

Win in the flat world

Re-envisioning Operations: CEO Playbook for a Converged Future

– Subhash Dhar, Deepak Swamy

Telecom firms are experiencing a fresh round of opportunities and challenges in the flat world. The combined impact of globalization, demographics, deregulation, and technology change is driving the need for operational transformation. With changing value propositions, telecom firms must, in effect, flatten their businesses and become more agile. Telecom CEOs must shift four key operational priorities to achieve successful operational transformation.

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What would you do if you could no longer charge for network connectivity?

You have already seen what excess bandwidth has done to network pricing. You have witnessed the challenges new players bring by entering your turf with voice/video/data/wireless “quad plays”. You have glimpsed many new opportunities — from selling ring-tones to providing real-time subscriptions to sports scores, movie downloads, and traffic alerts. And you have realized that all of this is just the tip of the iceberg.

The universal reach of the Internet and the rise of the global business environment have not only accelerated technology innovation, they have also cleared the way for a new way of conducting business.

Nimble application, media, video game and handset providers are rapidly mobilizing globally integrated, virtualized value chains to monetize innovation. They are creating billions of dollars in value by tapping designers in California, firmware engineers in India, and manufacturers in China to produce hot new applications or cool new handsets. Designers and marketers in New York, London and Tokyo are engaging studios in Hollywood, musicians in London, game designers in Prague, and software architects in Ireland and Hungary for gaming content aimed at every age group and demographic segment. Relying on partners to help them get to the market, they remain dedicated to providing the most compelling experience for their customers.

Welcome to the Flat World. It is the place where agility and rapid time-to-market can make or break a business. It is an environment that demands **Operational Transformation** so that large service providers can compete with the same speed, agility, and cost structure as the leanest startups.

Your organization may already be on its way to a converged future. Fiber rollouts, IPTV and quad play may all be on

your radar screen or at least on your medium-term horizon. However, building the dream network for the future is another thing. Are you truly re-inventing the way you manage your customers’ service experience? How do you ensure that your most loyal customers return and purchase additional services? And how do you become a frictionless yet equal partner in delivering innovative applications, games and rich content to customers who are willing to pay for them?

Here’s a ‘flat world’ insight: To be successful, your service-enabling **business and network transformation must be accompanied by the operational transformation** of your customer, service and network operations. To effectively manage the increasing number of IP-based, feature-rich services, rigid silos and boundaries must give way to new ways of working where business processes are managed proactively in a global, seamless supply chain. *Organize by process, not by location.*

Whether you are an incumbent or a cable MSO, a wireless operator or a broadband provider, you must brace yourself to take on non-traditional rivals — from cable companies and IPTV providers to over-the-top-application providers and content aggregators. You must also be ready to work with a variety of partners from outside your sector because they will have the content, expertise, and agility to help you deliver innovative products and services that will make your customers return.

Several other sectors, from automotives to high-tech manufacturing, have learned these lessons and have entrusted much of their value-add to virtual networks of trusted partners. Seamlessly integrating partners to mobilize global talent and leverage a global cost structure, they have created a new model for the *real-time enterprise*. They are embracing a variable cost structure and elastic organizational models to compete more effectively, scale their operational models and more effectively meet the

needs of their customers as technology, customer tastes and economic cycles continue to change.

Many Communication Service Providers (CSPs) are already stepping up to the plate. A major telecom provider is adapting its operational priorities to reduce costs through shared services, while building an Internet technology-based infrastructure to deliver a new generation of integrated services. It is introducing new pricing models that charge for value, not usage.

It is time to act. Time to create the blueprint for a different kind of competitive future: one where you turn your weaknesses into strengths, and where you build a new basis to compete, differentiate, and win in the flat world.

What does it take to get there? It starts with *shifting* your operational priorities:

- From “Cost as a *Barrier to Growth*” to “Cost as a *Fuel for Growth*”
- From creating Customer Loyalty through *Good Service* to creating Loyalty through *Faster Innovation*
- From *Spending Money* on Information to *Making Money* from Information
- From Winning in the *Straightways* to Winning in the *Turns*

Cost as a Fuel for Growth. When rivals undercut your price, don’t simply match them or brace for the hit on margins. Instead, *redefine* your cost structure so that your company enters new markets profitably.

This requires aggressive elimination of redundant and wasteful processes throughout your organization. It means defining processes that are required, deciding on ones that are “core” to your business, phasing out processes

and activities that do not add value, and outsourcing all “non-core” processes. This creates an elastic supply chain with global process management and trusted third parties. It results in consolidated and automated common processes.

Cost as a Fuel for Growth means continued reliance on self-service. It is about innovative ways to deliver personal service, and about automation and simultaneous geo-optimization of services.

Savings generated can be used to improve product and service innovation, to manage customer loyalty, or to build a low-cost-base operation that generates additional free cash flow. Savings from trimmed customer operations can help you migrate to a low-cost, IP-based network infrastructure that delivers ongoing savings while providing an open platform for future converged services.

