

Implementing the New Age Telecom Business Model – An Operational Perspective

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ABSTRACT

With the changing Telecom economies and modalities of doing business the technology industry is vast changing. Telecom is not an exception of the same phenomenon. There are newer ways which the Telecom operational excellence stakeholders are thinking to minimize costs and thereby maximize investments. One such concept is adopting a comprehensive operational blueprint called the TOM or the Target Operating Model. The concept of the Target Operating Model is going to identify the best possible approach which a Telco needs on any on-going Transformation program and thereby present a pragmatic view, on their e2e IT Operations, to meet the Business Objectives. This also helps to paint the BIG picture in front of Telco management team as well as all associated stakeholders, by linking logically the intended deliverables of any major project engagement of a Telecom OSS/BSS transformation program. The Target Operating Model -TOM' is aimed to present a holistic view to the Telco management as a best possible Operational 'Blueprint' which they adopt to realize their business vision. It aims to map this 'Blueprint' as a pragmatic approach to the operational vision of the COO. It helps the Telco to better understand what should be done in an ideal state and how to operationally realize the entities of People, Process and Technology to yield tangible and intangible benefits through operational 'value' creation.

Keywords: Operating Model, Blueprint, Landscape, End to End Operations, Operational Dimensions

1. INTRODUCTION

Globally Telcos across the world are striving hard to decipher the “ideal” or “near perfect” service provider business model in today's dynamic and ever changing globalized economy. Unfortunately there is no “right” answer or a guidebook that would ensure Telcos aim for the same. It of course depends on socio-economic, political and demographic characteristics of a particular state or a country. What works for one may not be suitable for the other. But surely and sincerely there should be a logical attempt to strive for the best combination or an aim to strive the perfect balance between what looks strategic as a market differentiator *visa-viz* that could be well operationalized in practice. There is no point in being presumptuous with strategies in an idealized world which cannot be implemented in real practice

Ideally when we look at any Business model with Telecom not being an industry exception we do look at 5 *key entities*, which help derive, a logical model that could

link the source of revenue generation to the destination of revenue realization. These logical entities, if we may so term them could be broadly classified into the following dimensions or paradigms *viz.* ‘*product or service*’ offering, ‘*Infrastructure or assets*’ delivering these services, ‘*substitutes*’ or near target offerings, ‘*competitors*’ and finally the ‘*end customers*’ who would be consuming the services. Referring to the ‘Business Model Canvas’ by Alexander Osterwalder, it states that “The Business Model Canvas is a strategic management and lean startup template for developing new or documenting existing business models. It is a visual chart with elements describing a firm's value proposition, infrastructure, customers, and finances. It assists firms in aligning their activities by illustrating potential trade-offs. The Business Model Canvas was initially proposed by Alexander Osterwalder based on his earlier work on Business Model Ontology. Since the release of Osterwalder's work in 2008, new canvases for specific niches have appeared, such as the Lean Canvas.”

