Digital transformation roundtable: Cutting through the complexity

European Communications brought together telecoms executives from across Europe to discuss the thorny topic of digital transformation. Strategy, staffing, technology and challenges were some of the areas hotly debated by participants. Alex Sword reports.

What does digital transformation mean to you? It’s a good place to start this roundtable as it can mean many things to many people. For Telia it is about “renewing, reinventing the business”, says Sari Leppanen, Head of Business and Technology Transformation at Telia Finland. She describes digital transformation as a “long journey” that Telia started in 2014 and is “heavily customer experience and customer behaviour driven”. Pointing out that digital transformation is not simply replacing IT architecture, Leppanen adds: “What we have is really business transformation supported by technology.” At Orange, Christian Lugibuhl wears two hats: he is in charge of technology for the operator’s European subsidiaries outside of France and part of the innovation, marketing and technology team at group level. On the one hand, says Lugibuhl, digital transformation is “very much driven by the requests from [enterprise] customers”. The France-based operator then uses that knowledge to help transform internally, Lugibuhl says. On the other hand, he says digital transformation is driven by “the requests of our [retail] customers to have digital interfaces to our company”. Orange has a target at group level to have half of all interactions with customers made digitally.

Like Lugibuhl, Aurelia Aubugeau is French but works in London for Norway-based Telenor’s Wholesale division as Director of Digital Innovation. Like Orange, one of Telenor’s digital transformation goals is to increase the number of digital interactions it has with customers. But it’s also about moving towards virtualised networks
and operations, as well as creating a “digital culture”, Aubugeau adds. Zooming out, she says: “It is about survival and making sure we’re not missing the train.”

For Kevin Paige, CITO at Manx Telecom, digital transformation “gives us an opportunity to really make a big difference to the way our company operates, both from a customer-facing perspective as well as our processes and the way our business culture works”. Although a smaller operator, he thinks it is “absolutely essential” to digitalise and says Manx has had a transformation programme up and running for a few years. The main goal is improving customer experience, partly through automating the core business “as efficiently as possible”, but also to grow the company outside of traditional telecoms services.

Erick Cuvelier, CIO of Orange Belgium, also thinks digital transformation provides “a unique opportunity” to enter new areas. “The Orange Bank launch in France is a perfect example of what it means to use digital opportunities to add new businesses,” he says.

Richard Swinford, Partner at management consultants Arthur D Little, agrees that new business areas are one goal of digital transformation efforts at many operators, but warns that there are several barriers. “One of those barriers is regulation,” he says. “There is not a level playing field between a telco and an OTT [player], or a bank, who is offering a similar set of digital services, but often under a different set of regulations.”

Vinod Kumar, COO at Subex, brings to the table findings from a recent McKinsey report. Three-quarters of companies that embarked on digital transformation in the last five years have started to see their growth coming down, according to the report, which also noted that first mover advantage is significant and strategy is more important than the execution. Reflecting on the discussion thus far, Kumar says getting the strategy right is absolutely key. He quotes one executive from the McKinsey report to illustrate the point: “It’s good to keep running but in the case of digital it’s better to be stationary than running in the wrong direction.”

Telia’s Leppanen picks up on this, saying it is important to be “very precise” about what you are looking to achieve. Telia “crystallised” its thinking in 2016, two years after its digital transformation initiative began, moving away from a technology-focused approach to business-focused goals. As part of this, the CEO and his team were fully engaged in the process to ensure the process was company-wide. Leppanen warns that having “a separate ivory tower programme” with a brief to create “a new digital machine” that will be handed over when it’s ready simply doesn’t work. “Everyone in the company needs to be involved,” she says. “The people who will be running this new digital machinery so to speak must build it themselves from day one.” Ultimately, digital transformation is “only a vehicle” to get to a pre-determined goal, according to Leppanen.

**Flat organisations**

Once goals have been decided upon, you then need to create a structure staffed by the right people to deliver them. Orange Belgium’s Cuvelier, who says that he was given permission as CIO to “clarify more or less what digital transformation could mean”, did so partly through his choice of staff. For example, he recruited IT directors with a combination of business and technology experience in an effort to break down existing siloes. This meant finding people who are “close to complex processes in the back end” but who also look at operations in terms of customer rather than technical results. In addition, Cuvelier says he “flattened the organisation” in an attempt to bring ownership of delivering different solutions to the highest point possible in the company.

