

## Portugal Telecom taps into Cisco's experience in e-enablement to improve shared services and reduce costs

### Executive Summary

#### CUSTOMER NAME

- Portugal Telecom

#### INDUSTRY

- Service Provider

#### CHALLENGE

- Portugal Telecom's (PT's) shared services organisation, PT PRO, wanted to optimise its business performance by increasing efficiency, reducing costs and providing improved quality of service to its customers, PT's business units

#### SOLUTION

- Through the powerful transformation and synergies provided by e-enablement, PT PRO was able to re-engineer its business processes, consolidate technology platforms, systems and applications, and develop a new culture of behaviours and values

#### BUSINESS VALUE

- With over 80 per cent of its business processes now e-enabled, PT PRO achieved savings of €10 million in 2004, and is well on the way to achieving its target of €20 million
- Further IT savings of around 20 per cent are expected through the consolidation of licences, systems management and development costs

With the country's largest market capitalisation, Portugal Telecom has successfully evolved through privatisation, market liberalisation and business diversification. Its journey of organisational transformation has led the company to focus on the efficiency gains provided by e-enablement. Leveraging Cisco's experience and expertise, PT PRO has re-engineered and digitalised over 120 business processes, creating a blueprint for world-class shared services.

#### CHALLENGE

One of Europe's leading service providers, Portugal Telecom (PT) provides fixed and mobile voice, multimedia and data business solutions to over 33.5 million customers throughout Portugal, Brazil and other international markets. Following privatisation in 2002 and market liberalisation, the company restructured and today consists of four main business units: Media, Pay TV, Wireline and Wireless.

However, one key strategic issue still faced PT: how to continue to optimise business. PT was already aware of efficiency losses due to process and resource duplication, diverse support systems and high levels of manual processing within each business line. In February 2003, this led to the creation of PT's shared services organisation, called PT PRO.

Francisco Nunes, Board Member responsible for Finance, sets the scene: "Through the centralisation of support functions, such as finance, HR, logistics, facilities management and customer care, and the migration of associated back-office processes, PT PRO's significant challenge was to manage the many different work practices and cultures, and execute the opportunities identified to drive efficiency across the organisation."



Prepared by Cisco Systems, Inc.  
Internet Business Solutions Group

## SOLUTION

Cisco Systems is a strategic supplier to Portugal Telecom and there is a long history of sharing best practice between the two companies – for example, on new ways to integrate technological developments with business strategy to develop new capabilities and market opportunities. It was natural, therefore, that PT should look to Cisco for innovative solutions to enhance efficiency and quality of service within the organisation. Cisco's Internet Business Solutions Group (IBSG) was invited to consult with PT PRO.

**“AS WITH ALL MAJOR CHANGE PROGRAMMES, SUCCESS OFTEN DEPENDS ON THE ABILITY TO BUILD SUPPORT AT ALL LEVELS THROUGHOUT THE ORGANISATION. CISCO WAS ABLE TO DEMONSTRATE THE BENEFITS THAT E-ENABLEMENT HAD DELIVERED TO OTHER COMPANIES. THIS WAS COMPELLING AND MADE AN IMPORTANT CONTRIBUTION, NOT ONLY IN SECURING COMMITMENT BUT ALSO IN ENABLING US TO ACCELERATE CHANGE.”**

Miguel Moreira, Executive President, PT PRO

PT PRO was interested in the potential benefits of e-enablement and the role it could play in helping to transform shared services. IBSG was able to bring this vision to life, by sharing its own experiences and the results of its collaborations with other companies that had successfully adopted e-enabled services.

Executive President of PT PRO, Miguel Moreira explains: “As with all major change programmes, success often depends on the ability to build support at all levels throughout the organisation. Cisco was able to demonstrate the benefits that e-enablement had delivered to other companies. This was compelling and made an important contribution, not only in securing commitment but also in enabling us to accelerate change.”

In May 2003, PT PRO and IBSG signed a memorandum of understanding (MOU) to seal the two companies' deeper co-operation in developing e-enabled shared services. As back-office responsibilities transferred from the lines of business, and the organisation continued to grow, PT PRO worked with IBSG to develop, and run, a series of business workshops designed to raise awareness and support its vision. The seminars brought together employees from finance, HR, logistics, facilities management and customer care with many different work practices, behaviours and values. The seminars set the tone for culture change within the organisation.

As well as addressing the important cultural issues, IBSG worked in parallel with PT PRO, acting as its trusted advisor, to re-evaluate and benchmark its existing business processes, technology platforms, systems and applications. This study identified key areas for improvement – in particular, the issue of legacy systems and the need to consolidate towards one single operating platform.

While most business units within the company operated support systems, each one was highly customised to suit individual requirements and many used different versions of software. Even having SAP as the main vendor across 90 per cent of the PT corporation had failed to ensure standardisation and compatibility. A project was launched to provide company-wide enterprise resource planning (ERP) using one single SAP platform, capable of supporting new corporate processes and accessible to all parts of the business.

This major strategic project required in-depth surveys to understand the needs of each business unit and pave the way for extensive process redesign.

