# THE TRANSFORMATIONAL CIO
## Harvey Nash/KPMG CIO Survey 2018
### Telecommunications Industry Findings

The Harvey Nash/KPMG CIO Survey is the largest IT leadership study in the world, with almost 4,000 respondents across 84 countries, representing over US$300bn of IT budget spend.

**This Telecommunications industry snapshot provides survey responses from more than 130 IT leaders on some of the key topics, and highlights several areas where this industry's responses differed significantly from those across all industries.**
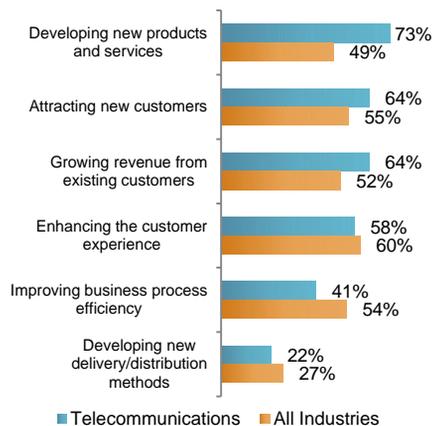
## Digital Strategy

### Does your organization have a clear digital business vision and strategy?



Telecommunications / All Industries

- Yes, enterprise-wide: 43% / 32%
- No: 28% / 41%
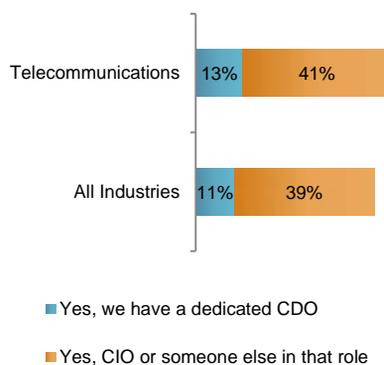- Yes, within business units: 29% / 27%
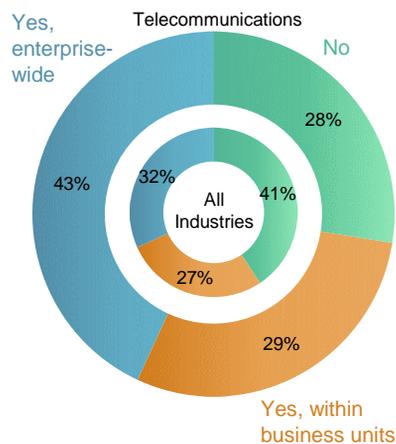
Telecom companies are **far more likely to maintain an enterprise-wide digital business strategy** than others (43% vs. 32% for all industries). An additional 29% maintain a digital strategy within business units. However, 28% lack a clear strategy of any sort.

### Does your organization have a Chief Digital Officer or someone serving in that capacity?

| | Yes, we have a dedicated CDO | Yes, CIO or someone else in that role |
|---|---|---|
| Telecommunications | 13% | 41% |
| All Industries | 11% | 39% |

**13% of Telecom companies have a dedicated Chief Digital Officer**, more than in other industries. An additional 41% have the CIO or someone else act in that role. In total, more than half have a single executive in charge of their digital strategies.

### How effective is your organization at each of the following capabilities? (Very/Extremely Effective)

| | Telecommunications | All Industries |
|---|---|---|
| Understanding the impact of digitization on your industry | 53% | 48% |
| Relying upon an overall digital vision to guide decisions | 39% | 32% |
| Integrating core business systems with newer digital solutions | 38% | 32% |
| Hiring and developing people with digital skills | 31% | 24% |
| Redesigning business processes to take advantage of digital technologies | 28% | 24% |

Telecommunications effectiveness in key digital capabilities exceeds that of other industries. In particular, Telecom companies **excel at understanding the impact of digitization** (53% vs. 48% for all industries). However, they struggle with redesigning business processes to take advantage of digital.

