

Interview with Jean-Marc Frangos

Senior Vice-President, Technology and Innovation British Telecom



Jean-Marc is responsible for sourcing BT's external innovation in the United States, Asia, and Europe. Based in Silicon Valley, and in association with leading venture capital firms, his organization identifies disruptive technologies and innovative service opportunities.

Jean-Marc is also responsible for 'Innovation Central,' and BT's Applied Technology Center. Both organizations aim at introducing innovations, internal and external, to BT's technology and service roadmaps. Prior to 2000, Jean-Marc was Director of Internet and Multimedia for BT Europe. Jean-Marc graduated from the French

Ecole d'Ingénieurs and the Institut National des Télécommunications. He can be reached at jeanmarc.frangos@bt.com

Interview conducted by Doug Berger, Innovate. doug@innovate1st.com

Doug: Let's begin with an orientation to the role of your organization within BT.

Jean Marc: I report to the CTO in the company, whose title doubles as the CEO of BT Innovate. This is a result of our transformational announcements, which were made a year ago. We announced the creation of BT Design and BT Operate. My function is to identify innovations from outside of our own organization and put them to work for the benefit of the company and our customers. My function scans the globe for startups, new ideas, new business models, as well as for what other companies are doing in spaces that are similar to ours.

In addition to this scouting function, I have a number of innovation support functions. We take selected ideas from anywhere in the company and transform them into prototypes. We take other ideas and transform them into workable business cases. We run a fairly large idea management system, which collects ideas from 100,000 people. It's all about making innovation work inside BT.

Doug: What was the thinking within BT that led to the inception of your organization?

Jean Marc: Prior to the year 2000, we had a fairly traditional way of looking at innovation, largely relying on our own research. There was an executive-level realization - it was becoming essential for us to ingest things from the outside. It became very clear that not tapping into the stream of innovation, largely funded by venture capitalists, would be the wrong thing to do. We had to become part of what was going on in Silicon Valley. We had to be one of the players, see for ourselves, and judge for ourselves whether or not an innovation was something we could use. That's why I moved to California.

The directive was to become more agile, more rapid in either absorbing or rejecting these innovations, rather than being in a gestation mode of three or four years. In other words, executives were saying, "Tell us what things we should bet on and what things we should reject."

The process of rejecting has become just as important as the process of adopting innovation. If you can say what you don't want to do, half of the work is done. It means that you have your real resources allocated to the subjects that you want to drill into and transform into a competitive differentiator for the long-term. That was exactly their premise when they shipped me, as a blank disc, into the wild world of Silicon Valley.

The original intention included calibrating our internal research and development. The business leaders steer the research organization in the direction in which they would like to apply their effort. At the same time, you also want the research organization to come up with things that are completely new, that no one has thought of, including the business executives of the company. We want ideas that might turn into a large future business. Therefore, there's this idea of calibrating things at the project level by saying, "This is really interesting because I haven't seen anything like that anywhere else in the world." or "This is really interesting because there is a burst of activity around this theme." For example, we identified the importance of a new video compression technology just before everyone started launching solutions.

Doug: What are your particular areas of interest in your scouting work?

Jean Marc: We have areas of investigation but need flexibility, in the same way that internal research needs flexibility. We keep an open eye and an open mind to what comes from the Valley and other centers, which might be outside of our typical opportunity bucket.

Our first theme is the new sources of revenue generation due to the convergence of IT, telecommunications, and entertainment. The second theme is rationalizing cost and obtaining the best possible cost base for the company. Here we look at the technologies that can be put inside of our network or inside of our data centers. The third is innovations for customers, and how we pass on the benefits in the form of customer services, experiences and satisfaction. We focus relentlessly on making sure that our customers get not just value for money, but are delighted by the experience.

We have several technology buckets of interest. First is broadband and broadband's value added services. Second, as you can imagine, is a clear interest in mobility. This can feel a little surprising for a company that is no longer a licensed mobile operator in their own country. We separated our cellular mobile assets more than five years ago. We do repackage the air connectivity from a number of partners, including Vodafone. We call this Mobile Virtual Network Operator. So, we have to think harder to get mobility technology to work for us, and that allows us to think wider. Wifi, WiMAX and the other technologies are clearly in our zone of investigation.

A large area of interest for us is anything related to business software and applications. We host a lot of applications and servers for our business customers in our own data centers. We manage their Network and IT infrastructures. This is the area of utility computing. There is also attention to cloud computing, running

applications in the internet cloud. Also worth mentioning is Web 2.0 and the potential communities of interest in developing new innovations.

