

Business Relevant TL 9000

QuEST Forum
Great Lakes TL 9000 Special Interest Group
Chicago – December'07

Dean Henderson ~ President
5degrees Telecommunications Consulting Inc.
Ottawa, Canada

“The bitterness of poor quality is remembered long after the sweetness of low price has faded from memory.”

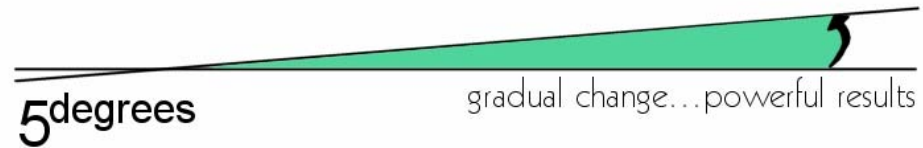
- Aldo Gucci

“As budgets *shrink*, reducing the *cost* of *poor quality* will be paramount to staying *competitive*.”

“Organizations *require* a method to systematically *manage* and *recover* the *costs* injected into their business due to *supplier poor quality*.”

Today's Realities

- Intense Competition
 - Retaining revenue
 - Saturated markets
 - Cable, fixed line, wireless
- Complex Solutions
 - Open architectures, multi-media, multi-vendor
- Dynamic Relationships/Partnerships
 - Outsourcing, LCC migration, mergers, divesting



Cost-of-Poor-Quality Finance

CoPQ Finance

Annual Consolidated Financials

INCOME STATEMENT (€m)

Revenue	20,000
Cost of sales	(14,000)
Gross profit	6,000
Selling, general and administration expenses	(6,300)
Operating (loss)/profit	(300)
Tax on (loss)/profit	(60)
(Loss)/profit for the period	(240)

SHARE INFORMATION

Shares outstanding (m)	5,000
Basic (loss)/earnings per share (€)	-0.05

CoPQ Finance

Annual Consolidated Financials

INCOME STATEMENT (€m)

Revenue	20,000
Cost of sales	(14,000)
Gross profit	6,000
Selling, general and administration expenses	(5,500)
Maintenance services (network) expense	(450)
CoPQ expense	(350)
Operating (loss)/profit	(300)
Tax on (loss)/profit	(60)
(Loss)/profit for the period	(240)

SHARE INFORMATION

Shares outstanding (m)	5,000
Basic (loss)/earnings per share (€)	-0.05



CoPQ Finance

Annual Consolidated Financials

INCOME STATEMENT (€m)

Revenue	20,000
Cost of sales	(14,000)
Gross profit	6,000
Selling, general and administration expenses	(5,500)
Maintenance services (network) expense	(450)
CoPQ expense	0
Operating (loss)/profit	50
Tax on (loss)/profit	10
(Loss)/profit for the period	40

SHARE INFORMATION

Shares outstanding (m)	5,000
Basic (loss)/earnings per share (€)	0.01



CoPQ Finance

Annual Consolidated Financials

INCOME STATEMENT (€m)

Revenue	20,000
Cost of sales	(14,000)
Gross profit	6,000
Selling, general and administration expenses	(5,500)
Maintenance services (network) expense	(150)
CoPQ expense	0
Operating (loss)/profit	350
Tax on (loss)/profit	70
(Loss)/profit for the period	280

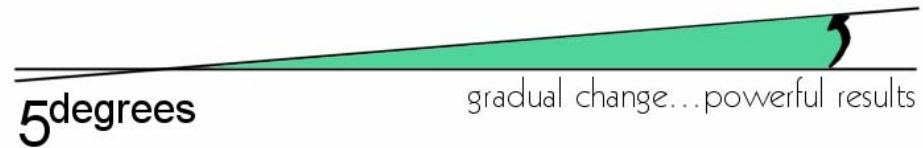
SHARE INFORMATION

Shares outstanding (m)	5,000
Basic (loss)/earnings per share (€)	0.06



How can this happen?