### Which are the most important goals when prioritizing digital Telecom initiatives in your organization?

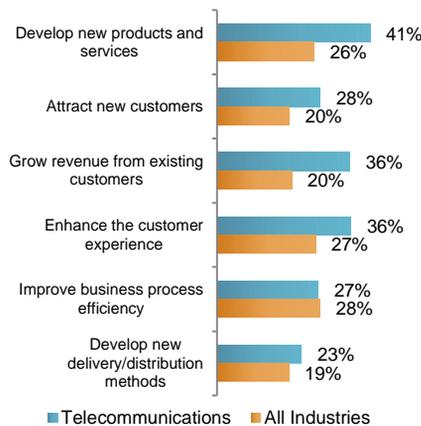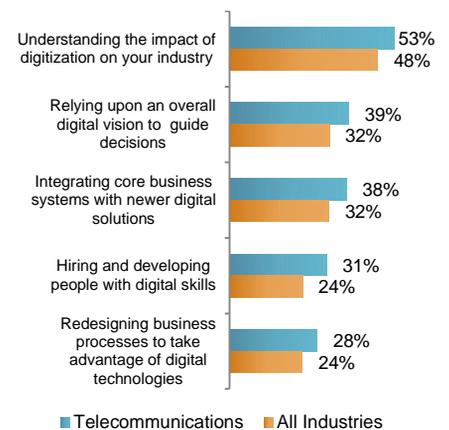| | Telecommunications | All Industries |
|---|---|---|
| Developing new products and services | 73% | 49% |
| Attracting new customers | 64% | 55% |
| Growing revenue from existing customers | 64% | 52% |
| Enhancing the customer experience | 58% | 60% |
| Improving business process efficiency | 41% | 54% |
| Developing new delivery/distribution methods | 22% | 27% |

When prioritizing digital investments, Telecom companies **most heavily focus on developing new products and services** (73% vs. 49% for all industries) **and attracting new customers** (64% vs. 55%).

### How effective has your organization been in using digital technologies to advance the following goals? (Very/Extremely Effective)

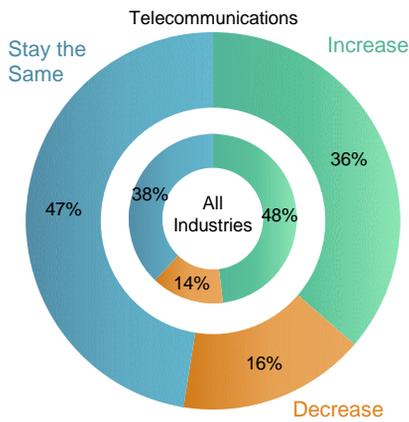| | Telecommunications | All Industries |
|---|---|---|
| Develop new products and services | 41% | 26% |
| Attract new customers | 28% | 20% |
| Grow revenue from existing customers | 36% | 20% |
| Enhance the customer experience | 36% | 27% |
| Improve business process efficiency | 27% | 28% |
| Develop new delivery/distribution methods | 23% | 19% |

Reflecting its importance, **41% of Telecom companies rate themselves as very effective or better at using digital to develop new products and services.** They are much less effective at using digital to advance their other top goal of attracting new customers (28%).

### Overall, how effective has your organization been in using digital technologies to advance its business strategy?



Telecommunications / All Industries

- Not/slightly effective: 27% / 36%
- Very/extremely effective: 30% / 22%
- Moderately effective: 43% / 42%
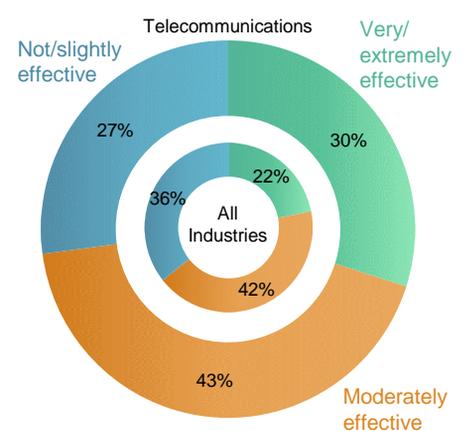
Telecom companies **report much higher overall effectiveness levels in their digital strategies than other industries**, with 30% describing their digital strategy as very effective or better, compared to a cross-industry benchmark of 22%.
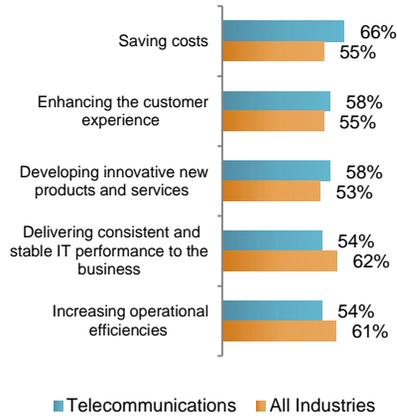
# Budget/Priorities

