

## The telecom of the future

*Insights from IBM CEO and telecom executive surveys*

*Telecom providers face unprecedented change as value continues to shift away from traditional services as a result of technology and regulatory drivers, and the emergence of a new ecosystem of Internet-based communication service providers and models. Access to emerging sources of value will require fundamental shifts in business models and the ability of telecom providers to combine their strategic assets and customer relationships with innovations that address new market opportunities. Greater speed, flexibility and a willingness to collaborate are critical – both for creating new revenue opportunities as well as reducing risk and operating expense – if providers are to maintain their industry leadership.*

A majority of telecommunications executives that participated in the 2008 IBM Global CEO survey anticipate substantially greater change in their industry than they did only five years ago.<sup>1</sup> Their view is this change is being driven primarily by market, technology and regulatory factors, and that their ability to manage this change has not kept pace with what they feel was needed. While there was agreement on the drivers of change in their industry, there was no consistent view on what changes would prevail over the long-term or the capabilities they would need to cope with a rapidly transforming industry.

Technology and regulatory changes are enabling new market entrants, such as Skype, Google, Microsoft, Facebook and MySpace, to undercut the position of traditional providers and capture a significant share of incremental communication revenues. These providers feature disruptive Internet-based business models and a diverse set of communications tools and applications, ranging from e-mail and instant messaging to social networking and collaboration.

These changes challenge the traditional telecom business model. A majority of industry executives believe the

transformation of the business model over the next five years, along with revenue growth, will be critical strategic priorities in their quest for new sources of value.<sup>2</sup> After a century of dominating the mix, telecom executives expect to diversify their revenue sources, moving from an overdependence on “voice” to a broader range of services such as convergent “voice and content” and advertising.

Telecom executives are seeking to achieve these objectives in a number of ways, including moving into adjacent consumer markets of media and enterprise IT Services. They also recognize the value of collaborating more extensively with external partners for cost efficiencies, lower risk of technology obsolescence and improved business responsiveness and agility.

The strategic question facing telecom providers, however, is whether their distinctive capabilities in their existing markets provide them with an advantage over existing incumbents and new market entrants in media and entertainment, IT Services or advertising. Sustainable competitive advantage will depend on the ability of



telecom providers to align their distinctive capabilities, specifically their strategic assets in fixed voice, broadband and mobile networks as well as their customer relationships and insights, with the needs of non-traditional telecommunications markets to deliver new experiences others are unable to match easily.

Cost containment remains important. The experience of successful providers in emerging economies suggests that key performance measures in low ARPU environments, such as the gap between average cost per minute and average price per minute, are critically important. Simplification of operations, automation of crucial business processes and integration of systems are key to managing this.

Above all, the ability to anticipate and manage change will become a critical capability for the telecom of the future. This is currently an area where CEOs admit poor performance. This will involve anticipating and managing continuous change, enabling employee participation in the innovation agenda, engendering collaboration with customers, suppliers and partners, and deploying dynamic business architectures, along with flexible and adaptive IT infrastructure, to support changing business models.

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REFERENCES

- 1 Enterprise of the Future. The IBM 2008 CEO Study. IBM Global Business Services. 2008.
- 2 2007 IBM and Economist Intelligence Unit (EIU) Executive Survey for the Telecommunications Industry. IBM Global Business Services. 2007.

## How can IBM help?

- **Strategy and change** – Define and implement organization change and strategic leadership programs.
- **Dynamic business and technology architecture** – Business process integration based on industry process models, component business modeling and service-oriented architecture for telecommunications.
- **Transformation of business and operational support systems** – Simplify customer and network operations, reduce cost, and increase agility in the migration from legacy to next-generation telecom environments. Use realtime analytics to gain deep customer insights to enable monetization of customer data and assets.
- **Optimization of telecom shared services environments** – Including human resource, finance and supply chain systems to deliver cost savings.

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