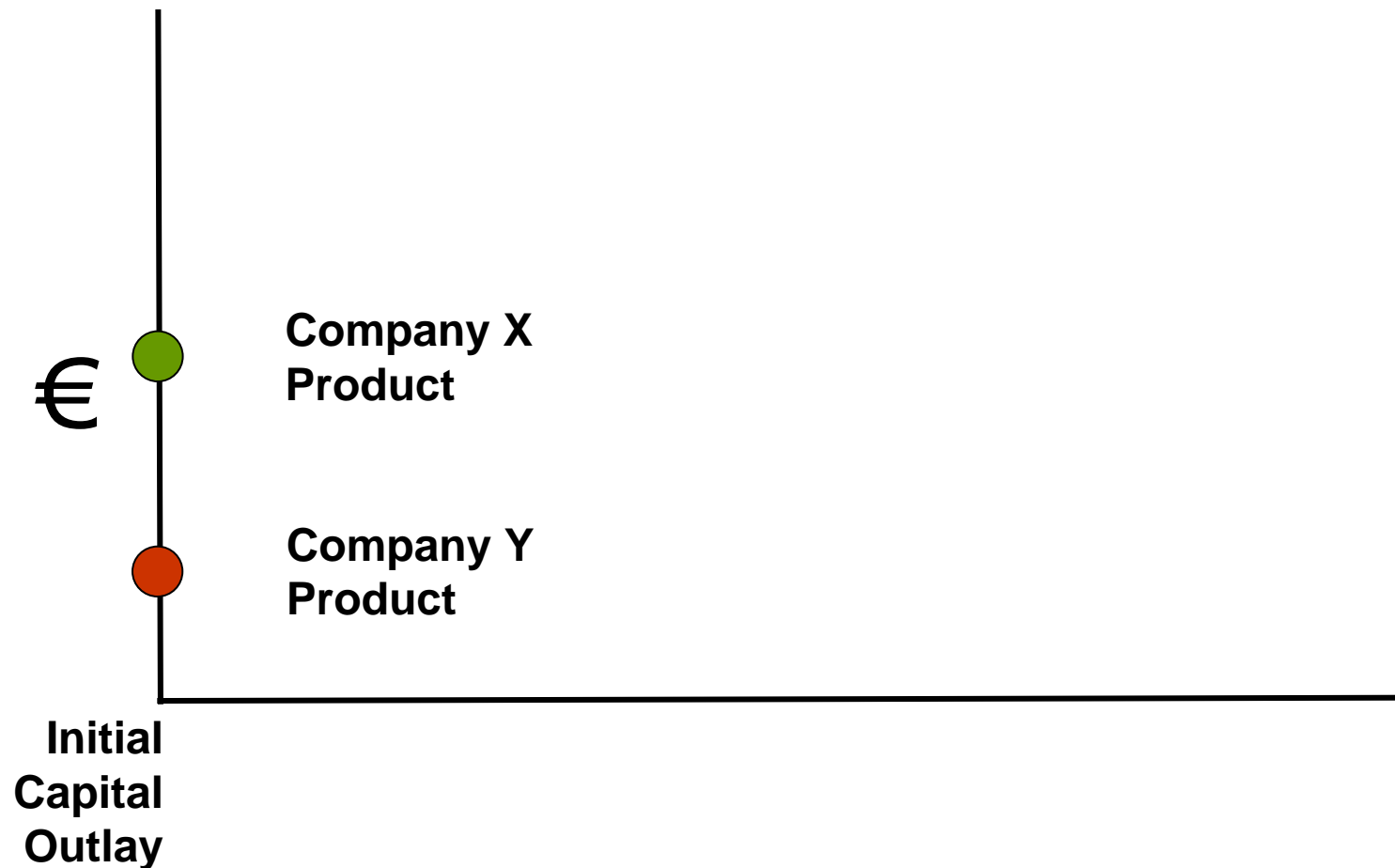
- CoPQ poorly articulated
- Operations impact unclear
- Contract deficiencies
- Measurement challenges
- Lack of supply-chain cohesion
- “Classical” Quality = Savings unbounded