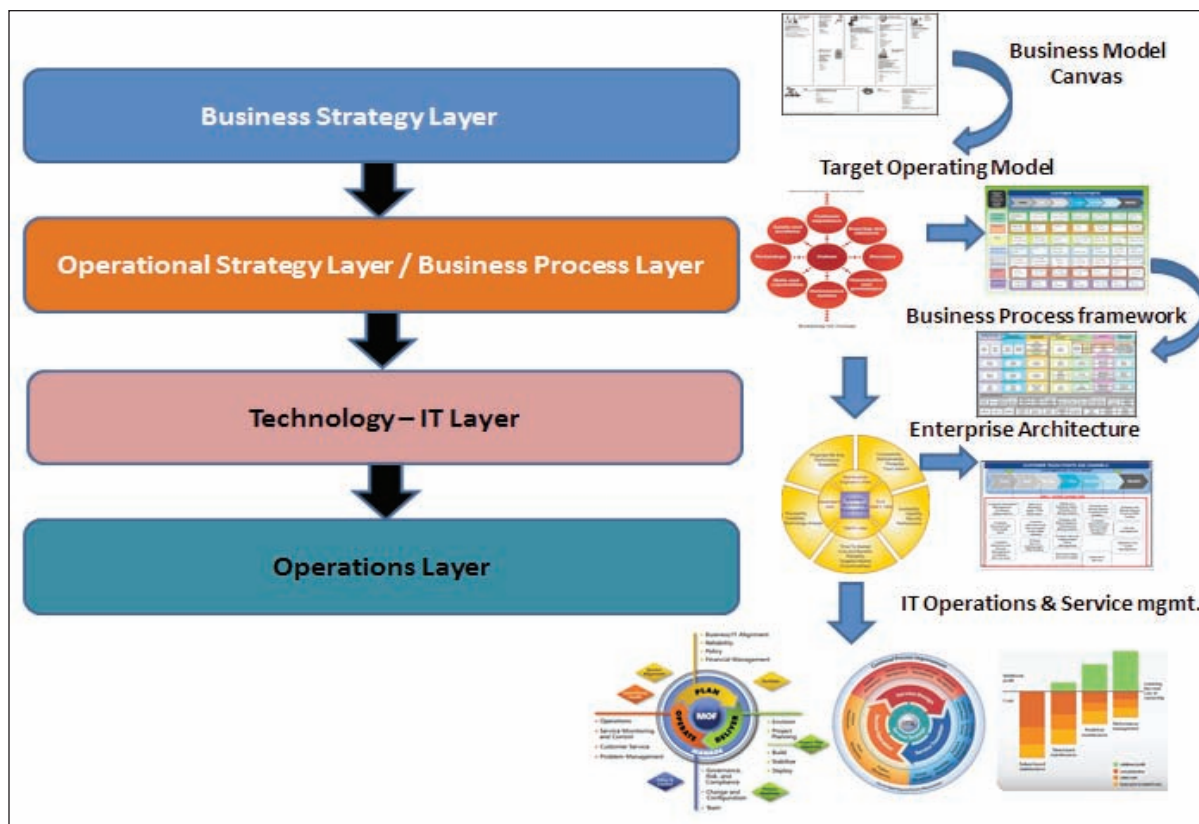
Taking this model further, it can be stated that the Business model canvas can be drawn with some of the *key dimensions mentioned above* that could help link these and form an integrated logical blueprint. Strategically this needs to be revised or reviewed every year preferably by the CxOs to ensure that the model is living up to the standards and is catering to much needed challenges of the ever changing Telco market and the economics. These key dimensions are very specific to the business and the industry which one operates and in a Telco context these would include *key partners, key activities, key resources, the value proposition, channels, customer relationships, customer segments, the key cost structure and finally the revenue streams.*

2. OBJECTIVES

The key question that needs to be addressed while deciphering the business model for any Telco would be to strike a balance between service provider priorities and service enabler priorities. The real key issue is to engage with customers and provide a differentiated service at a personalized level. One can vividly imagine the complexity that a Telco often faces whilst realizing their business model.

In a fast changing data and VAS intensive service portfolio, leading to its increasingly more complex realization, this therefore leads to a strategy where in one needs to closely integrate a business model and a target-operating model. Implementing any business model or business idea would require operationalization of these key ideas and linking them to various facets that exists within the operational dimensions. The key to this realization is the operationalization of the same through a competitive and comprehensive approach or a blueprint, much stated as the target operating model. The concept of the operating model is such that it is a distinct derivative of the business model and the single most entity that forms the link between the business model and the business process layer of a Telco. Not many Telcos can do a predictive forecasting about the success of operationalization of their business model because while strategizing all they usually visualize is how to provide a differentiated service delivery experience to the end customer without too much focus or analysis on the operating model. The key to a successful strategy for any service provider business would be the link between the business model, the operating model, the business process and the key performance indicators or KPIs, which should cut across various layers of the enterprise.

Figure 1 Different Layers Within the Telecom Business and Operations Layer



3. METHODOLOGY

The first objective of this paper would be to define what is meant by TOM – Target Operating model, its perspective and usage in the global Telecom world and how is it different from the established frameworks like eTOM, TAM and SID.

By definition the TOM or Target Operating Model is an *operational blueprint* which would enable CxOs of any telecom service provider to understand the “operational” capabilities they need to define within their set up in order to cater to their immediate business needs. It gives a unique perspective to multiple stakeholders from business, IT, Networks, Finance, HR and other department functions thus helps to paint a holistic picture of the much needed “capabilities” across various organization dimensions.

