

Settling the Great Debate Between Corporate Liable and Employee Liable Mobility Plans

By Joe Basili

*President & Research Director
Network Trends Now*

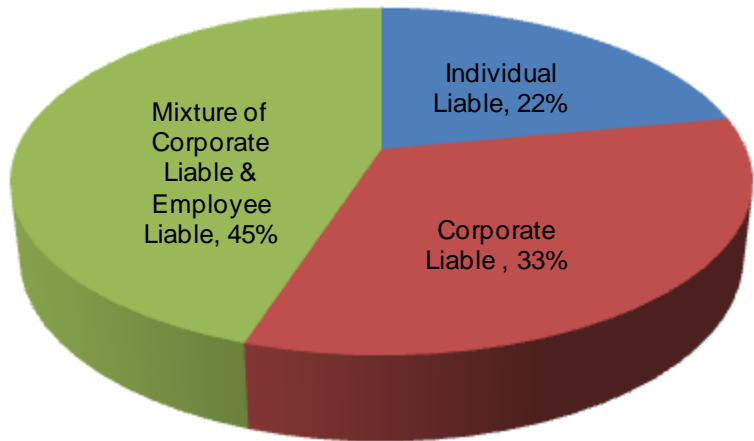
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Executive Summary

Increasingly, organizations are re-evaluating how they manage mobility services. With a corporate liable approach, the device and service plan are paid by the employer and contracts are signed by the employer. Alternatively, an employee liable approach allows for individuals to sign the contracts and they are responsible for paying the bills. In some businesses (lawyers, consultants, and others) employees want to “own” their mobile phone number as a means to control client relationships, but in most cases employees seek to have the business pay for mobility expenses. Most employees view this as an entitlement since they are using the device for work during business hours when service plans charge for peak calling time.

The diagram below illustrates how most enterprises have a mixture of corporate and employee liable plans. Sometimes this is by design, but often it is a result of poor planning and limited resources that are needed to transition employees from one approach to the other.

Figure 1: How Enterprises Manage Mobile Services



Source: Network Trends Now Survey Conducted May-June 2009

Today's Budget Reality

Many organizations are faced with tight budgets and they are looking for new ways to cut costs. A new trend was identified in a recent survey on how organizations managed mobility in the enterprise by Network Trends Now, 34% of respondents with a corporate liable program were considering switching to an employee liable program.

This paper will examine key considerations and evaluate the benefits of corporate liable and employee liable approaches to managing mobility. In thinking about the program, it is critical to consider the impact of opportunities to improve operational expense management, risk mitigation, and security for the enterprise.

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Chapter One

Mobility Services in the Enterprise

Mobility costs are often passed to employers through a monthly stipend or expense report reimbursements. These expenses are cost justified by managers who eagerly sign off on the small monthly expense based on gains in worker productivity from equipping employees with mobile communications. While a single employee's monthly expense may seem reasonable, the expenses aggregated over a workforce quickly becomes a significant expense. Reporting the expenses on expense reports makes it difficult to see the true size of the expense for all employees. In fact mobility expenses for enterprises have become quite significant. A recent article in *The Wall Street Journal* indicated that U.S. businesses in 2009 will spend an estimated \$59 billion on cellular voice service for employees.

Tax Considerations

Taxes often distract from evaluating the real issues between corporate and employee liable approaches. A common misconception centers on the belief that employees that pay a stipend or allow employees to get reimbursed on expense reports can avoid taxes. If business use cannot be fully documented, the entire value of the mobile device and service charges is considered taxable to the employee. Under this scenario, the stipend should also be taxed as income. (An employee in the 28% tax bracket whose wireless services cost \$1,500 should pay an additional \$420 in taxable income.) In Europe, credits for the Value Added Tax (VAT) require tracking of business and personal use for mobile services.

Smartphones Take the Enterprise

Widespread adoption of smartphones by enterprises and consideration for how these smartphones are used are critical factors that must be included in the evaluation of corporate and employee liable approaches. A recent Network Trends Now survey found that 87% of all mobile devices used by enterprises now support e-mail, multi-media messaging (MMS), internet browsing, and data storage. Use of smart devices is also being driven by telecom carriers that subsidize the cost of smart phones to increase use of the wireless network.

With the latest technology advances, these devices now have the processing power and memory that laptops had four or five years ago. In addition to the expense considerations, security administration must now be included in the evaluation of employee liable and corporate liable plans.

Chapter Two

Nine Considerations for Corporate Liable vs. Employee Liable

The listing that follows provides a comparison of the advantages for employee liable and corporate liable approaches. It is broken out across nine key areas relating to mobility management.

1. Provisioning/Order Management

Employee Liable	Corporate Liable
<ul style="list-style-type: none"> • Employees have complete freedom to choose devices, service plans, and carriers • Enterprises avoid costs of maintaining a catalog of services and devices employees are eligible to use 	<ul style="list-style-type: none"> • Enterprises gain efficiencies through using a standardized device, spares can be kept for loss and breakage • Automated ordering saves time for employees ordering new devices

2. Inventory & Cost Tracking

Employee Liable	Corporate Liable
<ul style="list-style-type: none"> • The enterprise has no need to track inventory or costs since employees are responsible for these items 	<ul style="list-style-type: none"> • Enterprises are able to create a comprehensive inventory which is the basis for expense management, and control

3. User Support

Employee Liable	Corporate Liable
<ul style="list-style-type: none"> • There are no support costs for help desks when employees have problems, they deal with carriers 	<ul style="list-style-type: none"> • Enterprises can leverage volume purchases to establish service level agreements.

