

Report on the strategic practices of vodafone



This report aims to discuss the strategic practices of Vodafone. Basically, this study will illustrate the understanding of how the competitive environment and internal capabilities of Vodafone have combined to influence their IS strategies and development. This paper is also capable of demonstrating how the use of technology has related at least in part to the development of competitive advantage. Moreover, this paper will also provide a clear focus on specific strategic IT/IS issues e. g. competition, changes in customer preferences, increased use of technology in processes to increase competitiveness, technological innovations, threat of new entrants to market, outsourcing of activities to improve cost efficiencies, etc. Apparently, this will also provide significant discussion pertaining to the external IT/IS environment impacts on the internal workings of Vodafone.

1. 2 Introduction

IS implementation to Vodafone is very vital since most of their products are most likely about technology and communication. However, before we start on analysis, let us consider the types of evaluation method that we can possibly use in Vodafone. Accordingly, a system is known as a set of elements which are connected or interrelated with each other. In analysing the element of a system, such as Information System, the modes of enquiry are used. Basically, modes of Enquiry is divided into three categories, the simple (inductive-consensual and analytic deductive), complex (dialectic and multiple realities) and innovative (unbounded systems thinking). These modes enable us to break a certain system down into smaller sub-system and focus on how each of these sub-systems became an important factor for achieving the goal of the system. Base on a real world scenario each modes

of enquiry system will be analysed in terms of their strengths and weaknesses. As mentioned, modes of enquiry includes inductive consensual, analytic deductive, dialectic, multiple realities and unbounded systems thinking.

1. 3 A critique of different modes of enquiry

1. 3. 1 Inductive-Consensual

Inductive-Consensual mode of enquiry is an approach that enables us to have an outcome based on a limited set of observations (1995). With these formulated observations, only one conclusion must be considered. In this method, there are three kinds of analysis that may be used: analogous, historical or multiple independently sourced. Herein, the decision maker must first formulate a problem, after which, a set of observations or plausible solutions can be provided.

1. 3. 2 Analytic-Deductive

Analytic-Deductive is one a mode of enquiry which views the world as formula. This enquiry often highlights logical consistency. This method believed that everything leads only to one answer, i. e. the truth. The main attribute of this method is its ability to break down the issues into different part through reductionism, which is helpful in identifying a plausible solution. This enquiry attempts to analyse the issue base on the categorise part, to be able to get some insightful details and solution parts by parts.

1. 3. 3 Multiple Realities

Multiple Realities is another mode of enquiry used in decision-making process (2000). This mode of enquiry is somewhat similar to inductive consensual and analytic-deductive inquiry system. However, in this mode of enquiry, the information or data used are more complex and needs more strategic ways to arrived at a certain solution. In addition, the multiple realities approach does not only adhere to the determination of a specific solution or outcome. This is because, multiple realities, focuses on representing problems in a broader and wider perspectives. In this manner, the management or the decision maker, will become more involved to the decision-making process and may have more factors to choose from.

1. 3. 4 Dialectic

As mentioned above, another mode of enquiry used in decision-making process is the dialectic approach. This enquiry system is used not for setting data, observations or issues but is used to give emphasis on the differences traditional and typical assumptions. In addition, this system may also provide different perspective for a common data which can be useful for having a smooth and progressive decision making process. For example, in terms of using the internet in banking industries, with the use of dialectic approach, the decision-maker may use some conflict factors in order to have a new truth for the issue. By determining two contradicting, polarised standpoints and about internet banking (2002) the management can efficiently select the best options. In addition, this can help the management to anticipate plausible outcome or impact caused by the application of this information system to business.

1. 4 Conclusions

As seen in the previous discussion, there are modes of enquiry that we can use in order to evaluate the current stance of Vodafone in consideration to IS implementation. In the fast-paced world of business, managers and entrepreneurs alike often lose sight of their ultimate objectives because they are preoccupied with more immediate concerns of the business venture. This has, in one way or the other, fatally caused their failure to anticipate future scenarios, proving damaging to the enterprise. Therefore, the sacred duty of those in authority to think of strategies that the business will undertake remains vital to the organisation's achievement of their previously set objectives. Formulating sound business strategies may not be the only key to success, but without it, there is a greater chance that the business will fail. Strategy is used by businesses to describe a variety of planning activities with a generally agreed upon purpose of directing the organisation to a successful course of action over an extended time frame.

