

# The merger of linkdotnet and mobilink



On daily basis we face several problems and we take certain steps or decisions to resolve those problems. Some decisions are proved to be good and useful and some result in loss however, the skill of problem solving and decision making power improves with the passage of time. Similarly in organizations, management has to take several decisions to resolve different problems in order to have smooth functionality of daily operations and above all for a continuous stream of profits. There are different models available in the literature for resolving the problems and making the decisions. This document is aimed to understand the decision making and problem solving tools and techniques. In this document identification of the problem in a renowned organization operating in Pakistan is done and analysis of the decisions taken to resolve that problem is conducted. The models used for decision making in response to the problem faced by the organization are also discussed along with the limitations and shortcomings of those models. In the end a personal evaluation is done that explored skills gained by me personally after completing this brief research study on a particular organization (Simon, 1956).

## **Company Overview –**

### **Mobilink Infinity and LINKdotNET**

Mobilink is the leading telecommunication service provider operating in Pakistan. It is subsidiary of Orascom Telecom that is an Egyptian company. Mobilink is serving Pakistani market since 1994 and as per the latest report from PTA (Pakistan Telecommunication Authority) Mobilink is a market leader with a market share of 31% (www. pta. gov. pk, 2010). Mobilink was only providing voice services to its customers before October 2008, when it

launched Mobilink Infinity a WiMAX broadband service in one city Karachi. With high quality services and competitive pricing plans, Mobilink Infinity gained a subscriber base of more than 20, 000 (www. mobilinkinfinity. com, 2010). Mobilink Infinity was being operated as a separate unit named “ Broad Band Unit”. The major strength of the organization is its quality customer services which have set new benchmarks in Pakistan and set the new trends which were never practices before. Mobilink’s broadband unit continued the same practice and delivered the services with the same quality customer services, that is the reason that company was able to get a major market share just in one city (www. mobilinkinfinity. com, 2010).

Another subsidiary of Orascom Telecom for providing broadband services in different countries is LINKdotNET. LINKdotNET commenced its operation in Pakistan by acquiring two already existing Internet Service Providers (ISPs) named as World Online (WOL) Telecom Limited and Dancom Online.

LINKdotNET merged the resources of these two companies and by putting in more investment launched its operations officially on 02 February, 2008.

LINKdotNET was offering its services in more than 130 cities in Pakistan and in two years this company raised its customer base up to 35, 000.

LINKdotNET provided services for both home and commercial users and was the second largest broadband service provider in Pakistan after PTCL (Pakistan Telecommunication Limited) (www. link. net. pk , 2010). The company got a tremendous response from the customers after its launch, but the poor management and lack of managerial skills the company failed to deliver the services as they promised. The result was that in the first year of its operations the company gained a very bad reputation in the market

and customer's started to leave to the other service providers. However, in corporate sector LINKdotNET was still the major broadband service provider (www. link. net. pk , 2010).

## **Background of the Problem**

To cater to the needs of the Broadband Internet market Orascom Telecom was operating two of its subsidiaries in Pakistan, one with the name of Mobilink Broadband Business Unit (BBU) which was mainly catering to the needs of WiMAX Internet users and was operating only in Karachi, and other was LINKdotNET which was operating in DSL, Dialup and Corporate Business Solutions for data and internet market with its operation in all major cities in Pakistan.

Both of the companies were serving the same market, which was broadband internet market, to the users of same profile and almost same geographical regions. Both of the companies were independent and there was no coordination in any department, both of the companies had their separate departments, same target market and were treating each other as competitors, while both companies belonged to same parent company. This situation was causing different problems to the parent company such as confusion in the minds of consumer; high operational cost, and high marketing costs, diagram below will help understand the scenario of that time.

## **Orascom Telecom Subsidiaries**

Source: (Author, 2010)

## **Problem Identification**

By looking at the above diagram we it has been made clear the two companies were working in one market serving same kind of customer and with same organizational structure, at the time where competition was intense in the market, and due to increase in the operating costs and shrinking margins the profitability of the company was going down, and such structure was creating following problems for the organization.

Presence of identical departments were creating increased human resource costs

Marketing costs were high because of the separate marketing departments were targeting same customers and were virtually acting as competitors.

Business operation costs were high because of separate network management, separate network procurement, and separate inventory management.

