

Reimagine Growth With A Platform-Centric Digital Strategy: A Spotlight On Telecommunications Services

Telecommunications Services Results From The February 2024 Thought Leadership Paper, “Reimagine Growth With A Platform-Centric Digital Strategy”

A FORRESTER CONSULTING THOUGHT LEADERSHIP PAPER COMMISSIONED BY EDGEVERVE, FEBRUARY 2024



Executive Summary

Customers' evolving service expectations for efficient, high-quality service has required the telecommunications services (telco) industry to embrace digitization and automation at a rapid and scalable pace. For operational resilience, a better customer experience, and to stay ahead, telcos have been exploring new digital operating models and new capabilities in AI and automation. However, despite their strong focus and informed intentions, many telecommunications services firms struggle to effectively drive strategic change through their digital transformation initiatives. A platform-centric digital strategy that promotes connectivity and visibility across both business and IT ecosystems offers immense potential to enhance efficiency and unleash the full potential of an organization's human workforce.

In August 2023, EdgeVerve commissioned Forrester Consulting to conduct a custom study to understand the effectiveness of digital transformation initiatives today and the extent to which firms have embraced a platform-based strategy to drive the needed connectivity and efficiency for profitability and growth. Forrester conducted an online survey with 105 respondents and two qualitative interviews with business and IT decision-makers from telecommunications services industry who are responsible for their business, IT, supply chain and process automation strategy to explore this topic.



Key Findings

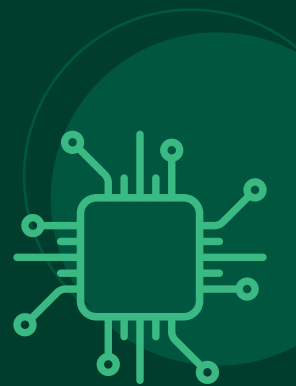
Significant investments in digital transformation have been largely ineffective in driving business outcomes for telecommunication services firms. The majority of respondents' telco firms invest over US\$100 million annually, but only 14% strongly believe they have achieved success. Internal challenges, such as resistance to digitalization, conflicting management priorities, and a lack of skilled talent, contribute to the difficulty of achieving success.



Telco firms are increasingly prioritizing AI-driven digital transformation. They recognize the importance of connecting human and AI capabilities. Many of respondents' telco firms are expanding on efforts to improve operational visibility with system integrations. They also want to drive straight-through processing with the aim to enhance customer experience (CX), operational efficiency, cost reduction, and risk mitigation. AI enables firms to deliver enhanced CX and open up new growth opportunities.



Telco firms believe that a platform-based strategy is crucial for digital transformation success. Most responding decision-makers in telco firms believe adopting a platform-based strategy that efficiently unifies and orchestrates business and tech will more effectively drive digital initiatives. They seek to harness the power of a connected ecosystem so they can enhance collaboration, streamline processes, improve customer satisfaction, and unlock the full potential of their digital transformation efforts.



Telcos Are Striving For Operational Efficiency And Connectivity

Evolving customer expectations have decision-makers exploring new technology operating models that prioritize speed and responsiveness. Although business and IT stakeholders may have similar priorities around customer-centric digitization and building insight-driven organizations, companies still need to foster connectivity in their transformation agenda and priorities:

