



The future of telco

Adapt to thrive

February 2016

Old and new: When telco cultures collide.

All telcos are striving to innovate in the digital world, but many of the sector's more traditional players are struggling to make the leap.

Alex Holt explores how new market entrants innovate quickly, using new business models to provide global services that traditional companies can scarcely comprehend.

If traditional players are to compete with new entrants, they will have to overhaul not only their technology but also their culture.

One that injects agility and innovation with new talent while putting many sacred cows to pasture.

Traditional telcos have developed over decades – employing tens if not hundreds of thousands of people who are responsible for capital-intensive infrastructure projects and have been shaped by widely differing national regulations.

Conversely, the new digitally focused entrants such as Twitter, Snapchat and WhatsApp operate on a significantly leaner basis, despite having much larger customer bases. Benefiting from less regulation and cultures based on innovation and agility, they have quickly taken hold of consumer trends and muscled in on the communications industry.

Traditional telcos will have to shake up their culture to remain relevant to consumers. They must create an environment where innovation drives strategy, not the demands of regulators and the time-frames of large engineering projects. There are several things they could do:

1. Bring in new talent at all levels to drive a different culture that is willing to innovate and work in new ways. The speed of change in this industry also means it is not practicable to develop the necessary skills in-house.
2. The board need to drive and support cultural change with an emphasis on innovation.
3. Many companies have created offices in the heart of tech areas such as Silicon Valley or Shoreditch, in an effort to show that they are serious, but precious few have actually moved any core business functions to those offices. Change cannot be a temporary project – there needs to be visible commitment.
4. An acceptance of failure is contrary to the very DNA of so many organisations but without failure, how can we innovate? For every Twitter, there have been 1,000 failures. The key is to identify failing projects and kill them quickly.
5. Put sacred cows out to pasture. Many new businesses have been created around new business models growing on a global scale, with few, if any, barriers to entry. New services may need to be offered to anyone, not just their own 'traditional' customers. To ignore the shared economy would be short-sighted.

Of course there will be things that will always make this an uneven playing field; with lighter regulation enjoyed by non-traditional telcos and their vastly smaller cost base, they may always have the edge where innovation and agility are concerned. However, the traditional telcos' ownership of core infrastructure will always give them an advantage. They need to understand how to use it.

I believe many telcos will increasingly require a cultural shake-up to adapt to sector change

Teaming up with these new entrants is the most likely way to succeed, at least in the short term. It is not without its pitfalls of course. Aligning disparate cultures and ability to execute change are not challenges for the faint-hearted. However, the opportunity to build the best services and to access new markets should be enough to make the journey to becoming a Digital Telco worthwhile. The alternative is not at all palatable.

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