Ambiguity in the mind of employees and consumers, who were confused about the status of both of subsidiaries, resulting in damage of brand in the eyes of customers.

## **Managerial Decision Making Models & Application**

In the below lines author will explore the current theories on different decision making models developed by management commentators and then author will explore the decision making process adopted by the management of Orascom Telecom, then this decision making process will be critically analyzed on managerial decision making models. Author will see which

model was applied how the application of that model helped the management to make the best possible decision regarding the problem identified earlier.

## **Decision Making Models**

There are two decision making models that are widely used by managers in making their decision regarding their day to day business problems, one is the rational decision making model and the other is the non-rational decision making model (Bazerman & Max, 1994).

### **Rational Model**

Rational decision making is one of the best known and most used approaches, this model revolves around the thinking process and which is also called a cognitive process, this model involves several steps which are explained below, there are several pros and cons of this model which are also described in the lines below, this model focuses on problem solving where the problem is already identified and clear in the minds of management (Bazerman & Max, 1994).

### **Rational Decision Making Steps**

Source : (Author, 2010)

As described in the diagram above, rational decision making involves five steps, the first step is to identify the problem, this step involves the careful analysis of the situation presented to the organization and then by this analysis the actual problem which is the cause of this situation is identified. The second step is to set the criteria for the desired results required, this criteria is

set to achieve the minimization of unwanted situation or elimination of them, this step is also called benchmarking of results (Gelatt, 1991).

The third step is to find all possible solutions of the problem, this step involves the collection of all possible solutions to get rid of the current problem, this step is followed by the fourth step that is examining each of the decision option on the pre defined criteria of desired results. The final step is to identify the best possible solution to the problem and then apply that decision, and by doing this rational decision making process ends (John, 2001).

## **Pros and Cons of Model**

This model supposes, before the application of the solution, that there is one best solution and hence adapts the perfectionist approach, more over critical evaluation of each and every option delays the decision making which some time cause the losses to business where external environment is turbulent (Graham, 1993).

This model also take this assumption that every effect of every option can be predicted without having it tested in reality, and consequences and future implications of each decision related option are left on the discretion of decision maker (Simon, 1956).

Rational decision making requires the decision to be dependent upon the cognitive abilities and imagination of the decision maker, more over this model also require the extended time and information for the decision to be made (Bazerman & Max, 1994).

## **Non-Rationale Model**

Non-rationale models are the second widely used decision making models, in below lines author shall explore the main characteristics of these models.

## **Non-Rationale Models**

Source: (Author, 2010)

### **Satisficing Decision Making**

This is one the approaches adapted as non-rationale decision making, this approach aims for satisfying solution for the problem, rather than going for the most optimized approach, this approach is used when lengthy procedures of decision making like information needs, and evaluation of alternatives are to be avoided (Gelatt, 1991).

### **Incremental Decision Making**

This decision making is required when problem at hand requires quick decision making, in this case managers make rather small responses to the problem and instead of completely eliminating it they reduce it to minimum level (John, 2001).

### **Garbage-Can Decision Making**

This approach is used when the problem is clearly defined or the managers do not know what to do, this method uses trial and error approach and different solutions are tested on the basis of randomness, this approach is also used where there is emergency situation and management was not prepared to handle such situation (John, 2001).



## **Approach & Solution Employed by Orascom Telecom**

In below lines author will critically explore the decision making approach employed by Orascom Telecom the cater to the problem presented earlier, the problem faced by the organization was not urgent and turbulent in nature, rather its nature was more of strategic, for this kind of problem, rationale decision making is best to utilize, as the company had the time and information resources required to make such decision making, they logically opted for this and decision was made by using rationale decision making, in below lines we shall see that what decision was made how it was made by using said model. To explore this author will take step-by-step approach and will see that how each step was applied.

### **Identification of Problem**

During the time in which both of the subsidiaries of Orascom Telecom were operating separately in the same market, management started to identify the problem that their profitability was decreasing due to increase in operating costs. At the same time the competition level in market was at its peak, prices were going down because of heavy competition and so was profit margins, the only way to increase or sustain profitability was to reduce costs. But Orascom Telecom was operating at redundant hierarchy by deploying two separate companies in the same market .

In this scenario to sustain profitability was a challenge that management had face and to deal with they had no other option but to review their strategic business management in the broadband industry of Pakistan .

