

# **5G: The next generation communications challenges facing Europe's mobile network operators**

Growth, Transformation, Protection



# About Kekst CNC

Kekst CNC is a leading strategic communications firm that helps the world's most ambitious organizations navigate periods of unprecedented challenge, change and opportunity. Its diverse, international and senior team of experienced advisers are uniquely structured to help organizations address issues related to:

**GROWTH:** Supporting organic and transactional growth initiatives

**TRANSFORMATION:** Generating confidence in transformations that redefine businesses and industries

**PROTECTION:** Preventing, responding to and recovering from enterprise-threatening challenges to brand and reputation

With nearly 300 communications professionals in 10 global markets, it combines the best international and local perspectives to support clients across key markets and industries. Kekst CNC has worked for numerous major telecoms operators on their most critical business challenges across both developed and emerging markets.

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In putting this paper together, our team was fortunate enough to receive input from executives representing more than 20 operators in Europe, including CEOs, Chief Strategy Officers, and heads of Corporate Affairs, Communications and Marketing, as well as industry and financial analysts and media. We are grateful for their contributions.



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# Introduction



The last major technology shift in the telecoms industry was transformational. With the advent of 4G came the smartphone and the mobile internet took off – opening up new applications and services to consumers in developed countries and making internet available and affordable for the first time.

Why then is there such pessimism regarding the prospects of 5G in many of the boardrooms of Europe's major mobile operators? Part of the answer is history: While the shift to 4G created new business models and new revenue streams across industries, the winners were often the over-the-top players (OTTs) that used the network without having to invest in building and maintaining it. The question operators are now asking themselves is: How can they be winners in a 5G world?

Much has been written about the strategic impact and commercial opportunities made possible by 5G, and this paper does not seek to replicate the thinking that has already gone into that. Instead, we put the spotlight on the reputational and brand considerations facing operators and how communications teams can contribute to making 5G a success.

The coronavirus outbreak has accelerated the trends that have been identified in this report. The crisis has been a 'resilience test' for network operators, and been a preview of the role that mobile communications will play following the roll-out of 5G. Operators have the opportunity to draw on the experience of COVID-19 to develop strategies to navigate their changed role.

This paper reflects these strategic priorities and the key communications challenges facing mobile operators as they develop and implement 5G strategies:

- **GROWTH:** Reputation and differentiation in a 5G world
- **TRANSFORMATION:** Organizational transformation to meet the needs of 5G
- **PROTECTION:** Surviving the reputational challenge

Let's start with the facts. 5G's technical capabilities when compared to today's 4G networks are extraordinary:

- Up to 100x faster data rates
- 5x lower latency
- 1,000x more data

For consumers, this means enabling opportunities that are not possible today – such as downloading a complete HD movie in seconds. However, the transformational opportunities are to be found in new applications, primarily for enterprises. Low latency enables remote robotics, for example, and longer battery life makes billions of remote sensors possible. In short, 5G allows the Internet of Things (IoT) to become a reality.

While it's easy to understand the new technical applications of 5G, it is not so easy to turn these ideas into real commercial propositions. It is similarly difficult to transform legacy operator organizations to be successful in a 5G world. It will also be significantly more challenging to manage the added reputational risk that inevitably comes from more potent technology and networks.

As a result, communications and brand strategies will play a key role in the transformation that 5G brings and will help to define future winners and losers. The right communications approach will differentiate operators and support growth. It will enable the internal changes that are required within operator organizations and will help them be better prepared to address, manage and recover from new risks.



# Growth Reputation and differentiation in a 5G world

*Operators may become so systemically important, in the way that banks are seen to be, that the narrative will be less about the consumer proposition and much more about trust and the ability to manage ever-greater risk.*

## FUTUREPROOF THE NARRATIVE

*“Clearly, right now it is a perception game. The real business strategy comes later.”*

**COMMUNICATIONS DIRECTOR, EUROPEAN OPERATOR**

At the heart of all effective communications strategies is a meaningful corporate narrative that acts as a “North Star” for both internal and external audiences – an organizing principle for communications that consumers, customers, investors and employees alike can relate to and support.

While some organizations have adapted their overall narrative to accommodate 5G, the major change is yet to come as 5G moves from hype to reality. As one CEO told us, *“It is a phoney war at the moment. In many respects, the 5G narrative is ahead of where companies want to be.”*

But change will come, and in our view will be accelerated by the reverberations of COVID-19 across multiple sectors (see box on next page). Significant new business opportunities with Industry 4.0, automation in manufacturing, AI and augmented reality will require a narrative that places more emphasis on

a broader set of stakeholders. Although each new generation of technology has been transformative – 3G made the internet mobile, 4G created the smartphone explosion – none of the previous breakthroughs had quite the same potential for impact as 5G.

5G will be transformative. It will lead to a central role for operators at the heart of society – in manufacturing, healthcare, transport, agriculture and security, for example. Operators may become so systemically important, in the way that banks are seen to be, that the narrative will be less about the consumer proposition and much more about trust and the ability to manage ever-greater risk. Future corporate narratives will need to reflect an entirely new social contract.

*“The communications landscape is changing rapidly. A year ago, broader stakeholder engagement was non-existent, our focus was solely on consumers. With 5G, we must communicate the benefit we bring to society at large in a much more considered and coherent way.”*

**COMMUNICATIONS DIRECTOR, EUROPEAN OPERATOR**

As it stands, many operators are reflecting aspects of these more fundamental stakeholder relationships, developing purpose-led narratives that tell the story of how communications

contributes to a better world. Others are focusing their attention in different areas, such as cost and efficiency, reflecting the growing concern of the financial community. The right approach requires striking the right balance.

*“There is limited growth in the sector. The 5G buildout has changed from a growth case to a cost case. 5G will enable operators to build cheaper capacity and drive efficiency improvements in areas such as energy saving. The potential growth areas, such as providing data for self-driving cars, lie further ahead and are much more uncertain.”*

**FINANCIAL ANALYST**

The variety of narrative approaches reflects the highly nuanced challenge facing communicators in this period of upheaval. However, organizations should not get distracted by concerns around short-term uncertainty in the 5G growth story. Rather, they should be futureproofing their narrative now if they want to take advantage of the opportunities 5G will create, while mitigating the risks. Their narrative needs to be ready for the more meaningful, systemic role that organizations will play going forward, and robust enough to deal with the unprecedented scrutiny they will receive as a result.



*Operators have been arguing for years that their role in supporting economic growth should be taken into account during spectrum auctions for example or when addressing other regulatory challenges. Now they have proof, not only in terms of their economic contribution but also the role they are likely to play in ensuring a smooth exit from the pandemic.*

## COVID-19 - NEW OPPORTUNITIES, NEW CHALLENGES

Mobile operators are emerging from the COVID-19 crisis with credit. The disruption caused by coronavirus has set a 'resilience test'; operators have played a critical role in keeping economies moving all over the world.

