Colombian Telecom Companies Join Forces to Create Formidable Service Provider

Executive Summary

CUSTOMER NAME
EPM Telecommunications
(Operating as UNE)

INDUSTRY
Service Provider

BUSINESS CHALLENGES
- Integrate multiple companies simultaneously to create a single, effective company
- Complete mergers within a brief time period
- Develop integration competencies to pursue multiple mergers in the future

SOLUTION
Work with Cisco IBSG to develop a comprehensive framework to guide all aspects of IT and organizational integration

BUSINESS RESULTS
- Establishment of closer working relationships with functional areas within the company
- Development of an integration framework to aid in the decision making process and speed of the integration
- Instilled confidence in leaders' to succeed on future integrations

Seven Colombian telecommunications companies are uniting to compete against some of Colombia's largest telecom providers. Operating under the name UNE, the new service provider faces the daunting challenge of integrating the companies, more than two at a time simultaneously in some cases. UNE is working with the Cisco® Internet Business Solutions Group (IBSG) to develop a comprehensive framework for integrating its IT foundation. Their work will ultimately become a model for integrating the entire organization, and allowing UNE leaders to proceed with confidence in future mergers.

Business Challenges

It is difficult enough to integrate two companies. Try integrating seven. This is the challenge UNE faces, despite past success in mergers and acquisitions (30 percent).

UNE began when its largest division EPM Telecommunications was spun off from Colombian public services conglomerate Empresas Públicas de Medellín (EPM) in 2006. With major competitors Telefónica and Telmex preparing to enter the Colombian market, EPM leaders believed that integrating EPM Telecommunications and six other leading Colombian service providers into a single organization could create a more focused, competitive force in the market. "We are looking for core synergies, cost reduction, market share increase, and most importantly, to gain nationwide coverage for our product portfolio," says Claudia Céspedes, IT integration program lead for UNE.

The new company (which operates under the name UNE) is priming itself to become a major, regional service provider. Analysts expect UNE to serve more than two million customers—more than 21 percent of the Colombian market—by 2015. Getting there, however, will be challenging. The newly combined entity needs to adapt to a market dominated by changing technologies, shifting customer demands, deregulation, and fierce competition. Succeeding will require an operational approach different from that of any of the seven companies.

Cisco Internet Business Solutions Group (IBSG)

"Each of these companies was previously involved in different markets, with different ideals, using different strategies and applications," says Sergio Restrepo, Chief Technology Officer, UNE. "We needed to define a sound strategy to ensure that our customers and clients would see only one company." UNE needed to accomplish this quickly. "The competition is coming, and we have a window of perhaps six months to one year to do what we need to do," adds Restrepo.

The strategy involves merging EPM Telecom with two other large Colombian service providers, Orbitel and Emtelco, initially while laying the groundwork to integrate four more companies within the next two years. The integration, however, especially merging the applications and IT infrastructure, was proving to be a complex process. UNE leaders recognized that proceeding without a clear framework for integrating IT would lead to inefficiencies and delays across the organization, impeding the ability of employees to perform their jobs efficiently.

Solution

UNE was already working with an external consulting firm developing a strategy for the mergers, but company leaders, some of whom had worked with IBSG previously, believed that Cisco could provide valuable assistance integrating the IT organizations and applications.

"IBSG showed us all of the companies that Cisco had acquired and integrated, and how they had succeeded," says Restrepo. "Cisco's success rate was much higher than the median in the market, and we felt that applying this experience to our situation would be very valuable."

The engagement began with a series of workshops, both in San Jose, California and Medellin, Colombia to allow UNE senior executives and IBSG to meet and exchange ideas. Based on their work and additional analysis, IBSG created a set of key recommendations to help UNE improve its integration strategy. While IT integration was the centerpiece of the work, the recommendations went beyond processes for merging applications and addressed IT governance, financial models, and organizational structure.

IBSG helped UNE giving recommendations on how to develop a detailed playbook to guide all of the decisions involved in integrating the various IT organizations and systems. IBSG also offered guidance on how to organize integration teams, how to conduct those teams, and how to inject new experiences and considerations into the process over time to refine UNE's integration capabilities. For example, IBSG advised UNE's information technology integration team to appoint account managers to serve as liaisons to each functional area of the company. This would allow the IT integration team to understand and address each area's needs better. IBSG also helped UNE develop a comprehensive framework for increasing the speed and effectiveness of merging the first two companies with EPM Telecom, and establish a procedural and organizational infrastructure for streamlining future integrations.

"The framework we have created with IBSG's recommendations and support has clearly paved our way to success. We still have a long way to go, but we believe that this work will fundamentally help us through the entire process."

Sergio Restrepo
Chief Technology Officer
UNE

"IBSG understood where we were, what we had done, and what we were trying to achieve with the mergers," says Céspedes. "The experience they brought from the many different acquisitions that Cisco has done was reflected in the interviews, the recommendations, and in the advice they provided to us, which has been very valuable."

Business Results

The initial integration is still ongoing, but the organization is on track to meet its goals and create an efficient, competitive player in the Colombian telecommunications market. UNE has improved the efficiency of its IT integration team as a result of the work conducted with Cisco, and company leaders believe that IBSG's recommendations are helping the IT integration proceed smoothly and rapidly.

"It was very enlightening to be able to work with people who have gone through mergers and succeeded," says Céspedes. "We knew that IBSG's recommendations were practical and effective, and we felt comfortable bringing them to the table and implementing them. With this framework, we now have a clear path forward."

The framework to which Céspedes refers defines the roles and responsibilities of everyone involved with the IT integration, and applies well-defined, repeatable methodologies for every aspect of a merger, resulting in less chaos and planned decision making. According to Ana María Calle, project management office vice president, "IBSG helped us to accelerate our decision-making process and to understand better how to prepare for the integration as a way of doing business instead of a one-time event."

Not only is UNE integrating the first two of six companies successfully, it has developed a core competency in integration, which is instilling confidence in UNE leaders to succeed in future mergers.

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More Information

The Cisco Internet Business Solutions Group (IBSG), the global strategic consulting arm of Cisco, helps Global Fortune 500 companies and public organizations transform the way they do business—first by designing innovative business processes, and then by integrating advanced technologies into visionary roadmaps that improve customer experience and revenue growth.

For further information about IBSG, visit http://www.cisco.com/go/ibsg

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