



Dialing in the VoIP Strategic Advantage

HBSWK Pub. Date: Sep 26, 2005

Voice over Internet Protocol has the potential to be the next disruptive technology changing the way businesses communicate. Are you thinking of ways VoIP can bring you competitive advantage? An excerpt from Harvard Business Review.

by Kevin Werbach

Since Alexander Graham Bell's day, businesses have bought telephone services the same way they've purchased electricity, janitorial functions, and water for the cooler—as packaged offerings defined by an outside provider. Sure, companies could choose from a menu of configuration options and service plans, but, in the end, the phone company or vendor called the shots. The breakup of telephone monopolies such as AT&T in the 1980s changed the mix of providers, but it left intact the century-old public-switched telephone network they employ, and it left service decisions up to suppliers. As a result, companies have been constrained—more than they know—by the legacy phone systems they've depended on.

That's changing fast. While the vast majority of individuals and companies still rely on conventional phones, an estimated 10 percent of international phone traffic now travels over the Internet using voice over Internet protocol, or VoIP. Most telling, this year, for the first time, U.S. companies bought more new Internet-phone connections than conventional phone lines.

VoIP isn't just a new technology for making old-fashioned calls cheaper. What makes it so potent is that it turns speech into digital data packets that can be stored, searched, manipulated, copied, combined with other data, and distributed to virtually any device that connects to the Internet. Think of it, basically, as the World Wide Web for the voice. IP, or Internet protocol, simply refers to the technical standards that govern how digital information is encoded. Because of these common standards, VoIP can interact seamlessly with other Internet-based data and systems.

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These might seem like technical nuances best left to your CIO. But consider this: Since VoIP turns voice into Internet-friendly data packets, it can—and will—replace the rigid, packaged phone services that most companies still use. And because it will allow businesses to create their own customized phone *applications*, it will shift control of phone services from providers that have historically defined (and limited) them to the

companies that use them. VoIP will serve as the unifying platform for such applications, supporting ever more customized, intelligent, and strategic uses of voice communications. As some innovative firms are already showing, this flexibility can fundamentally affect how companies use voice to compete, allowing them to set up and conduct business in ways that simply couldn't have been done before—or that were so impractical that no one would have bothered.

Linking VoIP to strategy

When the telegraph first appeared in the mid-1800s, savvy traders used it to obtain critical information about stock prices. Since the Philadelphia Exchange opened an hour earlier than the New York Stock Exchange, speculators used the telegraph to create artificial opportunities for arbitrage. That helped push the major exchanges to adopt standard trading hours. Before long, the telegraph was an essential and ubiquitous technology on Wall Street, in the form of

the stock ticker, but it was no longer a competitive differentiator among firms.

VoIP will follow the opposite trajectory. It will become more strategically significant over time. Most companies will deploy VoIP at first in ways that give them a return on investment but little strategic value. They may not be ready to think about the deeper potential of VoIP but will still install VoIP equipment and software for practical reasons. With that infrastructure in place, though, companies are in a position to develop a true VoIP platform.

In deciding whether and how to adopt VoIP, managers will ask the usual questions that accompany any major technology investment: What's the ROI model? How "future-proofed" is the initial investment, and how much recurring investment will be required? What legacy equipment and software need to be thrown away, and what are the migration and integration challenges? Will we be locked in to the particular vendor or integrator we choose? Is the technology reliable, scalable, and secure enough for our needs?


But managers should also ask how VoIP can improve—or transform—how they do what they do. The most successful early VoIP adopters concentrate on two things. First, they focus on achieving business objectives more than saving money. Though cost cutting may be the deciding factor for firms in making the initial investment, VoIP's cost savings are unlikely to provide real competitive advantages. More important, viewing communications purely as a cost center can do more harm than good. As companies that rushed to outsource business functions in recent years have found, reducing costs often has a cost. Saving money by alienating customers is not a good trade-off.

Second, early adopters view everyone in an extended organization as a resource. As Wynn Resorts is showing, the entire organization can become a contact center. Or, with a system that's slightly more sophisticated than the one at Rhode Island Hospital, a nurse confronted with an urgent medical need could scan a list of available doctors, and with the click of a mouse, speak instantly with the most appropriate specialist, wherever he or she was located. And VoIP, by linking with hospital databases and monitoring systems, could provide the doctor with a real-time view of the patient's history and vital statistics during the call.

Businesses that push VoIP capabilities out to their employees, partners, and customers will gain efficiencies over those who continue to think of communications as a scarce, centrally controlled resource. And companies that harness VoIP to achieve business objectives will find it is much more than an undifferentiated commodity technology.

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Deployment may be incremental, but companies should be thinking about where VoIP could take them. Executives should ask what they could do if, on demand, they could bring all of their employees, customers, suppliers, and partners together in the same virtual room, with shared access to every modern communications and computing channel. They should take a fresh look at their business processes to find points at which richer and more customizable communications could eliminate bottlenecks and enhance quality.

VoIP is coming. The important dividing line won't be between those who deploy it and those who do not, or even between early adopters and laggards. It will be between those who see VoIP as just a new way to do the same old things and those who use it to rethink their entire businesses. 

Excerpted with permission from "Using VoIP to Compete," **Harvard Business Review**, Vol. 83, No. 9, September 2005.

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