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Capturing business opportunities beyond mobile broadband

Key execution capabilities for service providers to strengthen their enterprise position

May 2020

Executive summary

Leading communications service providers acknowledge that they experience clear readiness gaps in building the capabilities required to execute their strategies beyond mobile broadband. This global study reveals the most critical places to start.

Digital technologies are transforming industries worldwide. With 5G being deployed across continents, service providers increasingly recognize the new business opportunities that digital transformation of the enterprise market will bring. However, to successfully address these opportunities and accelerate longer-term growth, they need to extend their focus from traditional revenue streams to center on digitalizing targeted industries.

Service providers are in a strong position to capture opportunities related to industry digital transformation. They have a local market presence, extensive network coverage, established customer relationships and a deep knowledge of connectivity requirements. Thus, they have an opportunity to leverage the increasing number of connected devices, as well as offer related digital services.

Our study has revealed that leading service providers are already taking steps to look beyond connectivity by focusing on a few specific industries. However, it is vital they quickly become more focused and determine their strategic ambition beyond mobile broadband in each targeted industry. Moreover, strategy execution is becoming increasingly important as enterprise digitalization efforts are accelerated. Many service providers are only now beginning to realize this.

We have identified three categories of capabilities that are critical to execution. The first is business capabilities, involving commercial aspects such as business models, partnerships and go-to-market. Secondly, operational capabilities include organizational enablers such as processes, skills and culture. Thirdly, technical capabilities are related to functionalities and capacities in the network.

Service providers experience major readiness gaps in building business and operational capabilities, which act as barriers toward attaining their strategic

ambitions beyond mobile broadband. To close these gaps, they urgently need to accelerate their efforts to identify and build key capabilities.

Many service providers are relatively ready to build and improve on their technical capabilities. Hence, our study suggests that they should be selective and first prioritize the most critical business and operational capabilities, as they will play a key role later in enabling the development of remaining important capabilities. The capabilities this study pinpoints as most critical are:

- effective B2B and B2B2X go-to-market
- leadership and culture
- industry knowledge of targeted verticals
- skills
- service orchestration, assurance and automation

However, one size will never fit all. Capability development must tie directly into each service provider's strategic ambition.

This report aims to highlight why service providers must tap into industry digitalization opportunities to accelerate revenue growth, and the key execution aspects to consider. In short, the report covers:

- our understanding of service providers' strategies for going beyond mobile broadband
- the most critical capabilities service providers should build to execute their strategy
- the actions global front-runners are taking to close key capability gaps and overcome challenges
- key considerations for service providers' executive teams in strengthening the top five critical capabilities

The key insights gathered from the study are summarized in Figure 1, and will be explored in detail in the following chapters.

Figure 1: Summary of key insights



As digital technologies are disrupting industries globally, service providers should extend their strategic focus to B2B and B2B2X to capture industry digitalization opportunities and accelerate revenue growth.



Service providers are seeking to go beyond connectivity by focusing on a few industries, and need to quickly identify where to play and decide whether to initially prioritize horizontal or vertical solutions.



Service providers experience wide readiness gaps for business and operational capabilities, and must immediately accelerate the efforts to build key capabilities in order to close the gaps.



Service providers are relatively ready to build technical capabilities, and should focus on building the most critical business and operational capabilities that enable the development of others.

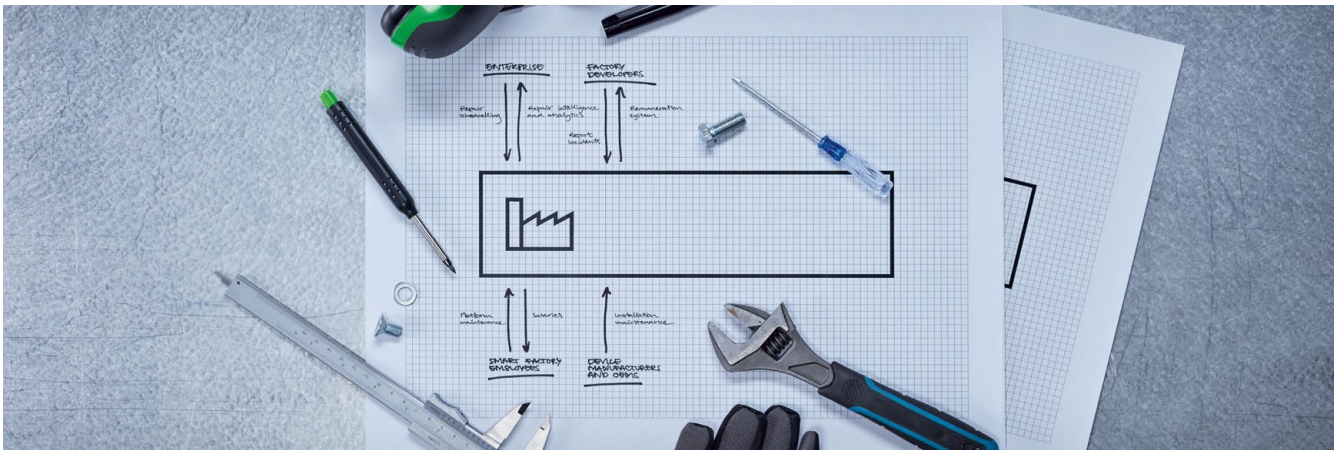


One size doesn't fit all – the development of execution capabilities should reflect the strategic ambition beyond mobile broadband.

