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Abstract for PACIS 2002 Doctoral Consortium

Strategic relationship in telecommunications industry
- An analysis and modeling of M&A and strategic alliances

1. Introduction

In telecommunications industry, similar to others, M&A, strategic alliances and sales alliances have been very popular as strategic initiative and we have seen many such activities when telecommunication firms intend to get competitiveness and market share in the industry.

In fact, considerable numbers of quite a large scale alliances(Table 1.). We can easily recognize some examples such as MCI and WorldCom merger in 1990s, AT&T and BT joint venture in international market and huge scale of Vodafone’s M&A activities recently.

In fact, there have been a lot of M&A and similar strategic initiatives conducted by major telecommunications players throughout the industrialized countries as shown in fig1e as examples. Also the fact shows us that there are considerable M&As and strategic alliances that could not lead the firms more competitive or sometimes fail notwithstanding the number of these corporate activities.

However, we can hardly see systematic and academic analysis whether these initiatives had/have been successful, or why the result have been taken. We only see analysis by financial analysts based on the investors’ standpoint.

In addition, even though we actually see some fail in these activities, it seems that telecommunications carriers make much of these activities as most important and useful initiatives.

2. Research problem and question

Based on the environment, I recognized it important to provide useful insight on these issues for telecommunications industry managers and academic people to help understand the industry. And there certainly exist needs by managers and other stakeholders of firms to identify ‘Key success factor’ for M&A and strategic alliance and so forth in telecommunication industry.

Also, it is valuable to analyze the reason why the telecommunications carriers are so much involved in M&A and similar activities and to establish a model of their decision structure. Therefore the research questions here can be described as follows;

(1) Which kind of M&As or alliances can be identified as most successfully
conducted
(2) What is the key success factor(s) for these activities - “Which type of decisions or alliances can be the most successful choice when a telecommunication firm intend to get competitiveness and then strengthen its competitiveness in the market. “

(3) And why the telecommunications carriers are so much involved in such activities.
To resolve these issues, there need further issues to be identified and clarified such as
(1) Categorization of M&A, strategic alliance and other activities definitely
(2) Definition of Success and failure of an firm’s activities.
(3) Objective analysis of the success and failure of each M&A and strategic alliances,
The purpose of this research is to give some resolution and provide proper model to explain such questions on the industry environment and firms’ activities.

3. Research approach and framework

Framework of the research planed here is,
(1) Review recently established relationship by telecommunication carriers’ and define the categories of the relationship.
(2) Find typical key factor or performance indicator that leads to success in relationships.
(3) Find and point out the reason of the success/fault results. And find relationship between ‘successful relationship category’ and key indicator/factor that can be explained by establishing some decision model or by reviewing proceeding studies.
(4) Establish certain model representing key factor for success or fault. Also establishing a model representing or explaining some decision process of targeted strategic relationships.

Research area is to be defined. In this discussion, proposal to discuss on M&A and strategic alliances together will be provided. And together with this a new definition ‘Strategic relationship’ which includes M&A, strategic alliances will be defined. This definition is based on typical categorization used in business and management area. (See appendix)
Categorize ‘strategic relationship’ based on survey on actual telecommunications firms’ activities will be conducted. The categorization might be based on such as Region/Target Market (business category), incumbent (traditional) telecommunication services, Value-added services, Contents and activities itself (e.g. M&A, Partial acquisition, Joint venture).
For these categorization and following analysis information on fact case are gathered from data sources such as financial firms’ data services so forth ad these bases will provide efficient analysis on considerable and actual telecommunications firms’ initiatives.
Evaluation of success or failure on each case is one of the most important key issue for the research.
To date, we have searched and listed up targeted firms’ activities such as M&A strategic alliances and similar activities within advanced nations. There are over a hundred activities to be identified and analyzed. And trying to categorize based on the attribute of the each players in the industry and finding some characteristics.

4. Extended approach for the research

Final aim of the research is not only to categorize, analyze and to find key factors
for success or failure of ‘Strategic relationship’ between telecommunication firms through investigating these cases, but to propose a model that representing key factor for success or fault. Also establishing a model representing or explaining some decision process of targeted strategic relationships as described proceeding section.

