

IT Analysis – Why are CFO's giving away company profits?

By Rob Bamforth, Principal Analyst, Quocirca Ltd

Almost half of UK organisations subsidise employees' personal calls made on company supplied mobile phones – either completely or only requiring a partial contribution from the employee - according to recent Quocirca research.

With the average personal usage on company mobile phones estimated to be as much as a third of the total bill, why are companies letting this through? Is it intended as a perk for employees or are those in control of the purse strings just being casual with money they could add to the value of dividends paid out to shareholders?

It might seem like mean penny-pinching to some, but pennies saved quickly add into pounds, which might be important in harder economic times.

Take a simple example, where an organisation has 3,000 mobile phones with an average airtime cost per user of £30 per month. The total annual expenditure would be £1,080,000. Using an average of around 30% for personal use (probably optimistically low), the total cost of this would be £324,000.

The values per person might be deemed to be low and as such many organisations may see this as a minimal or acceptable loss, but when equated to the entire mobile fleet this becomes a significant sum to be given away as an informal benefit. In most cases it is unlikely to be recognised as forming part of the employees' benefit packages.

This could be only the tip of the mobile personal usage iceberg, with many new elements contributing and becoming more appealing. For example, 'personal content' on the mobile phone such as premium text messaging (voting for reality TV shows), services that cannot be barred by the networks, the increase of personal text messaging (over two-thirds of company text messages are thought to be personal). Then there is the possibility of making payments via the mobile phone.

In addition to the loss there is also a compliance issue, in particular relating to VAT, which cannot be reclaimed on personal calls. According to Quocirca's research, in many instances companies use a 'finger in the air' estimation, or leave it to the employee to work out a value to assign for personal use in order to satisfy HMRC requirements.

The issue with this is that organisations have no or very few processes in place to actually audit their employees' personal usage levels and as such could be under declaring the VAT value and in some instances over valuing.

As organisations begin to deploy more and more mobile data applications this adds further complexities in understanding and in managing such expenditure. In one anecdotal example a company was stunned to receive a mobile data bill for one user in excess of £8,000. When investigated, it turned out the user had been streaming a live football match to their smartphone whilst away on holiday. The employee's response – "I thought we were allowed personal use of the mobile?"

There is a further issue most organisations do not even consider that could have greater repercussions from a HR perspective. If the company allows employees with business supplied mobile phones to benefit from free personal calls then in practice they are excluding all other employees that have not been issued with one from receiving this benefit. This is an unwelcome potential headache that could lead to claims of unfair treatment from the many employees without them, or those expected to provide their own.

Overall, the need to make personal mobile use visible and to effectively manage that use is evident from the impact it might have on the bottom line.

Brushing it under the carpet is no longer acceptable in times when companies should be prudently managing their costs, or at the very least understanding the true value of all the benefits they are providing their employees.

Some companies will dismiss the amounts involved as of little consequence, but their shareholders might like to ask if the business's decision to ignore personal calls is taken by default by being unaware of their true cost, or whether it is deliberate, based on the facts.

As you weigh up whether it is worth it or not, just ponder on how many of your internationally roaming employees with 3G laptops or smartphones might be football fans.

About Quocirca

Quocirca is a primary research and analysis company specialising in the business impact of information technology and communications (ITC). With world-wide, native language reach, Quocirca provides in-depth insights into the views of buyers and influencers in large, mid-sized and small organisations. Its analyst team is made up of real-world practitioners with first hand experience of ITC delivery who continuously research and track the industry and its real usage in the markets.

Through researching perceptions, Quocirca uncovers the real hurdles to technology adoption – the personal and political aspects of an organisation's environment and the pressures of the need for demonstrable business value in any implementation. This capability to uncover and report back on the end-user perceptions in the market enables Quocirca to advise on the realities of technology adoption, not the promises.

Quocirca research is always pragmatic, business orientated and conducted in the context of the bigger picture. ITC has the ability to transform businesses and the processes that drive them, but often fails to do so. Quocirca's mission is to help organisations improve their success rate in process enablement through better levels of understanding and the adoption of the correct technologies at the correct time.

Quocirca has a pro-active primary research programme, regularly surveying users, purchasers and resellers of ITC products and services on emerging, evolving and maturing technologies. Over time, Quocirca has built a picture of long term investment trends, providing invaluable information for the whole of the ITC community.

Quocirca works with global and local providers of ITC products and services to help them deliver on the promise that ITC holds for business. Quocirca's clients include Oracle, Microsoft, IBM, Dell, T-Mobile, Vodafone, EMC, Symantec and Cisco, along with other large and medium sized vendors, service providers and more specialist firms.

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