Business capabilities

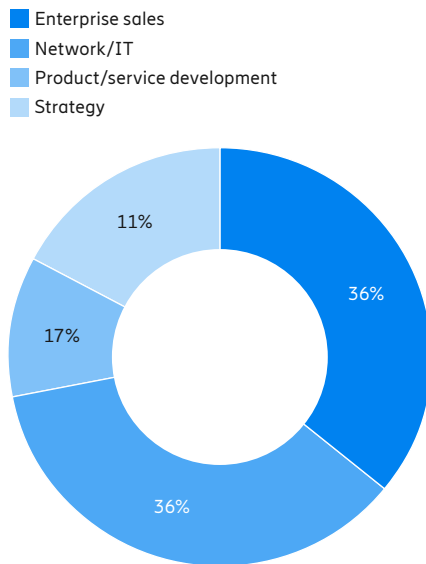
Operational capabilities

Technical capabilities



We work closely with service providers to provide tools for developing key execution capabilities to strengthen their enterprise position

Figure 2: Operational functions of service provider participants



Methodology

For the past two years, we have been working closely with service providers globally in strategic engagements. Our aim has been to support them in developing their digital strategies and how to realize the full potential of 5G beyond mobile broadband.

Following these engagements, a benchmark study was initiated to explore the business, operational and technical capabilities service providers need for successful execution of these strategies in the enterprise segment. The key objectives of the study were to gain an understanding of the following:

- the most important capabilities for service providers to succeed beyond mobile broadband
- service providers' current readiness levels across capabilities
- key challenges faced in developing these capabilities
- actions global front-runners are taking to close key capability gaps

To capture perspectives and priorities, we engaged in strategic discussions with selected service providers globally during the fall of 2019. Responses were captured in working sessions with key stakeholders across the service providers' organizations, as well as in a few follow-up interviews, to build a deeper understanding of the most critical capabilities. The global insights from these engagements, along with a detailed analysis, are highlighted throughout this report.

As a basis for the strategic discussions and participants' capability assessments, we developed the framework illustrated in Figure 3. The framework highlights the execution capabilities across business, operations and technology that service providers should invest in on their journey toward the target position beyond mobile broadband. Moreover, it has been further enhanced based on their feedback and insights.

Figure 3: Capabilities service providers need to reach the target position beyond mobile broadband

Business capabilities		Operational capabilities		Technical capabilities	
New and evolved business models	Relevant partnerships and ecosystems	Automation and zero-touch operations	Skills	Flexible billing and charging	Service/API exposure and digital interaction
Effective B2B and B2B2X go-to-market	Attractive business-to-developer interface	Leadership and culture	Organizational structures and processes	Network slicing	Service orchestration, assurance and automation
Industry knowledge of targeted verticals	Orchestration of services from value chain players	Automated software life cycle (CI/CD)	External and internal communication	SD-WAN	Cloud and edge infrastructure

Revenue growth potential through industry digitalization

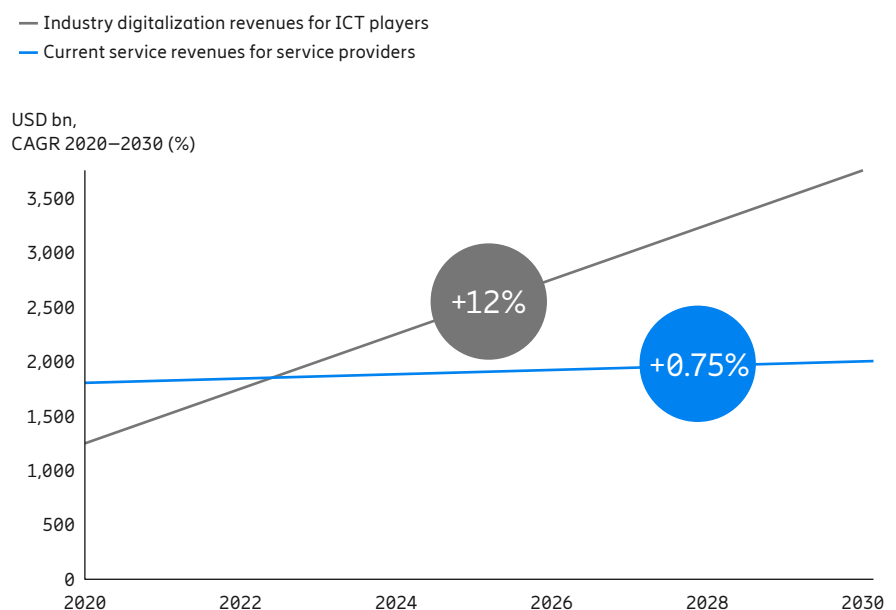
As digital technologies transform industries globally, service providers are extending the strategic focus they place on enterprises, in order to accelerate revenue growth.