This presents an opportunity to the sector. Operators have been arguing for years that their role in supporting economic growth should be taken into account during spectrum auctions for example or when addressing other regulatory challenges. Now they have proof, not only in terms of their economic contribution but also the role they are likely to play in ensuring a smooth exit from the pandemic - take contact tracing for example. Now operators have an unprecedented opportunity to re-set their relationships with regulators and demonstrate their value to society.

COVID-19 has also likely accelerated the digital transformation of companies across multiple sectors which, in turn, will accelerate demand for 5G. Up until now the theory has been that the network will come first, and the applications will emerge further down the line. But COVID-19 has

forced business to rethink how it operates and accelerated many of the innovations that will rely on 5G for real success. This will put pressure on the operators to accelerate their own transformation to ensure they are ready to cope with the new normal. And while COVID-19 is playing a key role in this accelerated transformation, will the operators be ready? In some countries rollout will be faster and Swedish equipment manufacturer Ericsson said as recently as May 2020 that it was lifting its forecast for 5G subscriptions globally to around 2.8 billion by 2025 from 2.6 billion as a consequence of the pandemic. While in other countries, there are indications of COVID related roll out delays as regulators in France, Austria and Portugal announce holds on spectrum auctions for example.

Of course, as we argue later in this paper, with greater responsibility comes greater risk. Ill-timed outages will attract more lasting criticism, network security will move even higher up the agenda, as will issues around privacy. As operators' systemic status is accelerated by COVID-19, the scrutiny will be heightened.

*5G presents an opportunity for the operator brands to become more meaningful and differentiated again, particularly with enterprise customers who are likely to take greater care in choosing their preferred partners.*

## MIND THE GAP

While we advocate unpacking the corporate narrative and preparing the organization for a more fundamental long-term role, we also encourage restraint. Communicators will have to tread a fine line between the hype surrounding 5G and the reality of when business will begin to materialize. Managing expectations – not overpromising, but at the same time building excitement about the future and, importantly, the operator's differentiated role in that future – will be crucial skills.

*"I believe that 5G will be much like 3G in that the network arrives first, followed by something of a gap before many of the real applications come to fruition. The MNOs need to be very careful to manage customer expectations and not to hype it up too much."*

**COMMUNICATIONS DIRECTOR, EUROPEAN OPERATOR**

As important as it is not to overhype, it is equally important to support the development of the 5G business through relevant, interesting and engaging technology messaging. 5G messaging will need to be more tailored to each target audience, to inspire enterprises to rethink their business models while at the same time managing expectations with investors and consumers. And

the coronavirus crisis provides the opportunity to build the narrative about the importance and resilience of the networks – as a springboard to building the 5G narrative.

## ADAPTING TO THE NEW REALITY

While 5G will bring faster, better and more robust consumer applications, operators in general don't believe that it will drive significant new consumer revenues. Instead, the emphasis will fall on industry and business applications, building new revenue streams that do not exist today. Some doubt they will be successful.

*"Operators are stuck between being utilities and consumer brands. The water company does not try to upsell by pushing Coca-Cola through the pipes... Operators have had some pretty disastrous attempts in the past to create their own services."*

**TELECOMS JOURNALIST**

During this early phase of strategy development, when each mobile operator is assessing what route to take and how to leverage its assets, communications can play a crucial role in providing perspective and input to decisions.

For the communications function, this means working closely together with business strategy to understand the

operator's "license to operate" from a brand and reputation perspective. It is often underestimated how difficult it is to build new businesses with new customer segments. As a first step, the focus will be on collaborations and partnerships with different industries and different companies to explore and test these potential business models and revenue streams. Brands need to be expanded to address new markets and new customers.

Many believe that operators missed the chance to differentiate themselves sufficiently in the eyes of consumers as both 3G and 4G took off. Instead the OTT players, led by the likes of Google, Apple and Netflix successfully built brands that came to dominate. The operators were left to compete on price and reliability. 5G presents an opportunity for the operator brands to become more meaningful and differentiated again, particularly with enterprise customers who are likely to take greater care in choosing their preferred partners.

According to research by Omdia, the initial signs are not good, and "the enterprise opportunity is already slipping through the fingers of CSPs." Omdia point out that operators are already being cut out of strategic engagement and solution building with enterprise partners and for them to fully profit from enterprise 5G, this situation needs to change quickly.

Communicators need to gear up to address a new customer segment with new services that not only have to be described and sold to customers, but also to a wider set of stakeholders, including regulators and investors.

As business strategies become more concrete, significant work will be needed to establish relevance in new customer segments and build awareness around new services. For example, some companies are creating “network slices,” giving certain customers or industries priority to use a slice of the network. In these circumstances, medical applications could be allocated specific and guaranteed network capacity. This means that communicators need to gear up to address a new customer segment with new services that not only have to be described and sold to customers, but also to a wider set of stakeholders, including regulators and investors.

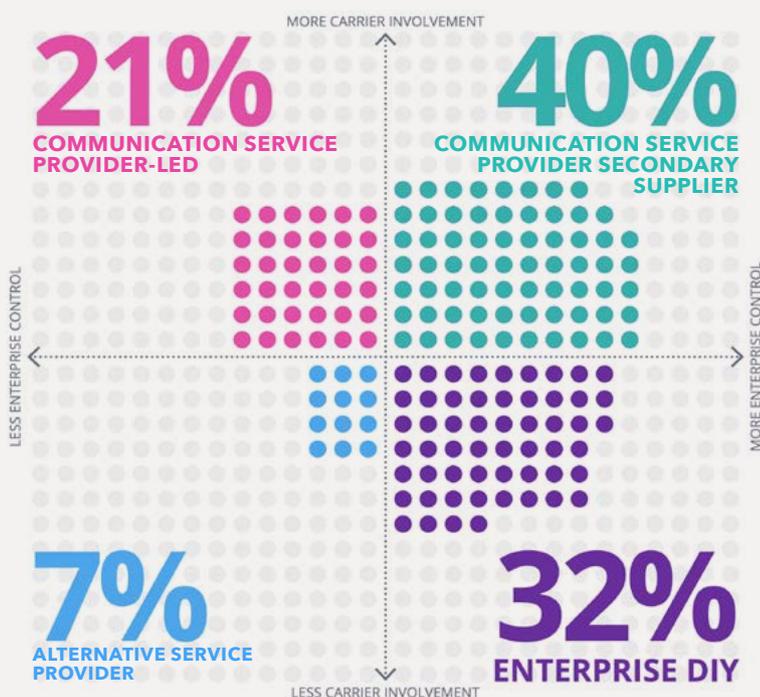
To be successful with new services, customers and market segments, it will be crucial to translate the business strategy into compelling communications for all key stakeholder groups – be it customers, investors, employees or media. Many of the analysts and investors we spoke to cast doubt on whether the operators had the innovative qualities to be successful in making this critical shift into new areas, a point we address later in this paper.

