



## Championing Telecoms Innovation in the Middle East

**Despite 100 percent mobile phone penetration and only two players, the U.A.E. is a fiercely competitive telecoms market. Staying ahead means never-ending work on products, pricing and innovation.**

With new networks, new flows, new players and more customers than ever before telecoms are battling with IT and technology companies to find their niche in a new, increasingly intricate, hyperconnected world. It's a task that keeps Osman Sultan CEO of du, one of just two telecommunications providers operating in the U.A.E., awake at night.

Officially named Emirates Integrated Telecommunication Company, du is 80 percent owned by U.A.E. and Abu Dhabi government entities with the remaining 20 percent listed on the Dubai stock exchange. The company launched in 2006 as mobile phone penetration in the U.A.E. reached 100 percent, and links between mobile devices and internet websites via social networking was taking off as standard communication.

"I recently read a prediction that by 2015 – and 2015 is just tomorrow – it will take five years to view all the videos crossing IP networks in just one second," Sultan told INSEAD Knowledge at the launch of the INSEAD-WIPO-Cornell Global Innovation Index, Middle East launch in Abu Dhabi in July.

"So imagine that from the point of view of the capacity we need to build as telecom operators, the infrastructure we need to put in place and the

changes we need to make to pricing structures to get these capabilities accessible to a larger and larger number of people."

Changes happening in the sector are only just beginning, he warns, noting telecoms are having to choose where they want to be in the value chain, a decision which will determine the success or failure of their future strategy.

"As telecoms, we constantly need to think about and reinvent our business models. What was once done by only telecom operators is now being done by players who don't come from this background, they're internet players... so we find we have new patterns, and we need to find new skills that can understand and have the ability to exist in universes that are at the border of our traditional telco space.

"There's a long road ahead of us and we're still at the beginning of the journey, that's the exciting part. The scary part is that you are in a position where you don't sleep, people are watching you as you innovate every day, so you constantly wake up thinking what am I missing, what do I need to do next?"

Sleep deprivation aside, heading a telecommunications company at this point in history

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is not a position everyone would aspire to. The stress of second guessing what's coming and the demand for ever more broadband from limited resources is intense. Meanwhile, industry leaders are making major capital investments in next-generation services over IP networks and want to monetise their investments with new products and services as rapidly as possible.

But Sultan prefers to look at the big picture. An admitted "people person", the man named one of the Middle East's most innovative leaders in 2012 insists his role and the role of the sector is more than technology, it is about helping to shape a community and create an ecosystem which allows ideas and innovation to thrive.

"Telecom is about impacting and changing people's lives. We can see the impact it has, specifically in this part of the world where new means of communication are enabling new models of civilisation." It's also about developing the infrastructure for broadband and providing easier access for anyone to create new, potentially game-changing, applications.

### **'Is this realistic?'**

The changes happening today are a long way from Sultan's introduction to the telecommunications industry back in 1983 when he worked for a subsidiary of France Telecom promoting an online platform, a predecessor to the internet.

This transformed his way of thinking and from very early, Sultan says, he knew telecommunication technology would change the world. In 1997 he started the hugely successful Mobinil in Egypt and predicted that mobility would soon be available to everyone.

"At that time people could imagine mobility, but they thought, 'Is this realistic?'. It was a time when mobile phones were only the appanage of a few happy businessmen."

By 2005 when he moved to Dubai at the invitation of the U.A.E. government to start du, penetration was more than 100 percent.

Two years on he was quoted as saying that being connected was a basic human need; today, he insists, it's a basic human right. And it is the joint responsibility of telecoms like du, as well as governments and other stakeholders to make this happen.

"More and more we will see countries like Australia, Japan, Singapore, Korea and some countries in this region stepping in, because governments realise [being connected] is a fundamental component to

enabling the capabilities of their citizens and for their economic development as a whole."

### **The name of the game is capacity**

"There are three drivers to innovation," Sultan continues, listing necessity, exploration and serendipity, "where you have an accidental outcome which can be a game-changer".

"I think in our industry we need to have methodical exploration. We need to put in place a framework that will allow little moves to happen and we need to look at trial and error. We determine all this by where we believe the end game will be."

For now the name of the game is capacity.

Du has recently announced the second phase of its super high-speed optical communications network in the U.A.E., enabling it to dramatically boost the speed and capacity of its existing network and support the booming explosion of data traffic generated by the nation's proliferation of mobile devices and skyrocketing demand for "capacity-greedy" video.

"People now want to see things on the spot, they don't have the patience to wait. Enabling this to happen is our role."

### **Shifting revenues**

But such projects don't come cheap. In 2012 du spent Dh1.72 billion (US\$468.3 million) improving networks. The company's January-March 2013 quarter net profit after royalty was Dh468 million, a 40.46 percent increase on the same period 12 months previous. Like telecoms all over the world, the challenge now is to find better ways to monetise the flow of traffic over their networks and develop new ways to do more with what they have.

"The first challenge we have today is... shifting to new revenue streams and this is what we're working on. The voice-centricity of our revenue streams (where the key words were time and distance) is completely shifting to data-centricity," says Sultan. We need to get along that journey, to change our whole business model, I find this fascinating and very exciting."

### **'We will see new competition coming from where we do not expect'**

The risk of innovation, one would think, would be muted operating in a duopoly where only two licensees – Etisalat, 60 percent owned by the U.A.E. government and du - are allowed to provide VoIP services. (Despite public pressure even Skype has been blocked by the Telecommunications

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Regulatory Authority (TRA) the U.A.E. government body responsible for overseeing the country's ICT sector and regulating digital content by censoring material related to religion, politics, national security, individual rights, and public morals).

But Sultan insists that in a world where new players are constantly inventing new technology and introducing new ways to communicate, competition remains very much at the forefront of his mind.

“The liberalisation of the sector [in the U.A.E.] is a progressive one. I don't think it would be appropriate for me to comment, but I can tell you there is not one decision we make not based on the fact that we should exist in an environment with much more intense competition.

”My role is to make sure that in everything we do that the company is ready for any form of competition, because we'll see new competition coming from where we do not expect.”

It's the unexpected which makes the sector such an exciting one to be in, he says.

“We are at the heart of something that is increasing exponentially... I believe it's fascinating because... when we see our children doing something completely different from the way we do it, I feel like I'm involved, I'm at the heart of the equation. But there's no comfort zone anymore. We need to get used to that.”

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