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Whatever happened to digital transformation?

Omdia view

Summary

"Digital transformation," although still a term that continues to be employed by telcos and vendors, has lost much of its pizzazz in recent years. This is not because digital transformation initiatives have gone away, but rather what was previously encompassed by this term has been absorbed and rebranded around a varied and more narrowly focused set of initiatives.

Digital transformation was always a large and unwieldy phrase, despite the best efforts of industry commentators, including Omdia, to define it. Instead of using the broad term, the industry now increasingly talks about more specific initiatives, including AI- or data-focused transformation, cloud-driven transformation, network automation and autonomy, the transformation of customer experience and engagement, and API-based platforms. By focusing on such a disparate range of initiatives, there is a danger that individual projects no longer add up to a coherent whole.

What will fill the "digital transformation" gap?

Traditional digital transformation initiatives were often big and unwieldy projects spanning several years. They often focused on internal organizational changes or customer relationship-focused projects, rather than on changes that were truly "digital" and "transformative." It was not unheard of for vendor marketing teams or telco CxOs to use the "digital transformation" buzzword to describe any kind of software implementation or operational change.

Once digital transformation is removed from the vernacular, what is it that telcos are pursuing? For example, is AI- or cloud-driven investment an objective in its own right? It is important not to lose sight of the bigger picture, because without a clear transformational goal, telcos are in danger of being pulled in multiple directions, pursuing an ever-extending list of micro-benefits that don't necessarily add up to much.

The industry often perceives telcos' top-level goals as a mix of revenue-generating and cost-cutting objectives. But ultimately, what is it that constitutes the core of the telco business? One could argue that it is a sense of trust and strong customer relationships based on the belief that telcos can deliver secure and reliable connectivity services. This requires a continued focus on security, privacy, sustainability, network resilience, and policy strategies that elicit customer trust. Ultimately, this is what the sector sinks or swims by.

Is AI the new digital transformation?

The telecom sector has seen a shift in focus towards AI-related investment, whether in the context of customer-facing or operationally focused implementations. Omdia's latest *IT Enterprise Insights* survey of telecoms operators suggests that the areas that have seen most AI-related deployment to date are cybersecurity, customer engagement, customer support, and energy management. And the biggest increase in AI investment over the coming year is expected to be in predictive maintenance and network optimization implementations.

Omdia's latest AI research suggests that there will be a similar pattern with agentic AI, with the initial impact mainly in the customer care domain. However, over time, the network domain is expected to experience the most significant impact, especially in the context of network autonomy. Autonomous operations appear to be currently perceived as a way for telcos to fight back.

However, just as was the case with digital transformation projects, it can be difficult to detect the impact of AI investments on the bottom line. Proponents of heavy AI investment often claim that a lack of directly measurable impact is often due to poor change management and that it is only the lack of "big ideas and bold execution" that is holding telcos back. Poor leadership and implementation may, of course, be contributing factors, but one can conjecture that it may also be due to the inherent difficulty of navigating any major transformation successfully, as well as the inherent limits of a technology that is still in the early stages of being applied across such a wide variety of use cases.

Despite a very large number of AI pilot projects and varied implementations, only a relatively small proportion of AI initiatives appear to have scaled up so far to something that is enterprise-wide and truly transformative. It may be that we are simply at the early stage of the telco AI adoption cycle, and a cascade of larger and more transformative projects will soon follow. But for the time being, it appears that telco sector AI projects are often incremental in nature and use cases are approached on a standalone basis, which does not result in economies of scale. The types of projects involve additional integration and change management costs to ensure a fit with the rest of the business.

Without a "digital transformation" mindset, telcos are less likely to adopt a genuinely company-wide or platform-centric approach to AI. There is also often a lack of the necessary data foundations required to support a cross-company approach. However, some operators are working hard to address such issues, as the recent Ericsson OSS/BSS Summit in London showed. For example, BT Group has been moving multiple IT systems to a unified cloud platform, not just to save costs and boost productivity, but also to reduce data complexity and make better use of consistent tools and ways of working. AT&T also spoke about the progress it has been making with data management across the group. Similarly, Vodafone Group has been standardizing business processes across its global footprint, using a single data model to simplify and improve efficiency.

Significant changes of this kind are about more than just having the right data foundations. Integrated processes and cross-functional collaboration are also required to manage operations in a coordinated

and focused way. All of which seems to suggest a continuing need for some sort of "digital transformation."

"Back to basics" as a forward-looking approach

Many, if not most, of the individual transformations that result from the adoption of new technologies such as AI, cloud, and autonomous networks are important to operators. But without a coordinated and cross-business approach, the sum of the parts may add up to less than the whole.

For example, it is all very well leveraging cutting-edge cloud technologies and AI to reduce operational costs and support innovation, but can telcos expect customers and shareholders to reward them if they don't also give the fundamentals of security, sustainability, and resilience the priority that they deserve? If telcos focus new technology investment on narrowly defined returns, they risk neglecting the fundamentals of their business—namely, secure and trusted connectivity.

Furthermore, the relative importance of network resilience and cybersecurity will increase over the coming years. It is not just external security threats that are responsible—although these are growing—but also the consequences of internal technology developments, including increasing reliance on automation, AI-driven decision making, and massively increasing data volumes. By comparison, the relative importance of speed, flexibility, and cost savings stemming from automation may potentially decrease over time in an environment where cybersecurity, technology, and geopolitical risks are on the increase. The strength of the reaction to the public cloud outages that occurred recently highlights the potential dangers. Similarly, operators cannot afford to take their trust credentials for granted.

Viewing connectivity and the network business as something that has been commoditized or can be taken for granted is not the wisest approach when increasing technological and business complexity and increasing security risks loom large. There is no clash with "telco to techco" strategies or the wide range of new network slicing, quality on demand, programmable network, enterprise-focused, and API-driven opportunities that are opening to telcos; all these also require a sound and trusted network and operational base. True, operators increasingly need flexibility and speed to bring new services to market, but they also need to deliver resilience and security.

Telcos should take a "back to basics" approach when deciding on business and operations support systems investment priorities. The fundamentals include the rapidly growing importance of security and privacy, a strong internal talent base, sustainability, network reliability, and resilience. These must be weighed against cost-savings, avoiding supply chain disruption, and dodging geopolitical headwinds.

In an increasingly turbulent and complex environment, guaranteeing "business as usual" will no longer be a boring option. Rather, it will constitute a core asset for telcos and create new business opportunities that will need to be carefully fostered through 2030 and beyond.

Appendix

Further reading

IT Enterprise Insights: Telecoms 2026 Report (October 2025)

Agentic AI: An Evolution with Transformative Potential for Telecom Operations (October 2025)

Service Provider Digital Transformation Strategies Survey Report – 2025 (July 2025)

Telco Software Market Forecast Report: 2024–30 (July 2025)

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