However, before one proceeds to the hustle and bustle of the actual strategy formulation and later incorporating it in the overall strategic plan, there is an initial need to clarify the two basic concepts involved in the process, namely strategy and strategic planning. With this regard, strategic practices essential to Vodafone should be carefully analysed.

External Environment

2. 1 Introduction

Vodafone is one of the top companies if mobile phones and communications technology is being discussed (2008'). The company offers top products and

services with regards to the said category thus, it is very vital for them to evaluate the external environment and stance of the company (2008'). The external environment of Vodafone plays an important role in their IT strategic decision-making. External environment has impact on the IT strategies of Vodafone since they are parts of the system called macro-environment. Unlike the microenvironment (internal environment), macro-environment includes factors that are uncontrollable by the company such as the political trends, demographics, economics or business conditions, social and technological trends. Since Vodafone moves in a macro-environment, its strategic planning must involve the use of quality sources of reference to determine the interconnectedness and impact of the factors mentioned in the IT strategies of the company.

2. 2 External Factors

2. 2. 1 Political Factors

With regards to the political factors of Vodafone, observers will see a continuing progression in the ruinous steps which have forced the industry into a socio-politico-economic corner (2008'). Whether this is related to flat demand or to the industry's creation of an ever-wider range of vehicles that many buyers seem to care little about, there is a problem. The industry is likewise linked closely to the policies of governments, the earnings of communication business (2008'). Little wonder then that so many emerging countries are keen to develop a communication sector or that there is such a political pressure to protect it in the developed countries (2008'). The world's communication industry is currently dominated by little more than a

handful of firms, each wielding colossal financial, emotional and political power. The industry's approach to dealing with political institutions has not always been brilliant. It tends to be good on technical issues, although it has not always fully presented the longer-term options, in order to make the choices and their implications clear (2008').

2. 2. 2 Economic Factors

For much of the developed world, and increasingly from the developing world, the communication industry is a pillar industry, a flag of economic progress. Without the communication industry, it is impossible to develop an efficient telephone business, a network industry or a computer business - other central foundations of economic progress. The communication industry in which Vodafone is attached has been a core industry, a unique economic phenomenon, which has dominated the twentieth century. However, the industry now suffers from a series of structural schisms and has become riddled with contradictions and economic discontinuities. For the capital markets and the finance sector, it has lost a lot of its significance, as a result of ever declining profits and stagnant sales.

The proliferation of products means that it has become hopelessly wasteful of economic resources (2008'). While all these and more sound like a very gloomy assessment of such a vast economic phenomenon, the industry is not in the end despondent. A different future is possible for the industry, a highly desirable one.

2. 2. 3 Social Factors

The world's telecommunication industry let say Vodafone, affects the society as a whole. It employs millions of people directly, tens of millions indirectly (2008'). Its products have transformed society, bringing undreamed-of levels of mobility, changing the ways people live and work (2008'). The social value of the additional mobility that this industry brings involves the value of the people being able to commute over longer distances easily, among many others. For most of its existence the communication and technology industry has been a model of social discipline and control and it is not just that the communication and technology sector offers a ' pillar' of something else. There are, on the other hand, particular social issues to address in many developing countries, often those that are the result of an undertone of religious faith. The telecommunication industry has the role to play in helping develop the mobility of such countries and it can be achieved at an acceptable social cost if the country is prepared to learn the necessary lessons from those who have travelled this route before it, and to make the necessary investments.

2. 2. 4 Technological Factors

The Vodafone works on a scale so awesome and has an influence so vast that it is often difficult to see (2008'). The level and diversity of technologies that it must deploy are increasing, which imposes both new investment burdens and new uncertainties and risks (2008'). Roughly a million mobile phones and other communication technology are built around the world each week - they are easily the most complex products of their kind to be mass-produced in such volumes. The company uses manufacturing technology that is the cutting edge of science. But still, the potential for developing

coordination skills, intellectual capabilities and emotional sensitivities through electronic technologies remain far from fully exploited.

