

Executing Strategies - A Bird's Eye View of the Future of the Communications Sector

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ABSTRACT

Scenario: Dec' 2024, Annual Board Meeting of two different Telecom operators.

One of them, Smart Telecom, remained the undisputed leader with 46% Revenue Market share as opposed to 35% in 2019, with EBITDA growing at CAGR of 5.5% over the last 5 years, and profits going up by 7%, making it extremely lucrative for investors. On the other hand, GTel, once an incumbent leader in its own market, saw a slump in revenue market share from 45% to 32% over the course of 5 years, with EBITDA growth down to -2% between 2019-2024 from 3% between 2015-2019. Customer complaints grew more than usual during this period along with an uncharacteristic degradation of network quality, which caused many customers to switch over to other operators.

The story of the radically different fates of these two Telecom operators serves as an important lesson to other operators who are looking to gain a competitive advantage to sustain in the next decade.

Keywords: Communication, Strategy, Value Chain, Business Model, Agile

1. DEC'2019, LOCATION - HEADQUARTERS OF GTEL & SMART TELECOM

Let us go back to where it all started.

5 years back, both Smart Telecom and GTel were in the same place. They had evolved from being voice factories and traditional cloud service providers to leaders in data & cloud infrastructure in their respective markets and they wished to transform themselves from traditional CSPs to Digital Partners to sustain in the face of stagnating growth and increasing competition.

The key strategic objectives were as follows:

- Focus on product rationalization.
- Improve Quad-play penetration by cross sell/up sell of additional services.
- Empower the customer with the freedom to migrate between plans and pay only for the services they value by using self-service capabilities.
- Lead in all network performance surveys.
- Transform the current operating model to become "organization of the future" by embracing new ways

of working through agile transformation and adoption of Artificial Intelligence.

Smart Telecom and GTel created a 5-year roadmap on 6 key pillars to meet their strategic objectives.

1. *Simplify Product Portfolio:* In order to focus on Customers who wanted products that are simple, easy to use and pay for, both operators planned to radically simplify and rationalise their product portfolio.
2. *Provide Superior Digital Customer Experience:* Both the operators wanted to improve their brand value and increase NPS by transforming their customer experience. This involved eliminating customer pain points and migrating customers to an all-digital experience. They also aimed to transform their Sales and Marketing Function, come up with Innovative Loyalty programmes to increase brand value and optimize their Distribution Channel Strategy ("How are CSPs using ...", Jan 2018).
3. *Achieve Network Leadership:* In order to achieve network leadership and improve on the network resilience and reliability, they planned to be 5G ready and leverage Network Function Virtualization

(NFV) and Software Defined Network (SDN) in order to scale network capabilities as and when required, improve the quality of services and improve customer experience. Additionally, they planned to be 5G network ready for commercial purposes and leverage the 5G infrastructure to operationalize B2B digital partner ecosystems by embracing disruptive and non-disruptive creations around Smart Cities, Internet of Medical things, Autonomous Vehicles, Remote Surgery, Mobile Gaming, HD Videos, etc.

4. *Simplify Operating Model & Innovate Business Model*: Both the operators planned to have a highly agile and digital workforce and flatten the existing organization structure by doing away with hierarchical management layers. Both the operators planned to innovate their current business model.
5. *Simplify Internal Processes to Optimize Costs*: They envisaged significant cost savings by the lean transformation of their internal processes. They also wanted to build capabilities around Artificial Intelligence, Machine Learning & Intelligent Automation with a

strong focus on Data Governance (“The journey to lean telco”, Jun 2014).

6. *Monetize Digital Platforms*: Revamping their B2B Strategy to generate new revenue streams was on the radar for both the operators. This involved innovative solutions/platforms/applications across industries (both public and private sector). Initiatives around connected living and sustainable development goals were on top of the list.

The roadmap of both Smart Telecom and GTel revolved around 4 key strategic imperatives - ‘Redefine the Customer Journey’, ‘Revalidate the Value Chain’, ‘Rebuild the Organization’ and ‘Reimagine the Business Model’. While the underlying strategic objectives were the same, the roadmap for Smart Telecom was outcome-centric with the success definitions clearly articulated, with complete buy-in from the executive and senior management level. On the other hand, the roadmap for GTel was centred around activities, with vague definitions of how success will be measured, along with inadequate organization level ownership and buy-in.

