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# Cloud Logic: The Strengthening Case for Telecom Companies to Run Their Businesses in the Cloud

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As busy as global telecom giant BT Group was back in 2019, launching new business and consumer offerings around 5G, the cloud and other technologies that were emerging, while the company was also coming face-to-face with the shortcomings of its own business processes and technology infrastructure. Thus was born the company's Making Finance Brilliant initiative, a massive behind-the-scenes effort to modernize and streamline its finance operations.

Mission accomplished. Four years later, the initiative, which entailed [replacing 11 disparate legacy systems](#) with a single enterprise resource planning (ERP) platform based in the cloud, had yielded a [wide range of benefits](#), including a 30 percent improvement in operational cost efficiency, the ability to close the books 40 percent faster every month, increased productivity, and deeper insights to inform business strategy.



Tbaytel, Canada's largest independently owned telecom provider, had similar motivations several years ago when it set out to transform and future-proof its business by integrating, simplifying, and automating key processes. As in BT's case, that effort resulted in the company [replacing various legacy systems](#) with one integrated cloud-based ERP platform, and reaping tangible benefits from doing so.

While the two companies differ in size, market footprint and other respects, BT and Tbaytel prove an important point about business transformation, which is that a company can successfully modernize its processes and technology infrastructure, with limited disruption and strong ROI to show for it.

## Cloud Catalysts

Prior to their modernization programs, BT and Tbaytel found themselves in a scenario that might sound familiar to other telecom companies, where their business software and systems are struggling to keep pace with the demands of the business.

What would motivate a telecom company to upgrade its ERP system and move its core software to the cloud? Heightened customer and employee expectations could provide the impetus, as could a desire to offer increasingly diverse and sophisticated products and services, as well as growing pressure to leverage technologies like generative AI (genAI) in their core processes, including record-to-report, procure-to-pay, and order-to-cash. As prevalent as mergers and acquisitions are in the telecom world, M&A activity can also warrant a modernization effort that involves starting fresh with a greenfield ERP implementation, especially when consolidating the two companies' legacy systems would be cost-prohibitive and impractical.

A younger, fast-growing telecom company (such as a regional fiber provider), may want a stable, proven cloud-based software environment that can readily scale with the business during a hyper-growth phase. A company could turn to a cloud ERP to provide the IT foundation for a spin-off company. Or, as was the case with BT and Tbaytel, it could be that their legacy systems are so costly and burdensome to the business that replacing them becomes imperative – and a failure to do so could hurt the company's competitive standing. The following indicators could suggest it's time for a telco to consider such a move:

High software customization and maintenance costs. IT systems that include a lot of customizations can be difficult and costly to maintain and upgrade, and can struggle to support a transforming business.

- Lack of real-time insights. Legacy systems frequently rely on batch processing, which limits timely access to actionable data. It also may be difficult to combine operational data across systems to extract business insights, hindering decision-making.
- An outdated user experience (UX) and user interface (UI). UX and UI are key drivers in people engaging with software systems. Integrating potentially revolutionary UX and UI tools like generative AI is a difficult proposition for companies operating in a legacy environment. In the cloud, however, companies can readily access, integrate and scale genAI as well as other forms of business AI.
- A complex and redundant system landscape. Multiple deployed instances and software sidecars are a common hindrance with legacy software infrastructure. This added complexity can slow down a business.

## Complicating Factors

As strong as the business case for a telecom company to modernize its business technology infrastructure may be, certain factors could complicate such a move. I recently heard of one telco CEO who, after his company had shifted to a cloud-based ERP system from an on-premises system – and in the process shifted its ERP costs from a capital expense to an operating expense (cloud software often carries a subscription-type fee) – second-guessed the move because the additional operating expense could dilute the company's EBITDA (earnings before interest, taxes, depreciation, and amortization) performance. Oftentimes, however, the broad business benefits of such a shift far outweigh these balance-sheet-first concerns.