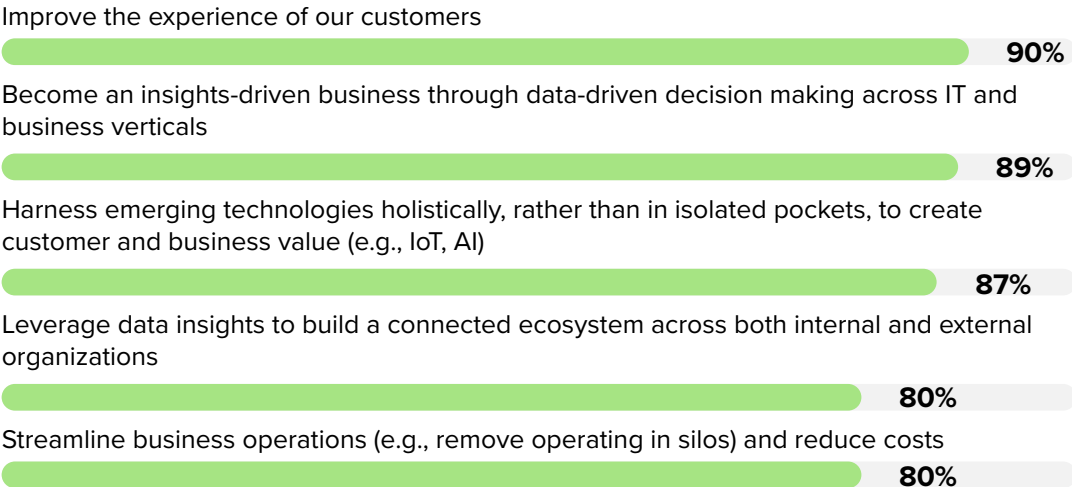
Telco's priorities emphasize customer-centricity. Driving transformation in a way that improves CX is a key motivation for 90% of surveyed decision-makers in the telco industry. Many of them consider improving CX by effectively leveraging emerging technologies as the most important outcome to achieve from their digital transformation initiatives (12%). Respondents' telco organizations aim to build this experience through operational strengths with an emphasis on better IT security and privacy (87%) and IT operating model performance (75%). Also, close to three in four respondents believe that the organization can significantly improve CX by leveraging efficient query resolution (72%).

Firms want to drive capabilities for insights-driven decision-making.

Eighty-nine percent of respondents highlighted that it was a priority for their organization to embrace data-driven decision-making across IT and business verticals to become an insights-driven business. A majority of the telco firms want to focus more on improving their access to insights to unlock the value of data (74%) and improve on overall intelligence and automation in IT and business processes (73%). That makes achieving better data integration through digital transformation crucial for organizations to cultivate an insight-driven culture. Twelve percent of respondents identified that goal as the most important aspect. Sixty percent of respondents said they believe that a successful transformation could enable data for analysis and improvements. For example, analyzing agent interactions to identify opportunities to train them on process flows (see Figure 1 and 2).

FIGURE 1

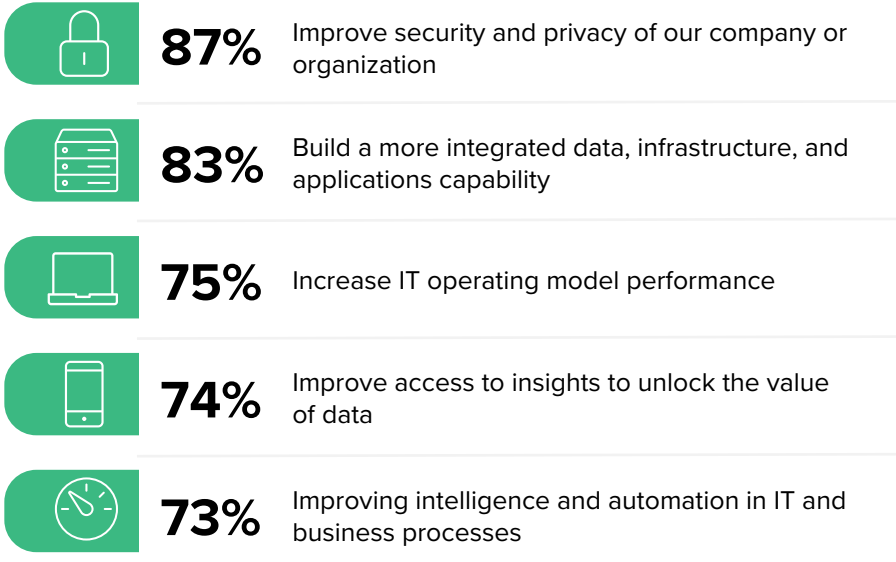
Top 5 Organizational Priorities Over The Next 12 Months



Base: 105 business and IT decision-makers responsible for business, IT, supply chain, and process automation strategy in the telecommunication services industry
Source: A commissioned study conducted by Forrester Consulting on behalf of EdgeVerve, September 2023

