

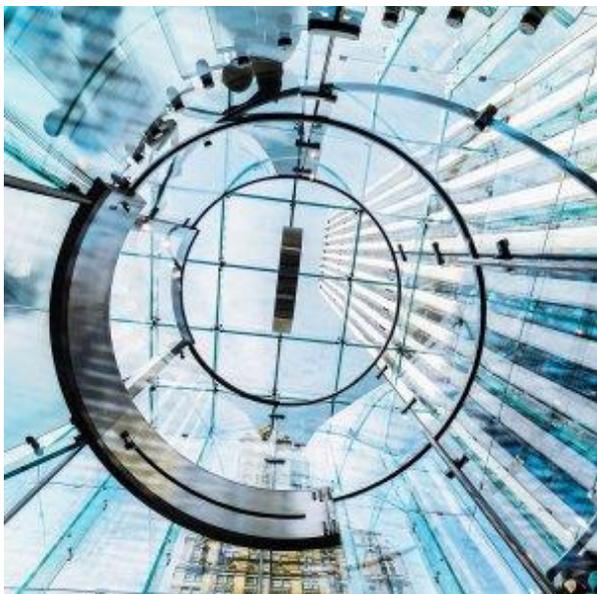
“DOING MORE WITH LESS”

AN OPPORTUNITY FOR FRAUD MANAGEMENT AND REVENUE ASSURANCE

The corporate catch phrase of ‘Do more with less’ is generally associated with:

- shrinking operational budgets;
- a reduction in resources.

This applies to the telecoms industry as much as it applies to most service and manufacturing industries.



Within the telecoms industry, Fraud Management and Revenue Assurance functions have not escaped these cost cutting initiatives. Hence without an effective strategy to manage a reduction in resources imposed by senior management, Fraud and RA Managers will continue to try and achieve the same results, despite having less resources and spending less money.

Those that have survived staff cuts are likely to be grateful that they still have jobs, and are likely to assume extra duties to ensure that the team’s results still meet their performance indicators. These staff may be able to keep this up for a time, but eventually the effects of doing more with less are going to result in burnout, increased sickness, poor morale, and decreased productivity.

The *new reality* is not about doing more with less but is about *letting some things go*. The realisation that Outsourcing or Managed Services for instance, will

provide the Fraud and RA Manager with some great opportunities to make smart changes to their organisation, will increase results and reduce the pressure on their remaining staff.

Outsourcing is described as a task, operation, job or process that could be performed by employees within your company, but is instead contracted out to a third party for a significant period of time.

Managed Services/Outsourcing

Within the telecommunications industry, outsourcing of Network Management, Network Operations, IT, Finance Operations, Customer Service Operations and more recently Human Resources has been commonplace for over ten years. Some of the earlier outsourcing activities, particularly in the networks and IT areas were not particularly successful and resulted in increased costs, a reduction in service levels and stripping the CSP of many skilled resources who later became difficult to replace.

The industry learnt lessons from these experiences and today outsourcing arrangements are safeguarded with robust controls around service levels, deliverables and costs with agreed penalties available for non-performance.

Telecoms Fraud Management and Revenue Assurance Managers have generally been slow to accept the value of outsourcing at least part of their function. There are some who are now realising the benefits of moving to more of an outsourced model in the form of managed services, but the CSP’s represented in this are still in the minority. This cannot be said for the fraud functions in some other industries. Insurance, Financial Services (particularly banks and credit card companies), benefit providers and online retail providers appear to have adopted this method of operating more readily.

Within telecoms however, the concept of a managed services provider in the fraud space is often misunderstood, as not all outsourcing providers offer the same services. A significant advantage to a fraud manager considering an outsourcing model is the ability to decide exactly what functions they can outsource. Some look at outsourcing as a sound strategic move to ensure their team continues to deliver value, while others see outsourcing simply as a tactic of management to reduce staffing levels.



In many cases, outsourcing has been in response to a cost cutting initiative, where it is obvious that this provides considerable benefits in reducing overall operating costs. Employee costs generally account for 30 to 50% of a company's total expenses, particularly when you consider the total cost of employment which includes recruitment, pay, benefits, pensions, office space, office supplies etc.

