

Business environment of bt group



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1. 0 Introduction

1. 10 Brief Outline of the Company

BT group is a global telecommunications company, serving customers in more than 170 countries worldwide. It is based in the UK where it is the major provider of telecommunication networks, in addition to its global customers to whom it provides computing, IT and communication services. The company's operates within the in the IT sector where it serves to increase accessibility and usability of convergence of networks and services, mobile and fixed products, media and communication. UK is the home to its tradition business, the broadband network, where it connects at least 70% of UK homes (BT group 2011). Currently, the company is rolling out an advanced ADSL copper broadband with speeds of up to 20Mbps. Roll out is in progress, covering 55% of UK homes now with more progress expected (BT Group 2011). It also has a keen eye on investing in fibre-based broadband in the near future as a means of providing super-fast broadband.

Structurally, BT has four principle lines of business. BT retail serves business and residential customers with the wholesale arm providing network services and solutions to other communication companies. BT global service serves multi-site organizations worldwide while the open reach owns, maintains and develops the access network that links homes and businesses to the networks of Britain's communication providers. These arms are supported BT Innovate and Design, and BT Operate that oversees service delivery and research and development (BT Group 2011).

BT serves both local and corporate customers within the IT sector. Apart from supplying homes, it provides network services and solutions to communication companies and multisite organization worldwide. Currently BT is looking to diversify its services to rural market towns within the UK to increase accessibility to IT to underdeveloped areas. In its industry, BT has a number of competitors with the most popular being Deutsche Telecom AG and the Vodafone group. These present a stiff competition with each other at the stock exchange and in network coverage and service delivery (Daily Finance 2011).

BT's generic strategy is “ to meet demand for IT infrastructure and solutions among global organizations and to satisfy the rapid expansion of broadband in the UK” (BT Group 2011). To this end, BT is in a constant process of innovating means of connecting people facilitated by research and strategic planning. For example, the broadband network is its current project whereby it aims to provide fast-speed services to a majority of homes in the UK and rural market towns. Meanwhile, for the sake of its corporate customers, it has designed a Fibre-to-the-Premise product that has maximum speed capabilities (BT Group 2011)

2. 0 Strategic Analysis

2. 10 PEST Analysis

PEST analysis will evaluate the external microenvironment in which BT group exists, reviewing political, economic, social cultural and the technological environment. This will help establish BT's market situation and determine future directions for the business (Downey 2007, p. 6)

BP group operates in a diverse external political microenvironment, both local and international. In its mother country, the European Union legislation has set the framework for areas as diverse as fibre access, spectrum, net neutrality and green ICT widening BT's scope of operation. The latest policy, the Digital Agenda confirms Europe's commitment to promote new high speeds networks (BT Group 2011). Strategic political relationships between UK and the rest of the world are of keen interest to the government, especially with developing countries. The UK maintains good relationship with both its neighbors and several countries around the world via trade links or humanitarian activities with a keen eye on ensuring political stability in its strategic partners. There is an increase in diplomacy; an approach that international bodies are using to maintaining political stability and security in all countries, all factors that BT can take advantage of (Fox 2010).

Economically, globalization is on the rise, transforming economics of business. As more and more business enters the international arena, there will be increased need for efficient communication and new products. Changing investment climate necessitated by political stability and growing demand will see more business emerge with existing ones expanding to large-scale operations. Governments and international organizations are also in the process of transiting from paper-based operations to modern technology and will definitely need the services of a well-established, credible service provider (BT Group 2011, Pierce 2006, pp. 40-41).

Socially, there are visible changes positively influencing the IT area. Earning capabilities have increased following increasing investment rates. Though family sizes have not changed much, the ratio of the younger to the older

generation is larger, noting that it is the largest user of internet and technological innovations. Lifestyle changes, increased earning capacity, and population shift has produced a gap within the service industry such as health care, leisure industry and merchandise companies. With time, these will need to improve their operation procedures, most probably adopt IT to serve better and reach more consumers (BT Group 2011, Neate 2010).

Regarding to technology, there are not only new inventions but also, several factors prompting technological innovations. For example, the health sector, which is the most vibrant economically, is boldly embracing research creating a need for relevant technologies while adopting others (Sastry, Nyshadham & Fix 2000, p. 138-139). Contemporary problems such as climate change, waste disposal and food security among others are also opportunities that will require the support of this sector.

2. 20 Core Competencies

Competencies analysis aims at establishing a company's activities or skills that are of greater value than a competitor's (Dix & Mathews 2002, p. 2-3). Competency analysis of BT will reveal to BT its unique aspects that make it good and those that make it better. Management will then be able to focus aspects that affect their competitive advantage.