A diagrammatic illustration of the overall BIG picture from an e2e Telecom operators’ business model and operating model perspective is shown below for ease of understanding. This is just an illustration and interpretations and variations may occur as per readers’ discretion. However, the moot approach remains the same.

The (Target) Operating Model is aimed to bridge the gap between the Business Strategy layer and the operations layer of a Telco. While looking at a Telco enterprise management layer it’s the single most important connect between the Business model and the Business process stack or BPEL / library. An Operating model view can be both ‘Strategic’ as well as ‘Tactical’. It helps to maintain an optimum balance between these 2 perspectives and gives a most acceptable framework, which aims very easy decision making for Telco stakeholders in terms of maturity or state of operations as well as to drive operational investments.

The Operating Model in A Telco Enterprise management and strategy set up is going to identify the best possible approach which a Telecom service provider needs to adapt while rendering their services once they have attained a certain state of finalization and maturity of their Business model. This also helps to paint the BIG picture and transforms it into a more pragmatic view much acceptable by internal and external stakeholders. It helps Telcos to better understand what should be done in an ideal state and how to operationally realize the entities of People, Process and Technology to yield tangible and intangible benefits through ‘value’ creation.

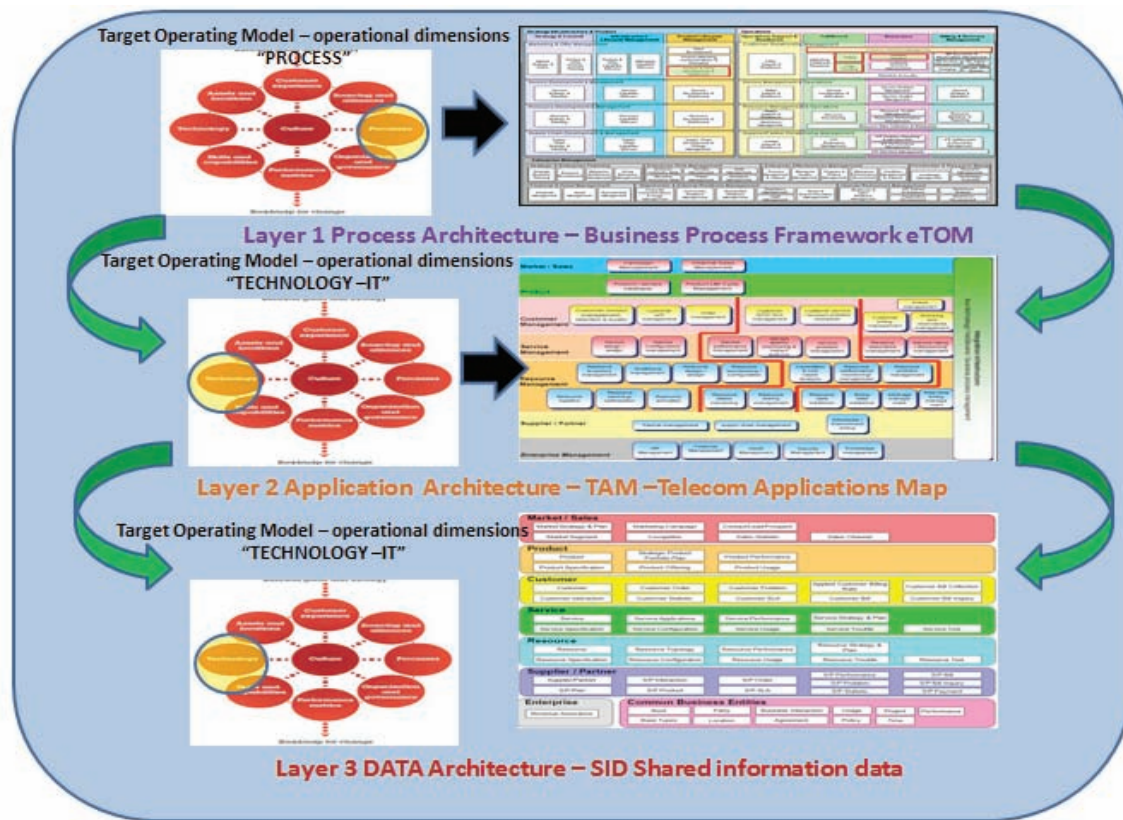
Telcos are increasingly succumbing to the concept of defining a Target Operating model design exercise while they have defined and modeled out an unique business model. The Operating model is based on looking at several key entities starting with the key operational driver for the Telcom operator, which could be any business transformation drivers like customer centricity, operational excellence or revenue maximization.

