STRATEGY IMPLEMENTATION - CASE OF THE EUROPEAN TELECOMMUNICATION PROVIDERS

Bocean Claudiu

University of Craiova, Faculty of Economics and Business Administration, Str. Al. I. Cuza nr. 13, Craiova, boceanclaudiu@hotmail.com

Meghişan Flaviu

University of Piteşti, Faculty of Economical, Juridical and Administrative Sciences, Str. Târgul din Vale, Piteşti, marketing_mf@yahoo.com

Meghişan Georgeta-Mădălina

University of Craiova, Faculty of Economics and Business Administration, Str. Al. I. Cuza nr. 13, Craiova, madalina_meghisan@yahoo.com

Most strategies stumble in the implementation phase. This paper outlines the ways for optimizing implementation. This implementation process focuses on the critical timeframe immediately following formal strategy selection, when broad objectives need to be translated into specific actions, schedules, budgets, and metrics. Often strategy development receives significant attention and resources, but its implementation is often neglected, with disastrous consequences. Using a straightforward approach, format and process, managers can bridge the gap between rhetoric and reality; they can succeed in accomplishing what they set out to do, thinking and acting strategically. Implementation lies at the core of strategy, and deserves as much attention as the formulation of the strategy.

Key words: strategy, telecommunication, providers

1. Introduction

For all the energy and resources invested in the pursuit of the perfect strategy, it's surprising to consider how little effort is directed towards implementation. Most strategies stumble in the implementation phase, regardless of their merit. Managing the process of implementation is often more difficult than coming up with the strategy in the first place – but ideas that cannot be translated into action serve little purpose (Michael Allio, 2005). Much literature is devoted to the study of the content and/or ex ante process of strategy formulation; much less literature focuses on the ins and outs of the ex post implementation of the selected strategies (Boone and van Olffen, 2001). The relative absence of implementation issues in the literature is not in balance with its importance for organizational performance in practice. It is widely accepted that several strategies may be viable in the same environment as long as managers are able to shape coherent configurations in which strategic choices, structures, systems and processes are carefully aligned (Miles and Snow, 1984; Snow and Hrebiniak, 1980). Strategy implementation skills are not easily mastered. In fact, virtually all managers find implementation the most difficult aspect of their jobs – more difficult than strategic analysis or strategy formulation. Managers themselves report that less than half the plans resulting from these efforts are ever implemented. Strategies that are not implemented constitute little more than academic exercises. The ability to implement strategies is one of the most valuable of all managerial skills. Managers intent on implementing strategy must (Miller, 1998):

1. master systems thinking to be able to coordinate a broad range of interconnected efforts aimed at transforming intentions into action, and
2. take care of the factors impeding strategy implementation.

Never is strategy implementation more important than when innovation is at the heart of a strategy. When it comes to innovation, execution is not about fulfilling the script. It is about constantly rewriting it. Innovation always involves treading into uncertain waters. And as uncertainty rises, the value of a well-thought-out, but static, enterprise strategy drops. In fact, when pursuing entirely new business models, no amount of research can resolve the critical unknowns. All that strategy can do is give you a good starting point. From there, you must experiment, learn, and adapt. (Govindarajan and Trimble, 2004). However, for a proven business, strategy implementation is about performing at or above known standards. For an experimental business, strategy implementation is about zeroing in on the best possible strategy and in the process, discovering what standards are possible.

2. Guidelines and steps in strategy implementation

Can be identified five steps in strategy implementation programs. Figure 1 presents an overview of this steps (Michael Allio, 2005).