Table 1

<i>Pillars</i>	<i>Smart Telecom</i>	<i>GTel</i>
Simplify existing Product Portfolio	<ul style="list-style-type: none"> • Reduce the number of Product offerings from 1000 to 25 in the next 5 years. 	<ul style="list-style-type: none"> • Optimize existing Product Portfolio.
Provide Superior Digital Customer Experience	<ul style="list-style-type: none"> • Increase NPS by 2-4 points per annum. • Eliminate 50% of Service Calls through conversational AI. • Shift 80% of the existing customer base to the new digital self-service apps over the next 5 years. 	<ul style="list-style-type: none"> • Automated Customer Experience Management through AI. • Shift Existing Customers to the new digital technology Stack.
Achieve Network leadership	<ul style="list-style-type: none"> • Monetize US\$ 3 billion from Network as a Service (NaaS) through network superiority in the next 5 years. • National Rollout of 5G over the next 5 years. 	<ul style="list-style-type: none"> • Asset Monetization in the next 5 years. • Countrywide 5G Rollout.
Simplify Operating Model & Innovate Business Model	<ul style="list-style-type: none"> • Flatten Organization Structure by removing 2-3 Levels of Management. • 75% Digital and Agile Workforce. • Plan to diversify by merger and acquisition in M&E, Fintech and E-Commerce industry by 2021. 	<ul style="list-style-type: none"> • Organization Restructuring. • Creation of Digital & Agile Workforce.
Simplify Internal Processes to Optimize Costs	<ul style="list-style-type: none"> • Costs to decline or remain flat in the next 5 years. • Labour Cost to Sales Ratio to go down by 15% in the next 5 years. • CAPEX to Revenue to go down to 25% in the next 5 years. 	<ul style="list-style-type: none"> • Process Optimization through Lean Transformation.
Monetize Digital Platforms	<ul style="list-style-type: none"> • US\$ 3 billion additional revenue from the partner ecosystem in the next 5 years. 	<ul style="list-style-type: none"> • Leveraging suitable partnership opportunities to build the use cases of the future.

In the months that followed, Smart Telecom moved quickly to inject agility into its transformation initiatives across all the pillars. To become an agile organization

(“The five trademarks...”, Jan, 2018), they stressed on implementing the following practices:

- Cross-functional agile teams were identified comprising scrum masters, product owners, architects, functional/technical specialists, UI/UX designers, developers, testers.
- The teams received training in agile ways of working by external agile coaches.
- Policies and procedures were established to ensure that the information flow across the organization was clear, transparent and easily accessible to different teams.
- The focus was on building performance-oriented self-organizing teams and continuous improvement through iterations.
- The teams were empowered with the complete responsibility and accountability of finalizing the definition of “Done” and doing whatever was required to achieve the desired outcomes for each of the initiatives in the pillars.

At the same time, GTel was not able to embed agile ways of working in its transformational initiatives because of organizational bureaucracy, resistance to change among employees due to fear of losing jobs, and inability to navigate regulatory barriers quickly. Additionally, the “Data-Driven AI Enterprise” aspiration did not quite kick off. Agile Transformation and Data-Driven AI Enterprise remained support functions instead of at the heart of the transformation.

In the latter part of 2019, Digicom* conducted a detailed assessment of the market to understand the latent demand around B2B and B2C segments and devised a market entry strategy to start operations around the beginning of 2021. They came up with a 3-year roadmap to open their own subsidiary with huge investment planned around the rollout of the 5G network, creation of digital platforms and development of competencies to offer “Business Consulting as a Service” to other sectors.

* A global conglomerate with headquarters in Asia.

Some of the key points in their AI First Strategic Roadmap were:

- Fast and efficient scale-up of 5G roll-out with self-organizing networks to provide superior customer experience and build innovative use cases. They avoided a blanket coverage strategy for their network. They identified geographies for 5G roll-out, locked in clients from retail, manufacturing, utilities, logistics and hospitality sectors and signed an agreement for network sharing in areas where they were not present (“Digital Transformation Initiative ...”, Jan 2017).
- Develop a partner ecosystem comprising technology players, AI start-ups to build a sustainable aggressive B2B Strategy.
- Product Re-Bundling to suit the requirement of the millennial customers with a personalized cognitive Self-service app as the face of the organization.
- Digitization and Automation of all the internal processes to improve productivity and reduce waste.
- Innovations around Customer Service with Virtual Assistants.
- Agile and Digital Workforce.

Digicom’s aggressive strategy was ready to pose a tough challenge to the incumbent GTel. The execution plan was based on FAST (Frequently discussed, Ambitious, Specific, Transparent) Goals.