The Target Operating model guides the development and delivery of each capability required for the Enterprise Business’s value propositions. Identifying the Target Operating Model dimensions listed below. There are 8 or 9 major dimensions of the Target Operating model which have been identified for the enterprise architecture framework or the enterprise strategy layer and these are well accepted for any particular kind of Telco ranging from fixed line, mobile broadband or quad play operator. These dimensions remain common across any of these service providers, the degree or the extent of operational readiness changes depending on the type and kind. For eg. Any MVNO would have similar maturity in terms of process, KPIs or organization as compared to a quad play operator who would have more matured processes, KPIs or organization.

The overall TOM approach can be distinctly broken down in 2 phases viz. Designing the TOM and Operationalization of the TOM.

Designing the TOM or the Target Operating Model starts with the identification of ‘key’ business objectives identified by a Telecom management team from a BSS or OSS perspective while designing a transformation program. These objectives need to be mapped to the ‘high level’ generic capabilities that a Telco set up can bring in. The output of this capability design exercise and its key findings would act as an input or trigger to the Operating Model definition rationale. From the High level ‘generic’ capabilities we need to identify specific capabilities mapped further into the identified process domains viz. (Concept to Market) C2M essentially the product life cycle of a Telco, L2C (Lead to Cash) essentially the IT order to cash solution functional chain of the Telco and T2R (trouble to resolve) essentially the IT support operations domain, which is our base line from any business and operational process work. However these specific telecom functional and operational capabilities would further need to be broken into drill down specific solution area capabilities covering Product or service offering, PoS (Point of Sale/ customer touch points), Partners, CRM (Customer relationship management),

Figure 2. The Inter-Relationships of TMF Framework and TOM



Billing (includes Rating/Charging and Billing) and lastly Finance and Payments.

The next step would be to identify the key themes for the Target Operating model, which would ideally have a direct correlation to this high level process 'domains'. For easy base lining and linkages to other entities like the business process framework, KPI metrics or performance metrics, which would also include both high and low level KPIs along with SLAs. We must group these to the above proposed Process Life domains viz, C2M, L2C and T2R or more holistically either into O2C or P2P (product specific) process life cycle domains. This also helps to rationalize the business processes during live operational run. We would then drill down the specific capabilities mapped to the process domains into each solution specific areas within the scope of the transformational program. An example of such an operational blueprint mapping could be witnessed in a typical BSS transformation catering to the following areas within the Telco for eg. Product/Service offering, Point of Sales, Partners, CRM, Resource Management, Billing and Finance functions. The rationale is to independently contribute to the overall Operating model encompassing these solution areas.

The second phase starts with the Operationalization of the TOM. As part of the exercise, there are 8 'dimensions' or 'imperatives' which would help us harmonize each solution domain with one another. The 8 dimensions would be based on the following – 'Customer Experience', 'Sourcing and Alliances', 'Technology- networks', 'Technology IT' (essentially the OSS/BSS landscape), 'Key Processes', 'Metrics and KPIs', 'Assets', 'Enablers' and 'Skills and capabilities'. These independent areas would have stand-alone sub operating models by themselves, which would of course contribute to the overall Target Operating Model. Each of the Process and the solution domains within the Target Operating Model would also be closely aligned with the end-to-end Telecom KPI (key performance indicators) metrics, which would closely link the business KPIs along with the business process KPIs, and the operational KPIs in a typical hierarchy fashion.

One must also understand that the TOM and the established business process framework like eTOM are entirely different and they must not be used interchangeably or should be overlapped with one another. Instead both of these co-exist at different levels with different functional and operational needs for a Telco stakeholder.

