

A FRESH VISION

Angela Partington talks to Telecom Italia Sparkle's new CEO Paolo Ferrari about his plans for the future of TIS.

As the third CEO of Telecom Italia Sparkle in the space of a year, Paolo Ferrari would not be blamed for demonstrating a degree of caution in his approach to the role. It only takes a few minutes, however, to realise that he plans to build solid foundations for Sparkle and to consolidate and grow the business over the medium to long-term. He clearly has every intention of sticking around.

Ferrari's career to date has taken him through New York University business school, a "short but intense experience" of investment banking at Credit Suisse First Boston and time working in new media at Gruppo L'Espresso. He then moved to Telecom Italia, where he held various roles in publishing and retail before he took on "more of a corporate role as Head of M&A," managing the disposal of a number of key assets, including Thompson Local (part of Sear's Yellow Pages) in the UK and Alice France, and finally holding the position of CEO of Germany's HanseNet Telekommunikation.

An outsider's perspective?

Ferrari took on the position of CEO of Telecom Italia Sparkle in July 2010. Although he has experience of residential and consumer telecoms, Ferrari, throughout the interview, is modest about his role as a newcomer in a highly technical industry. But he is clearly confident that his business perspective is important: "I don't think I should be so conceited as to think I can go and personally add value to my network at this time. Instead, I will initially focus on P&L management, cash flow, the overall business perspective and the medium and long-term sustainability of the company."

Sparkle has been through many changes in recent times, and two years ago, was announced for sale. This is no longer the case and, with the appointment of Ferrari, a new chairman and a full new board, the company has turned a corner. The

implementation of these changes, however, particularly where they impact on the culture of the organisation, is clearly an ongoing task. "Even if it's just simply saying that voice shouldn't be our core any more, that the volume of voice shouldn't be our obsession – it's a big change, when people have spent ten or 15 years capturing new businesses and new clients," says Ferrari. "You sometimes need an outside view and a break from the past. It helps to put things in perspective." While he respects the business and its employees, Ferrari has no unnecessary nostalgia for the ways of old, at one point instigating the closure of 70 clients when it was not financially viable to retain them.

He speaks very highly of the technical skill of Sparkle's staff, but wants to deliver this with a more commercial perspective. "We have the mentality of a B2B network technology company. While I understand Sparkle is not a consumer retail-oriented company, I would like it to be a little more commercially oriented." He wants the company to be more visible, and to work on improving its marketing and sales. But Ferrari is honest about the fact that "commercial culture comes from the top of an organisation." He is making himself more personally visible – "I travel a lot, I meet a lot of customers, I try to go to events" – in the hope that this will roll out throughout the organisation.

The road ahead

Building and capitalising on the "captive business" is a key strategy, and core efficiency and consolidation are important to Ferrari. Being the international services arm of the Telecom Italia Group provides a strong volume base, and Sparkle has a solid customer base of its own, but the company still faces challenges. "We can address them by managing our current business better, by being more value oriented rather than strictly concentrating on volume." He wants to develop "the partnership game," exploiting opportunities in a tactical way



and obtaining the advantages that consolidation or scale can bring. "There are certain things you can do with partners that will give you similar goals and objectives without the complication of an M&A deal." Successful partnerships will clearly allow Sparkle to test the waters in new business areas without needing to build from the ground up.

Ferrari is also keen to "develop new businesses that would compensate for the trends in voice, data and IP." The decision whether to partner or develop, he says, "depends upon the business area you're looking at." His approach to strategic alliances is practical and tactical, and he is fully prepared to pick the low hanging fruit while growing his business. Data centres are an area he is considering as a development opportunity. "Building a data centre costs a lot of money and they have a payback which is three, four or sometimes five years. If we want to engage in data



TI Sparkle facts:

History: TI Sparkle is a wholly owned subsidiary of Telecom Italia and was established in 2003 with the aim of consolidating the group's wholesale and retail business. The company, which offers a range of voice, data and internet solutions, now has offices in 40 countries worldwide and over 1000 employees.

CEO: Paolo Ferrari was appointed CEO of TI Sparkle in July 2010 and has been with the Telecom Italia Group for almost eight years in various managerial positions.

Customers: Carriers, mobile providers, service operators worldwide and corporate multinationals.

Network: TI Sparkle's proprietary network is divided into three major systems in Europe, the Mediterranean and Latin America – with Telecom Italia Group recently increasing its stake to a majority in the holding company which controls Telecom Argentina.

Products and services: TI Sparkle's wholesale voice service offers worldwide voice capability to carriers, service providers and mobile operators, and is able to interconnect TDM or VoIP-native carriers. The company offers voice and data solutions for corporate multinationals, global international IP connectivity through high-performance international bandwidth and IP MPLS services, while its mobile products are designed to increase international mobile service coverage.

“You sometimes need an outside view and a break from the past. It helps to put things in perspective.”

Paolo Ferrari, CEO
Telecom Italia Sparkle

centre activities in areas where we're not physically present, do partnerships pay? Absolutely. In areas where we have a more definite idea of the return and our own infrastructure, we could build.”

When faced with these strategic decisions, Ferrari's corporate background is obviously a bonus. With a fresh pair of eyes and a willingness to embrace new ways, he is definitely on the look out for the next big opportunity. “Everybody talks about Akamai, and we could have been Akamai,” he says. “But we're not, because somebody else has already done it. It's too late to come into that market. Instead, we need to sit down, anticipate the evolution and identify the next opportunity.”

Chasing missed opportunities isn't for Ferrari; he is asking his innovation team to find “the next content delivery network.” Cloud computing has caught his attention, but his approach is balanced between pragmatism and ambition. “We want to

concentrate our investments where they are strong. We're not going to hold back our investments, but we will be focussed.” It's obviously important for Ferrari to keep a balanced view of the whole business when determining strategy. “If I were to draw the dream picture, it would have three bubbles converging. One is the growth of my captive business – that gives me confidence and scale. Second would be to join the partnership game or the M&A game in order to gain additional scale. And third is to develop new businesses and to innovate.”

Ferrari might be new, both to wholesale telecoms and to Sparkle, but he might just promise a period of growth and stability in a business which has suffered through a turbulent few years. As he points out, some positive macroeconomic changes would also be nice. But whatever the financial conditions, with Ferrari in the driving seat, the road ahead for Sparkle looks promising. 