Of the total projected value of industry digitalization enabled by 5G in 2030, almost half will be addressable by service providers.¹ Our study reveals that many service providers globally foresee growth opportunities in using 5G to solve enterprise pain points. Thus, their customer focus on business-to-business (B2B) and business-to-business-to-consumer/business (B2B2X) is increasing.

B2B2X

Business-to-business-to-consumer/business is a business model in which a service provider delivers services to any number of end users. This is achieved by integrating telecoms and IT service capabilities with applications used by enterprises to offer services to their customers, represented by the "X".

Figure 4: The service provider growth opportunity from industry digitalization



Source: Ericsson and Arthur D. Little

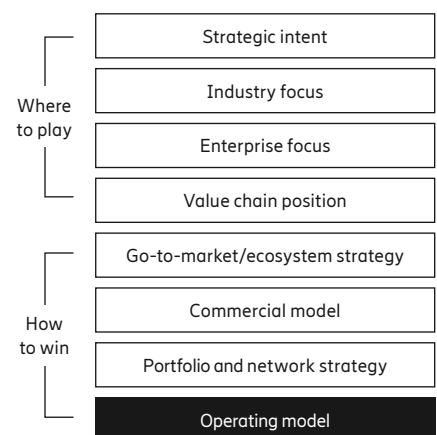
Service providers' revenues from existing business, mainly driven by connectivity, are expected to remain stagnant, as seen in Figure 4. Therefore, they are exploring new opportunities in order to capture a larger share of the potential global ICT revenue enabled by 5G, of up to USD 700 billion in 2030 across 10 industries.¹

To build a strong position beyond connectivity in the enterprise market, service providers must be prepared to work much more closely with ecosystems of partners, co-creating and exploring new business opportunities and use cases together. Figure 4 demonstrates service providers' revenue growth opportunity if they manage to successfully adapt to these new ways of working and take advantage of emerging business opportunities, such as private networks, Industrial Internet of Things (IIoT) and edge computing.

In order to effectively capture this growth opportunity, service providers must build a clear and consistent end-to-end digital strategy. For this purpose, we suggest applying a framework (see Figure 5) detailing the key dimensions service providers must address in defining their strategy. To begin with, a thorough analysis of the "where to play" dimensions, to define the strategic ambition and target position in the enterprise market, is key to maximizing the 5G-enabled industry digitalization opportunity.

Nevertheless, the digital strategy is not complete without carefully considering execution strategies, referred to as "how to win". This study focuses on the business, operational and technical capabilities that, as part of the operating model, are critical for strategy execution.

Figure 5: Our digital strategy framework



Note: The operating model box is the focus of this report, consisting of capabilities across business, operations and technology

¹ Ericsson, 5G for business: a 2030 market compass (October 2019)

Where to play beyond mobile broadband

Service providers are seeking to go beyond connectivity by focusing on a few industries. Those which have not yet identified “where to play” and defined the strategy for approaching targeted industries should make this a priority.

Service providers are keen to maximize the value from the 5G-enabled industry digitalization opportunity. Our strategic discussions have revealed that they intend to go beyond connectivity to deliver platforms and end-to-end solutions across various target industries. However, the study highlights that service providers globally are predominantly prioritizing a few industries in the short term, including transport and logistics, manufacturing, energy and utilities, and healthcare (Figure 6).

Today, service providers tend to adopt limited strategic analysis and segmentation of industries and enterprises to determine which customers to target. Instead, they seem to prefer a more opportunistic and exploratory approach. Typically, the nature of the existing customer relationship is the only criterion, as they are more likely to spend time exploring the needs of existing customers, rather than identifying new ones. Service providers may miss out on potential business opportunities if other key criteria are not taken into consideration when selecting enterprises to target; for example, solution scalability, reuse of investments and digital maturity.

Service providers are pushing ahead with different strategies on their journeys beyond mobile broadband – with some opting for a vertical focus, a horizontal focus, or even a hybrid of the two. Those primarily adopting a horizontal focus generally prioritize providing scalable solutions by leveraging connectivity and platform services across a broad range of industries. In contrast, service providers adopting more of a vertical focus seek to provide industry-specific end-to-end solutions by leveraging applications, service provisioning and service delivery on top of connectivity and platforms.

The power of private networks

Service providers consider private networks as a key offering to the enterprise market, enabling them to capture new revenue streams by leveraging existing assets. For many service providers, private networks are a gateway into industry digitalization enabling both horizontal and vertical approaches. Through deployment of private networks, enterprises may tackle various connectivity-related pain points in operations.