## Looking forward, over the next 12 months, what do you expect your IT budget to do?


Telecommunications

Stay the Same — Increase — Decrease

Telecommunications: Increase 36%, Decrease 16%, Stay the Same 47%
All Industries: Increase 48%, Decrease 14%, Stay the Same 38%

Telecom companies are **much more pessimistic about their IT budgets for next year** than companies in other industries, with 36% expecting an increase, compared to an all-industries average of 48%.
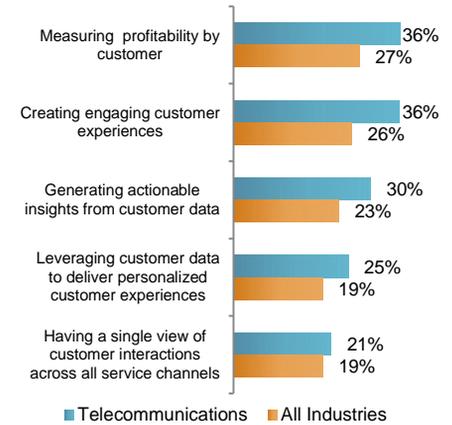
## What are the key business issues that your management Board are looking for IT to address? (top 5)

| Issue | Telecommunications | All Industries |
|---|---|---|
| Saving costs | 66% | 55% |
| Enhancing the customer experience | 58% | 55% |
| Developing innovative new products and services | 58% | 53% |
| Delivering consistent and stable IT performance to the business | 54% | 62% |
| Increasing operational efficiencies | 54% | 61% |

■ Telecommunications ■ All Industries

Compared to other industries, Telecom management Boards **more heavily emphasize IT saving costs** (66% vs. 55% for all industries). Telecom companies also focus heavily on enhancing the customer experience (58%).
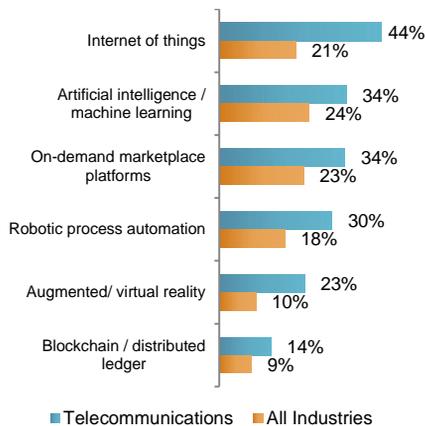
# Customer Capabilities

## How effective is your organization at each of the following capabilities? (Very/Extremely Effective)

| Capability | Telecommunications | All Industries |
|---|---|---|
| Measuring profitability by customer | 36% | 27% |
| Creating engaging customer experiences | 36% | 26% |
| Generating actionable insights from customer data | 30% | 23% |
| Leveraging customer data to deliver personalized customer experiences | 25% | 19% |
| Having a single view of customer interactions across all service channels | 21% | 19% |

■ Telecommunications ■ All Industries

Telecom **exceeds cross-industry effectiveness benchmarks in five critical customer-focused capabilities**, especially in measuring profitability by customer (36% vs. 27%). However, Telecom companies struggle with having a single view of customer interactions across all service channels (21% vs. 19%).
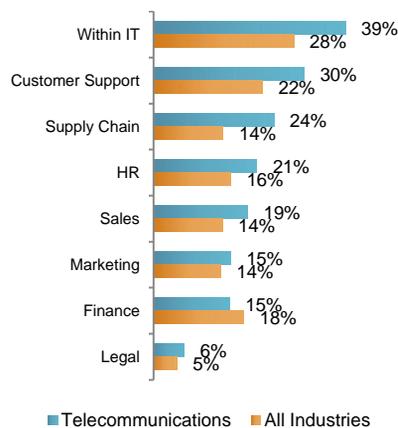
# Telecom & Innovation

