

Competitive Strategies Adopted By Indian Telecom Service Providers

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ABSTRACT

The present study is aimed to provide the insight of management regarding the existing competitive strategies and its elements in the six sample telecom service providers using Michael E Porter's typology of cost leadership, differentiation and focus.

Keywords: cost leadership, differentiation, focus, telecom

1. INTRODUCTION

Every organization adopts a strategy in order to compete in an industry. The strategies that an organization chooses are largely determined by the structure of that industry which according to Michael E Porter depends upon the five basic competitive forces. The ultimate profit potential of an industry is determined by the collective strength of these forces (Porter 1980). The understanding of these forces helps in formulating a strategy for that industry that enables an organization to successfully deal with these five industrial forces thus enabling that organization to yield superior returns. Given the circumstances, the appropriate competitive strategy for an organization within an industry is its business-level strategy (Hambrick 1980; beard and Dess1981). Various studies have operationalized these competitive strategies. Most of them have either used Miles and Snow (1978) typology or Michael E Porters (1980) typology. However the literature contends that Porters (1980) framework of competitive strategy has "spurred the most theoretical refinement and empirical analysis" (Dess et al.,1995 P 374). Therefore this study has used Michael E Porters typology to operationalize the Business Level Strategy.

2. LITERATURE REVIEW

According to Porter (1980) there are three generic strategies that enable an organization to defend itself and outperform the competition. These three strategies are cost leadership, differentiation and focus. The organization that does not develop a generic strategy tends to have a low level of performance that is "stuck in the middle" (Porter 1980). Research over the years in the area of generic organizational strategy with its impact on organizational performance has been undertaken. These researches have shown mixed results with respect to the impact of competitive strategy on performance. From the literature review, it appears evident that most of the researches undertaken have focussed on western countries (Ghobadin, Veetil& O' Regan 2006). The

absence of similar research in India compiled with the inability to generalize the findings from one industry to other and from one country to another results in a theory gap in the current literature.

The strategy of cost leadership focuses on having the lowest cost in the industry thereby gaining competitive advantage (Malburg 2000). The strategy of differentiation focuses on differentiating the products or services from the competitors that are perceived by the customers as being unique in the industry for which they are willing to pay a premium price and thereby enabling the firm in gaining competitive advantage (Malburg, 2000). The strategy of focus is used when a firm limits its scope i.e. a firm chooses a specific market segment in an industry which cost leaders and differentiators ignore. Focus strategy is in essence concerned with the identification of a narrow target in terms of both market and customers. According to Michael E Porter “A firm that engages in each generic strategy but fails to achieve any of them is stuck in the middle”. Porter refers to such firms as those that have no clear strategy. Nandakumar, Ghobadin and O’ Regan (2011, p.238) explains that “such organizations do not give emphasis to cost leadership, differentiation or integrated strategy”. According to Miller and Dess 1993 such organizations that place an average emphasis on all the generic strategic constructs could be termed as those being stuck in the middle. According to Dess and Rasheed (1992), it’s important that we distinguish between firms that are stuck in the middle and those that seek to deliberately combine generic strategies of cost leadership and differentiation. Firms that pursue an integrated strategy place a dual emphasis on both the generic strategies of cost leadership and differentiation (Wright et al. 1991). Also Miller and Dess (1993) have found evidence that firms pursuing integrated strategy are equally successful as those that pursue either of the one generic strategy.

Those organizations that have a mean score above median in cost leadership strategy but have a mean score below median in differentiation and focus strategy were classified as cost leaders, the organizations that have above median score in differentiation but have a below median score in cost leadership strategy and focus strategy were classified as differentiators and those organizations that have above median score in focus but have a below median score in cost leadership strategy and differentiation strategy were classified as following focus strategy. The organizations that have an above median score in more than one strategy are considered to be the ones following integrated strategies and those organizations that have a below median score on all the three strategies are considered as the ones stuck in the middle.

3. OBJECTIVE

To examine the competitive strategy being used by the telecom firms to meet the growing demand of the competition

4. DATA ANALYSIS

For the purpose of conducting the present study, six mobile network operators {**1.**Bharti Airtel Limited, **2.** Bharat Sanchar Nigam Limited (BSNL) state-owned telecommunications company headquartered in New Delhi, **3.** Vodafone India headquartered in Mumbai, Maharashtra, **4.**Aircel headquartered in Gurgaon, **5.** Reliance

Communications Ltd. (RCom) headquartered in Navi Mumbai, 6. Idea Cellular headquartered in MumbaiMaharashtra}were selected out of the eleven mobile network operators present in the country. The factor that lead to the selection of the above six telecom service providers was that these six telecom service providers together accounted for approximately 89% market share as on December 2015 falling to 82% of market share as on 28th February 2017. Also these six telecom service providers have their presence in all the telecom circles of the country. The remaining five telecom service operators share a market share of approximately 18% between them as on 28th February 2017. Reliance JioInfocomm Limited which was commercially launched on 5th September 2016 and has rapidly acquired a market share of 8.83 percent as on February 2017 was not included in the present study as the study was undertaken before the launch of Reliance JioInfocomm. Limited.

