

TELECOM SECTOR : ACHIEVING SUSTAINABLE CORPORATE GROWTH[†]

Strategy includes important decisions pertaining to expanding the volume of activities, entering new businesses and markets, defining and building the competitive posture of the firm in various markets. Most organisations desire to grow - in terms of sales, value added, people, profits, resources and market capitalisation. Evidences from literature show that growth is one of the key variables in determining the share-holder value & in maintaining the organisational vitality. Along with growth, come the various issues of co-ordination, integration and internal consistency between various divisions and business units. Hence, sustaining the development and successfully operating the business without running the risk of going out of rails make important aspects of strategy design. One sector in India where there is huge potential for sustainable growth is the *Telecom sector*. As a virtual beginner, Indian telecommunication sector offers enormous investment opportunities to the tune of Rs. 1800 billion if we include the service as well as manufacturing potential in the basic, cellular and value-added segments. Generally a monopoly, the sector is technologically intensive and is characterised by decreasing costs of operation with increasing scope and scale economies.

The process of designing and implementing successful approaches directed towards development should have elements of look-ahead into the future as well as feedback and learning from past experiences. An overall sense of direction can be obtained from the mission statement which in itself should have been defined to include expansive product-market scope. Strategies for enduring expansion should be rooted on sensible strategic analysis based on the firms' distinctive abilities and competencies (*refer figure*). Based on this analysis, appropriate implementation sequence has to be identified. The success and failure of the sequence of initiatives should provide valuable learning which acts as the most important ingredient in the organisational building activities. This learning is also essential in pointing out the errors made in the strategic analysis as well as identification of core capabilities.

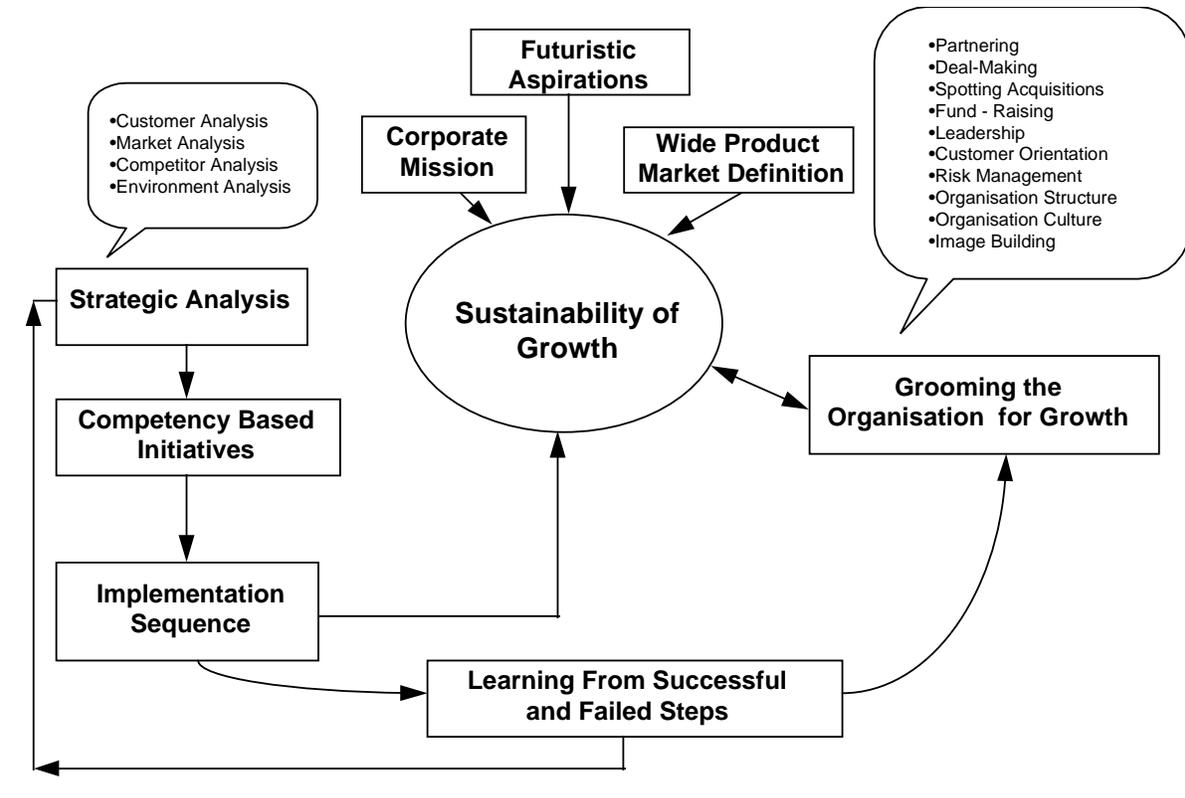
The main components of strategic analysis include customer analysis, market analysis, competitor analysis, and environment analysis. Customer analysis involves identification of the customer segments, their motivations and unmet needs. Key success factors can be detected by analysing the value added by various stages of production/ services and by monitoring the changes. Technology, fund raising capabilities and marketing appear to be the key factors in the telecom sector. Expansion in sales can be achieved by increasing existing market share, increasing product usage, increasing frequency and quantity of usage. Bidding for multiple circles and alliances with service providers of other circles will give wider geographical coverage. Entering into trading/ manufacturing of telecom equipment, taking up turnkey projects and diversifying into related fields like telecom and Internet software can also be a part of the growth strategy. While the current and past strategies of the competitors indicate the likely evolution of the industry, the analysis of their cost structure and exit barriers provides insights into their survival power and retaliation capabilities. Environment analysis mainly pertains to social, economic and political issues. An ability to anticipate and adapt to emerging trends in lifestyles, fashions and fads will have a significant impact on the growth of a telecom firm.