*“It is likely that other firms and not the networks themselves will be the enablers for 5G services such as remote surgery and remote machinery operations. The networks will just be bit pipes.”*

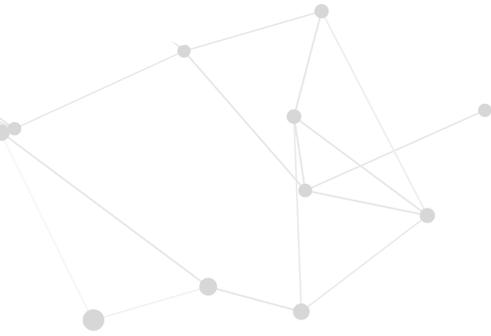
**FINANCIAL ANALYST**

### EXHIBIT 1: Omdia’s Enterprise 5G Innovation Tracker reveals a worrying trend for operators

- The most popular model, at nearly 40% of deals, is for vendors to work with enterprises and communication service providers (CSPs), assisting enterprises with the business case and in solution design, with the CSPs relegated to providing connectivity.
- The second-most popular model is for enterprises to do it themselves, selecting a vendor and brokering for CSP connectivity. This is most typical of early adopters, the businesses keenest to invest in new technology.
- Of all deals captured to date, CSP-led deals, where a carrier sells and manages the service for the enterprise without the equipment vendor or other parties having a role in the customer relationship, are in a small minority (just 21%).



Source: Omdia report ‘Industries and enterprises are ready to reap the benefits of 5G’



*Technical regulatory impediments may be side-lined in favour of policy outcomes that can credibly accelerate a growth in demand or investment.*

## THE ROLE OF REGULATORS

*“Too few governments and regulators have a good understanding of the importance of 5G, and the authorities lack the knowledge and openness to innovate. They do not understand how 5G is key for the survival of European industry in the digital age, especially in competition with the US tech giants and the new Chinese challengers.”*

**COMMUNICATIONS DIRECTOR, EUROPEAN OPERATOR**

There are varying degrees of frustration amongst European operators with regard to regulation. The consensus view is that regulators need to appreciate the major investment burden on network operators and ensure they don't stifle it by placing excessive spectrum costs and onerous conditions on spectrum use. 5G will drive national economic growth and needs to be encouraged and enabled by governments - not seen as an additional source of tax revenue.

As we mentioned previously in this paper, COVID-19 represents an opportunity for operators to present this case again, armed with even more evidence, and reset the relationship with regulators. The post-coronavirus political imperative will be to drive an economic recovery. Technical regulatory impediments may be side-lined in favour of policy outcomes that can credibly accelerate a growth in demand or investment.

*“There are still issues with 5G licenses in Germany, and it is taking much longer than originally anticipated. There is a major focus on regulators and considerable time and effort given to lobbying for effective outcomes.”*

**COMMUNICATIONS DIRECTOR, EUROPEAN OPERATOR**

Regulatory environments vary significantly across Europe. For example, in Italy a controversial spectrum auction process has left the third-place MNO considerably disadvantaged, with not enough spectrum - creating a duopoly and weakening the competitive environment rather than strengthening it. A similar debate is taking place in Sweden, while in Germany all the operators sued the regulators for an allegedly unfair auction. Although the French government recently took what is widely considered a more reasonable approach to its auction, there is still concern across European operators.

*“European operators are not just becoming small, compared to Apple, Huawei, Facebook and Google, for example, they are also regulated against in a way that the tech giants are not. That could convince Brussels that the operators should be allowed to get bigger.”*

**FINANCIAL ANALYST**

Public affairs on a national level - as well as to some degree on an EU level - is therefore a priority for operators.

It is also an area that will likely increase in importance as 5G becomes a reality, particularly in the sectors that the technology will impact. Self-driving cars will require major changes to traffic regulation, remote healthcare requires changes to health regulation, and the list goes on. In many cases, capturing the full potential of 5G will depend upon regulatory changes. If those changes do not happen or are not quick enough or defined in the right way, potential new operator businesses will grind to a halt.

The trends shaping the development of 5G are driven by global commitments to product development and technology rollout. The policy development process is responding to these shifts even though market-by-market issues are often driven by the character of national politics, or local concerns.

In the UK, social media-enabled campaigns (on NextDoor, for example) focused on the perceived health risks of 5G technology (more on that later), are resulting in increased constituency activity for local members of parliament. But in other European markets, concerns around privacy remain paramount.

In a political context where few governments of large EU member states command large majorities, industry-regulator agreements about the direction and content of regulation should not be expected to hold. During previous cycles of innovation,

*Operators should start to build alliances with organizations representing a variety of sectors now.*

governments and operators have worked closely together to provide clear reassurances and technical responses to emerging campaigns of public concern. But during this wave of investment, there will be a broader responsibility for the full range of sector players to provide regulators and policymakers with the content they need to reassure a public that is instinctively sceptical of messages broadcast by “big business” or “big politics.” Indeed, the best defenders of the sector may be those who are removed from deliberations about the technical content of regulation such as healthcare providers, transport operators and local community leaders.

As a result, nimble coalitions that bring together the stakeholders most able to address concerns would help to manage localized controversies that, given the nature of digital and social news, pose the risk of becoming franchised on a regional or global level. Operators should start to build alliances with organizations representing a variety of sectors now.

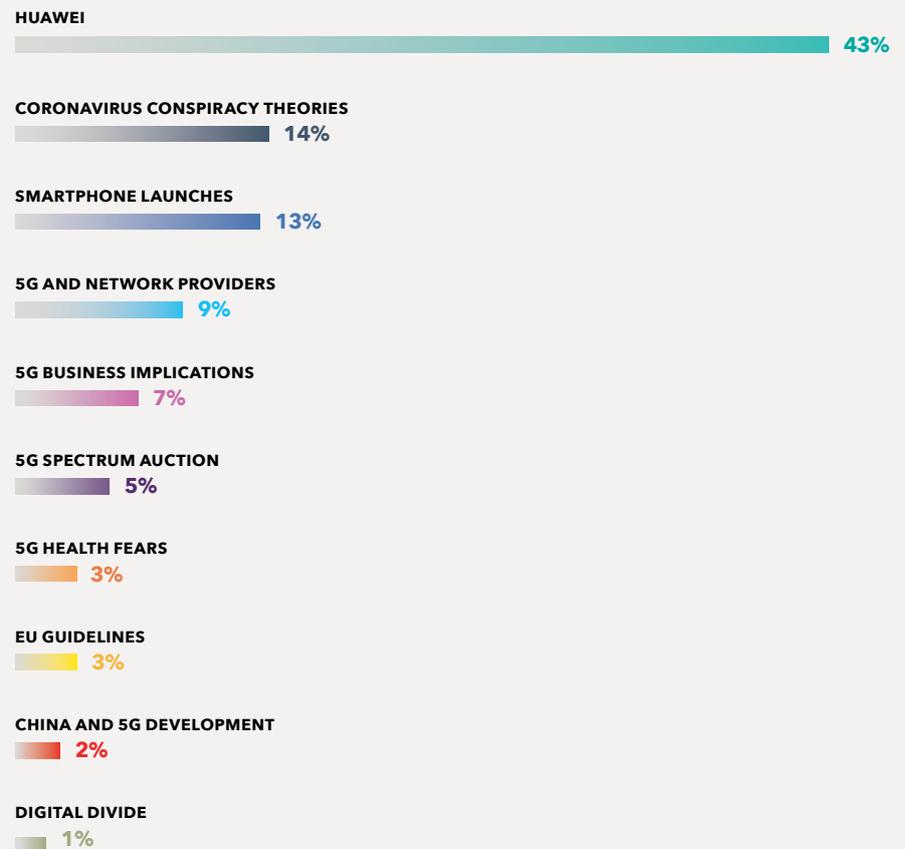
*“Public policy support remains a critical need for MNOs with the complexity of the regulatory environment keeping things challenging.”*