2. 2. 5 Global

With regards to the global performance of the company, Vodafone is quite expressive as compared to other communication and technology businesses. Other than the mobile phones and communication technologies themselves, the business is intricately tied to the manufacture of a wide range of components and the extraction of precious raw materials. The effect to the communication companies like Vodafone are that they needed to establish R&D centres to take advantage of research infrastructure and human capital, so that they can develop communication products locally to satisfy the requirements of the global environmental and safety regulations more effectively (2008').

2. 3 SWOT Analysis

In this particular report, situations analysis of the company will be conducted through the use of different marketing tools. Herein, Vodafone will be analysed through the use of SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis. The purpose of this internal analysis is to see what the organisation has to work with as it begins to position itself to deal with the opportunities and threats identified through the analysis of the external environments. Specifically, it helps identify what existing strengths and weaknesses might impact the organisation's value creation capabilities.

2. 3. 1 Strengths

As mentioned previously, Vodafone has been known as one of the top companies that manufactures mobile and telecommunication technologies. This recognition can be attributed to the strengths of the company. One of its strength is its ability to anticipate the demands of the customers and its ability to provide high-quality and innovative products which in return make their customers become loyal of availing all their services and products. The company has been able to implement a strategy that will suit the needs of the company to provide quality services and to continually make the business become a tough competitor among its rival. In addition, of the Vodafone's strength is its strong environmental commitment. The company imposed an environmental management system which includes community consultation, proactive planning, compliance, sustainable development and auditing for continuous development.

The company also uses the concept of knowledge management. Knowledge management (KM) is a discipline best described as a continuing process that focuses on the creation of business performance improvements-centred on people and not only to technology. While technology enhances the feasibility of transferring knowledge between people, knowledge management includes creating and sharing knowledge as an organisational asset to drive the business (2000 , 2000). The use of this has made the company become even more successful in providing the latest services for their customers.

Furthermore, the continued focus on controlling costs and increasing efficiency can also be noted as one of Vodafone's strengths to maintain is annual profit growth.

2. 3. 2 Weaknesses

Although the company encompasses much strength to continuously dominate the telecommunication and mobile companies in the world similar to Siemens, Nokia, Sony Ericsson and Samsung, the company also has its weakness. One of the weaknesses of the company is the inability of the management of the company to anticipate price increases which affects their operations. In addition, the company is also lacking the capacity to manage carefully their business because of the large entities of the business.

Another weakness is in terms of having strategic decision to solve different environmental and corporate, and legal issues. The company is faced with different unsolved issues because of lack of strategic decision making. This weaknesses, if not given attention may lead failure for the company to achieve its goal of providing quality products and services among its clients.

2. 3. 3 Opportunities

With the planned information system of the company and the strengths that it has, the company has bigger opportunities to still dominate the globe in terms of providing mobile and telecommunication clients or even have an opportunity to be the number one telecommunication company worldwide.

With the continuous innovation of the company and the support that it shows to different environmental issues, the company can gain loyalty from their customers to make them more competitive in the marketplace.

The continuous initiatives of the company in diversification of its revenue resources also open new opportunities to make the business become stronger to outgrow all its rival companies. Such opportunities will include e-

business development, leveraging the company's investment in the World Class customer Satisfaction systems, and other business opportunities in both non-core and core areas.

2. 3. 4 Threats

If the company will continue to have a divisionalised and decentralised corporation, the company may fail in terms of management ability. In addition, the division of the company may tend to have internal complexity. Further, the company is also facing risks in terms of the lack or shortage of resources, specifically the environmental resources because of the inability of the company to manage it. Fast paced technological advancement may be a threat to Vodafone as a whole. In terms of the competitors, the company should be able to provide unique and more technologically advanced services to be able to survive in the stiff competition in the said industry.