FIGURE 2

Top 5 Organizational IT/Digital Transformation Priorities Over The Next 12 Months



Base: 105 business and IT decision-makers responsible for business, IT, supply chain, and process automation strategy in the telecommunication services industry
Source: A commissioned study conducted by Forrester Consulting on behalf of EdgeVerve, September 2023

Connecting strategic and network silos is a significant priority in the transformation agenda. Eighty-seven percent of the respondents from telco firms emphasized the importance of harnessing emerging technologies holistically rather than in isolated pockets. When asked what their organizational goals are, 80% of respondents believe that building better IT-business connectivity is the core outcome they would like to achieve from digital transformation initiatives, with 35% strongly believing it. Data and network silos need to be connected to optimize effectiveness, and 84% of the respondents also believe it is significant.

Telcos place hope on AI-powered solutions to drive digital transformation to the next level. The telco firms believe that AI can help them improve CX (81%), increase automation of customer-facing services (73%) and internal processes (72%), and connect tech stacks to drive change in the business (73%).

“The connection to your business goals has to be clear. Whether that is deciding that the vision for digital transformation this year is about improving CX or rising cost optimizations ... making sure the value chain is also alongside the customer experience is crucial.”

DIRECTOR OF SOLUTIONS ARCHITECTURE, TELCO, THE PHILIPPINES

Internal And External Challenges Hinder Digital Transformation To Effectively Deliver Business Value

Telco firms recognize the importance of technology-driven solutions for enhancing operational efficiency and CX, but they face numerous internal and external challenges that span business strategies and cultures. Despite their best intentions, many of telco firms' digital transformation efforts have not achieved the desired business impact and outcomes. These initiatives often involve complex, long-term projects with a high risk of failure, particularly in today's volatile market. Few survey respondents could attribute their organizations' transformation initiatives to any business value. Instead, they resulted in reduced productivity, efficiency, and customer outcomes.

Telcos struggle to deliver business value despite heavy investment in digital transformation. More than half of the respondents from telco firms (60%) said their organizations have invested at least \$100 million in digital initiatives. However, respondents from 69% of the larger telco firms (with annual revenue of at least \$5 billion) declared that less than half of these investments have been effectively translated into business outcomes. Only 14% of telco respondents said they strongly believe their firm's transformation efforts have been successful in achieving these key outcomes. A majority (65%) recognized that their transformation journey is still underway, and they are yet to measure their results. Instead they focus more on cost efficiencies than business outcomes. This is especially true with AI, where they expect to see these outcomes come to life.