At Telenor, Aubugeau explains, there is a group level Chief Transformation Officer who is served by different programme directors responsible for various aspects...
of digital transformation. These include connectivity, customer interactions and culture. The programme directors work with local business units, so “each programme is actually handled by group and by the [local] operation together”. Telenor has also taken a “cluster” approach, where similar market areas are grouped together. “Some of our markets are very similar and some are completely different, so you cannot run [the same] transformation programme [for] everyone,” Aubugeau says. It is important to build a cross-functional team and use resources from the individual business units, she adds.

Orange’s Luginbuhl also highlights the importance of group leadership. Rather than naming a Chief Digital Officer, he says Group CEO Stéphane Richard took responsibility for providing the “impulsion” for digital transformation across the company. Orange Bank is emblematic of this, explains Luginbuhl – it was driven and pushed by Richard and when it goes live will become the company’s first 100 percent digital product and business line.

At Manx Telecom, the CEO and the board led digital transformation discussions, Paige says. The process began when the company found that making incremental changes to the business did not lead to any substantial changes in revenues or profits. The programme covers a number of workstreams, including customer experience and sales enablement.

“It’s a whole stack with business leaders looking after each one of those elements,” Paige says. The company is now in the process of maturing those activities, according to the CITO, but has not fully reached the digital state it is trying to get to. “We’ve laid people off and refreshed the organisation to try and attempt to change culture, because you can’t just change culture with the people that you have there today,” he says.

European Communications Editor Marc Smith highlights a story about Deutsche Telekom sending its executives back to business school in the US to teach them digital skills. Can digital transformation be taught, he asks. Aubugeau of Telenor thinks it can be taught but adds: “It’s also about using the existing resources… I think the big groups are in general very bad at talent management.” There is a tendency to treat an employee as a “one-trick pony”, Aubugeau says, who will do the same thing for their entire career. In fact, people can be trained, Aubugeau says. “Some people are looking forward to that change,” she adds. “Some people are a bit more resistant. So that’s where you have to identify and have a proper talent management programme.”

Leppanen agrees that telcos are “not very good” at talent management. As part of its digital transformation efforts, Telia identifies the competencies – both new and old – that are required, which are then used to create a structured plan for the human resources team. The company can then identify the best way to get the competencies, whether through new hires or retraining, Leppanen says.

Paige says Manx Telecom is trying to endorse “process owners”, whereby even if a process extends over the entire business one person is in charge of it. This is an effort to bring accountability back into the organisation, he says, as there are disputes between product teams and sales teams over who is responsible for certain functions. Leppanen adds that a strategy is needed to define what is going to be kept within the organisation and what will be run by partners. “When you outsource the IT operations you actually move the focus within the staff onto [new areas such as] innovation,” she says.

Luginbuhl reveals that Orange looks to market itself as a “digital and caring employer” in an effort to get employees to transform without putting too much pressure on them. He doesn’t believe in big programmes such as sending execs to business school; rather, Orange believes in triggering employees to want to transform themselves. Cuvelier thinks that it is often the middle management that can be difficult. Smith backs up this thought with comments from research house IDC, who said in a recent report that middle management often put the brakes on digital transformation processes, despite enthusiasm and commitment from the
leadership and rank and file. “This is why you need to flatten your organisation,” Cuvelier responds. You need to “squeeze” the middle management, he adds, but also show them by example that things can be done better. “Suddenly they just say, it can be done, I want that for my project too,” Cuvelier says. Telia works towards three-month sprints, Leppanen says, and this has won many converts in the company. This solves the problem of middle management reluctance, she claims, as these teams want to be “part of the news story”. Like Cuvelier, Leppanen also talk about the need for a “really flat” organisational structure.