2. DEC’2021, LOCATION - HEADQUARTERS OF GTEL, DIGICOM & SMART TELECOM

Digicom raged a full-scale price war against GTel and captured 8% market share in the B2C segment and 25% market share in the B2B segment within a period of 11 months. In order to effectively execute their roadmap, Digicom took the first movers’ advantage to capture the B2B space by building a sustainable partner ecosystem.

At the year-end management review meeting of GTel, the senior management reviewed the results of the execution of the roadmap across all the pillars.

Table 2

<i>Pillars</i>	<i>GTel</i>
Simplify existing Product Portfolio	<ul style="list-style-type: none"> Most of the new ideas proposed by the product innovation leads were not in alignment with the Senior Management's vision. As a result, they were lagging far behind in releasing new products and removing the existing redundant ones.
Provide Superior Digital Customer Experience	<ul style="list-style-type: none"> There were frequent shifts in priorities and inadequate transparency across the organization. They defocused from 4G and went back and forth between improving existing network capabilities and rolling out the 5G network. This resulted in deteriorating Service Quality. Customer complaint calls increased by 20% and NPS was down by 5 points. The digital platforms, including the self-service apps, did not meet the millennial customers' expectations and received a lukewarm response. Customer Churn increased from 5% to 12%, most of whom were high-value subscribers.
Achieve Network leadership	<ul style="list-style-type: none"> The 5G rollout strategy did not work as a result of which costs escalated by 15% without any significant increase in revenue.
Simplify Operating Model & Innovate Business Model	<ul style="list-style-type: none"> Due to the lack of transparency and reluctance to adopt an agile methodology, there were a significant number of attritions in the middle management level. Attrition rate increased to 18%. The agile way of working was not implemented properly, resulting in the poor quality of deliverables causing a significant delay in projects and cost overruns. There were no plans to evolve the current business model to drive growth.
Simplify Internal Processes to Optimize Costs	<ul style="list-style-type: none"> GTel's processes were inefficient compared to Digicom, resulting in a much higher cost structure.
Monetize Digital Platforms	<ul style="list-style-type: none"> Even though they partnered with a production house to generate personalized content, and partnered with Health Care industry but a lack of proper Use Case Prioritization and improper stakeholder on-boarding did not allow them to leverage the benefits from their partner ecosystem.

In order to survive against Digicom in the market, GTel planned a slew of initiatives to counter Digicom. They planned to prioritise their focus on the B2C segment, their bread and butter. Some of the key countermeasures were:

Coming up with better products/offers with competitive prices, Churn Prediction Measures, Revenue enhancement by improving Cross-Sell/Up-Sell, optimizing online-offline channel mix instead of trying to eliminate offline channels, prioritising B2B initiatives based on their existing relationships and market opportunities. However,

most of these initiatives were quick-fix solutions and lacked long term vision. They were not enough to curb the growth of Digicom and produced marginal improvement in the current situation. The actual problems, execution not aligned with strategy and lack of digital agility were far from addressed.

During the same period, the management review meeting for Smart Telecom was proceeding smoothly. Shareholder returns had increased by 10%, leading to positive market sentiments.

Table 3

<i>Pillars</i>	<i>Smart Telecom</i>
Simplify existing Product Portfolio	<ul style="list-style-type: none"> The product portfolio was optimized by around 20%. Duplicate offerings and loss-making products were done away with.
Provide Superior Digital Customer Experience	<ul style="list-style-type: none"> NPS had soared by 6 points and the social media was abuzz with excellent feedback from the customers.
Achieve Network leadership	<ul style="list-style-type: none"> The 5G rollout strategy was going as per the initial plan. They optimized the network rollout with the help of Analytics.
Simplify Operating Model & Innovate Business Model	<ul style="list-style-type: none"> 80% of the Smart Telecom workforce had become agile at Level 4 Maturity. Smart Telecom acquired start-ups to venture into Media & Entertainment, E-commerce, Fintech business.
Simplify Internal Processes to Optimize Costs	<ul style="list-style-type: none"> Artificial intelligence and Intelligent automation was heavily used to improve the efficiency of the internal processes, resulting in internal cost savings of 7%. CAPEX to Revenue Ratio reduced to 30% from 35%.
Monetize Digital Platforms	<ul style="list-style-type: none"> New Digital platforms resulted in \$ 0.5 billion in revenues from the B2B segment. A new subsidiary was opened up to drive the digital business.