## How would you characterize your investment in the following technologies? (Moderate/Significant Investment)

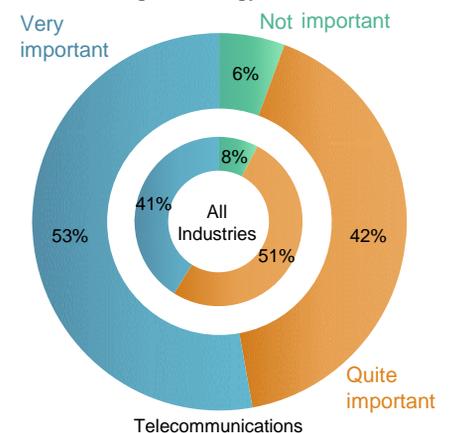| Technology | Telecommunications | All Industries |
|---|---|---|
| Internet of things | 44% | 21% |
| Artificial intelligence / machine learning | 34% | 24% |
| On-demand marketplace platforms | 34% | 23% |
| Robotic process automation | 30% | 18% |
| Augmented/ virtual reality | 23% | 10% |
| Blockchain / distributed ledger | 14% | 9% |

■ Telecommunications ■ All Industries

Of next-generation technologies, Telecom companies are **most likely to have invested in the Internet of Things** (44% vs. 21% for all industries), **A.I./machine learning** (34% vs. 24%), **and on-demand marketplace platforms** (34% vs. 23%).

## In which functions have you implemented digital labor / automation?

| Function | Telecommunications | All Industries |
|---|---|---|
| Within IT | 39% | 28% |
| Customer Support | 30% | 22% |
| Supply Chain | 24% | 14% |
| HR | 21% | 16% |
| Sales | 19% | 14% |
| Marketing | 15% | 14% |
| Finance | 15% | 18% |
| Legal | 6% | 5% |

■ Telecommunications ■ All Industries

Telecom companies have **implemented digital labor/automation much more frequently than others,** especially within IT (39% vs. 28%) and Customer Support (30% vs. 22%).

## How important is it to have an innovative, experimental culture in your organization to ensure its digital strategy is a success?


Telecommunications

Very important — Quite important — Not important

Telecommunications: Very important 53%, Quite important 42%, Not important 6%
All Industries: Very important 41%, Quite important 51%, Not important 8%

Telecom companies **view having an innovative, experimental culture as an even more critical component of the success of their digital strategies** than others, with 53% viewing it as very important compared to 41% across all industries.

# Conclusion

With shrinking margins, rising network costs and legacy IT systems, the Telecom industry faces capital constraints. Telco Boards want IT to address cost savings, enhance the customer experience and develop new products/services and these challenges are reshaping CIO priorities in driving innovation and digital strategies.

Innovation is at the heart of these challenges, underpinned by investment in next-generation technologies. Telcos have invested more into IoT, A.I. and on-demand marketplace platforms compared to other industries. In addition, to help improve margins, they have implemented digital labor/automation much more frequently, especially within IT and Customer Support.

To help meet IT budget demands, Telcos are more likely to maintain an enterprise-wide digital business strategy, with more than 53% of IT leaders understanding the impact of digitization in the sector. The drive to increase margins and flow of capital has seen Telcos exceed other industries in five critical customer-focused capabilities, especially in measuring profitability by customer (36% vs. 27%). That said, they struggle with having a single view of customer interactions across all channels.

Reflecting the importance of digital strategies to Telcos, their digital initiatives prioritise developing new products/services, attracting new customers, enhancing customer experience and growing existing customer revenue. Indeed they are proving successful in these areas compared to other industries with 41% rating themselves very/extremely effective at their top priority of developing new products/services. However, they struggle in using digital technologies to redesign business processes. While Telcos are leading most industries in many areas, there's still much to do to fully exploit the digital opportunity.

# Further information

**Alex Holt**
Head of TMT, UK
KPMG in the UK
T: +44 (0) 7887 832141
E: Alex.Holt@KPMG.co.uk

**www.kpmg.com/ciosurvey**

KPMG