BT group's mode of operation reveals various aspects that make it quite competitive. On top of these are articulate service levels that effectively avail products and services to their wide range of customers. BT's group businesses structuring ensure efficient service to retail, wholesale and international customers. Services offered by each business are tailor made to

suit the needs of the target group. For example, for its business customers, there is BT Bespoke solutions and BT Tradespace portal while the communications and internet industry receives access and backhaul products necessary for their customers' IT needs (BT Group 2011). These service levels couples with an efficient supply chain devoid of duplication of service. For example, BT wholesale supplies to businesses reliant on communication, Openreach serves communication providers who then serve the end users while BT global services caters for corporate and government customers (BT Group 2011).

Technology is a critical key competence of BT group. For example, in its 21st century network, it introduced copper and fiber access services providing faster internet speeds and efficient data services. Its wireless technology is also quite popular in both the UK and the rest of the world in brands like BT Openzone and BT Fon (CBI 2008). Its smart metering technology developed in conjunction with other companies in mitigation of carbon-related environmental problems (BT Group 2011). Other key competencies of BT group are presented in marketing, customer service and strategic alliances, all characterized by unique performance that puts BT ahead of its competitors (BT Group 2011). Moreover, its leadership constantly see to it that more distinctiveness and uniqueness is built into the company's core competencies to continuously increase its competitiveness (Dix & Mathews 2002, p. 3).

2. 30 Resource Audits

Resource audits aims at identifying the resources available to a business that add to its competitiveness. These can be company belongings or

partnerships and joint ventures acquisitions and include finance, human, physical and intangible resources. Resource audits will define strategic capabilities of BT group.

BT has an expansive physical resource base characterized by an expansive IP network connecting over 1270 cities across the world. Its ADSL copper broadband is in circulation currently and has already reached 55% households, coverage set to rise this year (BT Group 2011). BT's most optimistic physical resource however is the fibre network as a means of providing super-fast fibre-based broadband already being laid out in the UK in Singapore. These couples with good marketing facilities that ensure that customers get what they need at the most convenient place (BT Group 2011). Further, it has a well-laid IT system for internal and external use. Internally, it facilitates production and management activities while externally, it links BT to its market facilitating supply, expansion and marketing (BT Group 2011).

A firm human resource base is necessary for competitiveness of any company. Based on best practice in standards and integrity in operations, BT group boasts an expansive, resourceful and dedicated human resource team. BT employs a large workforce in various capacities and engages them in a win-win relationship where both BT and the employees stand to benefit. Employees receive an opportunity to grow using a tailor made personal development action plan addressing personal and career needs attached to a feedback system, providing learning opportunities while encouraging them towards professionalism (BT Group 2011, CBI 2008). BP also engages in capacity building by offering research opportunities in areas of its relevance, <https://assignbuster.com/business-environment-of-bt-group/>

apprenticeships, graduate and undergraduate placement. These among many other attractive human resource packages see to it that BT has the lowest employee turnover. Its work schedule and governing regulations are also flexible. At least 10, 000 employees work from home while several others are equipped to work from any location on a particular day (BT Group 2010). This way, BT ensures constant service delivery while minimizing on absenteeism costs.

Financial resources are critical to a business in that they define the ability of a business to execute its strategy, an aspect quite characteristic of BT group. For example, BT is currently investing 2. 5 bn pounds in super-fast fibre based broadband, a project that is quite capital intensive given their other projects in other sites. Further, BT's finances are really showing up. Its global service division will be experiencing positive cash flows by about 100 pounds this year while profitability of one of its centers is picking up as indicated by rising share prices (White 2011). BT's positive image to investors is of great importance in defining its financial resources. It has an impressive investment portfolio that attracts funders while its consistent profitability acts as a security for investment loans.

Intangible resources are critical when deliberating on how to deliver a business strategy. First, BT has a good reputation. Operating in over 170 countries worldwide, BT has succeeded in acquiring a good name for itself through its business ethics, dedication to high quality service delivery and expansive community engagement. BT also boasts strong brands that are popular and easy to market. For example, its broadband brand has one of the best take-ups in the G8 while its version of MPLS network is the largest in <https://assignbuster.com/business-environment-of-bt-group/>

North America. In addition to these, BT's goodwill is quite high given its good business portfolio coupled with its profitability and popularity. BT's rich resource base coupled with their strategic interconnection will continue to enable BT to beat fierce competition both locally and internationally.