Cost-of-Poor-Quality Economics

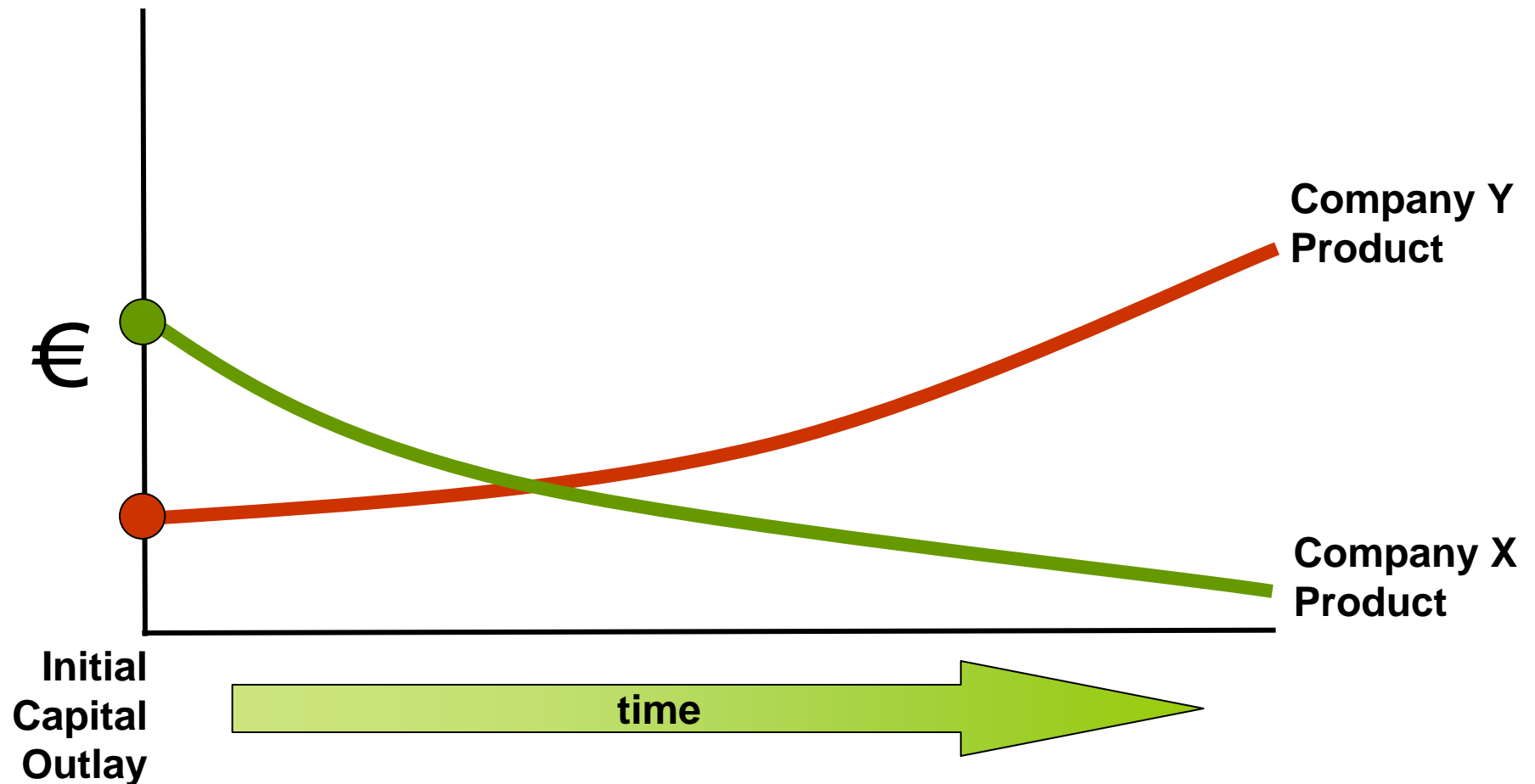
CoPQ Economics

“the extent of the due diligence”