By leveraging upselling opportunities based on enterprises’ demand to manage and orchestrate the data, service providers may take on the role of service and platform enabler. In this role, they provide customers with digital platforms for configuring value-enhancing capabilities for their processes. As connectivity and platforms evolve and are implemented, service providers will be able to add new applications by leveraging an ecosystem of partners. In doing so, they will eventually become an end-to-end service provider with the ability to support more advanced technologies and services as devices, ecosystems and standards mature.

In short, service providers which have not yet identified “where to play” and defined the strategy for approaching targeted enterprises should immediately do so. The most suitable option will be dependent on service providers’ ideal target position, and will have varying implications on the design of the execution capabilities.

Figure 6: The most common industries prioritized by service providers in the short term

	European service provider (1)	European service provider (2)	Australian service provider	Global service provider	Chinese service provider	North American service provider
Transport and logistics	✓	✓	✓	✓	✓	✓
Manufacturing	✓			✓	✓	✓
Energy and utilities			✓	✓	✓	
Healthcare	✓	✓	✓		✓	✓

Critical capabilities for execution

Service providers experience wide readiness gaps in business and operational capabilities. However, they are relatively ready in terms of building technical capabilities.

In Figure 7, the outcome of the capability assessments by all service provider stakeholders involved in the study has been synthesized. The assessments refer to the capability's level of importance in reaching the target position beyond mobile broadband, and service providers' current readiness in building the capability. Most capabilities are rated as of high importance, while service providers consider themselves far from equipped with the capabilities required. Hence, there are wide readiness gaps that service providers need to close in order to capture new business opportunities in the enterprise segment.

Service providers seem to regard business capabilities as the most important group to develop. However, the general readiness level is fairly low, as focus is maintained on delivering connectivity services. The business capabilities assessed as most critical include effective B2B and B2B2X go-to-market, industry knowledge of targeted verticals, and relevant partnerships and ecosystems. The main concerns of key stakeholders around these capabilities include the adoption of a co-creation mindset in the organization, efficient design of go-to-market processes, and ensuring the right competence in sales teams.

Furthermore, service providers consider operational capabilities as enablers of business and technical capabilities. The leadership and culture and skills capabilities are particularly seen as important for service providers to radically transform their operations and ways of working. Organizationally speaking, service providers see a need to overcome silo mentalities and short-term focus – in which leadership and culture are key enablers. There is an urgent need to upskill existing workforces, while retaining and recruiting staff with the right competence and mindset, including the ability to work with automation, adapt to agile environments and sell solutions beyond legacy business.

In general, technical capabilities are perceived as less critical than business and operational capabilities, mainly because the general readiness level is much higher. Managing legacy systems and enabling them to co-exist with new technologies without creating additional complexity is a key concern. Service providers unanimously consider service orchestration, assurance and automation to be the most important technical capability, as it is a prerequisite for deploying other technical capabilities, such as network slicing.

"As almost all our revenues come from connectivity, our sales channels, partnership models and commission structures are not there to support offerings beyond connectivity."

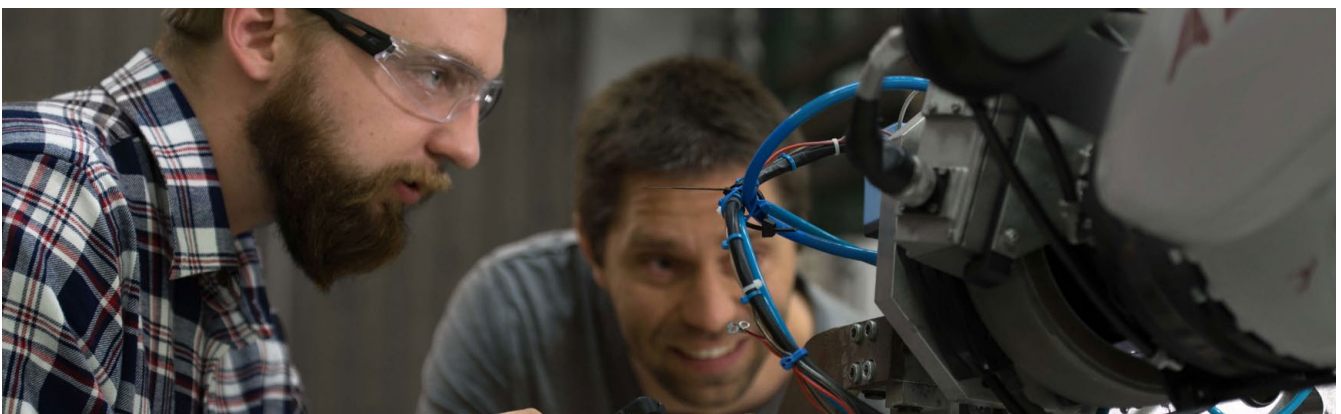
Strategy Principal
Australian service provider

"We don't have a sales team that is capable of telling the enterprise customers where the world is heading and how we can support them in the digitalization journey."