The trend continued, and over the years, the transformation journey of the 3 operators can be depicted as follows (Fig. 1) (“Vision 2020”, May 2018).

- Smart Telecom moved from a traditional CSP to a Digital Partner via Digital Platform businesses.

- GTel struggled to become a Digital Service Provider (DSP) from a traditional CSP.
- Digicom started off as a Digital Service Provider (DSP) and embraced blue-ocean battlegrounds by becoming a Digital Partner via Digital Platform Businesses.

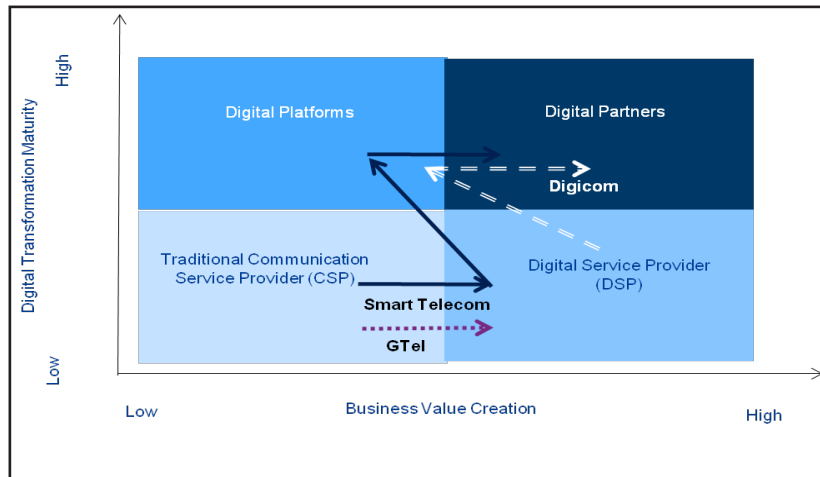


Fig. 1: Digital Transformation Journey of Smart Telecom, Digicom & GTel

3. DEC’2024, LOCATION - HEADQUARTERS OF GTEL, DIGICOM & SMART TELECOM

In the next 3 years, Digicom managed to capture 20% of the revenue market share from the incumbent operator GTel. They successfully rolled out initiatives around Smart Cities, Smart Farming, Smart Retail, Smart Park, Smart Health, Internet of Medical things, Location Tracking, Activity Management, Supply Chain, Fleet Management, Connected Cars Asset Management & Digital Health Solutions, Cyber Security, etc. Revenue from Digital business was US\$ 3 billion for the current year.

For GTel, there was no significant ROI for the millions of dollars invested to build a slew of new services. Nothing seemed to bring up the Revenue and returns to shareholders reduced by 30% in 5 years, which left them visibly unimpressed. An organization restructure was imminent. During the 2024 annual board meeting, it was decided that GTel is going to disinvest and sell its infrastructure business to another player in the industry. Smart Telecom, on the other hand, gradually increased the gap between itself and the other competitors who steadily lost market share over the years. They managed to execute as per the strategy defined in 2019.

The closing of the financial year of 2024 saw a strong financial performance from Smart Telecom across all service lines, demonstrating a 12% YTD revenue growth and 20% YTD growth in EBITDA. The Capex to Revenue ratio stood at 38%.

GTel’s financial performance continued the same downward trend, with 2% Revenue decline YTD and 5% decline in EBITDA margins. Digicom demonstrated 25% Revenue growth and 32% EBITDA growth YTD. The CAPEX to Revenue ratio stood at 40%.

4. CONCLUSION

The story, of course, is hypothetical but provides a clear example of the implications of execution not aligned with strategy. While Smart Telecom embraced digital agility, GTel could not, creating an obvious vulnerability which was identified and used effectively by Digicom to enter the market and strengthen its foothold.

A transformation strategy, however, complex it may be, must be broken down to simple guidelines with defined outcomes or benefits, so that it is simple enough for all the employees at each level of the organization to understand. Most telecom operators choose a path which is somewhere

between the aggressive Digicom and the bureaucratic GTel. Some of the initiatives mentioned can help operators identify an optimal mix of Innovation and Status Quo to survive in today's competitive environment. Getting the desired outcome of the strategic objectives will depend on how well the operator is able to translate the strategy to simple, clear and flexible execution directions to be followed effectively by self-organizing agile teams. At the end of the day, "Success doesn't necessarily come from breakthrough innovation but from flawless execution. A great strategy alone won't win a game or a battle; the win comes from basic blocking and tackling."

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