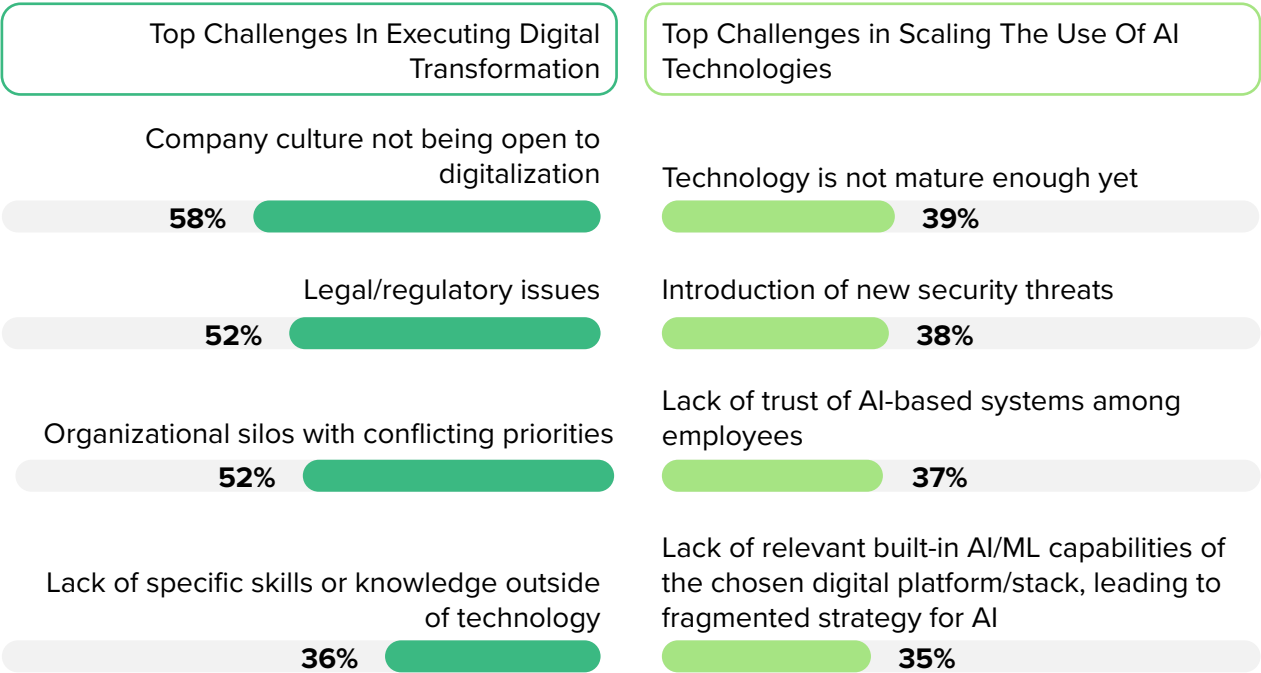
Internal and external process challenges continue to hamper digital transformation. Besides the challenge of enabling positive ROI with high investment (50%), more than half of the respondents' telco firms face multiple organizational challenges, such as the lack of organization culture of being open to digitalization (58%) and conflicting priorities (52%) from working in silos. Technologies that firms are currently using are also not helping them. Close to one in three respondents (30%) thought their firm did not know where to start, and 10% ranked this as the biggest technological challenge their organizations face when executing digital transformation.

There is a significant lack of specific skills and knowledge outside of technology (36%) at these telco firms to effectively collaborate with business teams and realize more business value. The siloed working structure, data, and network became more challenging with the unavailability of a coexistence digital experience (DX) framework (35%).

Although using AI has been the approach most telcos choose, security and trust has to be established first before it can be scaled. The top challenge respondents believed their telco firms face at the moment with AI is the immaturity of the technology (39%). They expressed worry about the security threats that came with using AI (38%) and they did not trust an AI-based system (37%) (see Figure 3).

FIGURE 3

A Lack Of Strong Governance, Quality, And Strategic Perspective On Data Hinders The Use Of AI



Base: 105 business and IT decision-makers responsible for business, IT, supply chain, and process automation strategy in the telecommunication services industry
 Note: Showing sum of responses ranked by respondents as top 5
 Source: A commissioned study conducted by Forrester Consulting on behalf of EdgeVerve, September 2023

Telcos Cannot Afford Stagnation When Developing Their Connectivity Maturity

This study explored the factors that distinguish the leaders from the laggards in maximizing strategy, processes, and people to enhance connectivity. Improving connectivity can help telco firms actualize desired customer and business outcomes through digital transformation. Our findings show that the level of maturity in the ability to connect systems and processes for improving business outcomes varies significantly (beginner, intermediate, and advanced) across firms in the industry.

Competition heats up for telco firms that are in the middle of the pack in digital maturity across industries. In the telco industry, close to two in three of responding digital leaders (73%) noted their organization is currently in the beginner or intermediate stage of connectivity. Compared to the rest of the industries in the survey, telcos are marginally more mature than the average. There are fewer telco beginner firms (30% vs. 36% on average) and slightly more advanced and intermediate firms (27% and 43% vs. 24% and 40% on average, respectively).

Telco leadership teams have some clear ideas for making connectivity a priority but lack execution plans. On the bright side, close to 20% of the respondents (18%) strongly believed their organization's executive leaders have clear ideas for making connectivity a priority. When it comes to concrete strategies, however, only 10% of the respondents strongly agree that there are strong strategies to connect systems and processes.