Doug: What are the criteria by which you make the decision to move from a passive scouting role into a more active investing role?

Jean Marc: The idea of investing immediately brings to mind investing in the equity of a startup, which is something that we do on occasion. However, most of our investment is the internal investment to transform an idea into a BT product and the integration effort to bring a new product to market. We are looking at technologies that are sufficiently developed, where we can do collaborative integration work with startups, internal technology and BT businesses.

The mainstream part of innovation is taking an idea that is only partly tested and transforming it into a mainstream idea. It does not necessarily involve fundamental development. But the sheer fact that we're putting it to work at scale for a market of 25 million users in the UK, for instance, means that the scale needed behind that idea requires investment on our part. It might be simply taking something that's already been created and making it work at a much larger scale, which by itself is a significant investment. The channel effort to put anything in our catalog is a significant investment.

The first filtering criteria for investment is, "Does it apply to the global or the domestic consumer market in the UK, and does it provide value for business customers? Are there any reasons why something would be very specific in nature and not apply to some of our customers or markets?" For example, some of the very advanced mobile technology that you see in Asia and Japan does not always translate into our markets. The way in which people use their mobile devices in Western countries is not the same. In Japan, speaking on the phone while in transport is absolutely against etiquette. Therefore, people use more data applications, especially during transport, even to the point of watching TV on their mobile phones.

The second filter has to do with "Does it make business sense? Do we have channels to sell into the particular market? Is there something that pre-exists in our geographies, which would mean that it's not such a novel idea?" I use a lot of my contacts in our operational divisions in order to evaluate those opportunities. These people have a great deal of collective knowledge and experience, and I test the concept with them in a fairly lightweight mode.

The third filter is "Will it technically work at the right scale for BT and effectively increase our customers' satisfaction?" Will we be able to deploy this in our geography the way that we normally deploy things with our existing systems? Will it be sufficiently robust? Will we have enough management functionality behind it to ensure that the customer satisfaction will be the one we're looking for?"

Doug: If something passes through these high-level filters, then what?

Jean Marc: If I have convinced myself that this is something which I would like BT to use, to sell, to integrate, to package, then I start a sales campaign. Many people think of innovation as technically pure. But let's be honest, innovation is about selling. It's not about selling products yet; it's about selling ideas. It's about selling ideas that can have a big impact on a company, but selling into a market which is already a very crowded market for activities, projects and ideas. Who in our world would have a company rolling their thumbs, waiting for new ideas to come in from the outside?

No one. Everybody's 100 percent committed to what they're already doing. So you're effectively selling into a rather adverse environment. You're selling in to people who are not waiting for you to come up with the next best thing. They've got their own ideas; they've got their own customer requirements; they've got their own existing evolutions of the existing products that they need to deal with; and they have limited budgets and limited resources to apply to innovation. Therefore, you have to bear in mind that this whole process is very similar to selling a new product to a customer, but selling it inside the company as a new idea.

So I go through a complete Customer Relationship Management proving cycle. I describe the idea. I have my elevator slide pitch and I have my longer slide pitch. I try and have a campaign that I drive from the point of view of hitting the right people with the right points at the right time. This normally involves more than just the business people, so that we are all in agreement that this is something which we want, it's something that we can pay for, and something that we can operate. This is the reason that most of my innovation organization iceberg is embedded with operational divisions around the globe.

Doug: From an organizational point of view, you have people in your organization who are embedded in the internal functions of the company?

Jean Marc: That's correct. The people who drive these projects from the inception point to the deployment point are just as important, if not more important, than the people who are scanning the outside world for new ideas. These people help articulate the idea, create the business case, and create the various stories around the idea so that they can be put to the right people in the right places. They create prototypes to actually show rather than to just talk about. A demo is worth a thousand pictures. We use a lot of prototyping. We use it in front of our senior management for decision making. We use it in front of our customers to get their feedback. We use it with our design and development colleagues so that they can see what's being asked of them in terms of further development or integration.

We're not talking about huge prototypes here. We're not talking about a 6-12 month prototyping period that you have later in the cycle. We're talking about a short one, two or three week project in order to mock things up, to more than make them work.

We have a consultative and collaborative process with our business colleagues and technical colleagues. What we don't need is an innovation team to take a unilateral view about the value of a particular new idea. What we do need is buy-in from the operational people who are in charge of selling and deploying. Our process is highly iterative. This approach accelerates selling-in the idea and makes our innovation process a lot more agile.

