Assessment of core competencies for verizon corp. essay sample

Business, Management

Executive Summary

In order to identify Verizon’s core competencies, a SWOT and Five Forces analysis was performed. The SWOT analysis showed internal strengths in technology diversification, a large and talented employee resource pool, and an expansive network footprint. Internal weaknesses were revealed that centered on post merger issues such as corporate culture issues, impending workforce retirements, and a lack of systems or process consolidation. External opportunities include the potential to further capitalize on incumbent status, diverse markets, long distance, and brand identity. Finally, external threats include government regulation, substitution, and a weak economy.

The Five Forces analysis revealed that entry barriers have been reduced by deregulation, which as increased rivalry intensity. It also revealed that supplier power is minimal and buyer power is significant in the current economic situation, but may not be once the economy recovers.

Together, the SWOT and Five Forces analysis revealed the following core competencies: personnel, marketing, operations, and leadership. These core competencies are comprise Verizon’s foundation and are vital to the success of any strategic initiative.

SWOT Analysis

SWOT analysis is a strategic management technique that provides an overview of an organization’s internal strengths and weaknesses as well as external opportunities, and threats. The following application of a SWOT analysis for Verizon is intended to help ensure a strategic fit that, "... maximizes a firm's strengths and opportunities and minimizes it weaknesses and threats" (Pearce & Robinson, 2002).

Strengths

A strength is a competitive advantage that arises "... from the resources and competencies available to the firm"(Pearce & Robinson, 2002). Verizon's strengths include:

§ Technology diversification – Verizon offers a large variety of wireline and wireless services. This diversification allows Verizon to increase customer value through an expanded range of product and service offerings and through a price-saving bundling strategy.

§ Employee resource pool – Verizon was formed though the merger of three large telecommunications companies: Bell Atlantic, Nynex, and GTE. Combined, Verizon employs about 236, 000 people. By virtue of size alone, Verizon has a vast pool of resources to call upon.

§ Employee's intellectual capital – Verizon employees have a diverse background filled with years of invaluable training and experience in telecommunications industry.

§ Network footprint – Verizon's network has the largest national footprint of any telecommunications company operating in the United States. This has enabled Verizon to become the largest provider of wireline and wireless communications in the United States, with 135. 0 million access line equivalents and 31. 5 million wireless customers. Also, Verizon's global presence extends to more than 35 countries in the Americas, Europe, Asia and the Pacific.

Weaknesses

A weakness is a, "... limitation or deficiency in one or more resources or competencies relative to competitors that impedes a firm's effective performance" "(Pearce & Robinson, 2002). Verizon's weaknesses include:

§ Post merger issues – Most of Verizon's internal weaknesses are caused by lingering merger issues. These issues include

– Corporate culture – Two years have passed since the merger of Bell Atlantic and GTE, but there are still lingering culture issues that must be resolved. Bell Atlantic was a decentralized company that revolved around lines of business, while GTE was a more centralized company. These different organizational philosophies are still present today and cause conflict within the company.

– Workforce retirement – 80% of Verizon's workforce is eligible for retirement. Employees that worked for GTE have until May of 2004 to retire under the GTE retirement plan. The GTE retirement is much more lucrative than the new Verizon retirement plan, so it is anticipated that we will have a workforce problem in the near future. Even a large portion of the 80% that did not work for GTE will most likely retire in a few years when the economy strengthens.

– Support systems – Many support systems in the former Bell Atlantic, Nynex, and GTE territories have yet to be consolidated. This leads to inefficient resource allocation that does not provided the synergistic benefits that are supposed to be realized with a merger.

– Processes – In many ways, Verizon is still three companies (Bell Atlantic, Nynex, and GTE). Although Verizon has consolidated and standardized some of their processes, there is still a lot of room for improvement.

Opportunities

An external opportunity is a, "... major favorable situation in a firm's environment" (Pearce & Robinson, 2002). Verizon's opportunities include:

§ Incumbent status – In most areas, Verizon has been the incumbent local exchange carrier (ILEC) for half a century. For decades, Verizon did not have to contend with competition of any kind. This has given Verizon a solid foothold on the industry that new competitive local exchange carriers (CLEC) must contend with.

§ Diverse markets – Telecommunications markets can local, regional, or global. Furthermore, customer can include residential, business, and government markets.

§ Long distance – Due to regulatory restrictions, Verizon was once not allowed to offer long distance services in the former Bell Atlantic territories. These restrictions have been eased and Verizon has been approved to provide long distance in 11 of the 14 former Bell Atlantic states. The three states that remain are Maryland, West Virginia and Washington, D. C. Verizon is expected to gain Federal Communication Commission (FCC) approval to provide long distance is these states sometime in 2003.