Advanced telcos have more technology, business support, ability, and connectivity to improve business outcomes than those at beginner level. The greatest challenge that telcos in the beginner stage face is the high total cost of ownership (TCO) that hinders the ability to achieve a positive return on investment (ROI). Sixty-three percent of surveyed beginners believe this, which is 20% higher than the percentage of advanced telcos. Internally, beginners' organizational silos are more likely to have conflicting priorities (56% vs. 39%), and they lack a significant understanding of emerging technologies that can optimize new tech initiatives (38% vs. 18%). Externally,

they are significantly more likely to have difficulties managing siloed partners to unlock the full value of their investments (41% vs 18%).

Telco Services Firms Want A Platform-Based Approach To Drive Digital Effectiveness

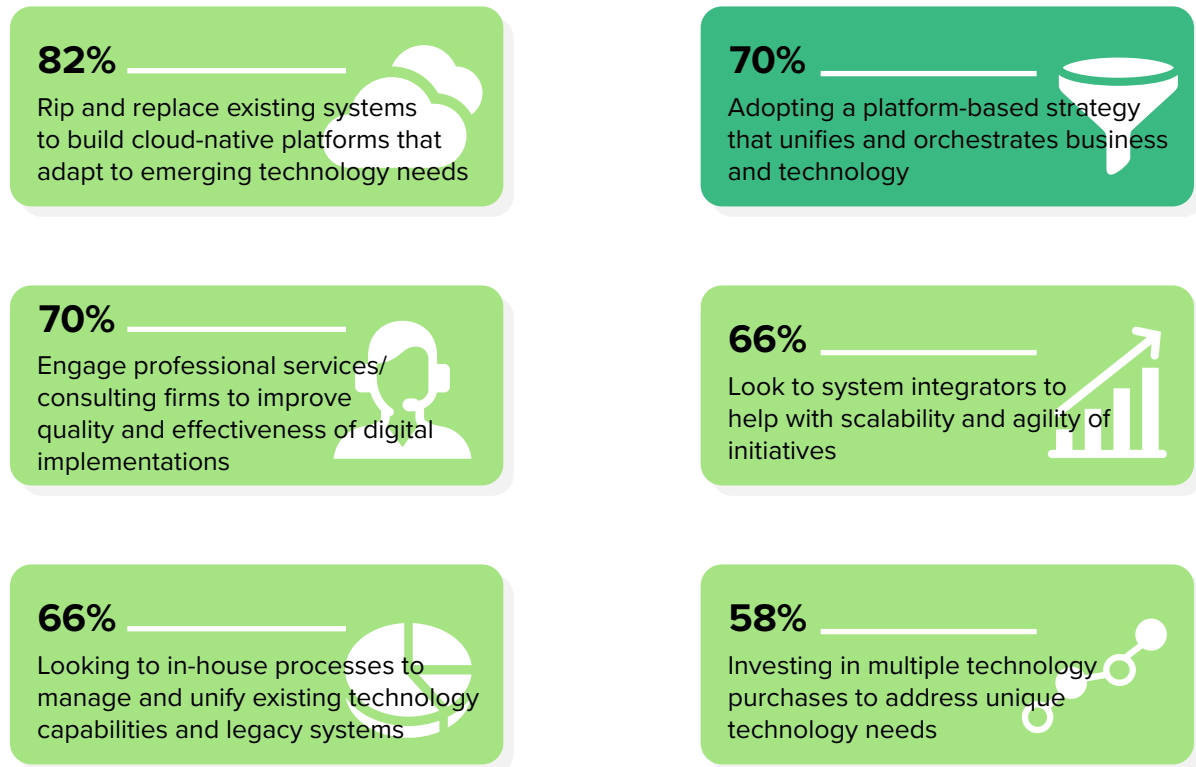
To overcome these challenges, telco firms are actively seeking support from third-party providers and allocating additional resources to fully realize the advantages of digital transformation. Effective implementation of platform ecosystems is crucial for addressing modernization and efficiency challenges. This shift in development decisions from traditional build approaches to buy-to-customize or compose models is significant. It enables organizations to minimize technical debt by easily replacing underutilized or expensive modular components.

