

Telecommunications

Incumbents Strike Back

Global C-suite Study
19th edition

IBM Institute for
Business Value



Which way to the future?

The signals are utterly bewildering. As digital technologies transform the world, established Telecom operators are adapting. Yet collaborative systems are also flourishing, and even in industries where the competition is shrinking, there's still plenty of creativity. Little wonder top executives are puzzled.

Telecom CxOs are no exception. They're equally divided as to whether the focus will be on new or established markets. And where, previously, they assumed that open innovation would predominate, a growing number now anticipate more internal innovation. But there are two points on which they broadly agree: how both value propositions and value chains are altering. A full 72 percent of Telecom CxOs expect more emphasis on customer experiences than products over the next few years. Similarly, 66 percent envisage that most Telecom organizations will continue to expand their network of partners.

Telecom CxOs also say there's been a significant shift in the external factors most likely to affect their organizations in the near future. Technology and market forces continue to top their agendas (in that order). But people skills have overtaken regulatory concerns: 64 percent of respondents now think talent will be one of the three biggest influences on their enterprises.

The IBM Institute for Business Value, in cooperation with Oxford Economics, interviewed 736 CxOs from the Telecommunications (Telecom) industry. These conversations included both quantitative and qualitative responses. The analytical basis for this Telecom industry report uses 709 valid responses from the total data sample collected.

More than 12,800 CxOs, representing six C-suite roles, 20 industries and 112 countries, contributed to our latest research. We used the IBM Watson Natural Language Classifier to analyze their contextual responses and ascertain overarching themes. We also used various statistical methods, including cluster analysis and discriminant analysis, to scrutinize the millions of data points we collected.

Reinventors race ahead

In the course of our research, we identified three distinct organizational “archetypes,” each at a different stage on the road to Digital Reinvention™ (see Figure 1).

Reinventors focus on developing breakthrough products, services and business models; excel at extracting value from their ecosystems; and actively experiment. Their IT strategies are aligned with their commercial goals, and they’re superb at managing change – all of which helps them stand out both financially and as innovators.

Practitioners are ambitious but haven’t yet acquired the capabilities required to realize their ambitions. They’re neither as focused nor as agile as Reinventors.

Aspirationals have even further to travel. They still need to devise a clear strategy, put the right processes and resources in place, and develop the agility to seize new opportunities.

Reading the road signs

So what’s actually going on? Four topics stand out from our conversations with CxOs and our work with academics:

Dancing with disruption

The path to personalization

The pull of platform models

Innovation in motion.

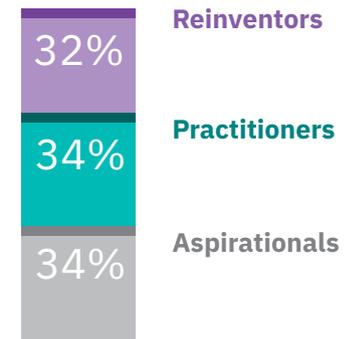
“We have implemented and established more digital platforms to spread our business partner networks, which has led to the transformation of our business models.”

Chief Financial Officer, Telecommunications, Mexico

Figure 1

Telecommunications split

Industry archetypes have distinct characteristics that lead to differing vantage points



Dancing with disruption

Two years ago, CxOs told us they were deeply worried about digital giants and small startups from other industries invading their territory. Now, they're more relaxed. Only 29 percent of Telecom CxOs say their sector is experiencing huge upheavals, and only 18 percent recognize an urgent need to transform their enterprises in response. While digital giants are still a source of disruption, it's not outsiders that Telecom CxOs are now most concerned about. A staggering 72 percent report that the *real* disruption is coming from industry peers – in particular those Telecom organizations that are reinventing themselves to thrive in a disruptive digital era.

A mere 3 percent of surveyed Telecom CxOs say their own company is among the disruptors, yet 82 percent of those heading Reinventor companies have a well-defined strategy in place to fend off reinvigorated competition. They're focusing on three specific strategies: engaging with customers as individuals; delivering innovative products and services rapidly via platforms and virtualized networks; and fostering an agile enterprise through cognitive processes and a culture of innovation. Aspirational, by contrast, are still trying to work out what direction the Telecom industry is taking and how best to respond.

The path to personalization

Connecting with the customer on a personal level is essential these days, but designing compelling, personalized experiences is extremely difficult; it takes a profound understanding of what makes different people tick. Again, Telecom Reinventors are ahead of the curve. They're particularly skilled at using data to identify unmet customer needs.

However, Telecom Reinventors don't just trawl through yottabytes of data. They approach problems like design thinkers – by empathizing and engaging directly with customers, consulting their partners to get a better picture of the customer experience, and creating detailed customer experience journey maps. They also foresee a greater impact from artificial intelligence (AI) on competitive advantage: 72 percent of Telecom Reinventors anticipate a significant impact from cognitive technologies in the next few years, compared with just 52 percent of Practitioners and 12 percent of Aspirational (see Figure 2).

“We have started measuring customer feedback and insights to evaluate core customer data for a better experience.”

Chief Information Officer, Telecommunications, India

The pull of platform business models

One of the most exciting recent trends is the emergence of the platform business model, which can create advantages through network and scaling, enabling organizations to grow faster and generate higher profits. While only 4 percent of Telecom CxOs currently operate platforms, 26 percent are experimenting with the concept and 21 percent intend to reallocate capital for this purpose.