Head of Enterprise Marketing
European service provider

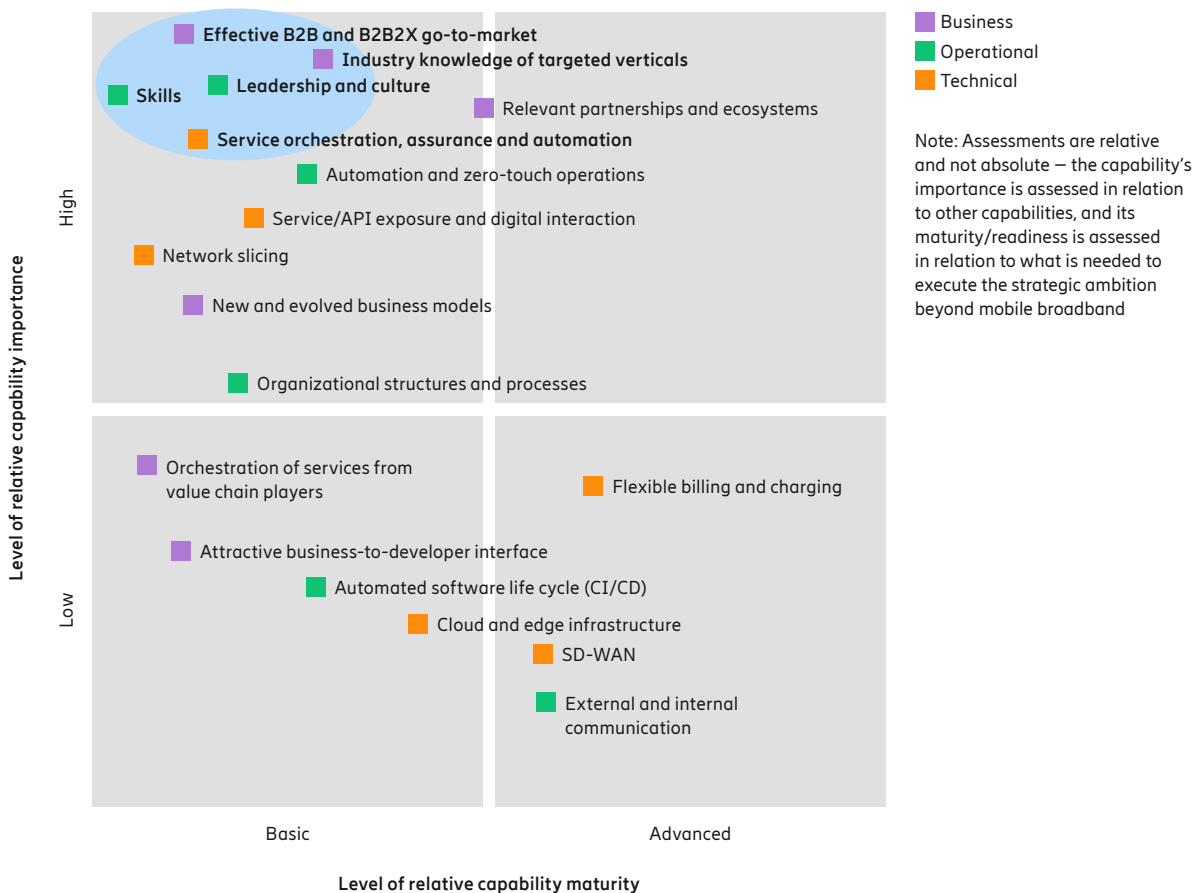
Overall, service providers consider many of the capabilities to be highly critical in capturing business opportunities beyond mobile broadband.

As the current gap to reach the desired state is wide, service providers must begin ramping up the most critical capabilities, particularly on the business and operational fronts, to ensure successful execution.



To sell solutions beyond mobile broadband, the sales force must build a deeper understanding of customers' business needs and pain points

Figure 7: Overall assessment of the relative importance and maturity of critical capabilities



The top five capabilities pinpointed as most critical are:

Effective B2B and B2B2X go-to-market

To engage with enterprise customers beyond legacy business, an effective go-to-market model is crucial. This involves efficient and scalable processes for engaging with customers and partners, and for distributing insights and learnings across the organization. Moreover, it concerns making sure sales teams are properly equipped to understand and address enterprise customers' business challenges.

Leadership and culture

Leadership involves ensuring the enterprise segment receives the right level of attention from both top and middle management, and that the strategic priorities are clear. The culture should support and strengthen the strategic ambition and priorities beyond legacy business, for example through encouraging co-creation and a customer-oriented and innovative mindset.

Industry knowledge of targeted verticals

This capability refers to having the optimal processes and resources in place to ensure an organizational understanding of industry trends, as well as customers' business challenges, strategic priorities and digitalization needs. This is key to efficiently design, develop and sell relevant solutions to customers.