## **Criteria Setting for Result**

Since Orascom Telecom's profitability was decreasing because of the high operating costs involved the criteria set for results was to increase profitability by reducing costs. Management had a clear understanding that business was growing at time as so was growing the market, but at the other hand competition was also increasing because of the entrance of new player in broadband internet market. So there was no chance of increasing profitability by increasing price and customer base. So the criteria set by the management to increase profitability by reducing costs was well justified and was based on rationality.

## **List of Solutions**

At that time management of organization had two solutions to cater with this problem, the first one was to examine the profitability and operations of each of subsidiary and then close the operations of one subsidiary with less customer base and profitability. By doing this management can hand over one business to the other one and then get rid of unnecessary costs.

The other solution that management was looking at to merge the operations of both of the subsidiaries and then form a new organization under the umbrella of their already well established GSM brand name Mobilink, since both the subsidiaries had same organizational structure and operational departments merger of both can be done without much disturbance in daily business operations.

## **Examination of Each Solution**

Management of Orascom Telecom examined both of the solutions and their careful examination revealed following shortcomings and advantages of both of the solutions.

The first which was to close the business of one unit and continue with the other one was not good for the overall image of the organization, this could have brought the negative messages for the consumer and could have hurt the brand image, the other short coming was the Mobilink BBU has the license of operating in WiMAX business and LINKdotNET had the license of operating in DSL and other high end technologies, and Orascom Telecom wanted to remain in both of the markets.

So the closing of one operation would have resulted in loss of licenses and getting out of the business, however this solution could have reduced their operating costs and increase their profitability but with the above mentioned risks.

Other solution which was merger of both of the unit into one consolidated unit was also expected to reduce costs by creating synergies and single operations at every department level by eliminating dual use of resources and dual costs, along with meeting the predefined selection criteria this solution also had certain benefits like merging both of the units and then re-launching operation with a “ big-bang” was expected to bring a positive message to the potential customers that a large operator has merged their different operations and now they are in position to serve them even better. The other benefit that this solution could bring is the use of licenses of both

of the subsidiaries and empowering the organization to use the full ground to play on. By employing this solution company could play in WiMAX market as well as DSL and other high end technology markets.

## **Selection of Best Solution**

After the examination of the above mentioned solution choices, management decided to go for the second option and Mobilink BBU and LINKdotNET were merged for Mobilink Infinity in June 2009. After the merger, all relevant departments were merged and single point resources utilization and synergies with their GSM side of business were made possible, yes solution also resulted in layoffs but the number of employees losing jobs were less than the number could have been in case of selection of option one.

Mobilink Infinity was launched to provide WiMAX and all other services that both of the organization were offering to both corporate and residential clients, that decision was able to achieve the desired results also came with the benefits of increased brand image, more clarity in employees and consumer perception of the company, so far it has been observed that company's business is growing and their profitability is increasing, and this decision is turning out to be successful one.

## **Limitations of Process Employed**

Orascom Telecom employed the solution by opting for rationale decision making process, this decision turned out to be a successful decision but there are some limitations that needed to be taken care of and author have identified, by taking care of such limitations this decision could have been

executed well and results could have been more fruitful, below author have discussed few limitations that are inherent in the decision (Bazerman & Max, 1994).

As rationale decision making is a lengthy process so it took a long time for management to complete this process, the evaluation of each option took more than a year and at the same time marketing of both subsidiaries were kept on hold, however the business didn't stop and they were selling to their customers but without marketing support (Gelatt, 1991).

That time the competition in market was intense and there needed the full marketing support for any organization to win the market share, but the decision to hold all marketing activities for both of the subsidiaries and then taking one year to reach on any conclusion badly affected the business, the competition kept on building their brands, new comer were also aggressive that is why their business went down rapidly during the decision making process.

Since this decision was made in the Egypt head quarters and same decision making process was in use to globally merge their broadband entities with their GSM entities, this factor also played its role in making this happen in a long time. The overall time taken by this decision was more than expected and suggested, that caused the business to miss some opportunities in the market that competition grabbed (Gelatt, 1991).

Another shortcoming that author have observed with this methodology that this model is a step by step process and management cannot jump on to any other step without completing the previous one, even they know what is

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required and what is to be achieved and how it can be achieved they have to follow all the necessary procedures that again result in more time consuming. Since Orascom Telecom is a large organization, and they cannot afford their business to hold at any stage that is why they were unable to explore more options as solutions and only stick to two decision related options mentioned earlier, there could have been other option instead of closing and merging the business, but their evaluation stage would have cost them more loss in business that is why they were sticking to only two solutions to the defined problem (John, 2001).