**HEAD OF STRATEGY, EUROPEAN OPERATOR**

One area that has created difficulties for operators is the perceived impact of Chinese companies in the supply chain. As networks become more critical to

## EXHIBIT 2: Huawei dominates worldwide 5G media coverage

Almost half of worldwide articles on 5G in the last 17 months have mentioned Huawei, overshadowing broader business implications for 5G.



**A TOTAL OF 2,981 STORIES** (1 Jan 2019 - 31 May 2020)

Source: Quid®, Kekst CNC analysis

*Operators that lag the competition and find themselves unable to offer the latest services, risk their future existence.*

national infrastructure, as is seemingly inevitable with 5G technology, then the potential risk grows accordingly. Similarly, the regulatory uncertainty around Chinese suppliers makes it difficult for operators to make coherent investment decisions. Deutsche Telekom has announced that it would freeze spending on new 5G equipment in Germany until there was greater political certainty. And Vodafone's CEO Nick Read admitted that Europe was hamstrung by the political debate around Huawei. The US meanwhile continues to pile the pressure on European regulators. In December 2019, Robert O'Brien, the US National Security Adviser to the White House, warned his counterparts in the UK: "It is somewhat shocking to us that folks in the UK would look at Huawei as some sort of a commercial decision. 5G is a national security decision." That debate in the UK rumbles on.

*"There is the security debate with Huawei, which involves the security police, regulators, etc. from a national security perspective. What are the risks for surveillance in networks and the risk for third parties dropping malicious code into the network? How do we balance security, integrity and business."*

**COMMUNICATIONS DIRECTOR, EUROPEAN OPERATOR**

These issues have also dominated the media debate. Over 50% of all articles discussing 5G in 2019 mentioned Huawei, shadowing the efforts of other hardware providers and network operators.

## REFRESH THE EQUITY STORY

Operators with an urge to hype the possibilities of 5G will also need to be mindful of their shareholders. While every company CEO would like to have a shareholder register of patient, long-term investors, prepared to back considerable investments in emerging technology, the reality is quite different.

*"Investors would be happier if 5G had arrived a few years down the line, rather than now, allowing MNOs to sweat their existing 4G assets further."*

**COMMUNICATIONS DIRECTOR, EUROPEAN OPERATOR**

Undoubtedly, there is a high cost to 5G: acquiring more spectrum; building out the network infrastructure; and launching it. With many of the potential new applications still at a nascent stage, the business case for new potential revenue streams remains uncertain - and investors are yet to be fully convinced. Operators, notably Vodafone and Deutsche Telekom, have started to reduce their dividend, in part because of the high cost of investments they expect to make.

*"The market fears operators are wasting money and that there aren't any real benefits. The networks think they will be obsolete and that they won't even be pipes anymore unless they add other services to their offers. Operators will continue to move into adjacent services and their value*

*will be hit until they prove that they can create value from it."*

**FINANCIAL ANALYST**

Similarly, operators that are deploying M&A strategies aimed at broadening their business in anticipation of 5G, such as buying media companies, face criticism as well. In an uncertain world, irrespective of which strategy is chosen, it must be strongly articulated and well anchored.

Operators find themselves in a bind. Their current business models are highly competitive, with falling revenues per user and competitors in almost every market challenging them on price. Consumers want more and more data but are not willing to pay for it. 5G, meanwhile, represents significant capital investment, with an uncertain upside. And yet, operators have no choice but to make that investment. The cost efficiencies that 5G promises will allow them to better handle falling revenues. And the fact remains that operators that lag behind the competition and find themselves unable to offer the latest services, risk their future existence.

*"It is always a risk to invest in new technology. But they have to. Operators will need long-term investors and 'patient capital,' as it will take time to realize the full potential of 5G."*

**TELECOM JOURNALIST**

In many cases, operators need to rethink their equity story and seek to attract investors with longer horizons who are accustomed to waiting for technology investments to pay off. Over the years,



*Interrogating the strategy, the execution and the communications in the same way that an activist might, often leads to new and surprising ideas that can be implemented with success. And it reminds companies how close they need to be to their shareholders.*

mobile operators have come to be seen more like utilities, attracting a shareholder base with different expectations than those held by many of the management teams we spoke to. As dividends decline and yield stories become less robust, a stagnant shareholder register will become a threat. There are already signs that activist investors are taking a greater interest in the sector, as evidenced in Elliott Management's staged coup at Telecom Italia, forcing the removal of the CEO and entering a long dispute with Vivendi.

One approach we have used successfully with organizations is to run an exercise asking them to imagine the company was coming to market for the very first time. What would the equity story look like? What sort of investors do you want to attract and how do you find them? How

do we make the case for the investments we would like to make? This exercise adds discipline and structure to the articulation of the strategy and to the reappraisal of the narrative.

We run similar exercises as companies plan how they might react in the event of an activist or hostile approach. Interrogating the strategy, the execution and the communications in the same way that an activist might, often leads to new and surprising ideas that can be successfully implemented. And it reminds companies how close they need to be to their shareholders.

At the very least, companies need to articulate a simple and clear strategic approach, with a detailed roadmap and milestones by which management can be measured. Breaking up the growth story into smaller, more manageable

deliverables while keeping shareholders laser-focused on the long-term objective can help to motivate employees and reassure the investor community. An analyst we spoke to laid out the steps he was seeking to understand:

*"The future as I see it can be divided into these four steps:*

- *First, 5G is seen as a means of cost reduction for capacity*
- *Second, fixed wireless access but with modest revenues*
- *Third, industry applications*
- *Fourth, revenues from new sources such as self-driving cars"*

So, while the investor case for 5G is challenging, the network operators we speak to are convinced that it is there, albeit further into the future. The challenge is whether operators can adapt sufficiently to make it a reality.