Skills

Developing and selling new solutions in new ways requires a different set of workforce competencies. Therefore, organizations must ensure sales teams are ready to serve enterprises beyond legacy business by being able to build a deeper understanding of their business needs and strategically engaging with other decision makers. Moreover, the workforce must adapt to automation and software-based operations. If these competencies are not acquired through partners, service providers must ensure appropriate processes and tools to upskill, cross-skill, recruit and retain sought-after competencies.

Service orchestration, assurance and automation

This capability refers to automating the design, creation and delivery of end-to-end network services, while guaranteeing quality and optimizing data analysis and decision making. This is important, as networks are becoming more real-time oriented, driven by customers' preferences for innovation and speed, and the need to meet or exceed those expectations with increased agility and lower cost structures. Orchestration answers the call for more dynamic management of information and technology in converged ICT networks, and supports services and resources throughout their life cycle – from planning to fulfillment and closed-loop assurance.

Efforts to close key capability gaps

Service providers must accelerate their efforts to close readiness gaps and should focus on the most critical business and operational capabilities.

Evidently, service providers experience wide readiness gaps for many capabilities, and must determine which to prioritize. The study's findings indicate to focus on the capabilities with the highest criticality levels – those assessed as highly important with low maturity levels. This primarily concerns the most critical business and operational capabilities, and some front-running service providers have already taken action to strengthen these. Three examples of such initiatives are described below.

European service provider partners to strengthen enterprise go-to-market
The service provider formed a strategic partnership with a global consulting leader to leverage its consultative skills






and industry knowledge in scaling the private networks business. The partners will jointly go to market and support each other in pre-sales. The service provider expects to increase the number of deals and increasingly build credibility as a business transformation partner.

Global service provider improves leadership and culture capability
Through its communication during a reorganization, the visionary leadership team of a global service provider emphasized the need for cultural change to become a digital transformation partner. Moreover, they made a clear push for growth areas in an aim to boost revenues from the enterprise business.

Australian service provider undergoes a large-scale agile transformation

The service provider is transforming its organizational structure and operating model by adopting an "agile at scale" model to break down siloes and hierarchies, decrease time-to-market and enable cross-functional collaboration. The transformation has enabled the service provider to reduce the number of management layers, employees and contractors.

Figure 8: Capability criticality and associated challenges

Top five capabilities	Level of criticality*	Rationale for criticality assessment	Main challenges in building capability
Effective B2B and B2B2X go-to-market		<ul style="list-style-type: none"> Scalable processes required to drive volume across industries Builds credibility as business partner 	<ul style="list-style-type: none"> Sales teams lack co-creation skills and industry knowledge Lack of use cases illustrating customer value Brand positioning
Leadership and culture		<ul style="list-style-type: none"> Top-down support crucial to decide what to focus on and prioritize Change mindset that "connectivity is king" to move up the stack 	<ul style="list-style-type: none"> Short-term focus on fixing yesterday's problems Top management needs to be prepared to take risks
Industry knowledge of targeted verticals		<ul style="list-style-type: none"> Must understand customers' needs to develop/sell proper solutions Needed to design an effective go-to-market strategy for each industry 	<ul style="list-style-type: none"> Time consuming and expensive to build Limited investments and attention from CxOs
Skills		<ul style="list-style-type: none"> Engaging strategically with customers requires new competence Software-based operations requires fast, flexible and agile ways of working 	<ul style="list-style-type: none"> Time consuming to educate and replace staff Lack of satisfactory processes for competence development
Service orchestration, assurance and automation		<ul style="list-style-type: none"> Enabler of other technical capabilities (e.g. network slicing) Simplified operations and maintenance – higher cost efficiency 	<ul style="list-style-type: none"> Lack of understanding of what should be automated Challenged by several legacy systems and different vendors

* Criticality is defined as a combination of importance and maturity (i.e. high criticality indicates that importance is high and the maturity gap is wide)

One size doesn't fit all

Service providers around the world are not the same. The design and development of capabilities should reflect the strategic ambition beyond mobile broadband.

Service providers' digital strategy beyond mobile broadband must be adapted to suit their unique circumstances. Based on the findings of this study, there are a set of strategic considerations for executive teams to closely reflect upon.

Firstly, executive teams need to extend their focus on B2B and B2B2X by prioritizing investments in industry digitalization opportunities, and clearly define their short-, mid- and long-term target positions in the enterprise segment. By segmenting customers, looking beyond existing relationships and prioritizing offerings that address enterprises' actual business needs, there is potential to maximize revenue growth. Furthermore, service providers must determine their targeted value chain position based on an analysis of their competitiveness, leveraging connectivity offerings as a ticket to play in the enterprise segment.