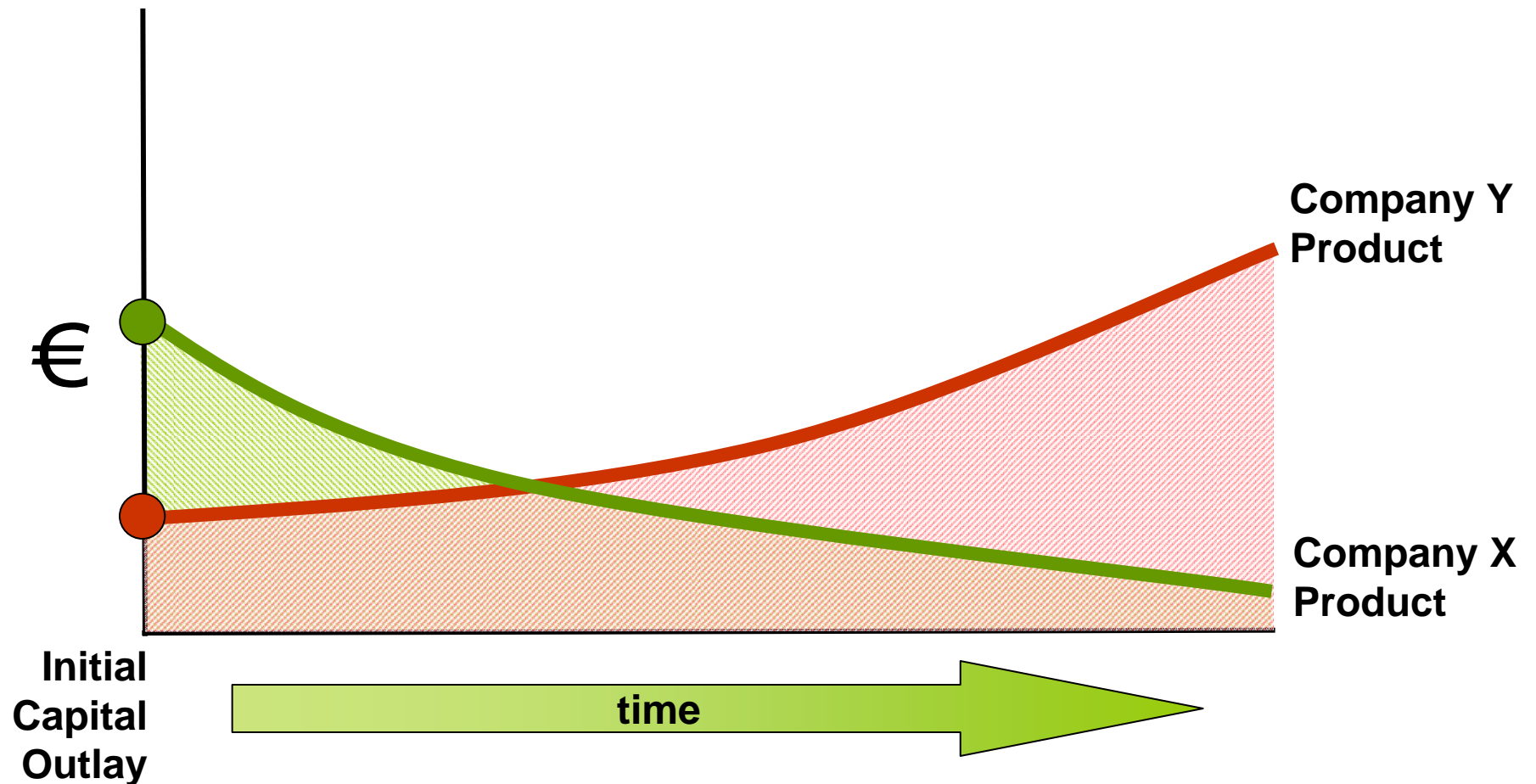
CoPQ Economics

“cheaper can be costlier”



