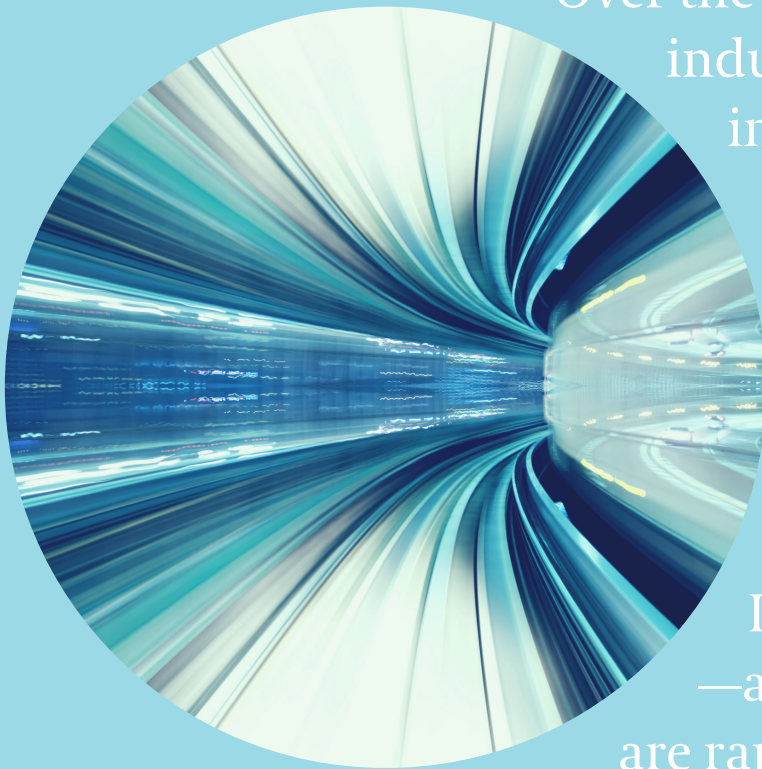


Looking back on MWC 2017: Telcos brace for a hyperconnected future

Burcu Bicakci Ersoy, Kees Dobbelaar and Hélène Reltgen



Over the past 15 years, the telco industry has evolved from an infrastructure business to being a critical enabler of digital transformation. The market the telcos serve is changing radically as well. Connected cars, smart cities, robots, the Internet of Things, AR/VR—all of these innovations are rapidly evolving and will hit critical mass once 5G becomes a reality and brings with it millisecond latency, high reliability and capacity for massive machine-to-machine communications.

conversations on leadership

Telco's larger place in the world also is shifting, as connectivity is increasingly seen as a fundamental human need, not much different than food and shelter. And all of this is happening as telco converges with the industries around it—software, artificial intelligence, semiconductors, content and so on—to form one massive ecosystem.

These changes present sizable opportunities for the industry, but there are challenges to be addressed. The most immediate of these are the economic limitations imposed by the legacy model, in which the low margins of being a “dumb pipe” provider of connectivity collide with massive capital expenditure required to maintain and upgrade those pipes.

This remarkable combination of forces was on display at this year's Mobile World Congress (MWC), the annual industry gathering in Barcelona. There was wide agreement that the status quo is unsustainable: As GSMA Chair Sunil Mittal pointed out, from a return on capital perspective, it makes more sense to put the money in the bank and go play golf than it does to invest in infrastructure. Yet at the same time, there was no mistaking the opportunities to add substantial value in a hyperconnected world. This promise holds both from a business perspective and from a larger societal perspective; there was much excitement, for example, around the industry-wide “Big Data for Social Good” initiative introduced by GSMA Director General Mats Granryd that aims to address natural disasters, epidemics and other humanitarian crises.

The question that hangs over everyone's head is simply this: What is the transformation that is required to take the industry from being a commodity to being a strategic component of a global data and video infrastructure? For indeed, transformation is what is called for. To seize these opportunities, telcos will have to embrace complexity, develop more agile and innovative cultures and connect more thoroughly with society at large. These things cannot be accomplished with the usual incremental change.

So it is that telcos will need to attract a new generation of transformational leaders with the required personality, experience and perspective. Those leaders must be able not just to meet targets but to reconfigure the organization's DNA, unleashing creativity while harnessing it to support the larger strategic objective. And they must be able to comfortably shuttle back and forth from risky technical and infrastructure bets to increasingly visible and unavoidable public policy issues such as the impact of the impending automation revolution on employment and regional wealth.

