Telcos to TechCos: Operator Transformation for a Digital Future

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In the rapidly changing telecommunications industry, communications service providers (CSPs) are constantly updating their operations and business to provide the best customer experience, dynamically evolve their digital ecosystems, and reach new levels of automation and security. This investment in digital transformation has revealed several necessities for CSPs looking to keep up with customers' changing needs, as well as ensure they are getting the most out of new opportunities. This includes balancing speed, agility, risks, quality, and business value. By having a strong transformation solution, CSPs will have the right tools, practices, and skillsets for a smooth transition into new business models.

We have entered 2023 with the telco business at a crossroads. 5G networks are rolling out across the world. By mid-2022, 205 operators in 80 countries had launched 5G mobile services. Their high speed and immense capacity are set to support new consumer habits, changing industrial processes, and new ways of working.

To compete in this new environment, CSPs need to make their organization future-ready by considering key questions such as:

- How to transform the company to a software-centric and cloud-enabled business
- How to digitize customer-facing and B2B services
- How to replace legacy systems with a cloud-based IT stack
- How to change company culture to embrace digital transformation
- How to build omnichannel systems that deliver a seamless, consistent customer experience
- How to structure the organization to ensure the most effective use of assets such as network, towers, infrastructure, and more.

Telcos are at different stages of their digital transformations, but many are already addressing the above questions. For an increasing number of CSPs, digital transformation goes hand-in-hand with their plans to transform from telecommunications companies to technologies companies (telco to techco), a transition that will be vital going forward to make sure their organizations are future-ready.

Remaining relevant in challenging times

CSPs have had to be resilient over the past few years. The pandemic made it clear that they are so much more than just a commodity: instead, they became lifelines and an essential means to keeping people connected. While that trend has continued, CSPs are still dealing with business and other pressures that require big changes beyond just providing connectivity to capture new revenue and business opportunities. But in order to remain vital in the digital future, telcos will be required to transition to techcos.

Besides the desire to adopt hallmarks of technology companies, such as Agile methodologies, in order to become more flexible and make rapid changes, telcos are also thinking about the transformation to techcos from a business standpoint. Telcos have historically had to spend more in capital expenditure (Capex) for their infrastructure, which does not always yield the revenues that services and other areas might. As a result, telcos have relied heavily on technology partners for development, hamstringing themselves in their own efforts to create in-house and realize the subsequent benefits. Driving new value by being able to take on more of this development themselves is a priority for telcos that are facing competition from companies that provide a better online and customer experience.

Challenging new market conditions

Today's telcos are in the middle of a transition to agile, cloud-native networks hosted on a mix of partner cloud platforms, as well as their own. As such, they do not just want to find a way to work with technology companies—they want to become technology companies. After making significant Capex investments, telcos still tend to rely on partners and other external players to create new products and services rather than bringing these functions in-house. But making this shift will be vital as telcos face a new set of challenges, including new entrants to the market such as cloud providers, over-the-top (OTT) companies, and infrastructure players—as well as the high costs of building out fiber, deploying 5G, and a lack of efficiency and agility.

Instead, they are looking for opportunities where they can capitalize on their infrastructure and buildouts rather than handing over that access to competitors, capturing business and revenue currently being lost to other entities. The journey from telco to techco will also bring advantages such as allowing telcos to more easily innovate, simplify, streamline, and increase automation, as well as collaborate at scale much more effectively.

Telcos will need a game plan and the right solutions in place to take advantage of the opportunities of becoming technology companies.

A critical opportunity for telco transformation

The evolution to becoming techcos will require telcos to develop specialist knowledge and skills in technologies such as cloud, artificial intelligence, and machine learning. They will need to become proficient in developing or codeveloping their own code and inserting it into partner solutions. It will also require new operational concepts like Agile development and software development and operations (DevOps). There will also be the need to enable customer-led joint development projects, provide a cocreation platform for developers, and be able to collaborate with partners at scale with open application programming interface (Open APIs). In short, telcos will need to be more innovative and less reliant on outside help.

They will also need to collaborate inside new ecosystems, within groupings of related companies that work together to deliver new services to customers. This kind of transition means a major shift in culture, organization, partner management, and internal automation. Cocreation is now a must-have requirement for modern IT environments. CSPs are looking for partners who will support their deeper dive into IT and cloud solutions, enrich their joint development setup, upskill on cocreation, and allow them to balance between outsourcing and self-sufficiency.

It's fair to say that some CSPs have struggled in their transformation efforts because they do not have the right skillsets to build their own cloud platforms, partner with hyperscalers, or codevelop features. CSPs need to become more innovative, self-sufficient, and cloud-savvy, which will require a transformation, especially of their IT systems, including bringing in an open, standards-based, modular, and cloud-native foundation that supports intelligent orchestration, automation, and modernized, consolidated business support systems (BSS), and operational support systems (OSS). This foundation will give telcos the tools they need to become less dependent on external partners by fostering internal innovation and driving business growth.

Telcos are uniquely poised to remain critical lifelines for their customers while evolving into something much more. The journey will not be easy, but undergoing a digital transformation and taking the other required steps to becoming more like technology companies will help them deliver better experiences for their customers, boost revenue growth, and become more successful in the era of 5G—and beyond.