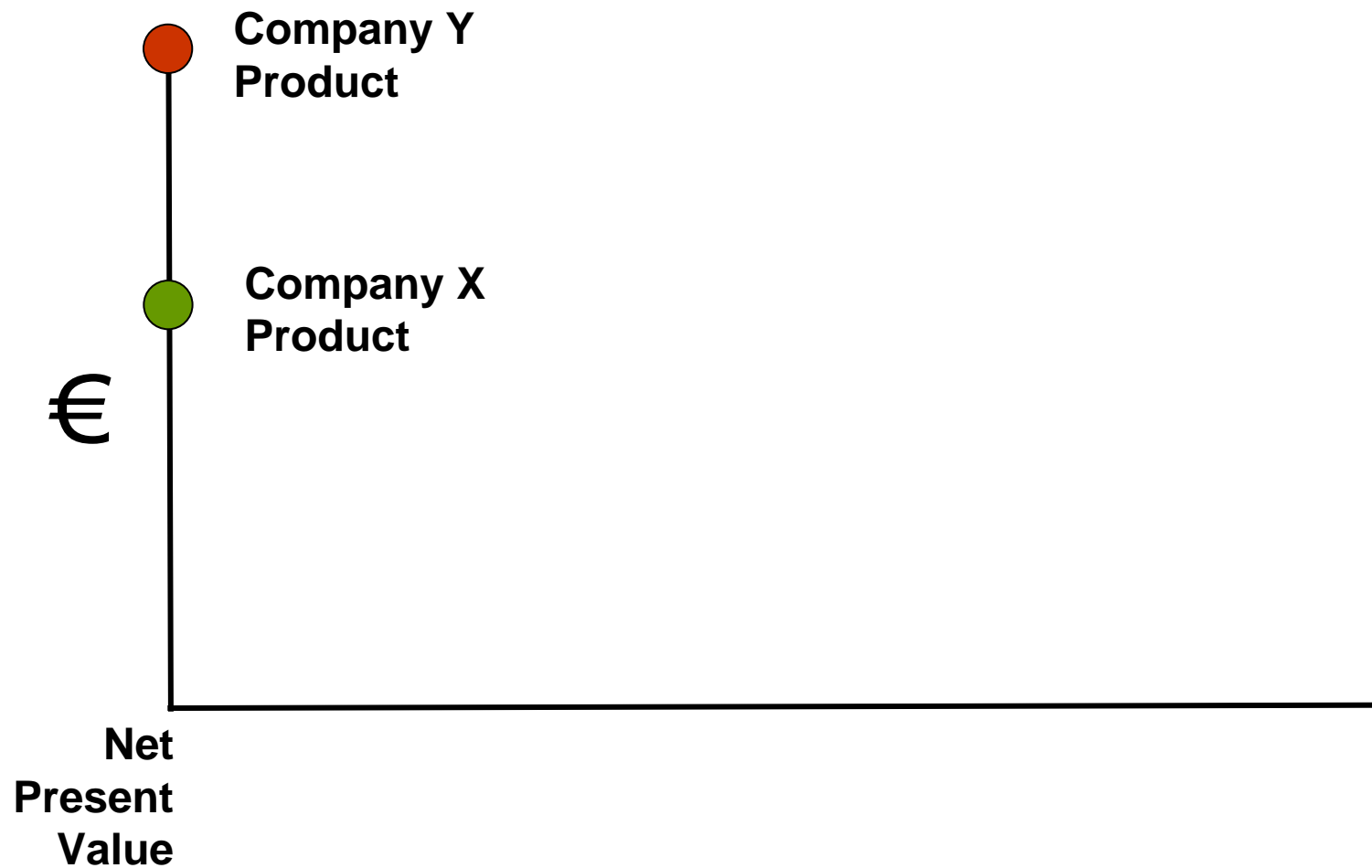
CoPQ Economics

“cheaper is costlier”