With full SAP implementation estimated to take between 18 and 24 months, PT PRO and IBSG identified opportunities for web-enabled solutions to be introduced earlier. These short-term initiatives led to various implementations within the facilities management, procurement, HR and employee communication functions during 2004.

Nuno Cetra, Board Member responsible for Technology, explains the significance: “This was another key step in the journey – from saying e-enablement had been successfully implemented by others to being able to showcase the technology and deliver early benefits to the organisation. These ‘quick wins’ ensured that we continued to build on the foundations we had laid.”

### **BUSINESS VALUE**

The transformation since has been spectacular. With over 80 per cent of its business processes now digitalised, PT PRO achieved savings of €10 million in 2004 and is well on the way to achieving its target of €20 million. Further IT savings of around 20 per cent are expected to be delivered through the consolidation of licences, systems management and future development costs when the company moves to one single SAP platform.

**“THIS WAS ANOTHER KEY STEP IN THE JOURNEY – FROM SAYING E-ENABLEMENT HAD BEEN SUCCESSFULLY IMPLEMENTED BY OTHERS TO BEING ABLE TO SHOWCASE THE TECHNOLOGY AND DELIVER EARLY BENEFITS TO THE ORGANISATION. THESE ‘QUICK WINS’ ENSURED WE CONTINUED TO BUILD ON THE FOUNDATIONS WE HAD LAID.”**

**Nuno Cetra, Board Member, Technology, PT PRO**

PT PRO has created a future blueprint for shared services, but cost savings and re-engineered business processes only tell half of the story. The introduction of workflow management tools and self-serve functionality has enabled PT PRO to better serve all internal points of the organisation, optimising its customer service.

Around 7,000 documents arrive each day in the 14 centres managed by PT PRO, presenting a huge logistical challenge in terms of ensuring safe and timely onward distribution to business owners. With its new Digitalisation Centre, which uses Optical Character Recognition (OCR) technology to scan hard copy into character codes and redistribute via email or other business support systems, PT PRO is now able to scan and instantly redirect more than 5,000 digital documents a day. This has cut the amount of paperwork in circulation across the company by over 70 per cent. Mail distribution is faster and more reliable, and can be provided to the business at lower cost because it requires less handling time and fewer resources.

Implementation of the new application suite has radically changed the way the purchase process is conducted across the business and has delivered substantial benefits. With open application program interface (API) capabilities between SAP and Buysite, it can provide real time connection to suppliers through e-catalogues. Process digitalisation, with workflow management of purchase requests and invoice payments, has enabled faster service and more efficient use of resources. Better control of spend approval and budget allocation, through the approval cycle automation, has helped PT to reduce stock levels held across the company.

Given the environment of accelerated change, employee services and communication have played an important role, both in providing day-to-day HR administration and in supporting more than 1,500 employees through job moves. The implementation of an employee services portal, using SAP ERP Human Capital Management (mySAP ERP) software to combine workflows such as employee and payroll administration, has enabled PT PRO to streamline and digitalise core HR administration tasks, such as holiday scheduling, sickness reporting and travel expenses.

Time-consuming processes that previously had an average of three different checkpoints are now fully automated and can be validated on-line. Employee self-serve functionality empowers employees to view, create and maintain data anytime, anywhere, via an easy-to-use web browser. Over 13,000 employees now benefit from a faster, more efficient service with the facility to access and check their own personal records.

**“AT PT PRO WE ARE COMMITTED TO PROVIDING WORLD-CLASS SHARED SERVICES TO OUR CUSTOMERS. IN TODAY’S DYNAMIC ORGANISATIONS THIS CAN ONLY BE ACHIEVED THROUGH AN E-ENABLED BUSINESS MODEL. WE SEE CISCO AS A STRATEGIC PARTNER AND TRUSTED ADVISOR, HELPING US TO DELIVER ON THIS VISION.”**

Miguel Moreira, Executive President, PT PRO

Other communications initiatives, such as the innovative use of LCD floor displays to broadcast key performance indicators, have ensured employees are kept informed of business issues and performance targets. Training and primary learning programmes are now catalogued and available as web-based work packages, maximising the use of delegates’ time.

Importantly, e-enablement has had a positive effect on employees, with company surveys showing increased levels of job satisfaction within PT PRO. This was a significant achievement given the amount of change that had taken place within the organisation.

The future looks equally challenging. PT PRO has, to a certain extent, become a victim of its own success: having exceeded customer expectations for service delivery, it is now being pushed to achieve even higher levels of efficiency. In response to this, PT PRO is already looking at other e-enabled applications, such as web-based tools to consolidate employee contact information currently stored in SAP and multiple Outlook active directories.

Miguel Moreira concludes: “At PT PRO we are committed to providing world-class shared services to our customers. In today’s dynamic organisations this can only be achieved through an e-enabled business model. We see Cisco as a strategic partner and trusted advisor, helping us to deliver on this vision.”

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## MORE INFORMATION

For further information on Internet business solutions, visit <http://www.cisco.com/go/ibsg>

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