With regard to proposing ‘Strategic relation’ decision model, typical approach may be based on so called ‘hard system approach’ such as statistical, event analysis as same as proceeding researches. In fact, it is important to analyze facts based on these methodologies so that correlation between key factors and result can be directly described or represented and understood easily.

As mentioned earlier, this research is aiming ultimately to support telecommunications firm’s managers and other stakeholders to help making strategic decision in complicated telecommunication business environment so it seems that different approach may be also useful and can bring different insight about the research questions.

Based on this understanding there come into consideration to adopt and deploy new idea or thinking way different than conventional ones. And the research will deploy soft systems methodology for constructing model for decision making and define key factors for strategic relationship between telecommunications firms.

Appendix :

Definition of Strategic relationship

Many kind of relationship are often established within Telecommunication carriers for the purpose of getting equipped competitiveness in the market – joint sales activities, joint R&D joint venture and M&A as strategic ones.

The word “strategic alliance” often used to explaining such relations is vogue because there seem to be no universal definition of the words but its meaning is usually understood as covering rather limited type of relationship.

Hence the different word other than “strategic alliance” nor “M&A” etc. must be used for explaining the relationship between corporations which the management of each set as strategic activities of the corporation. The word “Strategic relations” might be one of the most meaningful one to explain the aimed meaning and including several concept such as Strategic alliance, M&A and so forth.
Table 1 Examples of major M&A

<table>
<thead>
<tr>
<th>Year</th>
<th>Player 1</th>
<th>Player 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>GTE Corp</td>
<td>Contel Corp</td>
</tr>
<tr>
<td>1991</td>
<td>American Telephone &amp; Telegraph</td>
<td>NCR Corp</td>
</tr>
<tr>
<td>1992</td>
<td>Bell Atlantic Corp</td>
<td>Metro Mobile CTS Inc</td>
</tr>
<tr>
<td>1993</td>
<td>Sprint Corp</td>
<td>Centel Corp</td>
</tr>
<tr>
<td>1997</td>
<td>Bell Atlantic Corp</td>
<td>NYNEX Corp</td>
</tr>
<tr>
<td>1996</td>
<td>WorldCom Inc</td>
<td>MFS Communications Co Inc</td>
</tr>
<tr>
<td>1998</td>
<td>WorldCom Inc</td>
<td>MCI Communications Corp</td>
</tr>
<tr>
<td>1998</td>
<td>Cable &amp; Wireless USA</td>
<td>MCI Internet</td>
</tr>
<tr>
<td>1999</td>
<td>SBC Communications Inc</td>
<td>Ameritech Corp</td>
</tr>
<tr>
<td>2000</td>
<td>British Telecomm</td>
<td>AT&amp;T</td>
</tr>
<tr>
<td>1999</td>
<td>Telia</td>
<td>TeleNor</td>
</tr>
<tr>
<td>1999</td>
<td>AT&amp;T Corp/ BT</td>
<td>Japan Telecom</td>
</tr>
<tr>
<td>2000</td>
<td>Qwest Communications</td>
<td>US WEST</td>
</tr>
<tr>
<td>2000</td>
<td>Mannesmann</td>
<td>Orange</td>
</tr>
<tr>
<td>2000</td>
<td>Vodafone</td>
<td>China Mobile (Hong Kong)</td>
</tr>
<tr>
<td>2001</td>
<td>Telefonica Moviles</td>
<td>Telefonica de Argentina</td>
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</tbody>
</table>

**Literature**

Although there are several analyses regarding alliances or M&A in the telecommunication market, most of these analyses are based on the same aspect as that in other industries and seem lack of some aspect unique to the industry. Also there are almost no indications about what kind of aspect or conditions are needed to conduct alliances successfully through such analysis in the market. Following list provide information and suggestions most relevant to the research area and methodologies applicable to the research.


Im, K.S., Dow, K.E. (2001) A reexamination of IT investment and the market value of the firm: an event study methodology, Information Systems Research 12(1)


performance, Academy of Management Journal 28, pp.926-934

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