Telstra's recent restructure slashes jobs, simplifies its operations and product offering. But this is just a short-term accounting fix. It does not solve what is for Telstra a long-term problem – finding new sources of revenue.

The new strategy is centred on investment in 5G while making Telstra smaller and simpler. But 5G might not fill the A$3 billion hole caused by the national broadband network (NBN). And the last few years are littered with Telstra's abortive attempts at investing and building new sidelines in emerging markets and technologies.

Telstra has identified new products and services based on the Internet of Things, big data and data analytics. But this is just as offerings from Microsoft (Skype) and Netflix (media) are gaining ground.

Read more: ***Australia Post, Telstra and the 'dying business' dilemma***

Telstra's share price has fallen from A$6.735 on February 4 2015, 16 days before CEO Andy Penn was appointed, to a low of A$2.68 on June 22 2018.

On August 17 2017, Telstra announced a 33% fall in full-year profit to A$3.9 billion, with revenue expected to remain flat. Dividends were reduced from 31 cents per share in FY17 to 22 cents per share in FY18.

To address these issues, the strategy is to reshape the company through a net reduction of 8,000 employees (about a quarter of Telstra's workforce) and divest some infrastructure into a new company, InfraCo.

The key points are:

- radically simplify product offerings and create all-digital experiences
- establish a standalone infrastructure business unit
- greatly simplify the company’s structure and ways of working
- pursue a cost-reduction program and portfolio management.

Speaking at Telstra’s strategy update last Wednesday, CEO Andy Penn said:

Currently around 15% of homes in Australia choose to have no fixed broadband service, and we can see a situation where this increases by a further 10 to 15 percentage points. This isn’t about bypassing the NBN. This is about giving customers what customers are looking for.

Read more: ***5G will be a convenient but expensive alternative to the NBN***

A key problem with the focus on 5G is that competition from Optus, Vodafone and TPG will be fierce, making any missteps all the more difficult to overcome. Penn recently said that telco revenues were expected to fall by 2-3% over the next financial year.

With 5G revenues not expected to make an impact until 2020 and beyond, the immediate future for Telstra is to shrink, simplify offerings and survive.

The move to create a new infrastructure business with about 3,000 employees, A$11 billion in assets and revenue of A$5.5 billion is a long-awaited step that could ultimately lead to a post-NBN rollout listing of Telstra’s InfraCo on the ASX.

Separation of the business also permits Telstra to place an internal emphasis on the increasingly competitive retail and mobile offerings. This is an important move because Telstra has to accept lower margins from its mobile division to protect market share.

The market had anticipated that Telstra would reduce its employees and product offerings, and the decision to separate the retail and infrastructure businesses was seen as long overdue. However, the restructure failed to convince investors of a revival in the short term and the share price has continued to languish.

A spate of poor investments

Earlier this year, Telstra made the decision to write off the remaining A$273 million in the Ooyala video streaming business, making the total writedown A$500 million over the past two years.

Telstra's unimpressive forays into Asia include a Chinese car sale website, a failed effort to break into Vietnam and the Phillipines, and a partnership with PT Telkom.

A defensive shift in 2016 saw Telstra back away from its "ambitious plans to expand its retail reach into Asia in favour of shoring up its core business in Australia".

Over the past three years, Penn has described how Telstra would become a "world-class technology company that empowers people to connect", with a major impact in growth technology areas including "cloud computing, cyber security, the Internet of Things and media content delivery".

Other investments, including a tech startup lab and Telstra's much-vaunted eHealth strategy, haven't produced the goods either.

Telstra's new strategy appears to be a shift away from growth opportunities in the short term while bold action is taken to shore up the core business.

Read more: 'Google Schmoogle' – how Yellow Pages got it so wrong

This strategy might arrest the slide in investor confidence, but it enshrines the notion that Telstra has failed to take advantage of growth opportunities in the top products and services over the past decade. This has resulted in Telstra now being under siege.

Microsoft (Office365, Skype and Linkedin), Netflix (streaming media) and a plethora of Internet of Things companies are making inroads into the Australian market.

Telstra's stop-start approach to future investment and growth opportunities has meant that it has failed to establish itself in any of these markets.

The next global wave of internet-based product and service development includes eGames, eSports, eGovernance and virtual reality, yet Telstra does not appear to be an active participant in emerging consumer growth products.

And this is possibly the biggest problem Telstra faces today. It does not seem to have the vision and long-term strategy focus needed to be anything more than a local telecommunications company.

Mark A Gregory does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.

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