TOM is aimed for CxOs whilst planning their operational strategy which is mainly aimed at showcasing an ideal operational blueprint model. Hence it helps to identify operational “capabilities” that a Telecom service provider needs to build up to sustain and meet business challenges. It cuts across all operational dimensions like Customer experience or customer centricity, KPIs, business processes, people, skills and capabilities, sourcing strategies or partners, technology which includes networks as well as their IT (OSS/BSS) landscape.

The overall e2e (end to end) correlation between the best practice framework like eTOM, TAM and SID along with the Target Operating Model –TOM is highlighted below in the following diagram.

The key difference between eTOM and TOM lies in their usage and perspectives by which they are being viewed. eTOM which is essentially a framework, on the other hand is focused mainly on the business process layer and is predominantly used as a business excellence function where in it details out the process landscape and what all business processes an operator needs to have and follow as a best practice. It does not cater to any other dimension of people, skills, or technology. TOM needs to be defined at the first step of operational strategy, process capabilities needs to be identified and the one must look

into complying to a best practice framework like eTOM thereafter.

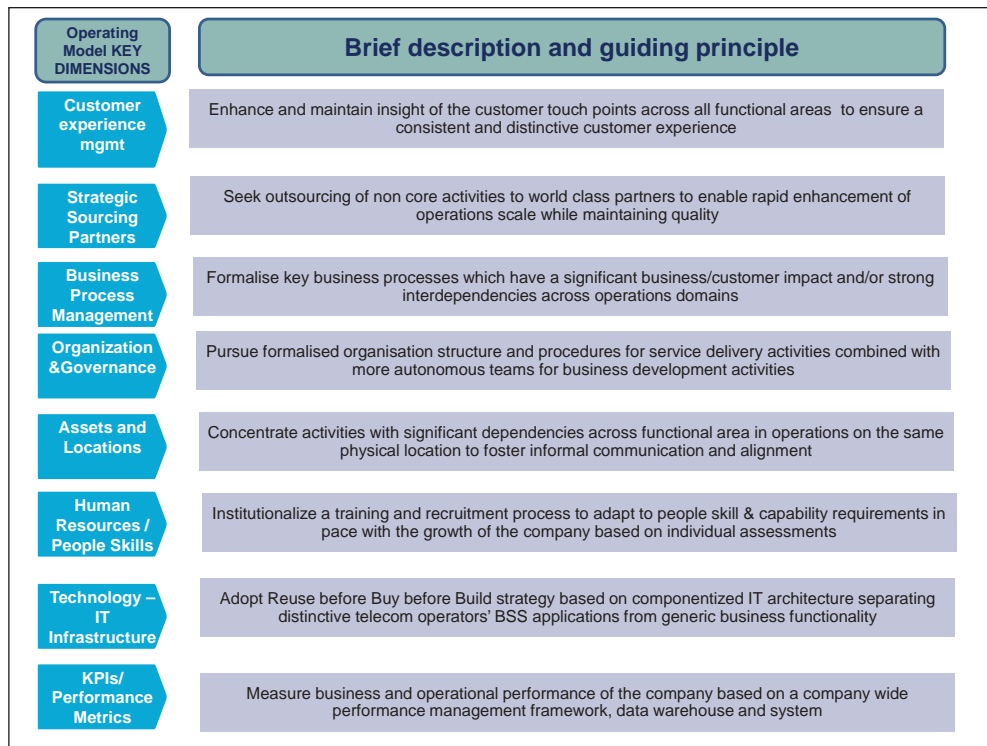
3.1. Findings/Discussion

The diagram below reflects the guiding principles and definitions of the Target Operating Model (TOM). These would enable the stakeholders to align the listed drill down capabilities from the High-level capabilities mapped to each of these Operational dimensions. The rectangular boxes are a reflection of the operational dimension needed to complete an operating model.

The findings of the operating model would be closely a summation of the operational components of each of the sub-operating models derived from each functional domain mentioned above like PoS (point of sale), CRM, Billing, Resource management etc. The key findings would be these operational components which would help materialize the business findings or the business imperatives which have been thought of while defining the business model. These operational components will lead to the business process layer and thereby mapped to the key solution use cases through the business processes.

There are a few global examples across geographies mentioned below wherein Telcos have adopted the

Figure 3. Understanding the Operational Dimensions of TOM



concept of TOM and the way they are described. The notable point here is in each of examples TOM is being implemented in different context across various functions, scope, departments which is across the length and breadth of the organization.