4. Expense Management, Plans & Contracts

Employee Liable	Corporate Liable
<ul style="list-style-type: none"> • Corporate “umbrella plans” enable sharing of discounts with friends and family • Employees will take responsibility for controlling costs since they are paying for their own expenses 	<ul style="list-style-type: none"> • Corporate contracts allow for pooling of individuals, larger volume discounts, and waiving of equipment replacement charges • The enterprise gains from having most users on “free” on network calling

5. Compliance

Employee Liable	Corporate Liable
<ul style="list-style-type: none"> • Employees can conduct business on personal phones to avoid tracking calls and activity 	<ul style="list-style-type: none"> • Visibility and archiving of user activity • Opportunities to enforce policy by locking features, blocking websites, etc.

6. Number Portability

Employee Liable	Corporate Liable
<ul style="list-style-type: none"> • Employees keep the phone number, if they leave their employer 	<ul style="list-style-type: none"> • Enterprises gain true number portability for job roles

7. Application Management

Employee Liable	Corporate Liable
<ul style="list-style-type: none"> • Employees can download the applications they want 	<ul style="list-style-type: none"> • Corporate control of applications and testing prevents software conflicts • Enterprises can send over-the-air updates and security patches

8. Risk Mitigation

Employee Liable	Corporate Liable
<ul style="list-style-type: none"> • Risk limited to individual employees 	<ul style="list-style-type: none"> • Controls prevent vulnerability to viruses, network hacking, attacks, inappropriate usage (cameras, dialing/texting while driving etc.)

9. Security

Employee Liable	Corporate Liable
<ul style="list-style-type: none"> • No controls or clear title for devices and data 	<ul style="list-style-type: none"> • Improved management of sensitive data on devices • Avoidance of payouts for breach of confidential employee, customer, patient, and/or corporate data

On balance an employee liable approach provides more freedom, flexibility, and control to employees. This approach aligns well with organizations which place the greatest emphasis on giving employees freedom, flexibility, and control with the idea that this will promote innovation. Most organizations, find that the corporate liable approach provides better expense management, compliance, and security. Following this approach allows enterprises to benefit by leveraging its volume purchases for lower costs. It also provides opportunities to pool employees together to share their peak minutes. Pooling a large number of users can help reduce the likelihood that penalties will be incurred for exceeding the bucket of minutes allotted with individual plans.

Chapter Three

Conclusion

Enterprises that allow employees to access the network with devices that are owned by individuals, are taking on significant risk. First, the enterprise does not have clear title or ownership of the device. While special arrangements may attempt to establish the right of the enterprise to access and wipe the data clean, the old adage that possession is nine-tenths of the law applies. If an employee actually has physical possession of the smartphone, it may be hard to get access to wipe the data from the device. In the time that it takes to get physical or remote access through connecting wirelessly with the device, employees can copy the data to removable memory cards that will ensure they will have access to it. If the employee feels that their termination was not justified, they may take extra steps to keep sensitive data.

Corporate liable plans also allow greater control for compliance with policies and protection of data that resides on devices. This is important because advances in memory and processing power of smartphones mean that these devices have capabilities that laptops had four to five years ago. Securing the data and eliminating risk should be part of the business justification for a corporate liable program. A calculation can be made using an estimate for the costs of a breach of data that employees might have for files transmitted by e-mail with the likelihood of a breach of data. Estimates for the costs vary from \$6.6 million to \$7.6 million per company. These costs include expenses to investigate the matter, compensation to victims, penalties for failing to secure data, customer turnover, and lost business due to a data breach.

In many respects, enterprises that follow an employee liable approach with smartphones that connect to the network for e-mail are letting employees access the network as they would with a laptop that employees brought to work from home with none of the necessary security protections. While most of the e-mails don't contain highly sensitive secrets, policy must protect for those situations. It is common to think that smartphones have little value after one year, but the street value of the data on these devices rises over time as more data is stored on devices. If there are no automated processes to systematically purge data and wipe sensitive materials from the devices, enterprises are taking on unnecessary risk.

Research Analyst Profile

Joe Basili is President and Research Director of [Network Trends Now](#). He is a recognized thought leader has conducted research, developed benchmarks, and written extensively on topics that include Telecom Expense Management, wireless mobility management, unified communications and network performance management. He is a keynote speaker at conferences and contributor to publications for IT, finance and procurement professionals.

Experience

Drawing on a career that includes work in marketing, sales, operations, and management, Joe offers market insights, trend analysis, and customer research. His recent work includes business case analysis, research, professional service consulting, analysis of Business Process Outsourcing, hosted and licensed software for TEM, invoice management, billing and e-media, SAS 70 Type II processes, Sarbanes-Oxley compliance, and payment automation. Through research reports, public speaking, and advisory meetings he helps organizations optimize their telecommunications network costs, operations, and procurement.

The [Network Trends Now](#) motto from Dr W. Edwards Deming states: *"In God we trust, all others bring data."* Our customer insight model relies on customer interviews and surveys that collect thousands of data points to gain insights into enterprise needs, best practices, benchmarks, and market conditions. The research is compelling because industry knowledge is matched with statistical analysis and a real passion for answering questions.

Education

Joe holds a B.A. with a double major in Economics and Political Science from Vanderbilt University. He is a runner, swimmer, technology enthusiast, and music fanatic with over 9,300 songs on his iPod. Joe lives, with his wife and two children, in the village of South Orange, New Jersey. He continues his education with an active interest in technology's application to business problems.