A leading cable company adopted this strategy and is reinvesting savings to build its future. Implementing a carefully phased plan, it is introducing advanced products and services such as Fixed-Mobile Convergence (FMC), rich combinational services, presence-based services, and business VoIP at a steady pace, with controlled cost. Instead of reinventing the wheel of independent operating units, it is using industry standards to integrate off-the-shelf hardware, software, and infrastructure to build a common multi-service platform leveraging IP Multimedia Subsystem (IMS). It is exploring the creation of a common operations model as well.

Creating Loyalty through Innovation. Customers, more informed and sophisticated than ever, are now taking service quality for granted. In the flat world, your organization must differentiate by continually innovating new products and services that your customers cannot do without. This will require, in many cases, partnering with players outside your industry.

Here's another 'flat world' insight: To innovate, create a more malleable and extended organization: one that is readily adaptable to create and deliver new categories of products and services with a lot more agility but a lot less fixed cost.

To roll out next-generation IP network, a global telco is embracing the strategy made famous by Amazon, eBay, and Google — publishing APIs of network management interfaces to the core network. Its goal is not to charge customers for connections, but to profit by becoming the ubiquitous aggregator of third-party content and enterprise services. By creating a globally integrated innovation accelerator, it aims to increase new service throughput by an order of magnitude in Year-1 alone, with hundreds of services expected thereafter.

An US-based cable multiple system operator (MSO) is building a differentiated position as an integrator of services — delivering primary content and services, while also incorporating innovative applications and services from third parties.

Making Money from Information. Telecom providers have historically invested huge sums in customer billing and network provisioning systems. Data contained in these systems represent a huge goldmine, providing the basis for customer retention and loyalty management programs, sales and marketing campaigns, and target market segmentation for personalized offers, profitability analysis and customer lifetime value analysis. By using business intelligence technology to gain a unified view of all interactions with a customer, your customer service representatives can “invert” the service model, and proactively cross-sell additional services or up-sell new premium services based on the customer's unique preferences.

In the short term, turning information from a cost to a

revenue center requires the ability to analyze data across organizational silos. In the long run, it means re-architecting your business not just around Service-Oriented Architecture (SOA), but by creating a Service-Oriented Enterprise that is built around the profitable use and reuse of customer information across the organization.

Winning in the Turns. All sectors have boom and bust cycles. In the flattening world, winners will be those who can respond to changes faster.

Your organization must stay profitable even when conditions change. Start with the conversion of fixed costs to variable costs. When a major European operator had to unbundle its network to rivals, it looked to a trusted global partner to provide objective, third-party business verification of regulatory compliance — at zero capital expense and in the form of an innovative, results-based, managed service. Many carriers are working with global partners with low cost structures, organizational flexibility, and automation capability to re-deploy low value-added processes that support their declining legacy businesses.

From single-purpose, static, “departmental” operations, you will need to create a multi-purpose, learning organization with learning systems and teams empowered to learn and use customer information. These teams will need an integrated, knowledge-based IP customer service experience management model and tools to operate in the new learning environment.

Finally, all processes must turn transparent from opaque. A clearer view makes progress visible and results measurable.

Recipe for Operational Transformation

Once you decide to shift your operational priorities, the biggest question you confront is: how to effect 'Operational Transformation' to drive toward the ideal 'Flat World' enabled organization?

Here are three essential steps:

1 Eliminate non-core activities:

Dissect your business to understand what is core and profitable. Consolidate duplicated services that are currently maintained across separate silos in your various lines of business, for example customer care, provisioning and service dispatching. Start with a fresh view of what is needed. Eliminate activities that do not add value. Analyze what is core. Outsource the rest.

2 Automate everything feasible:

The value of automation lies well beyond tactical OpEx savings. The long-term focus should be to create business architecture for a Service-Oriented Enterprise. This will lead to unified, reusable processes that can be automated for the greatest benefit and integrated seamlessly into a multi-tenanted value chain.

3 Globalize your Operations:

Finally, think about organizing around processes rather than locations. Modularize your processes so that they are not monolithic, but rather can leverage shared components and services from the world over. Leverage cutting-edge capabilities made available in the form of modular Business Process Units (BPUs) from your trusted partners, and then ensure that you have instituted a learning organization that can help you turn your operations from cost and trouble focused to true service and profit centers.

A final 'flat world' insight: *While convergence enables new CSP business models, globalization holds the key to new CSP operating models.*

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Subhash joined Infosys in 1997 as a member of its e-Business practice and has since served in several capacities. In 2007, Subhash was chosen by the World Economic Forum as one of the 25 Young Global Leaders from India. Subhash holds a degree in Computer Science from the Birla Institute of Technology, Mesra, Ranchi, and an MBA from the Indian Institute of Management Bangalore.

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Prior to joining Infosys, Deepak co-founded Trendium, a developer of service intelligence Operational Support System (OSS) software. He has also held senior management and strategy consulting positions.

About Infosys CSP Practice:

The Infosys Communication Service Providers (CSP) practice delivers business solutions to global telecommunication players offering their services in Wireline, Wireless and Cable & Broadband segments. Infosys believes that companies should change their operational priorities to win in a business world being flattened by globalization, demographics, technology and regulation. Infosys is helping leading global communications service providers to effectively transform their legacy systems and process and profitably launch new converged services based on VoIP, IPTV, IP Multi-media Subsystem (IMS), Scenario Based Customer Service, among others.

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