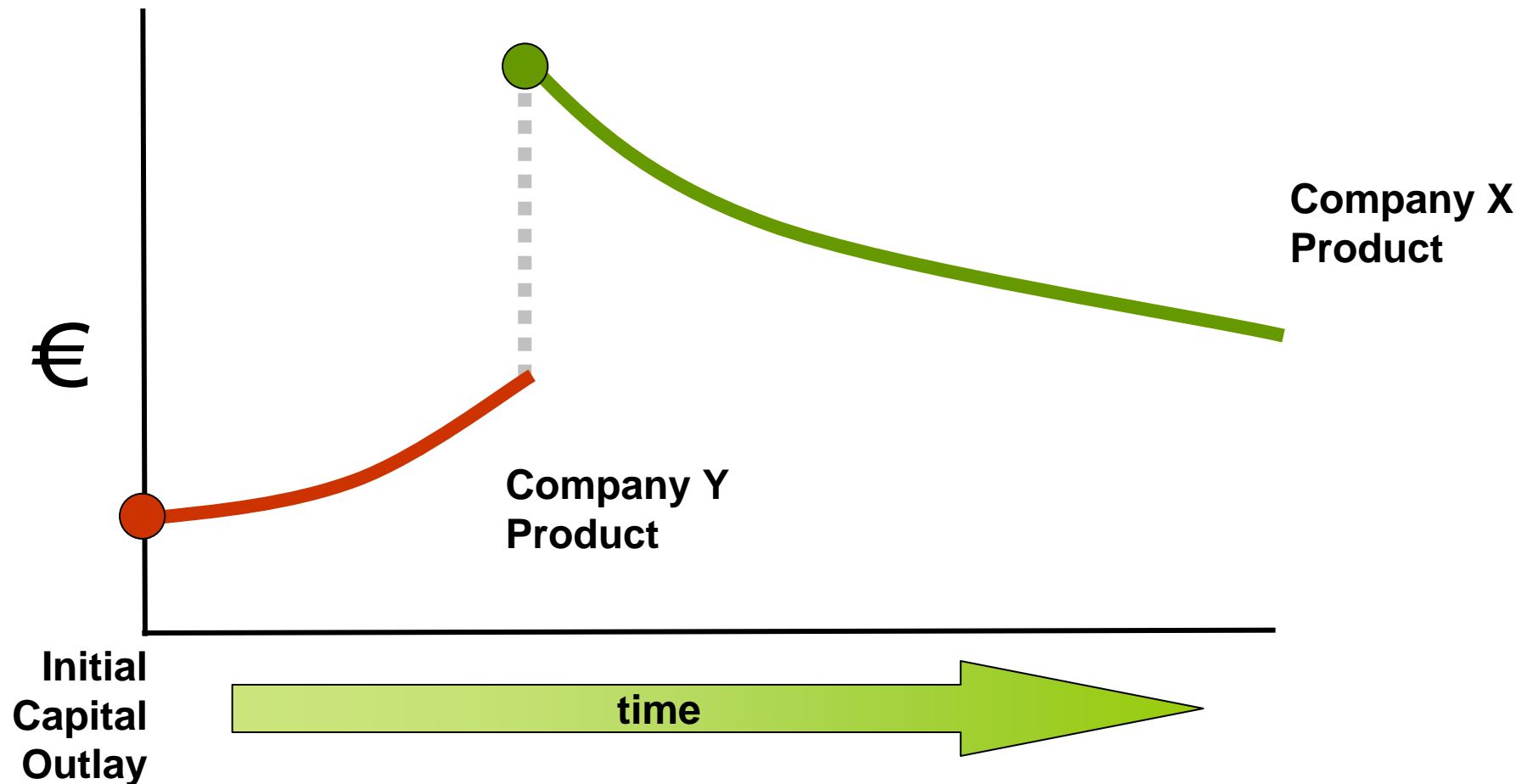
CoPQ Economics

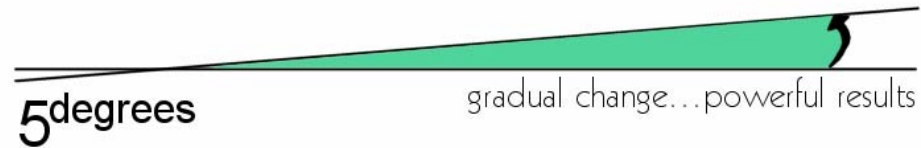
“now which one?”



CoPQ Economics

“the fork-lift”



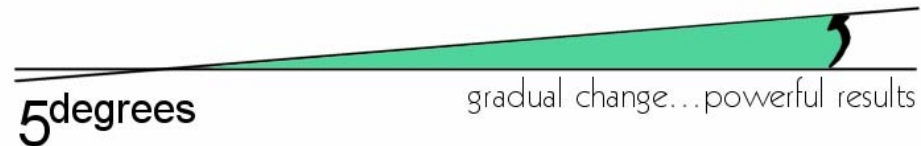


TL 9000 Value for Telecom Service Providers

TL 9000 Value for Service Providers



- Common language to manage suppliers
- Expected ownership cost requisite
- Decision criteria for procurement teams
- Managing post sales “quality” relationship
- Cost recovery for SLA Non-conformance

