

FINANCIAL REVIEW

‘It’s like a marriage’: Inside Telstra and Accenture’s AI reinvention

The telco’s \$700 million partnership with the consulting group to develop artificial intelligence is no ordinary joint venture.



Telstra chief executive Vicki Brady and Accenture boss Julie Sweet. **Nick Farncomb**

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May 12, 2025 – 5.00am



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Telstra’s bold new \$700 million artificial intelligence joint venture with global consulting group Accenture, which kicked off at the start of last month, now has some 1200 people working from offices in Australia and India as the telco giant pursues its ambition of becoming an AI leader.

When news of the venture between Accenture and Telstra, which will be 60 per cent owned by Accenture and last for seven years, was revealed by *The Australian Financial Review* in mid-January, it was noted around the world.

Frederic Giron, the Hong Kong-based head of Forrester Research's Asia-Pacific technology and digital team, described the arrangement as “a clever strategy” that reflected a significant shift in how big companies were thinking about AI.

“This isn't just about making existing processes faster or more efficient; it's about reimagining how work gets done in the first place,” Giron wrote in a note.

Many companies want to use AI tools [<https://www.afr.com/link/follow-20180101-p5luqn>] such as chatbots to become more efficient and reduce the number of people they employ.

Telstra is among them, and last year it axed thousands of jobs [<https://www.afr.com/companies/telecommunications/telstra-axes-2800-jobs-in-restructure-20240521-p5jfa9>] as it tried to cut costs and increase profits. But it is going further than some of its peers: it wants to apply AI to everything it does, and is investing \$100 million annually over seven years to reinvent itself.

The telco group is not, however, going down the same path as Korean telecoms group SK Telecom, which is taking financial stakes in AI start-ups such as America's Anthropic (the developer of the Claude AI assistant), and aspires to derive one-third of its revenues from AI by 2030.

And it does not want to become “an AI company”, Kim Krogh Andersen, Telstra's group executive for product and technology, told the *Financial Review* in an interview.

“Telstra is a telco and a connectivity company,” Andersen stresses. “It's not our intention to sell AI, and it's not our intention to sell AI services.”

But Telstra thinks it can strengthen its position as Australia's biggest telco company by becoming an “AI leader”.

“Every part of our business will be redefined by AI,” Andersen says.



Telstra product and technology boss Kim Krogh Andersen, in New York City, where he has been meeting with customers and employees. **Ann-Sophie Fjelloe-Jensen**

Telstra is already developing AI services for its business and government customers through its joint venture with Australian data analytics groups Quantum.

But the new partnership with Accenture, which formally started on April 1, focuses on Telstra’s internal operations.

‘Process reinvention’

In late 2024, Arnab Chakraborty left Chicago and decamped to Melbourne. Chakraborty, an engineer, works for global consulting group Accenture, most recently as its “chief responsible AI officer”.

But last year, he was tapped to co-lead the joint venture.

“This is truly one of its kind,” Chakraborty says. “This is probably one of the few [ventures] in the world where we are thinking about the whole strategy, end to end for an entire organisation ... it is really all-encompassing.”

And the joint venture is not just a “tech initiative”, Chakraborty adds. “Technology is one part of it, but there is a bigger part ... about process reinvention.”

Telstra wants to use AI to anticipate where and when faults may occur on hundreds of thousands of kilometres of fibre cables that run under the Australian continent, as well as process invoices and create software codes.



Arnab Chakraborty, the co-CEO of Accenture's joint venture with Telstra, was based in Chicago before decamping to Melbourne. **Benjamin Patterson**

It also expects AI to transform customer service. Telstra plans to use AI to quickly summarise customers' experiences when they contact the telco group, including what services have been acquired and disrupted, so that staff don't have to put customers on hold and physically check information.

Telstra wants to shift some of its existing AI investment to "agentic AI", which refers to technology that can make its own decisions rather than simply respond to directions from human beings.

"This is going to create a next generation of autonomous AI systems coming in to empower humans," explains Chakraborty.