Another limitation with the model employed by Orascom Telecom was that this model does not support the creative decisions, since the result area is already defined and business managers are bounded with their rationality, they tend to seek and explore the decision that makes common sense and could be sold to management, to achieve the desired result of a problem there are always some run of the mill solution that pop-up in manager's mind, and by following this rationale model, and in try to be rationale managers tend to ignore the creative ideas to problems that in one look may not make sense but after careful examination could have benefitted the organization more than the usual solutions(John, 2001).

So there is a inherent limitation in rationale decision making model that is leads the manager to only stick to their rationale and make the decision that are acceptable in masses and ignore the creative options that come into mind, another reason of ignoring creative decision is that rationale model is already and lengthy process to follow and managers tend to stay away from creative process because such ideas would require them to evaluate and

predict their implications, and this again will result in extended time taken in decision making and managers have the pressure to make the decision on time so that problem can be rectified in due time (Graham, 1993).

### **How to Company Could Avoid Limitations**

As author mentioned above that decision making process took more than a year to get reached on, organization had to suffer their valuable opportunities that could have been exploited otherwise, and the solution to this limitation, in author point of view is that they should have employed the parallel analysis techniques, instead of deploying all the resources to one step at one time, they could have increased the number of managers working on the this problem and then ask them to parallel on each step, in this way the amount of time consumed in making decision could be reduced to few months. This could have also achieved by employing dedicated resources to this situation and realizing the fact the competitive environment in Pakistan is different from the competitive environment in Egypt and by using dedicated resources in Pakistan and by doing parallel analysis and execution of the process they could have achieved the desired results in minimum time(Graham, 1993).

Another problem with the approach employed by the organization was to keep everything on hold for the period of decision making, while the external competitive environment was turbulent and competitive, their decision to hold all marketing activities for the period of transition was not effective, by doing this they lost the market opportunities and their position as leading telecom player was compromised. In order to avoid such situation they should have keep on giving marketing support to their products and by the <https://assignbuster.com/the-merger-of-linkdotnet-and-mobilink/>

time of reaching to any solution and actually launching the new entity formed they would have not missed the market (John, 2001).

## **How this Module Affected My Decision Making**

Participation in this module has positively affected my problem solving and decision making abilities, as a student of management and in daily life, on work or otherwise, we daily face different problems with different levels of complexities, some problems are of critical nature and some are not that important, for some problems immediate decision making is required and for some problems we need a complex decision making for which time is also required, we also face the situations where we even don't know what the actual problem is, and all this happens on a continuous basis and in regular intervals.

This module has transformed the way I used to look at the different situations, it has also taught me that there is a solution to every problem no matter how complex it may seem in the first time, after going through this module I have learned that how a complex situation can be turned into a favorable situation by carefully analyzing it, how to find the actual problem by doing root cause analysis, and not to judge any situation on its face view.

I have also learned that after finding the actual problem what approached that I can employ as a road map to finding the solution to my problem, I have gone through various exercises that have taught me that how I can find solutions and answers to various problems in my professional life and how I can use different decision making models in my working and then in my personal life. I have also come to know that which model of decision making and



problem solving best suits the different situation, how to handle problems which are of immediate nature, how to solve problem which have long term affect, by going through this module I am confident on my decision making and problem solving abilities and I can use them in my professional and personal life.

## **Conclusion**

This paper was aimed to explore the various decision making models and their applications by analyzing a real time problem case study that author have made on Pakistan's leading telecom company Mobilink which is a subsidiary of one the largest telecom operators in the world Orascom Telecom. In this paper, author have examined real time problem which the organization had to face, while operating broadband industry of Pakistan and being a market leader they were running two of their subsidiaries with different names and operations but in the same market, and that dual operation was badly hitting their profitability.

To cater to this problem organization then employed the rationale decision making model and after going through the process of decision making, they decided to merge the operations of both of the organization, later on author has examined the limitations in the study and then discussed the steps that can be taken to avoid such shortcomings.

Later in this paper author have discussed that how participation in this module have affected his decision making and problem solving abilities and how author can use the knowledge and experience gained from this module in his personal and professional life.