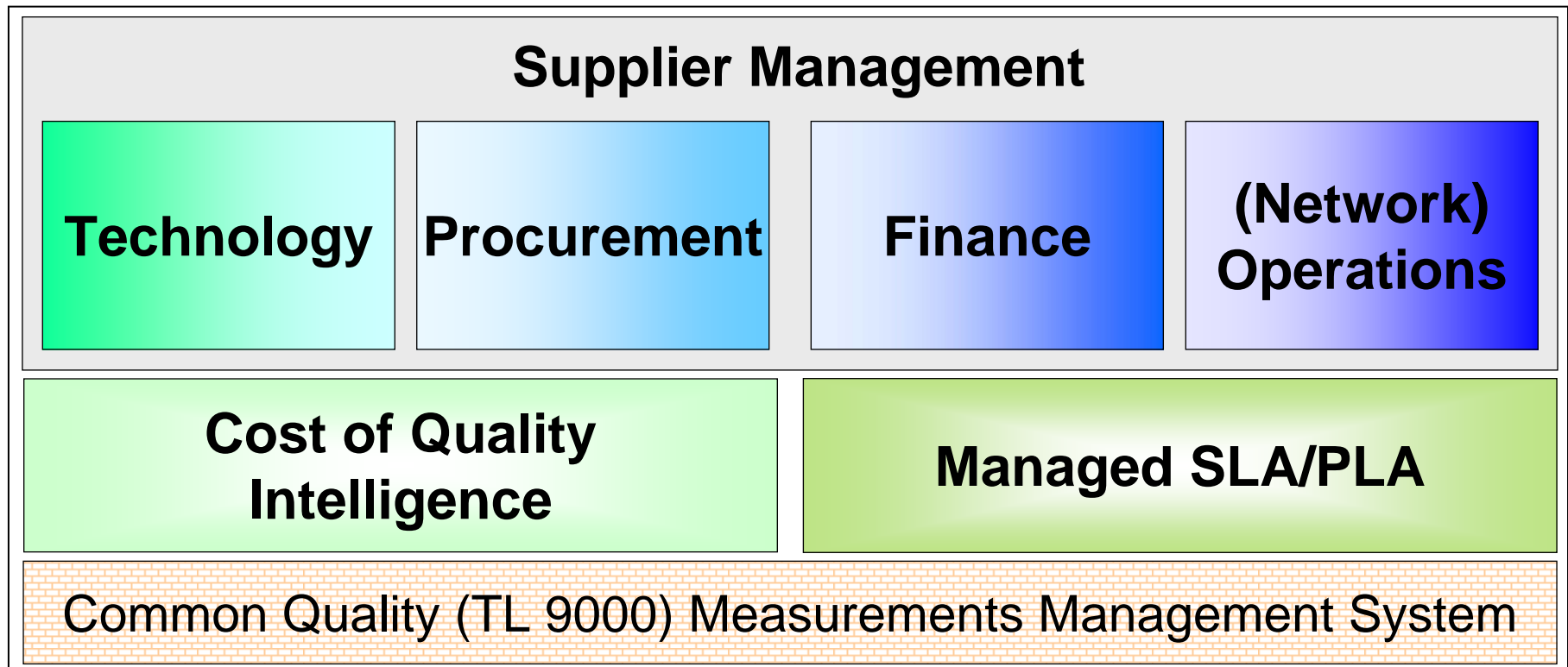


Cost-of-Poor-Quality Management For Telecom Service Providers

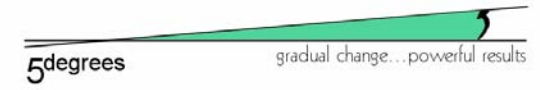
Quality Risk Management

- Supplier poor quality is costing service providers millions/year
- Linking supply-chain entities is key
- CoPQ framework
 - Scalable
 - Consistent
 - In-process
 - ***Recoverable***