## IMPLICATIONS FOR COMMUNICATIONS

Finding the right balance is the key challenge facing communicators. Strike too hard and fast with 5G campaigns, and operators risk disappointing customers and investors. Wait too long for the business model to emerge, and competitors may steal a march. Most importantly however, operators have a new opportunity to differentiate themselves in a way they have found hard to do in the past.

- Take a fresh look at the corporate narrative and make sure it is ready for a period of increased scrutiny, while keeping it engaging and inspiring.
- 5G presents an opportunity for network differentiation. Communications should support an agile, innovative and trusted brand.
- Adapt the communications function and strategy so that it can target customer groups that it has not previously considered with stories that it has not previously told.
- Refresh the equity story, lay out a clear 5G roadmap for investors, and step

- up efforts to target new shareholders.
- 5G business partners will seek out organizations that exude innovation and entrepreneurship, which will require reputational reinvention on the part of MNOs.
- Ensure regulators have an in-depth understanding of the broader economic benefits 5G can bring – demonstrate the role operators have played during the COVID crisis and reset the relationship with regulators.
- Build coalitions with representatives of other sectors set to benefit from 5G.



# Transformation

## Organizational transformation to meet the needs of 5G

Those operators best able to undergo change will be better placed to develop the skills, culture and agility required to make a success of 5G.



When the transformational impact of 5G is discussed, it tends to be in the context of the industries that the technology will transform. But transformation as a topic is just as relevant to the operators themselves. Those operators best able to undergo change will be better placed to develop the skills, culture and agility required to make a success of 5G. In the same way that the traditionally ponderous financial services industry has been forced to develop transformation-focused communications strategies to keep pace with the fintech revolution, operators will need to do the same once innovative 5G disruptors appear. We highlight two areas of importance, cultural transformation and the employer value proposition, both of which are interlinked.

*“The banking sector is more advanced and generally sees the management of data, as opposed to the management of money, as where the real revenue will come from. Digitization is a critical part of this process and MNOs are behind the banks on this journey.”*

FORMER HEAD OF STRATEGY, EUROPEAN MOBILE OPERATOR

## CULTURAL TRANSFORMATION

Success in 5G will require a significant departure from the way mobile operators have operated in the past. They will need to be more innovative, more agile, more collaborative and more able to attract talent that can truly impact the enterprise-focused model that will develop.

*“More than a competence shift, this will be a culture shift in the organization. We will need to be transparent on what we can and cannot manage. We will need to work in a much more iterative way, yet keeping the commercial focus.”*

COMMUNICATIONS DIRECTOR, EUROPEAN MOBILE OPERATOR

McKinsey’s report titled ‘Culture for a Digital Age’ found that shortcomings in organizational culture were the main barriers to success in the digital age. It is all well and good to have a 5G strategy, but for it to be effective calls for an organizational culture capable of executing it. This will likely be one of

### EXHIBIT 3: Culture is the most significant self-reported barrier to digital effectiveness.

Which are the most significant challenges to meeting digital priorities?  
% of respondents



McKinsey&Company | Source: 2016 McKinsey Digital survey of 2,135 respondents

*The transition to 5G will require closer, more collaborative relationships with enterprise customers, where products and services are co-created and bespoke.*

the most significant communications challenges facing operators seeking 5G success.

Much has been written on how to effect successful organizational change, but our focus will be on three areas - leadership, customer centricity and risk taking.

## Leadership

Designing and implementing major change-management programs starts with leadership. To create the more innovative, idea-centric reputation that a 5G world will demand, leaders must change their own behaviors and very visibly live and breathe the values that underpin the organizational transformation. Communications teams can support this by providing leaders with an enduring content platform and an appropriate channel strategy.

For example, CEOs should consider becoming more "social." Extensive research shows that employees and consumers trust a company more when its leadership uses social media to communicate its core mission, values and purpose, and that it demonstrates the company's ability to innovate. This does not mean that CEOs should launch onto Twitter in a frenzied search for "likes" and "shares." Instead, it requires communications teams to build a publishing ecosystem around senior leadership that allows them to redefine the organization in a more compelling and authentic way. This may not involve

external facing social activities at all, focusing instead on internal platforms such as Workplace, Slack and a more visual style of storytelling. Over time, this may evolve onto external channels, but only once there is a real understanding of the channels most relevant to the audience.

## Customer centricity

*"Going forward we will need to work a lot more in eco systems. We will have to dare to bring customers in early in the processes. 5G is a typical example. Customer-driven innovation needs to be the engine, and this is a new way of working for us."*

**COMMUNICATIONS DIRECTOR, EUROPEAN OPERATOR**

The transition to 5G will require closer, more collaborative relationships with enterprise customers, where products and services are co-created and bespoke. Among the companies we interviewed, however, very few felt they had the customer-centric culture required to deliver against the 5G opportunity.

It is typically organizational structures that stifle customer centricity, and communications teams can play a major role in breaking these down. Communicators and marketers tend to have a better understanding of target audiences than others in the organization, based on research, data and audience personas. Within a customer-centric organization,

this information does not remain the preserve of the marketing department but is well understood through the company. Communications teams play an important role in breaking down information silos and ensuring that the whole organization is aware of customer needs and concerns. Employee community platforms, where customer insights can be shared and discussed, are an important tool within a customer-centric firm.

This approach can be taken further. Operator employees are consumers too, giving them a bird's-eye view of the product. But the majority of new 5G business streams will be enterprise-related, and employees often will have never met a customer. Ensuring that customer workshops and focus groups take place alongside customer visits and co-creation hubs will help to breed a new model of enterprise customer centricity.

## Risk-taking

Operator CEOs are currently taking bold, but calculated, risks with regards to 5G. For organizations to be successful innovators, disruptive thinking needs to pervade the company, and employees must be comfortable inserting risk into their decision-making.

By their nature, large companies tend to be more risk-averse than small businesses, in part because smaller businesses celebrate risk and innovation as key drivers of growth. The flip side



*One by-product of digital transformation, a process many operators are going through now, is a more risk-focused culture in which data becomes the primary driver of decision-making.*

is true in large organizations where experience and expertise are often the most valued traits – the foremost concern is not to “break” anything. As a first step, organizations must recognize innovative and fresh thinking and ensure that fresh ideas, even if not ultimately successful, are lauded and communicated widely. It is a cliché, but creating an environment where it is OK to fail, will ultimately drive successful new products and services.

One by-product of digital transformation, a process many operators are going through now, is a more risk-focused culture in which data becomes the primary driver of decision-making. Data is a great leveller in this regard. It means the best ideas and commercial breakthroughs can emerge from every part and every level of an organization. The role of communications teams is to drive acceptance and understanding of cultural and digital transformation so that the benefits they translate into commercial success.