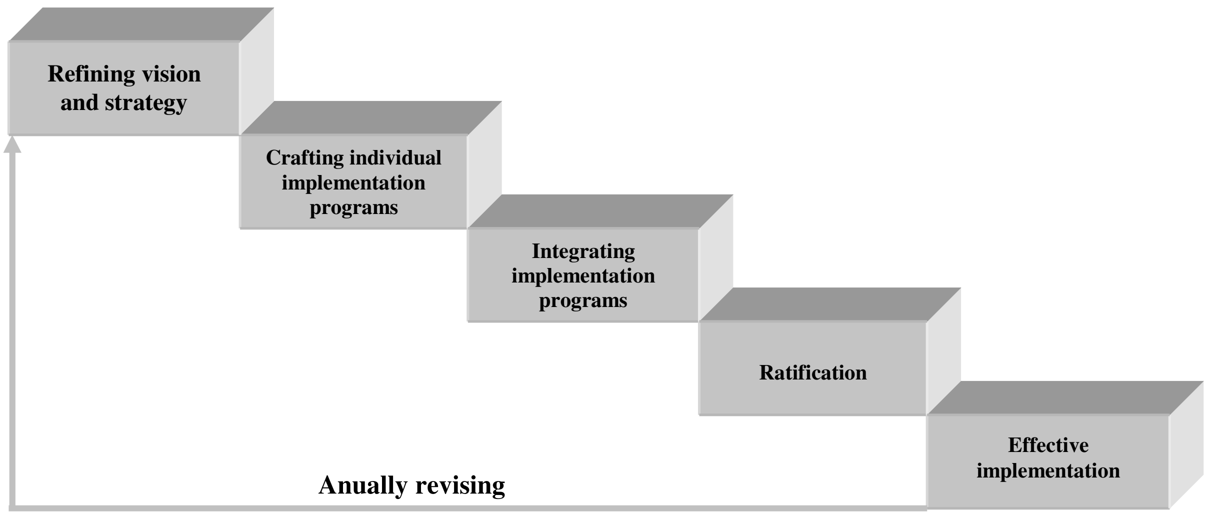

Figure 1 Implementation process

Source: Michael K. Allio, A short, practical guide to implementing strategy, Journal of Business Strategy, Volume 26 Number 4 2005 pp. 12-21.

Step 1: Refining vision and strategy

Good implementation starts with good strategic input. If we assume the management team has done a reasonable and thorough job formulating strategy, the critical output from the annual strategy session is a transcript capturing:

- a draft vision statement;
- a set of broad strategies;
- preliminary performance measures;
- preliminary resources required and expected results;
- critical issues; and
- the underlying (strategic) rationale for these decisions.

Step 2: Crafting individual implementation programs

Implementation only works when there's a clear and shared understanding of who does what, when, at what cost. Collaboration among strategy managers is critical, as they'll often be competing for the same resources (people, money, equipment); programs are often interdependent, and tradeoffs are to be expected.

Step 3: Integrating implementation programs

Once each strategy manager has fleshed out his or her respective programs, the strategy managers convene to compare notes. This critical juncture involves rolling up the programs, resources required, performance metrics, and issues, and assessing the overall shape of the sum: Is it all feasible? Can we afford it? Are we keeping our eyes on the original, strategic goals? Can the firm manage the timing or sequence of activities described? Typically, something has to give, and the strategy managers negotiate the tradeoffs. The fruits of their efforts will be captured in a presentation by the entire strategy team to the board (or management decision-makers), described below.

Step 4: Ratifying the strategies and implementation programs

Management and board debate and ratify implementation programs. When ratified, the managers are ready to roll.

Step 5: Effective implementation

Immediately following the formal ratification of the firm's vision and set of strategies, effective implementation can begin in earnest. Perhaps the greatest challenge managers face when translating “strategy” into actions is communicating and monitoring implementation in terms that everyone can understand.

Follow-up were outlined eight practical guidelines for implementing strategy.

1. Simplicity

Implementation of even the most straightforward strategy tends to be a complex affair, requiring the intricate and dynamic interplay of people, resources, and market forces. Paradoxically, one of the most effective management tools is “simplicity” – the distillation of disparate elements into a single, coherent document and game plan.

2. Establishment of a common language

Different interpretations of the language used to describe strategy hopelessly confound implementation efforts. Before implementation starts, strategy managers should carefully define and review the key terms used to drive implementation to help ensure that everyone's singing from the same choir book:

- Strategy;
- Programs;
- Metrics;
- Milestones;
- Resources required;
- Critical issues.

3. Assessment the roles, the responsibilities and the timeframes

Implementation often calls for cross-functional support and collaboration. It's not unusual, therefore, to find the same program appear within several strategies, or to assign program managers from other functions or departments. Teamwork is the secret of successful implementation.

4. Balancing short term with longer term

Most managers associate their implementation aims with short-term targets; a natural tendency, as the future is fraught with uncertainty. Healthy implementation plans balance the short with the longer term, and strive to portray the full arc of the implementation process.

5. Accuracy

Imprecise language come over to implementation, confuses the rest of the team, and unnecessarily prolongs work sessions and documentation. It may also rob the management team of opportunities to springboard off each other's efforts.

6. Usage of a common format to enhance clarity and communication

Many managers opt to create their own summaries of programs, in formats they invent or import (often reflecting their comfort level with a particular software program, or preexisting data).