The telco group wants to take advantage of agentic AI services that Accenture has developed with US technology group Nvidia and "really push that into Telstra", says Andersen.

If Telstra does not seize the moment and figure out how to use AI throughout its business – in call centres and retail shops, software engineering and IT systems, back offices and fibre networks – it will be stuck in "catch-up mode", Andersen adds.

But the company wants to first simplify and improve the quality of its data so that when data is used by AI, accurate information is generated.

"AI is not something you just buy, then you have it," Andersen says. "It's more about how you apply it."

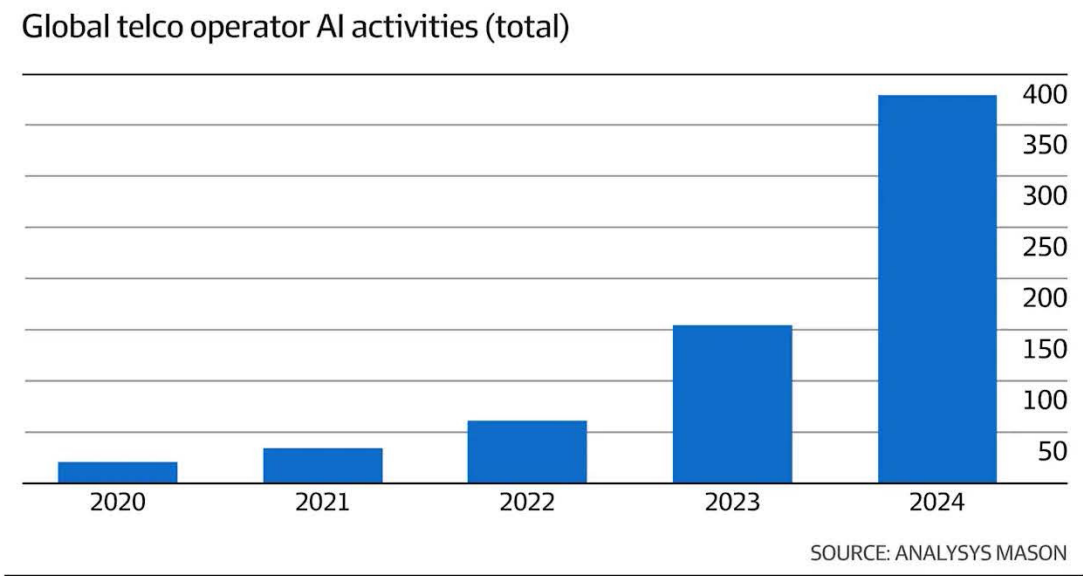
'Go hard and go big'

Neither Telstra nor Accenture claim to have instigated the joint venture, with Accenture describing it as a "mutual initiative" that evolved over time. The two companies have a good relationship, having worked together on projects over the past two decades.

But Andersen says that Accenture wanted "a reference customer", one that it could invest in to "create that AI flagship".

"They assessed us, and said: 'Hey, Telstra is a leader, a leader in telco and in Australia.'"

And both companies were ready to "go hard and go big". The joint venture structure allows Telstra to "own our destiny". Andersen says.



Andersen said the joint venture was still in transition and there had been a few problems as the company integrated Accenture staff.

“We are in the middle of the transition so it’s hard work,” he said. “There are some basic practical hiccups, some of the things we had not thought about ... this kind of transformation is always complicated.”

Andersen pointed out that historically, Telstra has had 34 different partners supporting it on AI but is now consolidating down to two: Accenture and its existing partnership with Quantum.

Andersen said the transition phase was likely to last until the end of June. “When we move into next financial year, then we are really ready to kick off.”

Tom Rebbeck, a London-based partner specialising in telecoms at research group Analysys Mason, says Accenture is investing in AI from “lots of different angles,” pointing to the group’s stakes in humanoid robots and AI-powered biopharma research as well as partnerships with various companies, including Microsoft, Google, Salesforce and Amazon Web Services.