The instrument used in the present study has been adopted from Zahra and Covin, a five point Likert scale (ranging from 1→we do not use this strategy to 5→ being this strategy is very important for our organization) was used in the study. To measure cost leadership strategy a six-item scale developed by (Zahra and Covin, 1993) has been used. All the items measuring differentiation are based on the seven-item scale developed by (Zahra and Covin, 1993. In order to measure focus strategy, four-item scale developed by Zahra and Covin, 1993 was taken. All the four-items of the scale have been adopted in the current research.

State - ment Code	Airtel		BSNL		Vodafone		Aircel		RComm		Idea	
	Mean score	S.D	Mean score	S.D	Mean score	S.D	Mean score	S.D	Mean score	S.D	Mean score	S.D
CLS1	1.01	0.765	2.47	0.876	4.05	0.312	3.79	0.659	1.71	0.576	1.73	0.513
CLS2	1.49	0.997	2.87	0.698	4.19	0.112	3.91	0.997	1.83	0.675	1.81	0.919
CLS3	1.28	0.786	2.38	0.69	4.11	0.269	3.92	0.567	1.75	0.769	1.62	0.739
CLS4	1.27	0.932	2.49	0.951	4.17	0.259	3.84	0.834	1.77	0.829	1.75	0.811
CLS5	1.22	0.557	2.39	0.587	4.15	0.517	3.81	0.556	1.85	0.579	1.86	0.557
CLS6	1.34	0.955	2.41	0.979	4.19	0.579	3.87	0.941	1.87	0.349	1.81	0.661
CLS	1.26	.832	2.51	.796	4.14	.341	3.85	.759	1.79	.629	1.76	.701

Table 1 . Statement wise analysis of cost leadership strategy

CLS = Cost leadership Strategy

Statement wise analysis reported in Table 1 shows the mean scores for all the statements measuring cost leadership strategy of all the six mobile tele-communication service providers. The mean score for the six service providers is between 1.26 and 4.14 where the highest mean score relates to Vodafone followed by Aircel implying that both the service providers lay a very high emphasis on cost leadership strategy as can be seen from the mean values for their statements of cost leadership strategy. A mean score of 2.51 for BSNL implies

that it's near the median value of 3 and as such it can be concluded that it has a low emphasis on cost leadership. The remaining three service providers viz Airtel, Reliance communication and Idea cellular have a mean score of 1.26, 1.79 and 1.76 respectively implying that they don't lay any emphasis on cost leadership strategy. Therefore from the above table it can be concluded that Vodafone and Airtel use cost leadership strategy to compete in the telecommunication industry.

Table 2. Statement wise analysis of Differentiation strategy

State - ment Code	Airtel		BSNL		Vodafone		Airtel		RComm		Idea	
	Mean score	S.D	Mean score	S.D	Mean score	S.D	Mean score	S.D	Mean score	S.D	Mean score	S.D
D1	3.55	0.611	2.49	0.412	3.71	0.313	1.63	0.544	2.48	0.881	1.81	0.624
D2	3.51	0.412	2.91	0.557	3.65	0.711	1.71	0.252	2.75	0.735	2.13	0.811
D3	3.77	0.716	2.53	0.481	3.73	0.473	1.6	0.311	2.78	0.761	1.85	0.363
D4	3.48	0.532	2.47	0.721	3.64	0.631	1.65	0.481	2.55	0.591	1.91	0.682
D5	3.49	0.979	2.51	0.359	3.57	0.394	1.66	0.221	2.37	0.691	1.83	0.511
D6	3.41	0.675	2.59	0.634	3.71	0.414	1.63	0.398	2.15	0.815	1.93	0.615
D7	3.64	0.653	2.58	0.524	3.65	0.491	1.65	0.365	2.01	0.746	1.89	0.601
D	3.55	.654	2.58	.527	3.67	.489	1.64	.367	2.43	.745	1.91	.601

Source: Data compilation by the scholar for the present study

D = Differentiation

Statement wise analysis reported in the table above shows the mean scores for all the statements measuring differentiation strategy of the six mobile telecommunication service providers. The mean score of differentiation for the six service providers is between 1.64 and 3.67 where the highest mean score relates to Vodafone followed by Airtel implying that both the service providers lay a very high emphasis on differentiation strategy as can be seen from the mean values for their statements of differentiation strategy. Again BSNL has a mean score of falling short of median value of 3.00 as it did in case of cost leadership strategy, with the mean score for differentiation strategy being 2.58 implying that it has a low emphasis on the strategy of differentiation. The remaining three service providers viz Airtel, Reliance communication, and Idea cellular have a mean score of 1.64, 2.43 and 1.91 respectively implying that they don't lay any emphasis on differentiation strategy. Therefore from the above table it can be concluded that Vodafone and Airtel use differentiation strategy to compete in the telecommunication industry.