However, service providers must also consider the "how to win" dimension, focusing on developing strategies and execution readiness related to go-to-market, commercial models, and product and network portfolios. As outlined previously, the considerations for executive teams in developing capabilities for execution will differ depending on their target position beyond mobile broadband.

Two strategic archetypes for service providers

We have identified two potential strategic archetypes for service providers depending on their target position. As a service and platform enabler, they focus on capturing the immediate upsell opportunities emerging from providing connectivity to enterprises, such as network management services. Some advanced service providers

even aim to become end-to-end service providers from which enterprise customers can buy solutions – from connectivity to applications – directly. These solutions are typically specific and customized to address enterprises' more advanced business needs.

Depending on the preferred strategic archetype, service providers need to strengthen certain capabilities to effectively capture opportunities and reach their wanted position – see Figure 9. However, the development of business, operational and technical capabilities does not end at achieving the target position. Instead, service providers should regard the development of capabilities as an evolutionary process, preparing the organization for any emerging opportunities enabled by industry digitalization.

Effective B2B and B2B2X go-to-market

Regardless of strategic archetype, the enterprise go-to-market capability must be strengthened. One approach is to establish a partner ecosystem with third-party service providers; this way service providers can bring in external competencies and experiences to strengthen the capability.

In offering advanced applications and solutions to the enterprise segment, co-creating with selected lead customers becomes crucial to gain go-to-market experience and ensure the solutions can address enterprises' business pain points. With that said, there must be internal processes in place enabling more effective and closer cross-functional collaboration between sales, IT, and product and service development teams to ensure a customer-centric approach.

"One size will never fit all – which is why it is crucial for service providers to gain a much deeper understanding of how digital technologies are transforming the individual industries they work with, as well as which services they need to be providing to enterprise customers and why. Currently, understanding in this area is low."

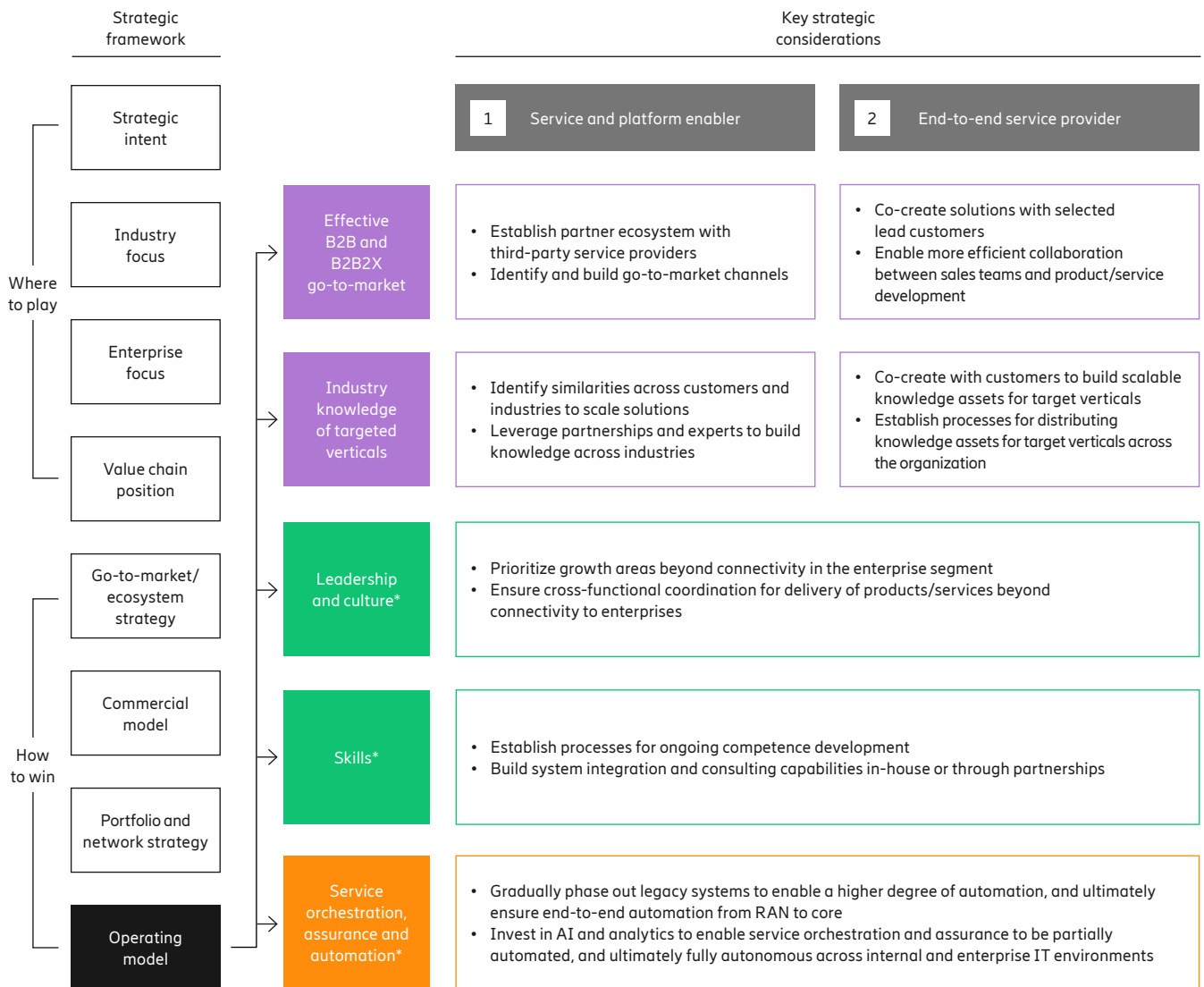
Jan Abrahamsson
Head of Strategic Customer Engagements, Ericsson

