The challenges for the telecommunication company lays not so much in forecasting the future of telecommunication services and industry landscape, than it is in the company’s execution of its current strategies. This paper examines some of the questions companies should ask themselves today in order to improve their competitive positioning and outlook for the future.
What the future holds for the telecommunication industry is anyone’s guess. Today, we have technologies and ideas that will produce communication-based services sometime into the second or third quarter of this century. The economics are not there yet to justify production or demand generation. Given time, it will. The question is: “Who will be providing those services of the future?” It could be communication firms, or software companies, or low orbiting satellite service providers with advanced wireless protocol technology, or something else. Look at the potential of Microsoft’s Mira concept to give you an idea.

Today, that is not the relevant question. What is relevant is: “Can you meet your customers’ needs, can you do it profitably, and can you sustain the value you create for your customers and shareholders so that perhaps you might have a shot at playing a role in that distant future?”

**How do you keep meeting your customers’ needs?** This should be your first order of priority when addressing your challenges. If today you delivered on time all you promised, you are on the right track. Tomorrow, your management reports will show 100% on time delivery. Yet, that does not give you any assurance that tomorrow, you can sustain that performance. Your customer’s need may have changed because of a change in circumstances or because a competitive offer provides your customer with a more cost-effective solution to a problem. A supplier that has failed you or a union strike may hinder you to perform the service on time. Are you attentive to your customer’s needs and set in motion beyond what is reasonably expected to provide the right service, at the right price, at the right time and place and then some? Then you have reached a level of “best practices” performance for which your customers will show you loyalty.

The challenge is to anticipate your customer’s needs and be prepared to deliver the service with the best performance standards of your industry. You need to extend your vision beyond the confines of your organization and your internal forecasts to do this effectively.

**Are you a leader in your industry?** That’s the next question you must address. Leadership is measured in many ways but always defines how you keep your competitors at large. You may know your competitors today.
Challenges for the Telecommunication Services Company (Continued)

Tomorrow, some company might produce a product or a service different from yours, yet market it with the same value proposition as yours. Have you built your leadership reputation through your know-how in producing products and services in the largest quantities or with the best qualities of the industry? Or does your reputation stem from your ability to create value for your customers through innovation, expertise in addressing specific customer problems and skills in managing effectively your business processes? Is the worth of your business based on what it produces or on what it delivers?

The challenge is to be proactive and, despite ever changing environments, to continuously demonstrate that you dominate the value creating attributes of the solutions you provide to your customers like none other in your industry. The value of the solution is increasingly in how you manage your business to deliver value with your products and services and less in the product or service itself.

Does your company defy gravity? Here lies the next multi-million dollar question: “Are you being dragged down by those same wings you designed hoping some day would make you soar high above all the elements of your environment?” Investment means commitment. That implies that changes in asset allocations can only be done at significant expense to the corporation. Companies invest in assets, people and systems that work in concert to acquire, produce and deliver products and services. But changes in their environment require companies to change the configuration of their business from time to time. The change in itself is unproductive for the enterprise. Value can only be derived from the production resources. The value of change lies therefore in the incremental value of the new allocation over the former allocation. This describes a rigid system, where the gravitational forces increase with the rise in the cost of change.

Traditionally, communications services companies are capital intensive, involving many people that manage complex processes and systems. The industry is also one where changes occur frequently and can be drastic at times. Yet, new entrants build global networking capabilities with a handful of people, minimal infrastructure investments and processes that you could design on the back of a coaster. To them, change is not costly. It’s what to change to they must address (i.e. leadership question).

The challenge for the telecommunications services company is to build flexibility into the structures of the enterprise. Assets should be configured
Challenges for the Telecommunication Services Company (Continued)

to minimize the cost of change and always provide optimal utilization. Systems should be interconnected, open, scalable, and upgrades and changes should flawlessly and automatically occur throughout the enterprise and beyond. People should manage processes as change agents and build up the business in partnership with each other, the customers and suppliers.

Is your company a team player? ”Do you have what it takes to stay in the game?” is the next question. Your customer, your competitor and your shareholder share one thing in common; they are the ones that can take you out of the game. Often, it is also true for your supplier and your partner. To use a cliché: “It’s business, nothing personal.” It’s all a process of optimizing the utility curve. When you provide no value to your customer, supplier, shareholder, or partner, or when you let your competitor take away that value, they drop you (from the team) and you are out. Perhaps they may gain or loose some for not having you around anymore, but you lost most. Those succumbing to that faith have understood in hindsight that business is more than just a zero-sum game (or multiple zero-sum games with an infinite number of players). Every single business transaction has the potential to affect your decisions upstream and downstream of your process flow. As the enterprise is a dynamic environment, every single one of its transactions should be regarded as a win-win opportunity to optimize the achievement of its goals. Enron, over some rather benign (though misleading, unethical and fraudulent) transactions caused its own demise. It did so by engaging in intra-company zero-sum transactions at the expense of its shareholders and lost visibility of the true value it created, or lack thereof. Aside from mere exchanges of products and services, enterprises, suppliers and partners, must generate value through their transactions. It’s the maximization of that value that produces staying power.

The challenge is to engage in value-creating relationships with your customers, suppliers, vendors, distributors and partners. The enterprise must manage the business to generate win-win situations, aligning customers, suppliers and partners on its side to lead in the “competition of streams.”

Telecommunication companies should address these challenges concurrently to sustaining ROA growth. Techniques and strategies in Marketing Channels, Value-Chain Management and Value-Creating Networks should provide insight as to how management can effectively meet these challenges while improving their performance in meeting their goals for:
Challenges for the Telecommunication Services Company (Continued)

**Increasing revenues:**
- Market share growth through channel leadership
- Repeat purchases through customer loyalty
- Opportunity cost reduction from faster service creation and sale and implementation lead times
- New revenues from innovative service creation
- New market penetration through partnerships
- Building a platform for value-added selling
- Assets retain higher residual value or resale value

**Reducing expenses:**
- Reduced churn and customer acquisition expense
- Economies and efficiencies through specialization
- Lower cost of change
- Less waste from correcting mistakes in execution
- Higher overall productivity from clearly understood processes and systems
- Savings in procurement and distribution expense

**Improving asset turn-over:**
- Optimization of assets utilization leading to reduced asset requirements or higher production capacity
- Lower inventory levels due to optimized implementation and accurate forecasting processes
- Less in process resource requirements due to faster service creation and realization processes
- Reduced asset requirements due to specialization and greater reliance on specialized supplier and distributor assets
- Greater opportunity for transferring the asset base to higher margin yielding activities

In conclusion, we suggest that telecommunication services companies gauge their strategies, objectives and success against these challenges. Revenue and profitability goals are after all the result of a well thought out plan which should withstand the test of time. In a system where their valuation is computed as the net present value of future earnings, companies should be apprehensive about what they signal to the market. Their concern for customer value, how they position themselves, how they structure and organize, and how they manage their relationships, all lay at the heart of that message.