“It makes a lot of sense for Telstra to be partnering with Accenture just given where Accenture is on AI right now,” says Rebbeck.

Telstra wants to retain an agnostic approach to AI rather than relying on one particular kind of technology. The telco group uses Microsoft’s 365 Copilot AI assistant but has also worked with Google and Amazon.

Accenture, which announced in mid-2023 that it would invest \$US3 billion over three years in data and AI, employs about 800,000 people. It is training all of them to use AI systems and wants to have 80,000 “AI professionals” by 2026.

The consulting group's investment comes as US President Donald Trump loosens restrictions on the development of AI [<https://www.afr.com/link/follow-20180101-p5lvlr>]. In January, he revoked orders made by president Joe Biden that had sought to protect Americans' privacy and stop the technology being used to discriminate against people.



Dayle Stevens, who co-runs the AI joint venture with Arnab Chakraborty, says Telstra needs Accenture's global expertise.

The pay-off for Accenture will be pitching the experience it gains working with Telstra, which it considers a “brand leader” in Australia, to other clients.

Andersen says Accenture will “invest heavily upfront” in the joint venture. Accenture declined to specify how much money it was tipping in.

Accenture made sure the venture was backed by both its chief executive, Julie Sweet, and Telstra boss Vicki Brady, who have worked with each other since Brady's appointment to the CEO job in September 2022 before deciding to go “all in” with Telstra.

“When you do something like this, it's like a marriage,” says Chakraborty. “It's a very bold vision and it is not easy.”

The trust developed between the two companies over their decades of working with each other was also “extremely critical,” he adds.

“For this kind of partnership to succeed, where we are also putting skin in the game on both sides, you need trust. And trust is not built on a day, or a few months, or even just a few years, it requires decades of experience of working together.”

‘Not just a commercial deal’

Chakraborty remains a US employee of Accenture while he is in Melbourne and works with the joint venture's co-CEO, Telstra's Dayle Stevens, another specialist in data and AI who is also based in Melbourne.

Stevens says that Telstra “couldn't work out how to go fast enough” on AI and data on its own. “The idea for the joint venture didn't start with ‘let's create a joint venture’. It started with, ‘this is the problem we're trying to solve’,” she explains. “It's not just a commercial deal, it's a key part of both organisations' strategies.”

Telstra also wanted to draw on global expertise. “We are so far away from the rest of the world sometimes,” Stevens says, adding she would like the joint venture to unlock some of the deeper collaboration she sees happening between universities and technology companies in the US.

The five people who previously directly reported to Stevens have joined her in the joint venture, along with almost 600 other people from Telstra. The remaining 600 people added by Accenture include AI specialists from Australia, the US, India and Singapore who work in Telstra offices in Australia and Accenture offices in India.

In the first one to two years, Stevens expects Telstra will make headway on simplifying and improving the quality of its data. “But we are running already with AI ... people should see a difference within the first year.”

The team joining Telstra from Accenture cannot, by agreement, work with any other telco during the term of the joint venture. “We have very strict guidance and strict policies and protocols,” says Chakraborty. “All the work that me and my team are doing for Telstra, that stays within Telstra.”

Accenture will also help Telstra develop ethical standards and “guardrails” to prevent potential malicious uses of AI, Chakraborty says.

The advantage of a joint venture is that development is done “within the four walls of Telstra” rather than being developed externally, he adds.

But Chakraborty is hopeful that some experiences will be discussed (by agreement with Telstra) at industry trade shows such as the annual World Mobile Congress.

Telstra also expects to share some information with the federal government. Governments benefit when companies operating critical infrastructure invest in AI because it reduces their need to rely on technology from foreign countries, says Analysys Mason’s Rebbeck.

“If you are the Japanese government, and you could see how important AI is, do you want to rely on Chinese technology? Do you want to rely on, frankly, US technology right now? And I’m sure that must also be a consideration for Telstra.”

Information security is a top priority for the telco group, says
Telstra’s Andersen. “Another good reason for being a leader in AI
is to combat bad actors.”



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