But what makes a platform work? We identified three “rules” for success: creating value from reciprocity, capitalizing on data, and committing to innovation. Telecom Reinventors fit this profile

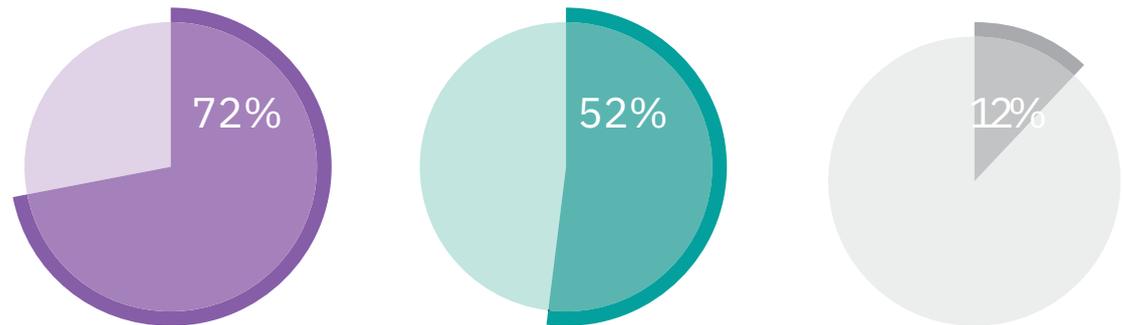
particularly well. They’re more convinced of the merits of partnering than Practitioners or Aspirationalists. They’re also better at collaborating with customers to develop new offerings. Moreover, they may be more actively investing in the technologies required to link producers with consumers. Seventy-eight percent of Telecom CxOs have high hopes of a big pay-off from the Internet of Things (IoT) and 61 percent of Telecom Reinventors expect to boost revenues with an IoT development platform for third parties. More than three-quarters of Reinventors also expect to reap major advantages from virtualizing their networks, citing quicker time-to-market for new services as the key benefit.

Figure 2

AI advantage

Reinventors expect significant impact from AI/cognitive technologies on customer experience

Reinventors
Practitioners
Aspirationalists



Q: How much impact do you expect the use of AI/cognitive technologies to have on the customer experience in the next few years? (Percentage of respondents choosing “a significant impact.”)

Innovation in motion

The organization of work is altering dramatically as enterprises collaborate to innovate and ecosystems replace go-it-alone entities. The smartest C-suites are preparing for the future by creating businesses that learn on the fly. Most of the Reinventors and Practitioners in our Telecom sample already solicit input from employees to develop new approaches. But the Reinventors have gone much further: 69 percent are embracing fluid, cross-functional teams to stimulate continuous learning (versus just 43 percent of Practitioners and 35 percent of Aspirationals). More Reinventors are optimizing their business processes for greater agility, compared to Practitioners and Aspirationals (see Figure 3). And 33 percent see AI as a key means of enhancing those processes through cognitive automation.

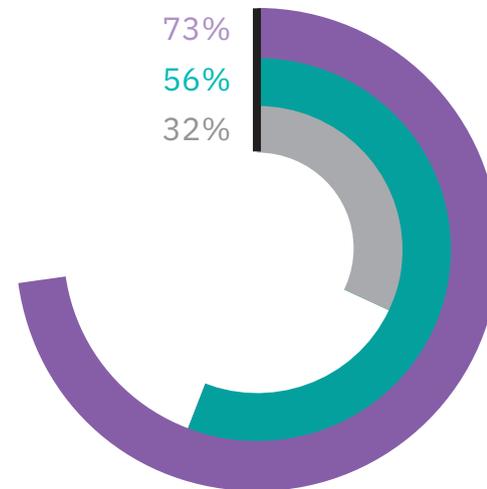
There's more. Telecom Reinventors have C-suites that are consistently better than their Practitioners and Aspirationals C-suite peers at promoting a culture of transparency and ongoing dialogue among employees. They create the right network of partners, suppliers and distributors, and put in place the right resources, including people with the right skills, to execute their strategies. In other words, they combine a dynamic vision with an open culture and agile operations – and these, as our research shows, are the three stepping stones to organizational dexterity

Figure 3

Reinventors
Practitioners
Aspirationals

Agile operations

Reinventors are optimizing business processes for greater agility



Q. To what extent are business processes optimized to support your business strategy? (Percentage of respondents choosing “to a large extent.”)

Strengthening advantage: Actions to take now

Get ever closer to become the digital services provider of choice. Extract insights from accessible data to get a deep understanding of customers. Deliver personalized, contextual and seamless customer experiences across each point of contact – from self-service to call centers. Bring customers into your design cycle.

Invest for new growth to enable platforms. Redefine your industry position by becoming a digital services enabler. Create business ecosystems – with AI, blockchain and API capabilities – to expand the addressable market. Accelerate network virtualization for greater flexibility and faster time to market for new innovative services.

Reinvent your company with agile service delivery. Create a more open and collaborative culture to stimulate innovation. Apply cloud and cognitive process automation to improve business agility. Respond quickly against disruptions and adequately meet new waves of customer demands.

Related IBM IBV C-suite Program executive reports

To read the full report, “Incumbents Strike Back,” please go to ibm.com/globalcsuitestudy. You can also find copies of our monthly insights and four related C-suite executive reports on the Internet of Things, artificial intelligence, blockchain and the experience revolution at the same location.

For more information

To learn more about this IBM Institute for Business Value study, please contact us at iibv@us.ibm.com. Follow @IBMIBV on Twitter, and for a full catalog of our research or to subscribe to our monthly newsletter, visit: ibm.com/iibv

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