A Telecom major incumbent force in the UK while redesigning their contact center operations implemented TOM across their CRM and contact center functions to address the maturity and capabilities which were much needed to changing market needs and demands thus delivering extremely highly satisfied SLAs to their end customers. This has been very successful while looking at their newly designed contact center operations and it also helped to focus on key business and operational focusses which were defined within the process dimension of the Target operating model for their contact center. Also it helped them to minimize and streamline their opex (operational expenditure) in a significant way and improve on overall profits. In this scenario though both “Design” and “Operationalization” of the TOM were in focus, however the focus was much more in the second part primarily being driven by the contact center operations which was essentially ‘service’ assurance and SLA driven more than anything else. Hence lots of emphasis was given to the implementation of the TOM especially to ensure enhanced customer experience could have been achieved and the service provider could remain competitive in the market with regards to competition.

A Telecom major force in Africa primarily operating in the mobile space have designed and defined a TOM for one of their key network functions which acted as a strategic interface between business and technology networks. They had looked at TOM as a best practice blueprint to transform their organizational capabilities which would have been much needed to shift the CxOs focus to operational drivers which haven’t been thought before. Thus TOM became a key essential entity to be looked at while transforming the networks organization as a whole. In the context of the project scope being delivered the “Design” of the TOM was only being considered as the CTO was keen to look at the functional network business services blueprint at this stage.

A telecom major in the Middle East opted for defining and designing their TOM across their IT landscape and various IT functions while undergoing a complete end to end transformation program, where they were integrating 6 different applications within BSS. This was a major transformation as the complete IT end to end architecture

was getting changed. The TOM was intended for business excellence and CIO/COO’s office wherein they can look at it as a checkpoint for specific capabilities being delivered as a result of the transformation program through chosen solutions. Being a major transformation program in the BSS space the telecom major decided to go with both the “Design” as well as “Operationalization” of the TOM respectively. These were carried out in the two distinct phases of the program viz. the Analysis and design phase of course saw the introduction and design of the blueprint of the operating model , accompanied by the process and solution and implementation phase which saw the “operationalization: of the TOM.

3.2. INFERENCE OR CONCLUSION

The output of the Operating Model should be able to give a good enough perspective to the Telco management team on how to better manage the operations and align their strategic viewpoint to this model. Any business blueprint which would be visualized by the core business strategy team and the business stakeholders of the Telco could well be put into operational mode by the target operating model design and the method described in deriving the TOM. The output will also closely link with the KPI Metrics, which needs to be built up either internally by each team or group head or functional heads of various teams. However this is not the complete end result, which ideally a Telco management would look for, both in terms of tangible benefits of revenue or costs and intangible benefits in terms of operational efficiency. In order to achieve this, one needs to logically derive the quantitative and qualitative yields of the Operating model. Mapping the Operating Model to the end-to-end KPI Matrix designed and then align it to the Balanced Score Card of a Telco management team and thereby control and decide on the benefits would do this ideally.

On attaining maturity of the above suggested approach, the final goal would be to link this (control point matrix related to Revenue and Cost) back to the Products and Services offerings of the Telco which would in turn help the management to realize the impacts of the success and failure of any services being offered from an operational perspective. Thus its evident that while implementing any business for any Telco one should not be thinking in isolation but instead would be taking in due consideration the necessary operating model which needs to be closely integrated to implemented these differential business ideas.

<i>Abbreviations/ Glossary</i>	<i>Meaning</i>
C2M	Concept to Market
L2C	Lead to Cash
O2C	Order to Cash
T2R	Trouble to resolve
P2P	Promise to pay
eTOM	Enhanced Telecom Operations Map
TAM	Telecom Applications Map
SID	Shared Information Data
TOM	Target Operating Model
TMF	Tele-management forum
KPI	Key performance indicator
SLA	Service level agreement
CRM	Customer relationship management
PoS	Point of Sales
BPEL	Business Process Execution Language
BSS	Business Support Systems
COO	Chief Operational Officer
CTO	Chief technical Officer
CIO	Chief information Officer
RoI	Return on investment
Opex	Operational expenditure

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