**Virtualised platforms**

Strategy and structure will only get digital transformation efforts so far, of course. Technology plays a key role too. Lugnibuhl outlines Orange’s three priorities in this area, beginning with connectivity. He says the IP network is key as without it an operator is unable to deliver digital transformation. Lugnibuhl also highlights the importance of virtualised platforms in making digitalisation “accessible to many different partners or clients and involving them much more in the process than before”. The first step in this is providing APIs for these partners to connect, he says. But this open approach is not necessarily a natural one for telcos, given their desire “to control things”. The third key area is deciding to what extent the company plans to use the public cloud. Paige says the majority of Manx’s core fixed infrastructure has now been migrated to a virtualised platform. The operator views the new platform as the main vehicle from which to launch new services. There is a broader philosophy at work here – moving away from vertical stacks supplied by a single vendor to its own horizontal cloud stack, according to the CITO. Citing the billing and customer relationship management stack it took from one vendor, Paige says “some parts were good, some parts were behind the curve”. He therefore split the stack between two vendors. Cuvelier also highlights the importance of working out where to innovate in terms of technology and where to accept that “good is good enough”. It may not be necessary to invent everything, the CIO says, sometimes a bit of simplification is all that is required. By way of example, he says that the four vendors Orange Belgium uses for its enterprise resource planning (ERP) technology will be scaled down to just one. Leppanen offers the example of Telia revising its own transformation approach, away from using “one gigantic BSS solution and then some channels on top of that” towards a more layered approach that takes into account how different parts of the stack can be upgraded at different speeds and combined through well-defined APIs. Paige moves the conversation on to end customers. “[They] want more information about what they’re consuming, how they’re consuming it, what other products and services are, which you can draw from the API infrastructure quite easily, and you can continually evolve that,” he says. The keys are proposition change and intelligence around how customers use your services, Paige notes. “If you get those two elements right, you make a big uplift in the customer experience.” He then brings in some of the more future-gazing technologies: AI and virtual agents. AI is already being looked at “seriously” in the back-end of Manx’s network management, while virtual assistants will be trialled in the next few months, he says. Leppanen is also interested in AI for the back-end, saying it could replace the “huge amount of manual transactions that take time”.

Kumar asks how important analytics are. Leppanen highlights how sales and marketing can be brought together, using data not only to provide recommendations but also to “surprise” the customer with products and services they don’t expect. However, she says it is important to define what data is being used for and design the analytics accordingly. Further, she says that you will not have big data before you have a unique identifier for the customer. In her own experience, achieving a single sign-on for customers
was the “battle [she] jumped into first”. Cuvelier chimes in with a sentiment many may agree with on big data: “The worst thing for IT is buzzwords. It’s probably the worst one.” He says creating a framework of the why before the how is key as people ask for things without knowing what they want it for.

For Aubugeau, who is less involved on the technology side, the platform model is the key part. Operators need to open up their communication APIs so that developers can embed voice and SMS within their own applications, she says. But with their use of data, operators need to understand customers better, she adds. “We need to touch the right customer at the right time at the right place with the right product,” she explains.

Cuvelier also looks to link technology back to customer experience. He says the best customer experience is very often the simplest one. His go-to example is Amazon, which he calls by far “one of the less sexy websites in the world”. But the fact is it is consistent with Amazon’s promise, he explains. “You order, it’s easy, you click, you pay, it deliver.” From there, Leppanen chimes in, it is about differentiating on top of this basic experience by “enhancing, enriching the offering that the customer can choose with”, rather than with the “basic plumbing”.

No discussion of technology can be complete without touching on the companies who provide it. What, Kumar wants to know, can vendors do to help deliver the things that operators need in their digital transformation journeys? “The problem with vendors is they are as un-agile as we are,” says Lugnibuhl. “What we would expect is that they would help us to become more agile.” Paige says vendors are “creating more complexity than what’s actually needed.” For Leppanen, they have not bought enough into the pay-per-use cloud mentality and want customers to sign up to long licence commitments. Meanwhile, Aubugeau wants to see more co-creation. Vendors usually come with a set, off-the-shelf, portfolio that a company can take or leave, she says, but this leaves no space for customisation.

Key challenges
Citing research European Communications undertook earlier this year, Smith notes that the biggest digital transformation challenge cited by respondents was that projects were too big, complex and time-consuming. Leppanen says it is about categorisation. In theory, she says, an operator builds a new BSS to sit alongside a legacy system, and is supposed to move “overnight” from one to the other. In practice, it doesn’t work like that: the legacy system is never in a “stable situation” and the new BSS ends up sitting around for years waiting to be used. She says this is why it is important to split digital transformation into parts and have a clear roadmap on what to do deliver first.

With the cost of digital transformation projects being another key challenge, Swinford notes it is important to demonstrate the revenue benefits, not just the savings. Leppanen says telcos are currently in an “invest to grow” phase, while Cuvelier thinks digital transformation creates efficiencies to enable companies to invest. “Changing an ERP system is not about changing the customer journey, it’s just to save €15 million in three to four years that we can use to do something else,” he says. As the discussion draws to a close, the last word goes to Leppanen. “The most difficult thing for all companies, not just telcos, is deciding what the new business model should be, what the revenue share is, what the shared delivery chain is and how we make that seamless,” she concludes.