## **EMPLOYER VALUE PROPOSITION**

*“5G impacts the way we work with our employer brand. Purpose (beyond selling phones and mobile*

*broadband subscriptions) becomes crucial, both for attracting talent, but also for retaining talent. We need to have a bigger story than just what we sell.”*

**COMMUNICATIONS DIRECTOR, EUROPEAN OPERATOR**

One way to drive significant cultural transformation is to seek out new talent and hire drivers of change into the organization – the risk-takers, the visionaries and the disruptive thinkers. That is harder than it seems, given that they are in high demand and tend to want to work in organizations that they see as innovative with an entrepreneurial, start-up culture. Operators are unlikely to be seen initially as employers of choice.

Twenty years ago, talented STEM graduates would highlight telecommunications companies as attractive places to work. Now, in 2019 the opposite is true, with students much more likely to seek out Monzo, Snapchat or Amazon. Just as operators have begun to be seen as utilities in the eyes of investors, the same is true for future employees.

To succeed in the future, operators will need to find a way to attract a whole host of new disciplines, from data scientists to creative communication

professionals. This is highly sought-after talent and to compete, operators must proactively manage their employer narrative, telling their story from the inside-out.

## **Proactively manage the employer narrative**

The average person typically spends 15-30 minutes researching an employer before deciding whether to apply. To a degree, the initial process has become transactional.

However, talent now looks well beyond an organization’s careers site. They seek out real insights from current and previous employees, trusted media sources, job review sites such as Glassdoor and networking sites like LinkedIn. Digital talent will likely be members of forums and sites such as Stack Overflow. As a result, managing online communities and understanding your visibility through algorithms and SEO, play a vital role in attracting talent. Such is the complexity and competitiveness of talent attraction now, that monitoring and maintaining an active presence and healthy reputation in these communities is critical and should be part of the communicator’s skill set.

*To become more disruptive, competitive and attractive to an eclectic mix of talent, operators need to show they are open to change and prove that people from all walks of life can have successful careers.*

### Telling their story from the inside

Operators focused on recruiting STEM and digital skills have, in many cases, struggled to tell and articulate their story and purpose. Greater diversity and true inclusion – and this does not only mean recruiting more females, critical as it is – is closely aligned with cultural transformation and helps to reduce the potential for groupthink, facilitating innovation.

To become more disruptive, competitive and attractive to an eclectic mix of talent, operators need to show they are open to change and prove that people from all walks of life can have successful careers. It is here

that they have an opportunity to tell a new, positive and fresh story – a story from the inside – that appeals to a new generation of talent. The best way of doing this is through their people, by giving their existing employees a voice, and making them their ambassadors.

New talent demands to see who they will be working with and what their career path looks like, even before starting. This is the driver behind the surge of “Life at” channels we see the likes of Spotify and Google leading in. Instagram is an increasingly popular channel. For example, BP is trying to appeal to a new generation of talent that is sceptical about the company’s purpose during a time of increased

debate around climate change and energy production. It successfully established its Life.at.BP Instagram channel to showcase BP’s culture, colleagues and career opportunities around the globe. HSBC and others have quickly followed.

### IMPLICATIONS FOR COMMUNICATIONS

To summarize, operators will need to transform themselves to take full advantage of the opportunities that 5G presents. This has significant implications for communications teams:

- Effectively manage major internal change programs as operators transform to meet the needs of 5G, new markets and new customer needs

- Support leadership with their own change manifesto and ensure they become visibly representative of the sort of organization they want to create
- Drive forward a more customer-centric organization
- Encourage risk-taking and an organization that is relentlessly ideas driven
- Develop employee value propositions with real purpose and relevance
- Actively manage employer reputation across new platforms and online career communities
- Use employees as ambassadors and place them at the heart of communications



## Case study – Lloyds Banking Group

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Lloyds Banking Group (LBG) prides itself on being a forward-thinking, digital-first organization. The challenge for the 250-year-old bank was to tell its modernization story to potential employees who didn't see LBG as a digital employer. LBG needed a platform from which it could reveal greater detail about the pioneering work that goes on and the inspirational people behind it. Working with Kekst CNC, LBG conducted extensive research to better understand the needs and concerns of its target recruits and built a narrative that would resonate both at a corporate and employer brand level. A digital careers hub was created, deliberately separate from LBG's traditional .com domain. It gave them the ability to implement subtle changes in the look and feel of the content through

the copy, visuals and overall structure. The content was amplified using a newly created social media feed on Twitter, and the use of LinkedIn was repositioned and redefined.

During a 70-day campaign, there were 2.8 million impressions on Twitter and the hashtag #DigitalIndex - trended organically during the campaign launch. Most importantly, the campaign created 23,000 unique visitors to the website, and 30% of new applicants mentioned the digital careers site. Past this launch phase, the program gave LBG a new internal framework, a governing editorial board and engaged internal ambassadors, committed to surfacing, curating and publishing a regular drumbeat of stories from within the business.



# Protection

## Surviving the reputational challenge



*The growing importance of mobile networks has heightened the risks for operators, even more so as the world emerges from COVID-19.*

*“Cybersecurity threats are existential, and companies need to be cognizant of this fact and ensure they are fully prepared for the risks presented.”*

**NUALA O’CONNOR, SENIOR VICE PRESIDENT & CHIEF COUNSEL, DIGITAL CITIZENSHIP AT WALMART - MEMBER OF KEKST CNC GLOBAL ADVISORY BOARD**

“Too big to fail” – a catchphrase used to depict banks that had become so large and interconnected that their collapse threatened the national and international economic order – became synonymous with the financial crisis of 2008. While even the largest network operators would not put themselves in the same bracket as those systemically important financial institutions that shook the foundations of the global economy, the growing importance of mobile networks has heightened the risks for operators, even more so as the world emerges from COVID-19.

5G will lead to exponential growth in data and will connect many more millions of devices as the Internet of Things takes hold. This leads to what security experts call a significantly increased “attack surface,” an exponential rise in the number of threats to be managed. Customers will not care about the network per se, but the increasingly important services they derive from it. Threats to those services, such as network outages or cyberattacks, will not be tolerated, neither by customers nor regulators. The ability to manage these growing threats, and protect the integrity and reputation of the operator, will be critical.

## **CYBERSECURITY AND DATA PRIVACY**

*“Both outages and threats from cyberattacks are definitely growing issues. While we have a very high standard of network reliability, the stakes continue to get higher.”*

**COMMUNICATIONS DIRECTOR, EUROPEAN OPERATOR**

Cyberattacks are a danger to all organizations. As AI and automation become widespread, and the propensity for more serious, organized and often state-sponsored attacks grow, the stakes get higher for network operators. And as 5G becomes ever more central to national infrastructure, with an increasing number of societal functions dependant on the technology, the consequences become more serious. Almost all the operators we spoke to unilaterally raised the fear of cyberattacks.