Platform solutions are the top technology capabilities telco firms are spending on to improve their integration, automation, and intelligence processes. More than two-thirds of the respondents' telco firms will increase their investment in technologies such as digital platform (70%), generative AI (genAI) (65%), and process mining (62%). Digital process automation (DPA), digital decisioning platforms, and industry-focused process automation solutions are the top areas that firms have plans to implement or expand in the next 12 to 24 months. Thirteen percent of those firms have plan to increase their budget by more than 10% on digital decisioning platforms. Over 40% of them are looking to increase their budget by more than 5% for industry-focused process automation solutions. Moreover, 38% of them are looking to increase the budget for customer service robots by more than 5%.

Telco firms believe brand-new systems are the most helpful way to drive digital transformation initiatives. Eighty-two percent of respondents believe that ripping out and replacing existing systems at their telco firms to build cloud-native platforms that adapt to their emerging technology needs would be the most helpful approach (vs. a 75% average from respondents from all industries). At the same time, many also believe in adopting a platform-based strategy that unifies and orchestrates business and technology (70%) (see Figure 4).

FIGURE 4

Technology Approaches That Firms Believe Will Drive Digital Transformation Initiatives



Base: 105 business and IT decision-makers responsible for business, IT, supply chain, and process automation strategy in the telecommunication services industry

Note: Showing sum of responses for "Believe" and "Strongly believe"

Source: A commissioned study conducted by Forrester Consulting on behalf of EdgeVerve, September 2023

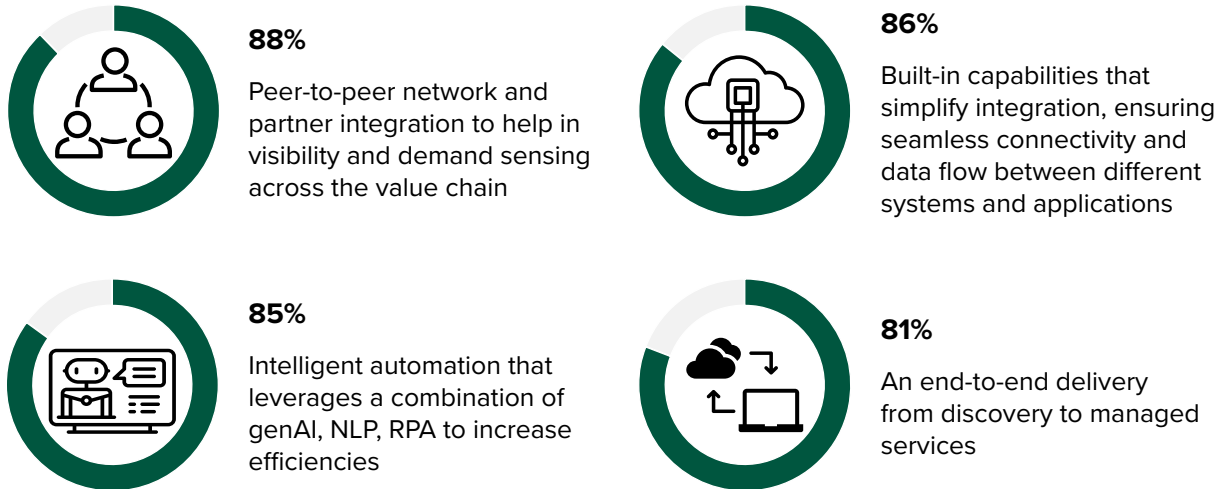
Telcos look to emerging technologies to harness the power of a connected ecosystem and, ultimately, enhance customer satisfaction. Respondents said that urgent priorities for their telco firms in the next three to six months include investing in built-in capabilities that could simplify integration and ensure seamless connectivity and data flow (57%) and intelligent automation that leverages a combination of genAI, natural language processing (NLP), and robotic process automation (RPA) to increase efficiencies (57%). Implementing an end-to-end delivery from discovery to managed services is another near-term priority together with building in a commercial model

that promotes interoperability and breaks down silos (54%). Over the next 12 months, telco firms are prioritizing setting up peer-to-peer networks and partner integrations to help visibility and sensing demand across the value chain (88%) (see Figure 5).