Strategies aimed at growth should be based on a thorough understanding of the typical competencies possessed by the firm. Here, the competencies should be such that it is specific only to the firm and not possessed by other competitors. Technological breakthrough, uneven geographical distribution and review of value delivery process will lead to the identification of new opportunities. Two other factors that have to be considered in spotting growth opportunities include the possibility of using existing excess resources and the transferability of skills acquired through one business to others. For example, expertise acquired in messaging and routing cellular and pager messages can be used to develop new software and hardware facilities to provide news services to individual customers according to their areas of interest.

The building blocks for the sustainable growth of a firm are its capability platforms based on the special relationships, special assets and distinctive competencies. Establishing long-term relations with regulatory authorities and co-operative relationships between service providers can play an important role in decision making. In this sector, licences of prized circles, physical infrastructure (like lines), favourable contracts/ agreements, brand names/ characters and customers' perceptions of service attributes are the privileged assets. Negotiation skills, legal skills, patented technology, project execution and process control skills are some of the distinctive competencies that a firm can leverage on. Hence, the two elements of competency based initiatives involve identifying a landscape of opportunities and arriving at the capability platforms from which the new growth strategies are to be launched.

[†] by Ramkumar Kakani and R. Sridev, doctoral fellow students of Indian Institute of Management Calcutta (IIMC).

Framework For Sustainable Corporate Growth



Growth objectives can be achieved by visualising and implementing the plans through a sequence of steps. The scope of each step can range from improving the operational efficiency to acquiring a foothold in a new business. Each step should be logically consistent, not beyond the firm's capability and has to have a contingency plan to tackle adversities. An important character of a growth firm is its willingness to accept mistakes and internalise the learnings obtained from previously successful and failed steps.

Organisational grooming essentially refers to taking stock of the skill base of the firm at a given point in time and also involves development of those that are lacking. Some of the key skills that determine the capability platform for the firm in the future are :

- ◆ *Deal Making and Negotiation* - the firm should be adept at soliciting alliances and structuring contracts with parties such as government agencies and private corporates.
- ◆ *Spotting Acquisitions* - the advantages of acquisitions can be realised if the firm possesses the ability to access information, expedite decisions and react quickly.
- ◆ *Leadership* - the decisions and actions of the top management should indicate growth as the main agenda.
- ◆ *Customer Orientation* - care should be taken to avoid insensitivity to customer needs and keep the firm in tune with the likes and dislikes of the customers.
- ◆ *Risk Management* - for managing various risks, the firm must clearly identify the risk, quantify the risk in terms of subjective probabilities and prepare contingency plans to tackle uncertainties.
- ◆ *Growth Oriented Organisation Structure and Culture* - a key ability is to use structure to help create "small enterprise" answerability, at the same time retaining the ability to leverage the corporate scale.
- ◆ *Image Building* - this consists of market signalling; management of market expectations; and performance of socially responsible acts.

In conclusion, Indian telecom sector though characterised by all its uncertainties and regulatory constraints is a promising idea, whose time has come. Some of the areas where the firm needs to concentrate are - financing, technology and marketing. Financing needs are to be formulated with utmost care and imagination, so as to avoid undue hurdles. In a sector driven by technology, shrewd forecasting and timely absorption of new technology would be necessary. In a market driven environment, where the user is supreme, the well-respected principles of marketing would have to be meticulously applied. All said and done the firm should prepare itself to handle the instabilities and challenges it may encounter while traversing a growth path.