7. Regularly, structured and time-limited reunions

Implementation plans are destined to change: customer and competitor responses, technological advances, and resource allocation shifts will all impact the timing, and in some cases, the scope of implementation programs. Firms that establish a concrete framework for implementation, and empower managers to modulate in order to keep their teams on track, generate the best results. Good teams meet regularly, in well-structured, punctuated sessions, to share information and reconfirm priorities. A well-defined time limit encourages managers to prepare their presentations in advance.

8. Link up implementation activities with the firm's financial infrastructure: budget, metrics, rewards

It seems axiomatic that the actions and resources required to implement a strategy must be reflected in the firm's budget. Once strategy has been developed, high performing firms recalibrate their managerial systems to support, and encourage implementation. When the metrics used to judge a department or a manager are fine-tuned to track and reward strategic behavior, for example, implementation accelerates. Primary factors which impeding strategy implementations are (Miller, 1998):

- The organizational immune system. Strategy implementation is inextricably connected with organizational change. All organizations resist change and try to maintain the status quo, sometimes even if it yields unsatisfactory results.
- Numerous complex variables. To translate planned intervention activities into actions that bring desired organizational outcomes requires incorporating numerous variables: individual behavior, social factors, organizational arrangements, physical settings, and technology.
- The interconnectedness of elements affecting change. Changing one organizational element has a ripple effect that impacts other parts of your organization, which in turn have their own ripple effects, and so on.
- The need to change "Everything at once". Changing only one or two things seldom brings any significant overall organizational change. There are no "magic bullets" that would change entire organizations. To redirect your organization, you must address many overlapping and related issues, and the resulting impression of needling to change "everything at once" can be overwhelming.

3. Strategy implementation phases

Strategy implementation can be segment into three phases, as shown in Figure 5:

1. Ratification phase.
2. Middle phase of implementation.
3. Finale phase.

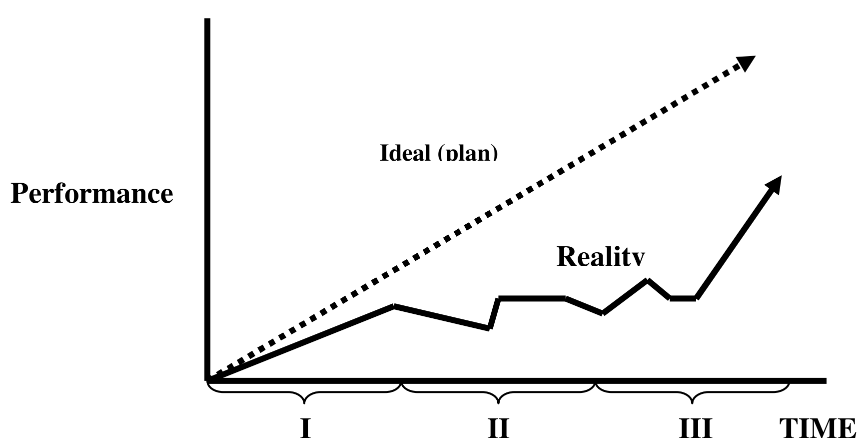

Figure 5 Implementation progress

In this trend senior management hopes for a smooth implementation trajectory (the “ideal” line), but progress usually tracks closer to the “reality” line. In the long slog of phase 2, surprises, setbacks, resource constraints, and an uneven tempo buffet implementation teams. With the right systems and scrutiny applied, phase 3 can represent a surge in performance and accomplishment.

Senior managers achieve better results when they manage their teams’ expectations and activities through each of these distinct phases.

Phase 1

The management team's (CEO’s and middle management) present their consensus results (accomplished in two to six weeks) to the board or management decision-makers in meeting which it call the „ratification reunion”. The agenda for the meeting typically includes:

- revisiting the firm's vision, values, and conclusions regarding strategic context (as captured at the workshop, and probably revised during the intervening weeks);
- scrutinizing and constructively challenging strategy managers’ individual implementation plans;
- addressing individual and collective critical issues;
- highlighting overlaps or interdependencies among programs;
- rolling up the combined resources required, apportioning funds;
- approving/endorsing the plans; and
- outlining a communications program.

Once the firm's leaders have formally approved the implementation plans, they will:

- integrate the strategic plans into the budget;
- align managerial systems (including information systems, metrics, and rewards) to facilitate implementation; and
- communicate the completed strategic plan to stakeholders.

A concise and succinct presentation of the firm's new vision and strategies – and the process the firm will use to monitor implementation – are key signals to the rest of the stakeholders: handled improperly, they undermine both the process and the team's credibility; handled correctly, they clarify the firm's priorities, galvanize the team and help guide behavior throughout the organization.