§ Brand recognition – In only two years, Verizon has built strong brand recognition. In the future, this will facilitate new product and service offerings and will as help lure new customers.

Threats

An external threat is a, "... major unfavorable situation in a firm's environment" (Pearce & Robinson, 2002). Verizon's threats include:

§ Government regulation – In an effort to spur competition, the FCC has enacted policies that favor the CLEC's. One is example is that fact that Verizon is required to lease access lines to CLEC's at rates as low as 60% below the wholesale price.

§ Substitution – Customers are increasingly substituting wireless technologies for local and long distance services. Although Verizon can offset some of the losses with its growing wireless business, it cannot offset them all.

§ Weak economy – As goes the economy, so goes the telecommunications industry. When our customers are economically strong, they order ramp up on telecommunications services. Likewise, customers cut back on telecommunications services when they face economic difficulty.

Porter’s Five Forces

Porter’s Five Forces provide a framework for understanding and analyzing the forces driving competition in the telecommunications industry. These forces include entry barriers, rivalry intensity, supplier power, buyer power, and substitution. “ The collective strength of these forces determines the ultimate profit potential of an industry” (Pearce & Robinson, 2002).

Entry Barriers and Rivlary Intensitty

“ The strongest competitive force or forces determine the profitability of an industry and so are of the greatest importance in strategy formulation” (Pearce & Robinson, 2002). In the telecommunications industry, entry barrier forces are the strongest competitive force. In recent years, the FCC has enacted legislation intended to minimize these entry barriers. This has increased competitive force and intensified competitive rivalry by eliminating many advantages once held by ILEC’s. Switching costs are virtually non-existent, there is excess network capacity, there are minimal product differences, capital requirements for CLEC’s are less than that of ILEC’s, and fixed costs are higher for the ILEC.

Fortunately for Verizon, they still have entry barrier advantages such as brand identity, economies of scale, and distribution channels that had accumulated over decades in a non-competitive industry. However, these advantages will most likely erode over time as competitive rivalry intensifies.

Supplier Power

In the telecommunication industry, Customer Premise Equipment (CPE) suppliers have little power. There are many CPE suppliers, but only a few telecommunications service providers. CPE suppliers such as Nortel, Lucent, and Fujitsu face intense competition with each other, which gives telecommunications service providers such as Verizon an upfront advantage when negotiating the initial contract. Verizon also has power on the back end as competition and product substitution forces CPE suppliers to provide high quality service or face being replaced by a competitor when the contract expires. A weak economy has also given Verizon more leverage over CPE suppliers. In many cases, CPE suppliers that lose our business probably won't survive for long in the industry.

Buyer Power

In this economy, buyers have more power than they might ordinarily have. Typically, there are only a handful of telecommunications service companies that can provide the broad range of services that Verizon can. When the economy is strong, businesses put a premium on telecommunications services, which puts the few large telecommunications service providers such as Verizon, SBC, Bell South, and AT&T in the driver's seat. However, in a weak economy, these businesses cut back on telecommunications services, which intensifies competition. When this scenario occurs (as it is occurring today), buyers have tremendous power through bargaining leverage and relatively low switching costs.

Substitution

" By placing a ceiling on prices it can charge, substitute products or services limit the potential of an industry" (Pearce & Robinson, 2002). Other than entry barriers, substitution has had the largest as a competitive force. For example, the advent wireless products, which often offer thousands of free long distance minutes, has directly led to decreased revenue in the local phone service and long distance service lines of business. Substitution has forced Verizon to rethink its overall strategy. Local phone service has been the cash cow for decades, but is now suffering the ill effects of substitution. As such, Verizon's strategy focuses more heavily on rising star lines of business such as wireless and high-speed data services.

Core Competencies

Core competencies include the aptitudes and expertise most crucial to providing value to an organization. The SWOT and Five Forces analysis performed have helped to identify the following core competencies at Verizon:

§ Personnel – Highly trained and experienced employees who have technical expertise that cannot be easily replaced.

§ Marketing – Creation of brand identity.

§ Operations – Efficient and cost-effective.

§ Leadership – Moving the company forward despite external and internal challenges.

References

Pearce, J. A. & Robinson, R. B. (2002). Strategic management: formulation, Implementation, and Control. 7th edition. New York: McGraw-Hill Primis Custom Publishing.