



# The telecom transformation journey

## A case of the digital cobbler's children?

The services offered by telecom companies provide some of the best examples of digital customer engagement. But digital transformation is not just about the externally facing parts of a business. How well are telecom service providers applying the latest developments in technology and communications to transform how they work internally? Interviews with two senior managers from this sector, conducted as a part of a global research study, suggest that large telecom companies are subject to many of the same constraints and impediments to progress as other enterprises.

The transformation journeys of large telecommunication companies have seen major shifts in the emphasis of service portfolios over the past 15 years, but the market today is still far from a steady-state. A recent interview with a senior operations director from a European headquartered multinational telco summed up the situation:

*“Our biggest asset in terms of physical cost might still be our network, but this is becoming a commodity. It’s now much more about the services we deliver over it, and the systems that drive those. Digital is promoting new forms of business too.”*

Another executive, this time responsible for delivery of IT within a global player headquartered in the U.S., remarked:

*“With things developing so rapidly, we have to be cognizant not just of how technologies and solutions are developing, but also how our customers want to interact with us. How do they want to buy? What financial model do they want for each offering? How do they want to communicate with us?”*

Clearly, effective digital transformation on the front-end of the business has been, and continues to be, a matter of survival for even the most established of telecom companies. It’s therefore not surprising to hear lots of positive stories and examples of innovation from which enterprises in other sectors can often learn.

Behind the scenes, however, the legacy of a traditional silo-based organization often lingers. The historical approach to expansion, for example, highlights one source of fragmentation:

*“The company is really a conglomeration of organizations that have come together over time, often via acquisition. There’s also the regional factor as many parts of the business are used to operating in their territories as stand-alone entities.”*

Dealing with this is critical to both driving efficiency and creating a consistent and harmonious portfolio of services that makes sense in a global market, but the phrase ‘turning a battleship’ springs to mind when you hear comments like:

*“We are undergoing a lot of change to get different parts of the business working together better, but it’s a slow process with a company of our size.”*

### Sources of input

The quotes included in this document were captured during in-depth discussions between Freeform Dynamics analysts and senior managers working in a large Telco environment. Interviews were conducted as part of a broader global study into how mainstream enterprises are prioritizing and implementing various forms of digital transformation.



Organizational fragmentation also manifests itself in the form of strict lines of demarcation between key functions:

*“Like most telecom companies, the organization is large and complex, and is split up into functional areas; that’s our heritage. So you have people developing products for a market that will only come over to operations once they have been built. Sometimes this works, sometimes it doesn’t.”*

*“People in development have in the past been driven by building a solution to a particular spec, then handing it over to operations on a particular date, regardless of whether operational problems are created that might impact the customer.”*

*The harmony, efficiency and responsiveness enabled by DevOps is proving to be very attractive, though just as in other industry sectors, it can take time for a large telco to transform IT delivery.*

The inherent friction of this kind of ‘old school’ approach means it is not ideal for keeping pace with the level of change necessary when developing software in today’s fast-moving digital world. With this in mind, the harmony, efficiency and responsiveness enabled by DevOps is proving to be very attractive, though just as in other industry sectors, it can take time for a large telco to transform IT delivery across the board:

*“The company has adopted DevOps in some areas, but it is still quite tactical. Some parts of the business are a step ahead of the rest. The initial idea is to make sure that products and services are in good shape before they reach the customer.”*

The reference to customer-facing solutions is understandable here; it makes sense to focus early DevOps efforts on fast-moving digital services that need to be brought to market quickly, then frequently refreshed thereafter.

Meanwhile, change and innovation don’t happen without people, so empowering employees to work effectively is another key part of digital transformation. The feedback we heard on this topic, however, reflects a phenomenon we come across quite frequently in a telecom environment:

*“You’d expect a telecom company to have been making use of digital ways of working for years; after all that’s a lot of what we do for our customers. The truth is that we’ve been very traditional in the way we operate internally, so this is one of the biggest areas of change for us at the moment.”*

Just like the proverbial cobbler’s children, telcos are often not great at making sure their employees have access to all the latest technology and flexible working facilities. It can all look pretty good when you visit the shiny head office complex, but across the rest of the organization, the consequences of an aging and fragmented business infrastructure, and working practices with their roots in the 20<sup>th</sup> century, are frequently evident.

One of the impediments here is that telecom companies are again no different to other organizations when it comes to cultural inertia:

*“We have the usual political issues and people being resistant to change.”*

And the feedback would suggest that they have the same experiences as others when they simply try to throw technology at the problem:

*As part of the digital transformation process we went all virtual. IM, phone conferences, web conferences - practically every ‘meeting’ had to take place via social collaboration technology. This wasn’t found to be as effective for lots of things. We are now rediscovering the value of physical face-to-face meetings”.*

*Empowering employees to work effectively is another key part of digital transformation.*

Finally, thinking beyond the internal workforce to resourcing and innovation in general, this comment sums up another aspect of the cultural maturing that's taking place within the telco sector:

*"One of the things we've learned, which is a big lesson in our industry where we often obsess about control, is that we need to partner to bring new and competitive offerings to market a lot more than we have done in the past."*

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*Effective partnering is as important for telecom companies in today's digital markets as it is for any other type of business.*

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Those who have worked in and around the telco industry will be very familiar with the 'not invented here' mentality that's sometimes encountered. It's good to see an acknowledgement that no matter how much technical expertise you have internally, no organization has a monopoly on good ideas. Effective partnering is as important for telecom companies in today's digital markets as it is for any other type of business.

Standing back and looking at the transformation activity overall, it was clear from our interviewees that despite the challenges of culture, scale and complexity, their organizations were generally moving in the right direction:

*"So far it's generally been very positive. As we continue, I'm sure we'll find other problems surfacing, which is why I think it's important that we have good buy in across the management team on better ways of working both internally and externally."*

The lesson is that success with digital transformation can be achieved even in the most traditional environments, provided you recognize that it's a marathon, not a sprint.

## Analyst view

During our research at Freeform Dynamics we speak with a lot of IT and business professionals working in a telco environment, and the comments presented above are fairly typical of what we hear. Organizations with deep technical skills who on the surface appear to 'live and breathe' digital are sometimes falling short from a workforce enablement and operations automation/integration perspective.

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*The trick is to understand the dependencies, then construct a balanced portfolio of digital investments.*

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This 'two-speed' approach to digital transformation is understandable when you think of imperatives over recent years to bring new and different services to market. Focusing on the outward facing elements of the business has had to be a priority to both keep up with customer expectations (and retain their loyalty), and to create more profitable service lines to make up for falling margins in the traditional core.

The caution is to ensure that the 'back-end' doesn't fall too far behind the 'front-end'. Defer investments for long enough and the consequences of legacy systems and processes that operate in silos, with clunky hand-offs of activity between functions, will come back to bite. Your efforts to 'delight' the customer with innovative digital offerings will then be undermined. If the agent handling a call doesn't know what was discussed at the point of sale or in an earlier chat session, the result is frustration. And if that same agent clearly doesn't have the knowledge, information or power to help, you have a customer who is likely to churn at the next opportunity.

The trick is to understand the dependencies, then construct a balanced portfolio of digital investments that covers back-end system and process transformation, as well as customer-facing apps, applications and services.

## About this series

This interview is part of a broader global Digital Transformation study “Exploiting the Software Advantage: Lessons from Digital Disrupters” which can be downloaded [here](#).

## About Freeform Dynamics

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