Phase 2

Efforts to implement two- to three-year strategic plans typically flag after six months. Several original assumptions may have proven off-base, or competitive realities may have shifted since the beginning of the cycle; despite best efforts, programs, dates, and milestones will no longer be well-calibrated. It is essential at this point to revisit the original strategies and the programs developed and re-tune them. The term “living document” may have become clichéd, but the useful implementation plan is one that is updated easily and frequently to remain relevant. Formal quarterly meetings help the team compare notes, adjust priorities, and capitalize on from their experiences. An annual recap of status, progress, successes, obstacles, and responses to the challenges faced helps reinvigorate the team, and re-establishes the integrity of the programs and the process.

Phase 3

By the end of the implementation cycle, most teams have encountered significant unforeseen obstacles, and have prevailed against many. A rewards and compensation system that ties individual and group rewards specifically to success in implementation are, again, one excellent method for underscoring how valuable these contributions have been. Managers who have succeeded in implementing strategy need to be publicly recognized and rewarded. A formal review and presentation of overall implementation results, in advance of new assignments or initiatives, is also helpful, and can do wonders to encourage and reinforce staff morale, paving the way for future commitment.

4. The Key Strategies of the European Telecommunication Providers

The most important telecommunication European companies are: British Telecom, Deutsche Telekom, France Telecom, Telia Swedish, Ptt Holland, Teledanmark, Telecom Italy, Telefonica Spain, Magyar Telekom and Ote Greece. The liberalization and mobile development represented massive changes with a profound impact on the competitive environment reconfiguration on the Eastern - European markets together with the opening of the fixed phone markets competition and the development of the mobile services. On every market there are companies that try to gain on their side the clients of the fixed phone companies using a diversity of strategies. However, the users adopted with enthusiasm the mobile revolution in the region: the mobile phone possession reached the saturation point in countries such as Czech Republic, Hungary and Slovenia, the rest of the markets going fast towards this direction. Thus, the key strategies of the providers are: costs reduction, efficiency growths, traditional services protection and development of new sources of income. In the countries with worldwide developed economies, the telecommunication industry grew in 2003 with 10% compared to 2002. At the end of 2004, the industry knew a weak grow, the most of the most important players on the telecommunication market hardly regaining their financial stability.

4.1 Cost reduction

The providers take drastic measures, but adequate regarding the costs. Taken into consideration the diminishing incomes of the fixed lines, the only way to maintain the profitability is to reduce the costs, proportional to the incomes' reduction. The 2 key fields that they were focusing on were the reduction of the employees' number and capital expenses, these being the most controllable expenses.

The employees' salaries are, usually, some of the highest operational costs for the telecommunication providers, so it is not surprising that most of them continue to take radical measures linked to these costs. RomTelecom reduced with 12% the number of its employees, followed by Cesky Telecom with 10% reduction in 2003. But, not all the providers attended the same level in their efforts to reduce the employees. A way to evaluate their position is to report their employees' costs to incomes. Eesti Telecom didn't take the measure to reduce its employees because its employees' costs structure was already very good: its employees' costs represent only 11% from its incomes. Matav follows with 14% and Cesky Telecom with 15%.

The capital costs forms another relatively easy measure to reduce costs. For instance, Matav moves on the Internet the customer relationship service from the en detail stores, assuring the routine on line services such as order taking and defection reports. At its turn, TPSA (Polland) transforms the services operations for customers in a unified call center. This strategy was recently adopted by RomTelecom as the providers' representatives informed on the Communication Day (Romexpo, 21 April 2004).

4.2 Efficiency growth

The efficiency growth goes hand in hand with cost reduction for providers, whose main objective is to give up to the inefficient image of slow providers. They made progresses in this regard, even though in a slow rhythm. The national Eastern–European providers made progresses. The employees' reduction lead to a growth of the report of incomes per employee. Matav is the leader to this index with annual incomes per employee of 183 000 USD, followed by Cesky Telecom with 145-147 000 USD. However, RomTelecom has much work to do for the efficiency improvement: its incomes per employee were only of 30 000 USD in the first 9 months of 2003.

4.3 Traditional services protection

The majority of the national providers entirely changed their way to commercialize their voice services. A key change was the process to rebalance the access tariffs also to the local calls, which were traditionally priced under costs. However, the reduction of calls at distance (interurban and international calls) was due to the imminent competition. Moreover, some providers introduced a diversity of prices in view of protecting and developing fixed mobile incomes. Cesky Telecom introduced free minutes as part of the subscription, whereas TPSA offered a package with unlimited minutes (for a higher subscription fee). Matav introduced prepaid fixed charges to counteract the attraction of the prepaid mobile cards, with no success in preventing the fixed lines decline.