Telco firms look for a consultative approach to strategically drive transformation outcomes with their partners. Seventy percent of respondents said they believe their organization needs to engage professional services or consulting firms to improve the quality and effectiveness of digital implementations. Industry-focused process automation solutions (50%), workforce optimization (39%), and conversational computing platforms (34%) are what respondents wanted to engage platform-based vendors to support. They expect that platform-based vendors could help their organizations define a clear strategy for their cloud adoption and migration efforts (66%) and take advantage of third-party, prebuilt software, applications, or project accelerators (65%).

FIGURE 5

Top Prioritized Features/Functionalities In Platform-Based Capabilities Telcos Are Investing In The Next 12 Months



Base: 74 business and IT decision-makers responsible for business, IT, supply chain, and process automation strategy in the telecommunication services industry who believe that adopting a platform-based strategy and unifying business and technology will drive digital transformation initiatives

Source: A commissioned study conducted by Forrester Consulting on behalf of EdgeVerve, September 2023

Key Recommendations

Forrester's in-depth survey of business and IT decision-makers yielded several important recommendations on how telecommunication services firms can optimize their digital processes toward effective outcomes:

Build connectivity that drives a customer-centric tech strategy.

Digital leaders from telco firms who have ensured synergy between business needs and IT priorities have been more effective in driving effective change. This involves a strategic focus on aligning business and IT stakeholders on transformation priorities from the early stages while also ensuring tools, systems, and metrics build toward building a connected enterprise.

Prioritize AI and automation capabilities that remain accountable to employee outcomes.

Telco firms have advanced their focus on AI and optimized their automation tools and processes to drive more self-service at scale. This focus augments human potential and impacts employee productivity, and, ultimately, CX.

Embrace emerging technologies with clearly defined use cases.

With the advent of new technologies in genAI and the like, decision-makers in the telco industry are keen to understand how to leverage emerging tech to differentiate their firms. However, without a defined set of use cases and map of capabilities and outcomes, firms will be stuck without a clear strategy to prioritize the right emerging tech capabilities for business success.

Optimizing partner ecosystems to drive accountability and efficiency while cocreating new approaches.

Especially among large enterprises, the complexity of partner ecosystems can be difficult to navigate in a way that primes them for effective scale without hindering success. Catering to the partner ecosystem with platforms that enable visibility and accountability can encourage those partner ecosystems

to be strategic differentiators.

Leverage a platform strategy that enables you to capture value through efficiencies, insights, and growth.

The current shortfalls and gaps in digital transformation effectiveness have highlighted the need to strategically connect business, IT, and partner ecosystem priorities while enabling technical connectivity across systems, data flows, and operational processes to drive change. Adopting a platform-based approach that focuses on building the visibility required across internal and external ecosystems, driving the automation agenda to build efficiency, and providing the insights for accountable decision-making can drive digital transformation initiatives toward the strategic differentiators they intend to be.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 105 decision-makers and in-depth interviews with two senior decision-makers from the telecommunication services industry in North America (US), Europe (UK, Germany, and France), and APAC (Australia, New Zealand, the Philippines, Singapore, and Vietnam) to evaluate digital transformation objectives and effectiveness. The study began in August 2023 and was completed in September 2023.

To read the full results of this study, please refer to the Thought Leadership Paper commissioned by EdgeVerve titled, “Reimagine Growth With A Platform-Centric Digital Strategy.”

Project Team:

[SiDing Wang](#), Market Impact Consultant

[Sruti Pegatraju](#), Senior Market Impact Consultant

Contributing Research:

Forrester’s [Technology & Architecture](#) research group

Appendix B: Demographics

REGION	
United States	72%
United Kingdom	7%
Australia	4%
Germany	4%
The Philippines	3%
Vietnam	3%
New Zealand	2%
Singapore	2%

POSITION	
C-level executive	22%
Senior vice president/vice president	44%
Director	34%

ANNUAL REVENUE	
\$1 billion to less than \$3 billion	31%
\$3 billion to less than \$5 billion	29%
\$5 billion and above	40%

INDUSTRY	
Telecommunications services	100%

FUNCTION	
IT	70%
Business	30%

RESPONSIBILITY FOR STRATEGY	
IT	73%
Business	46%
Process automation	42%
Supply chain	9%

Note: Percentages may not total 100 due to rounding.

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