2. 40 SWOT Analysis

BT group operates in Networked IT services to enable organizations and individuals thrive actively in a changing world by increasing and improving accessibility to information and hence resources. A SWOT analysis is therefore necessary to summarize its strategic position and identify areas for improvement. This analysis will be of help BT in its strategic planning (Downey 2007, p. 5).

Table 1: SWOT Analysis of BT Group

Strengths

Strong growth prospects

Diverse trustworthy customer portfolio

Extensive physical network

Enabling management

Product diversity and flexibility

Opportunities

Increasing demand for mobile applications

Positive effects of globalization

Increasing demand for wireless internet access

Enabling regulatory environment

Strategic alliances

Competitive contracts

Weaknesses

Overreliance on UK market

Overstretched business portfolio

Increasing pension deficit

Decreasing profitability and efficiency

Threats

Excessive competition

Rising operation costs necessitating job cuts

Rising demand in the face of employee lay offs

Telecommunications price policies

2. 50 Ratio Analysis

Ratio analysis presents a tool that managers and various stakeholders can use to evaluate an entity's performance and compare it with those of competitors. Ratios present a guide to the real value of financial statements – a value that, for instance, investors use to inform their investment

decisions (Brigham & Ehrhardt 2008). For BT group PLC, analysis of various ratios reveals a largely unfavorable status for the entity.

Firstly, the liquidity ratios for the entity indicate an unfavorable position. Liquidity ratios measure the ability of the entity to honor its short-term obligations (Brigham & Ehrhardt 2008). From the analysis, BT's current ratio is 0.69 for the year ended 31 March 2008, 0.65 for 2009 and 0.60 for 2010 (Appendix, table 2). Similarly, the quick ratio, a ratio that does not consider stock as a current asset since it may not be readily convertible into cash (Brigham & Ehrhardt 2008), indicates an unfavorable position for the entity. The quick ratio values for 2008, 2009, and 2010 are 0.67, 0.64 and 0.59 respectively (Appendix, table 2). Accordingly, the ability of BT group to meet its current liabilities is impaired (since its current assets' value is lower than the current liabilities' value) thus creditors may not be willing to offer the entity goods on credit.

Profitability ratios inform on an entity's performance by linking effects of liquidity, asset management and debt to the income derived from the entity's operations (Brigham & Ehrhardt 2008). The profit per pound of sales – as indicated by the margin on sales (appendix table 2) – shows BT's performance to fluctuate over the three-year period from 2008-2010. In 2008 the entity earned 8.39 percent for every sales worth one pound, in 2009 the entity made a loss of 0.96 percent for every one pound worth of sales, whereas in 2010, the entity recovered to make a profit of 4.92 percent for each pound of sales (appendix, table 2). The basic earning power, return on assets and return on equity ratios for BT reinforce the unfavorable position;

indicating marginal returns for 2008 and 2010, and for the year 2009, a loss on assets and equity (Brigham & Ehrhardt 2008).

Other indicators of the entity's performance are its debt management and asset management capabilities, and market value ratings. In debt management, as indicated by the times interest earned ratio – for instance declined from 6.23 times in 2008, to 0.61 in 2009, and only rising marginally to 1.87 in 2010 (appendix, table 2). Such adversely affects the entity's rating by lenders. In the asset management category, the days sales outstanding, indicates that the company has improved its debt collection channels reducing such days from 78 in 2008, through 71 in 2009 to 65 in 2010 (appendix, table 2). The investor's perception rating also appears to be unfavorable. Although the PE ratio indicates investors were willing to pay 10.51 times for each pound of reported profits in 2008 and 9.82 times in 2010 (Appendix, table 2), evaluation of the market to book ratio presents a more succinct status of investor evaluation of the entity. By this latter ratio, the prices that investors were willing to pay for the entity's stocks were lower than the valuation of such stocks in the entity's books for the three-year period.

3.0 Conclusion

BT group is one of the largest telecommunication companies in the world. It aims at meeting demand for IT infrastructure and solutions among global organizations as well as satisfy broadband needs in the UK. It has its largest market in the UK where it is the major provider of broadband services though it also has well-established presence in several other countries around the world. BT has a number of competitors the most important being Vodafone

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and Deutsche Telecom AG both at the market level and on the stock market. Overall analysis of BT group presents it as a highly profitable company owing to its articulate mode of operation both locally and internationally. It is rich in all business resources that it uses to enhance its competitiveness as well as a favorable operation environment. However, BT has an overstretched business portfolio that may threaten its profitability in case of an economic down turn. Moreover, it is over reliant on the UK market, an aspect that its competitors can easily exploit. Despite these, BT group still enjoys large markets around the world. It is thriving in the stock markets and its financial reports are indication unprecedented growth in the years to come.

4. 0 References