



Smooth border crossings for transformation

The need for telcos to transform is well-known. How they should go about doing so is less clear, especially for those with border-spanning businesses. Challenges for multinationals include non-standardized network architectures coupled with a slew of inconsistent regulations, market maturity levels, and local talent profiles.

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With telcos limited by their current infrastructures and business models, web-scalers are sprinting ahead in the innovation race. To keep up, telcos must think about executing five key initiatives:

Future networks: updating

networks to IP- and SDN/NFV-based architectures that automate and make infrastructures smarter, and moving from closed architectures under single vendor systems to open architectures with multi-vendor solutions and retiring legacy PSTN networks.

Digital customer engagement: digitalizing the customer experience

to provide consistency across continents and digitalizing OSS and BSS, and increasing the share of e-transactions and interactions to reduce dependence on costlier physical interactions.

New business models: providing converged experiences and products and alternative monetization

strategies, and collaborating closely with partners to drive innovation and replace declining legacy revenue streams.

Developing talent: acquiring new talent and re-training existing talent. Next-gen networks require new capabilities from staff, but in many countries layoffs are difficult, expensive, and time consuming. Retraining existing employees is a better alternative.

New service focus: providing value added services like cloud, IoT, platforms, and XaaS.

While each initiative is important, it's unclear how operators should orchestrate transformation because executing any of the five is complex in a multinational environment.

Learning from the leaders

Some of the current best practices include:

Execute a global operating model

regionally: The global organization must set the transformation vision, but allow regions to act autonomously. Regions can then use their local market expertise to make quicker decisions, empowering local teams – those closest to customers – to execute transformation. Headquarters must define the boundaries of each region's authority by carefully balancing autonomy with ensuring consistent operating models and capabilities across the broader organization. CTOs have pointed out that trust is a key issue in this regard.

Balance the five transformation

initiatives: OpCos can't prioritize just one initiative, because core transformation

initiatives are co-dependent. For example, new services can't be launched without a future network, which in turn can't be deployed without the right talent.

Simplify product portfolios and shed

non-core businesses: These steps can reduce transformation complexity and focus management attention on the products and services that will drive future growth. Operators must balance simplification for the future with serving current customers, bringing them along on the transformation journey. Examples include focusing on specific segments, setting up digital channels, and increasing mobility. By rationalizing its products, one global operator cut costs by 29 percent across the following areas: product development, IT, sales & marketing, order management, installation, and customer support and billing.

Develop product/customer-centric

organizations: As operators integrate fixed and mobile services, they should restructure their organizations to reflect product and customer segments. Managers can then better understand customers, tailor current offerings, and develop future strategies. A study of 37 firms that executed similar customer and tech restructurings demonstrated an average increase in ROA of more than 11 percent after five years.

Experiment in small markets:

Leading operators with OpCos in multiple countries can trial new products in different markets. Doing so in smaller countries is easier due to quicker execution speed and lower risk, and allows operators to refine processes and make rollouts in larger markets faster and less risky. One European

operator trialed IP migration and its first NFV projects in Croatia, Hungary, and Slovakia based on risk and speed advantages due to these countries' sizes.

Acquire new skills and retrain existing employees: When legacy networks are phased out and SDN/NFV based networks are deployed, operators must define a new talent strategy. New network architectures require new skills and agile methodologies that existing staff may not be able to learn. Leading operators will have a plan for attracting new talent, retraining existing employees, and transitioning employees who can't be retrained. Operators must get the timing and extent of these transitions right to match business needs in each phase of transformation.

One European operator, for example, expects to run its network with 50 percent fewer employees by 2025, and plans to retrain its existing workforce. It's moving its SDN experts from its systems integration organization towards the telco infrastructure domain to support the IT side of the new setup.

According to a recent system integrator survey, hiring and retaining talent is a top concern of 81 percent of executives, and 84 percent agree that the workforce of the future will be structured more by projects than by functions.

Balance the old and the new:

Operators can't transition to next-gen networks and operating models immediately, and must transition customers away from legacy products and services in each of their OpCos under a workable plan. The pace of transition will vary between regions, and should include global targets for retiring legacy offerings that allow local management to adjust goals based on local market realities. Operators who don't balance their legacy and digital worlds are not meeting customers' increasingly demanding needs and will struggle.

A recent system integrator survey showed that 30 interviewed executives agreed that: "If [legacy operators] switch off too early, they lose their customer base, they lose revenue, they lose market share that will be almost impossible to recoup."

Big scale, big advantages

Even the most advanced multinational operators will find transformation a complex undertaking. A successful approach requires operators to embrace all five transformation initiatives and learn from industry leaders. This will position them to better compete with web-scalers and translate their scale, access to talent, and diverse business culture into lasting competitive advantages. 

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