Very few middle managers are comfortable presenting a strategy for their work function which includes staff reductions. In anticipation of pending resource and budget cuts, there is an opportunity to get in first with a recommended strategy to achieve the same results on their terms. This could include a reduced headcount cut from what is expected which is funded from the cost savings anticipated through outsourcing some fraud management functions. This would also allow those staff members, freed from the outsourced activities, to be reassigned to other more important proactive fraud management duties such as fraud prevention, fraud risk reviews etc.

Benefits and Risks

There are many benefits available from outsourcing various aspects of the fraud management function. Those that are suitable include;

- Fraud Management System operations including 24x7 analysis of alerts, management of the system rules and lists plus all system maintenance/support
- 24x7 Analysis of NRTRDE records
- Recording and disseminating fraud intelligence that is available from these outsourced activities
- Monitoring real time alerts from point-of-sale transactions to detect fraudulent applications
- Subscription fraud screening of new applications

- Anti-money laundering and sanction screening to meet legal requirements of mobile money transfer services
- Any other process driven fraud management activities, particularly those that would benefit from 24x7 analysis

The benefits arising from these outsourced activities which could be included in a business case in support of strategic outsourcing could include;

- Reduced staff costs, particularly when considered as the complete cost of employment
- Ongoing savings that can be achieved by deploying some staff from low value process driven activities (now being managed through the outsourcing arrangement), to higher skilled proactive activities more associated with fraud prevention and awareness
- Reduced time required for staff and performance management, managing coverage during sickness, annual leave, bank holidays etc to maintain 24x7 analyst coverage
- Ensuring performance targets are met through contract obligations
- The ability to accurately identify fraud monitoring costs over a full year period
- Consistent and accurate fraud reporting
- Reduced fraud losses and increased savings
- Providing the ability to maintain a centre of excellence in Fraud Management



The perceived risks in outsourcing are generally overstated and can be managed through planning, effective relationship management and sound negotiated contracts. Some of the risks commonly heard being discussed are;

- The risk of providing the outsourced provider with sensitive data or confidential customer information.

strong performance measures (KPI's) and regular reporting.



This risk can be mitigated by putting in place some standard security precautions such as non-disclosure agreements with all outsourced staff, a requirement for effective pre-employment screening of all new and existing contractor employees, and limiting the access to information only to that required to allow the contract analysts to do their job. There are other precautions also available to reduce the risk of downloading information to external devices or transferring it through internet access.

- A legal restriction preventing call records or other information being sent 'off-shore'.

This risk can be mitigated by allowing outsourced fraud analysts secure access to the information necessary for fraud monitoring while it remains 'in-country'.

- A reduction in service levels and fraud savings, increased customer complaints and fraud losses.

This is unlikely due to the fact that the outsourced supplier will have a team of trained and skilled fraud analysts who will be closely monitored to ensure that contracted performance measures are met. If underperforming staff are identified, then the contract will make it quite clear that there must be immediate improvement or they must be removed.

- CSP Fraud specialists remaining after the function has been outsourced lose the fraud knowledge gained through the day to day analysis of fraud alerts.

Reporting from the outsourced providers will contain sufficient information to keep these staff members informed of current and emerging fraud trends, while these specialists are also increasing their knowledge in other aspects of fraud management such as proactive fraud reviews and investigations

While there may be other perceived risks, these can all be identified before the outsourcing relationship is finalised and mitigated through effective relationship management, bilateral agreements (Contracts),

Conclusion

For those Fraud and RA Managers who are yet to face the 'Do more with less' experience, it would be wise to anticipate this and start working on an outsourcing strategy. An outsourcing strategy that shows an attractive rate of return by ensuring all necessary Fraud Detection processes and tools are being used to their full potential is also likely to find itself favourably received.

Outsourcing means more than just improved operational effectiveness and is not limited to specific areas of the business such as Networks, IT and Customer Operations. It is now generally accepted that it involves a growing number of a CSP's activities and functions, especially those that significantly contribute to its added value, which must include Fraud Management and Revenue Assurance.