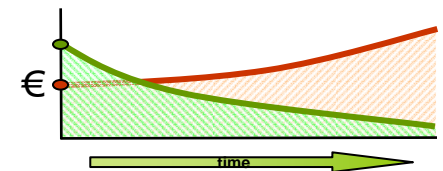
CoPQ Management Framework



Technology

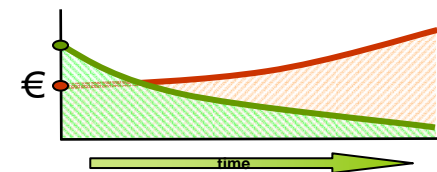


- Fuelled by a market need
- Fulfilled by Technology
- Guided by TL 9000 CoPQ intelligence
 - operational impact
 - product/service availability
 - time to market risks
- Supplements RFI collateral



Procurement

- RFQ/RFP
 - TL 9000 specifics a bidding requirement
- Negotiate price (reductions)
 - Bargaining with monetary CoPQ values
- Contracting
 - RFQ/RFP feeds contract performance criteria
 - Non-conformance penalties clear and measurable
- Common language standardization



Finance

- Process credits/discounts
 - Based on contracted penalties
 - Contract relevant penalties
 - Automatic
 - In-sync with Operations
- Penalty claims for non-conformance
 - Founded by the TL 9000-performance-indicators measured by Operations
 - Systematic
 - Objective
 - **Enforceable**

Annual Consolidated Financials

INCOME STATEMENT (€m)	
Revenue	20,000
Cost of sales	(14,000)
Gross profit	6,000
Selling, general and administration expenses	(5,500)
Maintenance services (network) expense	(150)
CoPQ expense	0
Operating (loss)/profit	350
Tax on (loss)/profit	70
(Loss)/profit for the period	280
SHARE INFORMATION	
Shares Outstanding (m)	5,000
Basic (loss)/earnings per share (€)	0.06

Network Operations

- Managing the effects of supplier non-conformance
 - TL 9000 provides a common language
 - Service Level Agreements
 - Product Level Agreements
 - *One* method for all suppliers
 - Used by Finance for penalty claims
- TL 9000 performance indicators
 - Delivery
 - Outages
 - Problems
 - H/W quality
 - S/W fix quality

Annual Consolidated Financials

INCOME STATEMENT (€m)	
Revenue	20,000
Cost of sales	(14,000)
Gross profit	6,000
Selling, general and administration expenses	(5,500)
Maintenance services (network) expense	(150)
CoPQ expense	0
Operating (loss)/profit	350
Tax on (loss)/profit	70
(Loss)/profit for the period	280
SHARE INFORMATION	
Shares Outstanding (m)	5,000
Basic (loss)/earnings per share (€)	0.06

Maintenance Contracts & Service Level Agreements

- Insurance policy for defects
- Responsiveness-based
- No driver to reduce defects
- Measurement ownership
- Product Level Agreement coupling

Supplier Management

- Supplier Qualification
 - TL 9000 used as a key entry criteria for business
- Supplier Optimisation
 - TL 9000 performance levels drive programs
- Strategic Partnerships
 - TL 9000 used to understand partner quality
- CoPQ / TL 9000 Organization “Glue”
 - Maintain supply chain synergy

Key Points

- Understanding the risk
- Transferring the risk
- Recovering the burden
- Enabled by TL 9000

Who is paying for your CoPQ?

Dean Henderson

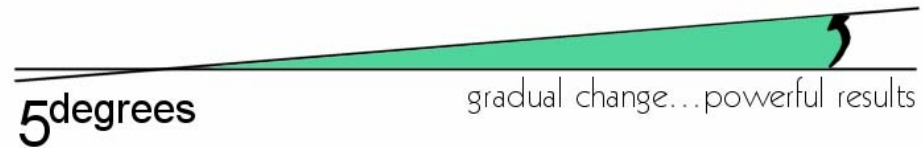
President

5degrees Telecommunications Consulting Inc.

Ottawa, Canada

dh@5degrees.ca

+1.613.513.5334



This information is the property of 5^{degrees} Telecommunications Consulting Inc.
Distribution or reproduction this material requires the expressed written
consent of 5^{degrees} Telecommunications Consulting Inc.