Former media man Yu Cheng only recently took the reins at Taiwan’s number one telco Chunghwa Telecom, and he’s already improving its position as a market leader.

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Yu Cheng had a long and distinguished career in the media, and he’s brought that expertise to Taiwan’s largest integrated telecommunications services company, Chunghwa Telecom. The CEO Magazine sat down with the CEO, who’s now spent a year in the hot seat, to discuss the latest trends in the industry, and his grand plans to improve the telco’s already market-leading position.

The CEO Magazine: What was your professional background prior to becoming Chairman of Chunghwa Telecom?
Yu Cheng: My career focus was mainly in the media industry. I started in print media, working in various positions from journalist to chief editor, and also served as Chairman of the Taiwan Television Enterprise (TTV) and Radio Taiwan International (RTI). In between the roles in the press and broadcasting institutions like TTV and RTI, I also served in the government as the commissioner and deputy minister of the Fair Trade Commission for many years. »
How do you think that media experience prepared you for your appointment to Chairman in December 2016?

Because of my media background, I knew the ecosystem of media and the content industry very well. Therefore, when I came to Chunghwa Telecom, I immediately understood the dilemma that its IPTV [internet protocol television] business called MOD had. Since most of Taiwan’s local channels were controlled by cable MSOs [multiple-system operators], it was difficult for Chunghwa Telecom’s IPTV MOD platform to expand further. This was mainly due to the difficulty of content acquisition and the asymmetric regulation. It was an unfair competition and I pledged to reverse the situation.

I strengthened the MOD business model by bringing in a fair cooperation mechanism with channel providers, encouraging them to offer more attractive content under a reasonable profit-sharing scheme. We expected that with more content under a reasonable revenue-sharing model, our IPTV MOD platform could attract more subscribers. Then channel providers could benefit from it as well. Fortunately, that strategy worked. By carrying more attractive content on our platform, we have seen a tremendous boost in the subscription of the MOD service, and I expect our share of the pay TV market will have a meaningful increase as a result.

On the other hand, when I served as the chairman of TTV, a terrestrial TV station, I witnessed how cable TV carved up its advertising revenues and threatened its survival. Therefore, I learned that a company should always stay alert and prepare well to respond to changes in the competitive landscape, particularly when it is in good financial standing. As new technologies and business models keep emerging, the domain boundaries between telecom and media are blurred. The telecom industry is faced with the challenge of digital convergence, and Chunghwa Telecom is no exception. What we are doing now is preparing for business transformation. I hope that my colleagues can become more nimble, because it is crucial to respond to market changes with agility.

Aside from digital convergence, what other challenges does Chunghwa Telecom face?

A challenge that’s unique to us is that a lot of our employees will be retiring soon. In five years, a quarter of our current workforce will have retired – that’s huge! To put that into perspective, we have 22,000 staff members, so that’s more than 5,000 people who will have moved on. Therefore, it’s a pressing priority that we recruit new and highly capable people to replace the outgoing contingent. And to make it a smooth transition, we need the existing employees to teach the young people and prepare them to take over their responsibilities.

You’re the market leader in Taiwan’s telecommunications space, but is there still competition?

Yes, it’s quite intensive. There is an ever-present battle for market share. We have to be able to respond to the progress and innovation of other telecoms, not only in Taiwan but in China and other regions of South East Asia. The other big one is the impending arrival of the 5G standard. Companies are saying that it is scheduled to be announced in 2019, but we also know that the real business model for 5G might not be rolled out until 2020. Chunghwa Telecom and the other »
Why did you choose to expand into South East Asia?
Having similar markets and similar customers is the biggest advantage to expanding within the region. We have Taiwanese businesspeople in countries like Thailand and Vietnam, so by opening branch offices there it means we can implement the same business model that works for us in Taiwan and know we’ll be able to pick up business straightforwardly. This enables us to get an immediate foothold in the new markets. Second, we know we have very mature technologies in Taiwan that will be widely embraced by the South East Asian market.

How are emerging technologies going to affect the industry?
We have some traditional telecom applications like the voice and broadband services, but they are all being replaced by emerging technologies – for example, OTT, which stands for ‘over the top’. As a result, the traditional telecom market is actually shrinking. Our revenue and the growth dynamics are threatened by OTT very much. But it is an inevitable trend, so we are on the lookout for new opportunities and new revenue streams.

The telecom industry used to just develop the ICT business for a long time, but that’s not a very successful strategy because some technologies are not mature enough and the ecosystem of that industry is not very well established. By looking forward, we felt that the IoT, AI and cloud are mature, and the industries are well established, so we’ve found that the telecom industry is in a very good position to influence the ecosystem. We think of it as a challenge, and also an opportunity to develop innovative services.

We’re not totally there yet, but we’ve done very well to respond to technology innovation, and I think it’s the right time for Chunghwa Telecom to take a chance and follow through with its digital transformation. One of my main strategies is to position Chunghwa Telecom as an enabler of innovative services. We can leverage our resources and try to team up with as many strategic partners as possible to connect all the advantages and accelerate the emergence of businesses like IoT, AI, cloud hosting and cybersecurity. We have many well-established department trends and they are all being put into practice, so I hope to launch our programs in the near future.

How much do you spend on research and development?
Our actual investment in IT is several billion [US] dollars. We have our own laboratory with enormous capability. We have 1,400 employees there, and the scientists conduct research in our technology departments, relating to both our core business and the development of potential innovative services.

What’s your strategic vision?
Chunghwa Telecom is one of the most trusted brands in Taiwan due to the excellent quality of its island-wide infrastructure and services. We have an outstanding team, healthy financial structure, and leading R&D capability. These are our strengths. However, as I mentioned earlier, I also anticipate several potential critical changes in the market. Over the long run, I hope to prepare Chunghwa Telecom to respond to the challenges and further solidify its market-leading position. That’s why I emphasised the importance of being the leader in the digital economy when I took the helm of Chunghwa Telecom last December. In other words, we need to explore new growth opportunities derived from emerging technologies, including OTT, IoT, cybersecurity, AI and fintech, to complement the revenue loss from the declining traditional telecom services. The success of those emerging businesses relies on the development of a sound ecosystem, and I think Chunghwa Telecom has the strength to take the lead.

Moreover, we’ll also accelerate new business development by leveraging government’s investment in the flagship national project, the Asia Silicon Valley Project, which also focuses on IoT, AI and innovation services.

Further, in the mid to long term, we expect to expand our successful ICT initiatives, such as IoT applications and smart city services, to the overseas market.

What leadership style have you brought to the company?
I believe an important strategy when you lead a company is to set a very clear direction to the people so that they know how to follow you. When I came to Chunghwa Telecom, I positioned the company as the leader in the digital innovation economy. It’s easy to run a company like that when you trust your professional team. I’ll give them direction and I’ll give them missions, and our communication is very, very good. They report their progress to me, and I follow it up with them and give them guidance and direction.

Another important aspect of my leadership style is honest appraisals, and that can be positive or negative. So I’ll praise people who do their job very well, and I’ll highlight the areas that need improvement when a team member hasn’t done their job very well. I think honesty is very important when you lead people.

To lead a company or to operate a company, the leader will have many challenges, and sometimes he must face opposition from different parties. So I will discuss and manage all the conflicting viewpoints; but if something happens that contrasts with my belief, I will explain my reasoning to the team so they understand how I came to the decision and why it is important going forward.

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