4.4 The development of new income sources

The national providers that have a contribution to the mobile development throughout their own mobile businesses compensate somehow the decline of the telephonic services. Cesky Telekom that operates on a Czech market, in which 89% of the population has a mobile phone, registered a decline. In exchange, TPSA managed to have a powerful growth of the mobile incomes on the Polish market, where the penetration reached only 42% in September 2003.

The Internet in large band is in its first phases of development in the Eastern Europe. The demand is still weak, despite a rapid growth in 2003 from a restraint group of users. The high prices of DSL (Digital Subscriber Line) combined with the low income of the population remain the main barriers in adopting DSL and other broadband services. As a consequence, DSL will be a solution for small and medium enterprises and affluent individual customers, on a medium term. Alike to the DSL services, the data mobile services have a cold welcome in Eastern Europe. Throughout the GPRS networks (General Packet Radio Services), almost all the providers offer a large range of advanced data services, such as MMS, mobile email and location based services. The main reason is that these services need expensive terminals, besides the fact that they are relatively expensive and this is not in accordance with the low income of the population.

4.5 Incomes

Besides the growth of the mobile services incomes, there are less ways to compensate the incomes in decline of the fixed telephony. The result is that only the providers that own growing mobile operations manage to obtain a growth of their total incomes. The others registered static or declining incomes due to the fact that the markets they operate on are filled (Cesky Telecom) or they have no direct interest in a mobile operation, besides the administration of a static or negative growth of the fixed lines. When the mobile markets will arrive to saturation and the fixed mobile competition will intensify, all the providers will face the same difficulties in the growth of incomes.

The first effects of the liberalization were felt by the companies in the field that confronted themselves with the provocation and opportunity to develop their businesses in totally new conditions. That's why, the main objective of the National Authority for the Regulation in Telecommunication (NART) was the creation of direct communication channels with the industry. The principles of this relationship were the transparency, the continuous informing and public consultancy. The liberalization led to benefits for all the users of the communication services, making possible the prices reduction, the offer diversification and the risen of services quality. The RomTelecom prices diminished with 63% in medium for the international calls in fixed networks and with 20% for the interdepartmental national calls in the network. However, the alternative suppliers and, especially, the ones that use the TV cable support, propose significant prices under those of Rom Telecom.

A diversification of the used technologies was registered. So, if the main network access mean was the traditional telephonic cable, after the 1 January 2003, new technologies were introduced within the entrance on the market of new suppliers: coaxial cable, radio support and optical fiber. The telecommunication industry came back to profitability, but the VoIP technology development will mix up the role and the business model of the traditional telecommunication companies, creating pressures for a new approaching modality for the industry regulation. Thus, in the Central and Eastern Europe, the importance and the market share owned by the VoIP services, compared to the fixed telephony, still remain modest. However, the disadvantages associated with the VoIP services' use, play an important role in the postponement of their mass adoption in this region. In the first 30 worldwide developed countries from the economical point of view, the telecommunication industry grew in 2003 with 10% compared to 2002. At the end of 2004, the industry knew a weak grow, the majority of the most important players on the telecommunication market hardly regaining their financial stability.

One of the main conclusions is that the higher popularity of the telephony throughout Internet and the VoIP services threaten the traditional fixed mobile providers' incomes, especially for the international calls. The fixed mobile providers have a more powerful competition from the part of some companies on one hand, but also from the adoption of the VoIP services by the alternative providers of other platforms, such as the TV cable networks and fixed wireless networks, on the other hand. Moreover, the VoIP services can present a competition even for the mobile telephony that currently owns much more subscribers than the fixed telephony in many countries.

5. Conclusion

A survey highlighted that less than 10% of strategies that are effectively formulated are effectively executed (Miller, 1998). Whilst formulating competitive strategy is very important and is the right thing to do, it does not guarantee success and results. Further, according to analysts, most companies spend close to 40% of their capital budgets on investments that are not aligned with corporate strategies, primarily due to a lack of clarity and visibility of strategic and investment goals.

Implementation lies at the core of strategy, and deserves as much attention as the formulation of strategy. If the process is healthy, after the first cycle, the methodology will be refined or customized to the firm's particular information systems and culture, and the improved tools (templates, language, meeting schedule, etc.) can be deployed throughout the organization. Strategy managers and the program managers they've tapped to help guide implementation, become versed in the language and process of strategy: they become ambassadors to the rest of the firm for thinking and acting strategically.

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