*“Crisis preparedness is high on the agenda and especially crises that break the trust and hurt the brand. Traditionally, most focus has been on physical crises, but we now need to broaden the scope and make new risk assessments and build resilience.”*

**EUROPEAN OPERATOR**

Similarly, data privacy has been on the agenda for network operators for many years. While regulators are looking to make an example of corporates that lose customer data, the real threat is to the brand. With 5G, operators will be trusted to hold even more personal data securely, and challenged to find ways to

monetize data with explicit “permission” from customers while not infringing on their privacy. The commercial threat from network outages and data breaches will be more significant in a 5G world. Damaging as instances such as this are, consumers have historically shown a surprising lethargy in switching operators. Enterprise customers will not have the same patience. A major halt in manufacturing production or the freezing of a smart-city network has far greater consequences than the case of a consumer unable to access text messages for a while.

*“Mitigating and managing those risks needs to be part of our daily work. Enterprise customers require a larger degree of transparency than consumers.”*

**COMMUNICATIONS DIRECTOR, EUROPEAN OPERATOR**

What can operators do to mitigate the threat and, in the worst scenario, respond to it?

## **Embed security as a sustainability issue**

Ever since the industrial revolution, the industrial and energy sectors have been blighted by health, safety and environmental issues that have impacted their brand, reputation and commercial proposition. In many cases, these instances have been existential. But seeing that safety concerns can compromise their license to operate and have become a critical indicator of quality of management, industrial companies have begun to tackle the



*We argue that security should be addressed in the same way, and with the same importance, as safety.*

issues in a much more concerted way. Meetings, however benign, now start with safety briefings, KPIs have been built into employee contracts, and “incident free days” have become a key reporting metric to customers and investors alike. Health and safety has become a values-driven, cultural and operational imperative, which in turn has led to a dramatic reduction in the level of incidents.

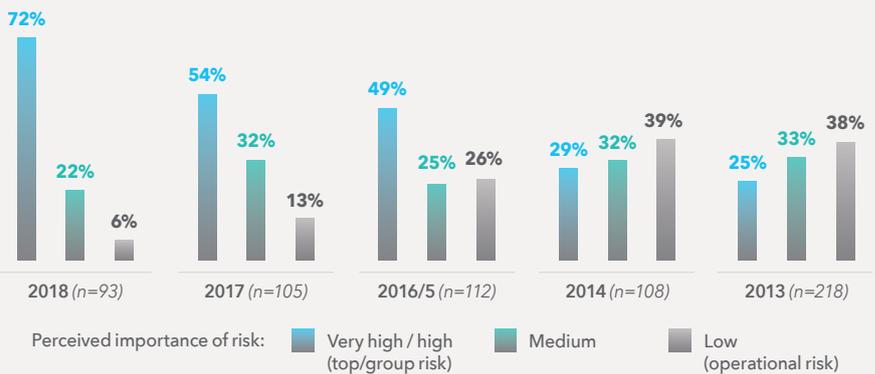
Mobile operators also face safety risks and, in some instances, have adopted practices similar to those mentioned above. We argue that security should be addressed in the same way, and with the same importance, as safety. Led from the top, operators should adopt similar practices that embed security concerns into the fabric of the organization, making it inherent in the values and culture of the company. This may include reporting on it in the annual sustainability report for example, as an important part of the ‘G’ in ESG. Elevating security issues to be an important part of sustainability policy will benefit operators over the long term.

### Preparedness

An issue need not always become a crisis. This is where preparation, process and protocol are key. The FTSE 350 Cyber Governance Health Check 2018 showed that cyber threats are increasingly seen as high risk in comparison to other risks the businesses face. However, it also highlighted that while awareness is high, and companies have incident plans in place, they are not regularly tested, and companies aren’t considering their full supply chain.

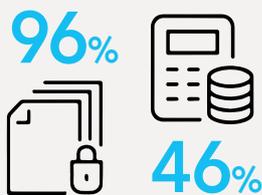
### EXHIBIT 4: Cyber risk perception over time

Cyber threats are increasingly seen as high risk in comparison to other risks that businesses face



#### Cyber security strategy

Most businesses have a cyber security strategy, though many have no dedicated budget.



Almost all businesses (96%) have a cyber security strategy. However, only 46% have a dedicated budget for their cyber security strategy.

#### Incident response plan and testing of it

Most businesses have Incident response plans, but many are not testing these on a regular basis.



95% of FTSE 350 businesses have an Incident response plan, however only 57% test their Incident response plan on a regular basis.

#### Supply chain risks recognition

A majority of boards do not recognise supply chain risks beyond the first tier.



77% of FTSE 350 businesses do not recognise the risks associated with businesses in the supply chain with whom they have no direct contact.

Source: Financial Times



*Mobile operators should also assess the need to start talking more broadly about the cyber risks and threats that they are facing and how they are being addressed. This can help to build trust for the day when trust capital is really needed.*

In addition, here are several preparedness steps all organizations should take:

- Create an effective **cyber response team**, with representatives from across the organization including senior management, legal, IT, communications, marketing, customer services, call-center management and investor relations. This group should be pre-identified, trained together, and have clearly distinct roles. Cybersecurity is not simply an IT issue.
- It is important to conduct a **stakeholder mapping** exercise that identifies relevant stakeholder groups, their specific concerns, lines of communication and responsibilities. Keeping this relevant and up to date is important. Identify, if possible, who in the organization is responsible for each.
- Conduct a **vulnerability audit** that identifies gaps in knowledge and capability.
- Companies should develop a comprehensive **cyber communications manual** covering risk assessment, escalation and communications procedures, stakeholder identification, templates for holding statements and Q&As, all designed to provide a road map through a cyber issue's identification

and crisis management process. Because of the nature of cybersecurity, this manual will be distinct, although aligned with more traditional business recovery processes that most businesses already have.

- Create a **"dark site"** that can be enabled immediately in the event of an attack. This should have the ability to be posted at a separate URL if the corporate website itself has been compromised. Organizations should also consider alternative internal communications channels in case traditional channels are compromised.
- **Scenario mapping** and planning, covering decision trees for best, worst and most likely case developments should be developed. Establish how you will communicate effectively, both internally and externally, if your systems have been compromised.
- **Scenario-based training** is an effective way to test participants' capabilities and should be conducted regularly, at least once a year. Companies should use digital crisis-simulation tools and hardware to tailor the experience to reflect identified weaknesses and past issues, or create complex new issues that challenge participants to

think laterally and respond to communications challenges in real time.

- Involve **key customers and suppliers** in the planning and scenario training. It will allow services to be restored faster, minimise customer impact and will help to build trust between the operator and the enterprise.

In addition to these more tactical steps, mobile operators should also assess the need to start talking more broadly about the cyber risks and threats that they are facing and how they are being addressed. This can help to build trust for the day when trust capital is really needed.

# Explosion near London

Cloud of smoke is dispersed  
stay indoors!

## The Situation Room

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The Kekst CNC Situation Room is an immersive, experiential training tool that puts executives at the heart of a crisis. The bespoke and interactive simulation exercise enables an organization to improve and test its crisis knowledge, processes and protocols, fully adapted to an individual business.

The team is confronted with a wave of developments across online and offline channels, and the simulation reacts in real time to your actions, making the challenge realistic and unexpected. Participants will have to address internal and external notifications, media and social media, regulatory statements and a range of other prompts.

