: Can this be deployed simply into a clients existing network?
A: Indeed it can. This is exactly what we have done with one of our clients. ipsCAM can operate standalone, feeding other measurement systems, or sit in the middle collecting partially enriched data from measurement systems, and then work its magic to monitor the contract as well as feed towards downstream billing or general ledger systems.

You may remember one of our earlier discussions in InterComms Issue 16 about Ascom's Invoice Reconciliation and Dispute Management solution. When ipsCAM is deployed together with this Invoice$hark, without any further deployment effort, the client is enabled to continuously monitor the actual financial status of all its complex contracts, including the effects of lost and won disputes and he can produce the final invoice that reflects both the really and finally agreed contract conditions as well the actually invoiced and settled amounts. Previously this was a process causing a lot of headache to the Accounting Department.

Q: Agreements change and grow over time is there flexibility to change around terms etc?
A: This is precisely what the system is geared to perform. Typically as it gets near a new contracting period, previous contract is used as the starting point, and the users are encouraged playing what-if scenarios and testing alternative conditions and contract models. ipsCAM provides the user the flexibility to exchange information with their counterpart, capture all communications with them, and when ready with a firm proposal, initiate the workflow for approval of all the departments and management layers concerned. ipsCAM takes care of all the steps in the system, and while managing the new contract conditions, continues to monitor the business based on the old contract, until the new one is approved. This is the beauty of the solution that it works hand in hand with the business. You know, a business will not stop because there is no contract in place. The concept of side letters to formally document all kinds of changes to the contract during or after the operational phase will be familiar to everyone dealing with bilateral contracts. ipsCAM not only facilitates the traders with easy means to create such, but it also takes care of all consequences as soon as the side letter becomes effective.

Q: Is there a good example of a previous deployment?
A: We did look around the enterprise solution providers for the international wholesale software market, and indeed could not find anything that remotely matched the requirements. We also see that many telecoms organisations structured into operational silos, with systems that address specific needs. However, when it comes to cross silo applications and specially systems to capture business processes and workflows, the landscape is pretty thin and almost bare. This issue is also felt across the wholesale telecoms industry. In early 2011, there an industry led grouping called GBET (short for Global Business Exchange for Telecom) was formed to specifically address the issue of contracts, and streamlining of business negotiations. Similar attempts are ongoing within TMforum and GSMA working groups. Our solution is becoming operational with one our clients by the end of 2012. We are also working closely with aforementioned communities to ensure that ipsCAM is in line with industry thinking. We aim to expand the system further in 2013 and aim to present it as a collaborative system for many carriers and operators to be able to benefit from.

Q: Where do you view this area moving in terms of technology?
A: We see the horizontal integration of business information and processes as a must for medium to large telecommunication companies. Too many information and data needed to be successful and profitable in this industry is hidden in legacy applications or even not being made available at all. Processes are too slow and often not really established well, or stop at boundaries of single departments. Only by providing such organisations with a state of the art flexible platform that allows both integration of existing IT as well as processes and roles across the breadth of the business, they will be able to successfully continue facing competition and quickly adapting to changes and chances in the market.

ipsCAM is perfectly placed to aid this process, and seamlessly integrate to existing vertical systems, taking the agony out of contract negotiation!

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