Table 3. Statement wise analysis of Focus strategy

State-ment Code	Airtel		BSNL		Vodafone		Aircel		RComm		Idea	
	Mean score	S.D	Mean score	S.D	Mean score	S.D	Mean score	S.D	Mean score	S.D	Mean score	S.D
F1	1.31	0.243	1.29	0.591	2.1	0.221	1.62	0.299	1.83	0.554	4.01	0.818
F2	1.55	0.518	1.41	0.797	2.37	0.811	1.84	0.391	2.03	0.748	4.15	0.965
F3	1.58	0.216	1.58	0.698	2.27	0.676	1.69	0.491	1.94	0.491	4.23	0.732
F4	1.47	0.341	1.59	0.771	2.21	0.751	1.59	0.716	1.93	0.396	4.28	0.692
F	1.47	.385	1.46	.714	2.23	.615	1.69	.476	1.93	.547	4.17	.802

Source: Data compilation by the scholar for the present study

F= Focus

Statement wise analysis reported in Table 3 shows the mean scores for all the statements measuring focus strategy of all the six mobile telecommunication service providers. The mean score of focus strategy for the six service providers is between 1.46 and 4.17 where the highest mean score of 4.17 relates to Idea cellular implying that the service provider lays a very high emphasis on focus strategy as can be seen from the mean values for the statements of focus strategy. All other telecommunication service providers viz Airtel, BSNL, Vodafone, Aircel and Reliance communications have a mean score ranging between 1.46 and 2.23 implying that none of these service providers lay any emphasis on focus strategy. Therefore from the above table it can be concluded that only Idea cellular uses focus business strategy to compete in the telecommunication industry.

5. CONCLUSION

Table 4. Type of Competitive Strategies adopted (N=92)

Construct	Mean Score (S.D) 1*	Mean Score (S.D) 2	Mean Score (S.D) 3	Mean Score (S.D) 4	Mean Score (S.D) 5	Mean Score (S.D) 6
Cost leadership	1.26 (.832)	2.51 (.796)	4.14 (.341)	3.85 (.759)	1.79 (.629)	1.76 (.701)
Differentiation	3.55 (.654)	2.58 (.527)	3.67 (.489)	1.64 (.367)	2.43 (.745)	1.91 (.601)
Focus	1.47 (.385)	1.46 (.714)	2.23 (.615)	1.69 (.476)	1.93 (.547)	4.17 (.802)

Source: Data compilation by the scholar for the present study

Note: Scoring Scale: (ranging from 1→we do not use this strategy to 5→ being this strategy is very important for our organization)

*1. Airtel; 2.BSNL; 3.Vodafone; 4.Aircel; 5. Reliance Communications; 6. Idea.

From the table above it can be interpreted that Airtel, that has a high mean score of 3.55 for differentiation strategy and a low mean score of 1.26 and 1.47 for cost leadership and focus strategy respectively has been following only differentiation as a strategy to gain competitive advantage since results show that Airtel has

below median score for the other two strategic types. Therefore it can be concluded that Airtel follows only one strategic type i.e differentiation.

The results indicate that BSNL has a mean score of 2.51 and 2.58 for cost leadership and differentiation strategic type respectively. It can be implied from the mean scores that BSNL has a low emphasis on both these strategic types i.e cost leadership and differentiation, although they are both near the median score of 3.00. Also BSNL has a very low mean score of 1.46 indicating that they do not lay any emphasis on focus business strategy. Since BSNL does not places high emphasis on any of the two strategic types and also the service provider has a very low mean score of 1.47 for focus strategic type, it can be concluded that BSNL is a “stuck in the middle” firm.

The results indicate that Vodafone has a mean score of 4.14, 3.67 and 2.23 for the three strategic types of cost leadership, differentiation and focus strategy respectively. The high mean scores of 4.14 and 3.67 for Vodafone indicate that the company is laying a high emphasis on both cost leadership and differentiation strategy. Therefore it can be concluded from the above mean scores that the service provider is adopting an integrated/hybrid strategic type as it focuses on both cost leadership and differentiation strategy with a mean score being well above the median for both the strategic types. The low mean score of 2.23 which is well below the median score of 3.00 indicates that Vodafone doesn't lay any emphasis on the focus strategic type.

Aircel has a mean score of 3.85, 1.64 and 1.69 for cost leadership, differentiation and focus strategy type respectively. The high mean score of 3.85 which is well above the median score of 3.00 indicates that Aircel lays high emphasis on cost leadership strategy. The other two strategic types (differentiation and focus) have a low mean score of 1.64 and 1.69 well below the median score of 3.00 indicating that Aircel doesn't lay emphasis on the other two strategic types. Therefore it can be concluded that Aircel adopts cost leadership strategy to mitigate threats from competition in order to compete in the telecommunication sector.

Reliance Communication has a mean score of 1.79, 2.43 and 1.93 for cost leadership strategy, differentiation strategy and focus business strategy respectively. The mean scores for all the three strategic types are all below the median score of 3.00 indicating that the service provider does not focus on any of the three strategic types and as such Reliance Communications has been classified as a “stuck in the middle” firm.

The mean scores of Idea cellular indicates that the service provider has a low mean score 1.76 and 1.91 for cost leadership and differentiation strategic types respectively whereas the mean score for focus business strategy is 4.17 which is well above the median score of 3.00 indicating that the service provider adopts only one strategic type that being focus business strategy.



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