Leaders who can do this are few and far between, and in this already competitive talent environment, telcos are hampered by a significant image problem. As Alexey Reznikovich, Chairman of VimpelCom (now known as VEON), put it, “We're middle-aged corporate executives trying to serve the future of the world,” which is to say, teenagers. That gap is palpable, but telcos that can turn this disconnect into an exciting challenge to solve will be at an advantage in this tight talent market. (For more, see the Egon Zehnder white paper, [“A New Leadership Paradigm for Successful Organizational Transformation.”](#))

conversations on leadership

In addition to the need to recruit transformational leaders, there are five talent areas where it will be particularly critical for telcos to significantly upgrade their capabilities:

- **Cybersecurity:** As Masayoshi Son, Chairman and CEO of SoftBank, pointed out in his address, the hundreds of chips in today's cars pose a significant security challenge, and that risk will only grow as future models are developed. In fact, the coming hyperconnectivity creates a cybersecurity "attack surface" vastly larger than anything currently existing. Telcos will need to be an active part of a united cybersecurity front that stretches across industries.
- **Analytics:** The industries that form the new telco customer base are hungry for data-driven insight, and telcos, as the providers of the data pipes, are in a prime position to provide it. But doing so will require expanding their own analytical prowess and the entrepreneurialism needed to see and monetize these possibilities.
- **Customer-centric applications and software development:** The innovations in the pipeline today—from VR/AR apps to virtual networks—are driven much more by software than hardware. To become part of this ecosystem, telcos will have to morph into true technology companies. This means not only bringing the collective technical acumen in-house rather than outsourcing it, but managing an organization with the agile sensibility needed for shorter cycle times and more nimble market responsiveness. The aging back-office IT and BSS/OSS systems of most telcos adds an extra layer of urgency to this capability, as does the rise of software-defined networks and the idea of "network as a service."
- **Partnering:** This new environment is much less about selling equipment or bandwidth than it is about working with ecosystem players to help them make their innovations a market reality. This requires the ability to see untapped opportunities without a guidebook, create new business models for new industries and develop relationships that are peer-oriented and collaborative rather than seller-buyer.
- **Talent-driven transformation:** The ongoing need for top-tier executives in these areas heightens the pressure on telco human resources functions, which are, after all, pursuing the same pool of talent coveted by tech start-ups and legacy firms on the path to transformation. The digital talent pool is scarce, global and mobile, better thought of as tribes that migrate from place to place than well-defined groups within organizations. Beyond the traditional packages of extrinsic corporate incentives, these digital talents are driven by intrinsic motivations rooted in a deep sense of belonging. They are thus attracted to what Carol Dweck has termed a "growth mindset" culture, which must be communicated in an authentic manner by leaders who live by these values and by employees whose personal development is being fulfilled. To meet these challenges now and in the future, telco human resource heads must build and retain their own pipeline of functional HR leaders who can be true strategic partners with their counterparts across the organization.



Authors

Burcu Bicakci Ersoy

Istanbul

burcu.bicakci@egonzehnder.com

+90 212 381 66 34

Hélène Reltgen

Paris

helene.reltgen@egonzehnder.com

+33 1 44 31 81 19

Kees Dobbelaar

Amsterdam

kees.dobbelaar@egonzehnder.com

+31 20 710 4164

Since 1964, Egon Zehnder has been at the forefront of defining great leadership in the face of changing economic conditions, emerging opportunities and evolving business goals. With more than 440 consultants in 69 offices and 41 countries around the globe, we work closely with public and private corporations, family-owned enterprises and nonprofit and government agencies to provide board advisory services, CEO and leadership succession planning, executive search and assessment, and leadership development. For more information visit www.egonzehnder.com and follow us on **LinkedIn**, **Twitter**, and **Instagram**.

Amsterdam	Madrid
Athens	Malmö
Atlanta	Melbourne
Bangalore	Mexico
Barcelona	Miami
Beijing	Milan
Berlin	Montreal
Bogotá	Moscow
Boston	Mumbai
Bratislava	Munich
Brussels	New Delhi
Budapest	New York
Buenos Aires	Oslo
Calgary	Palo Alto
Chicago	Paris
Copenhagen	Prague
Dallas	Rio de Janeiro
Dubai	Rome
Düsseldorf	San Francisco
Frankfurt	Santiago
Geneva	São Paulo
Hamburg	Seoul
Helsinki	Shanghai
Hong Kong	Singapore
Houston	Stockholm
Istanbul	Stuttgart
Jakarta	Sydney
Jeddah	Tel Aviv
Johannesburg	Tokyo
Kuala Lumpur	Toronto
Lisbon	Vienna
London	Warsaw
Los Angeles	Washington, D.C.
Luxembourg	Zurich
Lyon	

© 2017 Egon Zehnder International, Inc.

All rights reserved.

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means — electronic, mechanical, photocopying, recording or otherwise — without the prior permission of Egon Zehnder.