Industry knowledge of targeted verticals

For service providers aiming to offer service enablement solutions, their industry scalability is crucial, as these offerings should be immediate upsell opportunities from providing connectivity to enterprises. Therefore, as part of the process of acquiring industry knowledge, service providers should try to identify similarities across customers and industries to ensure solution scalability.

For end-to-end service providers, leveraging partnerships to co-create business opportunities is the most effective way to gain hands-on experience and to better understand the digitalization demands of targeted verticals. To truly leverage the learnings from different enterprise engagements, internal knowledge management processes should be established in order to synthesize and distribute knowledge assets across the organization.

Figure 9: Key strategic considerations for service provider executives to enable successful execution



* Strategic considerations are similar for both strategic ambition options

Leadership and culture

As service providers globally extend their strategic focus to B2B and B2B2X, it is becoming increasingly important for executive teams to prioritize and invest in growth opportunities beyond connectivity in the enterprise segment. To do this, a portfolio approach to those investments is key to manage higher risk levels. Moreover, there is a need for leaders to ensure cross-functional coordination for the delivery of products and services beyond connectivity. This includes taking end-to-end responsibility for delivery of new offerings at group level (e.g. through a 5G Program Office).

Skills

To secure the competitiveness of service providers, acquiring new competencies for future business through recruitment and upskilling the existing workforce is vital. Therefore, service providers should establish processes for ongoing competence development. Future sales in the enterprise segment will require a more consultative approach to address enterprises' pain points, including system integration into their existing IT environment. Hence, service providers should consider building consulting and system integration capabilities either in-house or through partnerships. This would allow them to provide both business and technical support, and to be perceived as a digital transformation partner by enterprise customers.

Service orchestration, assurance and automation

Many service providers identified legacy systems and the manual intervention entailed as key constraints in achieving a higher level of service orchestration, assurance and automation. Since this capability is important for launching new offerings, service providers need to form their own strategic plan for how to overcome legacy limitations. This is a fundamental step in further developing the capability. Ultimately, it should support end-to-end automation from RAN to core, and fully autonomous service orchestration in both internal and external customer IT environments.

Conclusions and looking ahead

Shareholder value creation for service providers is increasingly linked to their ability to generate new and growing revenues.

Looking forward, the best opportunity for revenue growth lies in enabling and supporting industries in their digital transformation. Globally, we now see increasing focus on a few industry segments and use case clusters where service providers can tap into new revenues.

Service providers are in a strong position to capture emerging digitalization opportunities thanks to strong customer relationships, extensive network coverage and deep knowledge of digitalization connectivity requirements. Notably, they can offer end-to-end data and network security, which is a key prerequisite in enterprises' digital transformation.

However, as this study shows, the critical execution capability gaps to truly capture this revenue growth are centered around service providers' ability to engage, sell and deliver solutions to enterprise segments. Customer needs and ways of purchasing in the relevant industry segments are changing fast. Clearly, without addressing this key capability gap, service providers will struggle to take a valuable market position in the enterprise segment.

The nature of the most critical execution capability gaps identified in this report are all complex and challenging to bridge. In order to truly close these gaps, service providers need to proactively initiate a range of activities to build new skills, leadership, tools, processes and incentives.

We believe all this is fully feasible to achieve. But it must start with an honest assessment by the executive teams of service providers to identify their own execution capability gaps. It is our hope that this study can go a long way toward raising awareness of capability gaps and key pain points, which in many cases are an immense barrier to digital strategy.

Understanding the problems these challenges pose, what they mean and how to overcome them will be an essential stage in determining clear steps for the future.

"The enterprise segment represents a great opportunity for service providers as 5G is introduced. They have both important strengths and a set of capabilities to develop, and we will use this information for shaping our portfolio offering. Through increased automation, we will help service providers to reduce time to market and simplify life cycle management of pre-integrated "easy-to-use" solutions. Based on a Network as a Platform approach, a rich set of network and service APIs will allow enterprises to consume connectivity and communication services, using digital interfaces with great end-user experience along the customer journey."

Oswaldo Aldao
Head of Portfolio,
Business Area Digital Services,
Ericsson

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