Rather than undertaking a large-scale digital infrastructure transformation, a telecom company might opt for a “wrap and extend” approach. Instead of replacing legacy core systems, they modernize the front-end system with workflow orchestrations and a reliance on microservices. The legacy system essentially functions only as a database behind the scenes, with a fresh wrapper on the front end. While this approach can work in the short term, it can actually increase a company's long-term technology debt. While this approach can work in the short term, it can actually increase a company's long-term technology debt.

Concerns about data residency and sovereignty might also make a telecom company think twice about shifting its ERP system to the cloud. Country-specific and global regulations and policies about how telcos protect the sovereignty of their user data are [evolving quickly](#). That means companies have to pay close attention to these requirements in choosing where, and with whom, they store that data in the cloud.

## Why Modernizing Makes Sense

Complicating factors like these aside, adopting a cloud-based ERP system as part of an IT infrastructure modernization program can be a wise strategic move for a range of reasons, as companies like BT and Tbaytel have discovered. Here's a closer look at some of the benefits a telecom company can expect by shifting business software to the cloud:

*Operating a "clean core,"* so processes across the business are synched, streamlined, uncluttered and infused with industry-standard best practices that come embedded within the core software, rather than bogged down by costly, overly complex customizations and clunky extensions. Having a clean core reduces total cost of ownership and enables companies to readily implement and scale new capabilities as they become available. Tbaytel, for example, opted for a greenfield implementation with its new ERP system, so it could enter a streamlined cloud environment where it can add to its digital core with new capabilities as needed. By doing so, it is building technology equity instead of technology debt.

*Rapid deployment.* Standardized cloud-based software can deploy quickly, with minimal need for internal resources, and scale readily, reducing time-to-value. Scalability makes it easier to expand into new markets or services like streaming platforms, 5G and Internet of Things offerings. Cloud software also comes with standardized industry processes built-in, and with extension options that can add value without disrupting system upgrades.

*Support for new business models.* Opportunities abound for telecom companies to monetize their infrastructure and positioning with [new business models and revenue streams](#) based on technologies like IoT, 5G, WiFi7, and edge computing. Developing and sustaining these new models requires a solid yet flexible business software infrastructure. That could include, for example, the flexibility to create a two-tier ERP model that accommodates processes that are unique to a new business unit while still leaving core processes and systems (general ledger, procurement, HR) intact and integrated across the organization. More telcos are adopting such an approach for new business units, such as one built around digital healthcare, for example. That business unit still uses the same core ERP as other company subsidiaries, but has differentiated order-to-cash processes to support its unique business model. The two-tier model might also work for a company's newly spun-off network infrastructure-focused business unit, for example, providing it with a measure of autonomy for an eventual sale.

*Accessing advanced artificial intelligence capabilities.* A reliance on legacy on-premise systems can hamstring a company's ability to adopt AI and automation capabilities, most of which reside in the cloud. With a cloud ERP system, on the other hand, AI capabilities, including genAI, come native and embedded within the software, so companies can explore the power of AI without expending additional resources to develop or buy separate AI software. That includes AI for functions like trend prediction, profitability analysis, customer support, and service optimization. It also includes development operations, where AI can perform coding inspection and simplify and speed internal development projects.

*Improved collaboration with external stakeholders.* Via a cloud ERP platform, a telco can connect with vendors, contractors, dealers and other parts of the value chain as part of a business network so they can exchange information and collaborate around key areas like supply chain management.

*Simplified data access.* When systems are connected in the cloud, a company can easily establish and follow digital threads across various aspects of the organization. That could include establishment of a “green ledger” to track the carbon footprints of specific products, business units, and the company as a whole for regulatory reporting and to showcase responsible environmental stewardship.

*Data security.* The cloud’s built-in data protection reduces risk around sensitive information. In the cloud, companies also can meet data sovereignty/residency requirements with a sovereign cloud solution.

Put all this together and you get a highly compelling case for telecom companies to shed outdated business software infrastructure in favor of a simpler, seamless cloud environment that is readily adaptable to their shifting strategic priorities, changing customer needs, and the rapidly evolving telecom industry landscape.

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