Doug: Let's talk about some specific examples.

Jean Marc: A small company here in the Bay Area, EchoSign, created an internet process for submitting a written business proposal to a customer, tracking it, having that customer sign it and return it. This is as mundane as it gets in terms of innovating in the world of business. It mainly applies to small and medium enterprises but also to larger agile enterprises with their smaller trading partners. You would be surprised at how much time and how much pain there is in this flow. This company has transformed that to be an internet-based process. We have convinced the part of the company that deals with small and medium enterprises to adopt this concept; to effectively scale it up and run it both internally with our suppliers and customers

in BT, as well as sell it to our small and medium enterprise customers. That's an example of how we've been able to take an idea which yields a significant differential advantage when you can bring it at scale.

Doug: For an idea to be really interesting for BT, what's the magnitude of the revenue and profits at scale?

Jean Marc: This is a very interesting question and one that keeps coming up when you think of innovation. We typically don't look at the large majority of our innovations as needing revenue in the hundreds of millions, immediately. We bear in mind that innovation can start small and become big, and you have to give those things that start small a chance. If you start putting a high threshold on the revenue that this new product or service needs to generate in the first year or two, then you're bound to miss a number of good ideas. So, we look at it more in the light of what it costs us in comparison to the associated revenue.

In the example of EchoSign, the cost in the first part of that deal was very low, because we took something that existed and effectively partnered with this company in a marketing agreement, without doing integration. Therefore, we had the ability to say, "Let's try it, and see what it does." We didn't know how well it was going to translate to the UK environment or the global environment, even though my first filter gave me the green light.

Doug: What are some other examples?

Jean Marc: We don't do many technology acquisitions so this one is a bit of an exception. It's a company called Ribbit Corporation, and we just announced the acquisition in July. The idea of Ribbit was very simple; "Take the idea of voice and voice services and make that available for integration in internet and business applications." Using Ribbit, developers have integrated voice into Salesforce.com, and other business or consumer applications. This felt to us like a fantastic idea - exploit our voice network capability and be able to realize the value of thousands of people creating innovative voice applications.

We are in the process of making it work at scale in BT, while also keeping it open to outside application developers. Part of our thinking is to use our scale with this small startup, multiply their ability to sell much more widely, to attract many more developers, and to deliver its services. We see the market as being other telecommunications companies, large enterprises and systems integration companies, as well as continuing to attract external developers.

Doug: BT is not just looking at traditional telecom customers within its own national borders. You're also looking globally at redefining certain aspects of your business model.

Jean Marc: Yes, very much so. It allows us to tap indirectly, as well as potentially directly, into a very large set of customers who, as you said, were not traditionally Telco customers. The real-time enterprise is something that's talked about at the moment. The real-time enterprise requires integration of voice in business flows so that exceptions, for instance, can be dealt with immediately as opposed to in batch mode. Voice integration into these applications provides a real-time aspect, of which companies are very, very fond.

Doug: One of the things that BT is addressing is agile ways of going to market. These start as niche opportunities that could be substantial, but require a very different go-to-market mechanism.

Jean Marc: You're absolutely right. Many of the technologies that we encounter, particularly in Silicon Valley, are of the Web 2.0 type - technologies that are rooted on the web where, by browsing, our customers can actually discover the services themselves. We run our own collaboration website for enterprises, where they discover for themselves, they share tips and views about what services work for them, what doesn't work for them, and how to deploy them. We encourage and facilitate our customers through Web 2.0 technologies. We have a website, BTtradespace.com, for the SME environment to effectively create a community of services and share a lot of knowledge.

Doug: How do you reach the potential customer and have them actually consider the application? I'm not talking about the early adopters. I'm talking about crossing the chasm to reach potential customers who might be interested in the EchoSign product, for example.

Jean Marc: This is where being a company like ours has unique assets. We are unlike very small startups that have to rely exclusively on the web because that's all they can afford. We have real people on the ground who have account relationships with existing consumers in the UK. We send physical mail. We have service engineers visiting people. All of these touch points put us in a somewhat unique position to cross the chasm. Starting from the web, but also adding some of our assets, it goes all the way up to the very large enterprises where account management and board relationships absolutely help to make the case for these new technologies.

Doug: What concluding comments would you like to make?

Jean Marc: The main message is that innovation is about being agile. Innovation is about looking everywhere, not just inside. Innovation is about making a sale and looking at it reasonably, realistically and modestly. You have to be very thorough, applied and methodological.