The secure, browser-based tool lets multiple teams located at different locations participate in one training exercise.

The Situation Room has been used for crisis simulation exercises for executive management and communications teams in a wide range of the world's largest companies and across a range of geographies and sectors.

***Watch the video here***

Operators are rebuilding the resources to handle these issues once again, either internally or through industry associations.



## HEALTH CONCERNS

*“Health issues with mobile networks are very much alive and well and 5G has a whole new angle; this is partly due to concerns about high frequency networks.”*

**COMMUNICATIONS DIRECTOR, EUROPEAN OPERATOR**

Even before the pandemic, media coverage demonstrated that health issues were back on the agenda. Despite almost all medical evidence to date showing no link between radio waves, electromagnetic frequency (EMF) and health problems, health concerns are an issue that operators have struggled to shake off.

*“All of the old health issues that were raised at the time of 3G rollout are back - in spite of all of the scientific evidence to the contrary.”*

**COMMUNICATIONS DIRECTOR, EUROPEAN OPERATOR**

Kekst CNC’s opinion research, carried out at the height of the coronavirus pandemic in May 2020 across the US, UK, Germany, Sweden and Japan, shows that there was little association made between 5G and coronavirus (except in the US). But the poll also shows that it was clear that health concerns remain.

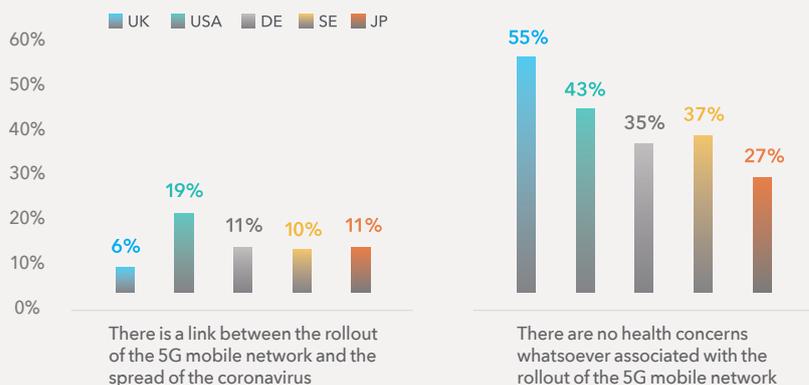
Operators are rebuilding the resources to handle these issues once again, either internally or through industry associations. Meanwhile, stakeholders are following suit, establishing special NGO health-focused groups that risk a considerable slowdown of the rollout. A simple Google search reveals extensive health concerns from a wide variety of stakeholders - with little visible response from the industry itself. As The Guardian wrote in July of 2019: *“To fully debunk the health fears around 5G is impossible: There is no consistent set of claims being*

*made, few explicit studies being cited, and a surfeit of scientific terminology being used in ways that obscure rather than illuminate.”*

“Fake news,” says the industry, and there is no doubt that the democratization of information has helped to ensure that those with a motive to do so can keep health risks at the top of the agenda. Among the industry there seems to be a generally accepted view that many of these issues derive from Russian news sites - it is certainly a popular topic on

### EXHIBIT 5: Association between 5G and coronavirus

- Few people made an association between the rollout of 5G and coronavirus, despite media and influencer reporting to the contrary.
- The exception was the US, where as many as 19% of people surveyed felt there was a link
- More worryingly however, there were significant majorities in most countries (the exception being the UK) who felt that there were health concerns associated with the rollout of the 5G network
- In the UK, 45% registered concern



Source: Kekst CNC opinion research, May 2020

RT, the Russian government-funded television network. However, it is also true that operators are struggling to balance the debate, and a characteristic of the COVID-19 pandemic was an increase in attacks on both physical assets such as masts, as well as online from a disparate range of social influencers. Unfortunately, in today's digital world, even fake news must be addressed.

### Take responsibility

Many of the operators we spoke to had outsourced the communications of this issue to industry associations, for fear of giving the health concerns more credibility. Of course, associations have a role to play, but we urge caution in outsourcing reputation risk to a third party. Industry associations are rightly democratic when it comes to its members, and while everyone may have the same vested interest, decision by committee rarely has the desired impact or effect. There is an important role for industry

associations, and sometimes it can be useful to take issues from a company to an industry level. However, individual operators should not expect this policy to succeed on its own and should have their own plans to address the issue head on.

### Stay consistent through the generational cycle

Unsurprisingly, health scares peak with every new generation of technology. At which point operators rally their resources to take on this issue with a sense of déjà vu. Instead, operators should be consistent with their communications through the generational cycle, building relationships and winning the intellectual argument in downtimes, when there's less distraction and noise. This would create more trust, ensure the operators are not seen as defensive and help to build a network of educated allies and influencers for the time when the issue raises its head once again.

### Engage with stakeholders and their influencers

Operators seem to have had the most success when they engage with stakeholders and influencers around these issues, as evidenced in their dealing with governments and regulators. This should give confidence to engage with a broader range of stakeholders. Operators should identify the stakeholders that matter, the influencers, and engage with them with objective, fact-based evidence. For example, some companies already do this and publish fact checkers on their website (admittedly these fact-checker sections are often hard to find on searches). But those that do are few and far between and are consistently obscured by the sheer volume of negativity that appears online. Operators should ensure that they have a more significant volume of content and take steps to ensure it performs better in search engines. Similarly, they should use their own social channels to combat fake news in a transparent and responsible way.

## IMPLICATIONS FOR COMMUNICATIONS

5G presents several communications challenges to operators, some new, some old, but all of which have the potential to impact reputation in a much more significant way than before.

- Treat security as a sustainability issue and an important part of the ESG narrative
- Be ready and prepared for cyberattacks - at some point, you will be attacked
- Ensure you have a consistent cross-company team that is trained in cyber response annually, at a minimum
- Take ownership of the health issues, do not wholly outsource reputation risk
- Combat fake news with objective fact-based engagement strategies



# Conclusion

5G will be transformational for both consumers and enterprise customers. And while it may not be immediately clear, it can be transformational for Europe's leading mobile operators, too.

The winners will be those visionary firms that are able to differentiate themselves with enterprise customers in a way that they have struggled previously with consumers. To succeed, operators must articulate their strategy clearly and position their organizations, internally and externally, to partner with enterprise-focused customers in the development and commercialization of new services and products. This will require communications teams to work even more closely with various parts

of the organization - investor relations, customer services, R&D, human resources and leadership - to deliver more integrated and more creative campaigns across stakeholder groups.

5G will push mobile operators into a more systemic societal role, accelerated by the COVID-19 pandemic. Corporate narratives at a minimum need to change to reflect that, and organizations should be prepared for the additional scrutiny that their elevated role will engender. It is our view that mobile operators should be active in shaping their future role, or else risk missing the opportunities that 5G will invariably bring.