2. 4 Conclusion

From the given SWOT and external analysis, Vodafone must be able to use or impose an effective IS that will help them enhance their business operations. The management may also use the concept of Total Quality Management to make sure that all business performances adhere to their goal of providing quality service to its customers. In addition, the company must not only focus on its strengths but must try to also pay attention to their weaknesses and find solution to solve such issues and maintain a competitive business operation and performances.

IS Implementation

3. 1 Introduction

In a business similar to Vodafone in which all the details of information are done using electronics, IS implementation is very vital. Information has become one of the main assets in information era. The efficient use of information is significant in determining the success of a certain organisation. Making awareness of information value and the ability to manage information organisation-wide will have great impact on organisation progress results. Since information is used in every feature of business and generated in every process, a centralised supervision function is needed to structure, combine and distribute it effectively and efficiently. For example, the finance department of Vodafone monitors and manages the financial aspects of organisation and the legal department handles all legal affairs, the company should manage this important business asset.

3. 2 Risk Analysis

The management of risk data and information is key to the success of any risk management effort regardless of an organisation's size or industry sector. Basically, risk management information systems (RMIS) are typically computerised systems that help in merging property values, claims, policy, and exposure information and provide the tracking and management reporting capabilities to enable the administrator to monitor and control the overall cost of risk (2001).

According to 2001, to completely evaluate the information system management of the organisation with respect to risks, it is advisable to

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adopt the devised decision making model. The model consists of the following steps:

- v identify and define the problem;
- v identify the desired goal or condition;
- v consider obstacles to the goal or condition;
- v identify alternatives;
- v examine alternatives;
- v rank alternatives;
- v choose the best alternative ;
- v evaluate the actions.

The use of the quantities in decision-making model helps us to minimise mistakes. Aside from the steps above, it is also recognised to list all the alternatives, identify future events that may occur, and construct a pay-off table in making effective decisions.

3. 3 IS Strategy/Planning – Porter’s Framework

3. 3. 1 Value Chain Analysis

Firms respond to conditions in their marketplaces by modifying their competencies such as internal capabilities and linkages with suppliers and associates and the ways in which they position themselves in relation to their competitors specifically their strategic direction (2002). The value chain also

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is useful in retailing decision-making. Understanding the linkages between activities can lead to more optimal make-or-buy decisions that can result in either a cost advantage or a differentiation advantage. The goal of these activities is to create value that exceeds the cost of providing the product or service, thus generating a profit (2000). In the case of Vodafone, the entire operation of the business should be examined and evaluated in order to determine the service delivery processes that strengthen as well as weaken the business. This will result to managerial options to eliminate the liabilities that detract the business or the need to developed and intensify some aspects of the operations.

Meanwhile, (1996) believe that modern organisations passed by the guild structures and as organisations grew larger, skills become increasingly fragmented and specialised and positions become more functionally differentiated. Stakeholders are defined as the individuals or organisations which can either gain or lose from the success or failure of a system (2004). (2000) said balance between enhanced company processes and renewed objectives should be critically appraised in order to ensure the success of the company. As such, stakeholder analysis reminds management that it is important to evaluate the interests of the individuals or organisations who can influence or can be affected by the activities of the company.

Porter (1985) in his seminal work of value chain proposed it as a tool to identify and to analyse the origins of competitive advantages and suggested that the activities of the business could be grouped into two: primary and support activities. What activities a business undertakes is linked to achieving its competitive advantage, and Vodafone seemed to be best

prepared to implement a global strategy, because of the superior competitive advantages of its foreign operations compared with Nokia and Sony Ericsson. Paradoxically, Vodafone's rivals showed a greater disposition to use resources from outside of the United States. Vodafone largely focused on building a strategy that would allow the company to recover its competitive position in its own home market, which was essential for survival. An analysis of the structural and institutional factors that shaped Vodafone's strategic response both to the new industry rules and the short-term challenges posed by other industry competitors explains this paradox. A number of broad sustainability challenges set the context for all of the value chain activities (see appendix 1). These issues apply across the value chain: (1) Population growth; (2) Urbanisation; (3) Child mortality; (4) Maternal health; (5) Infectious diseases; (6) Biodiversity; (7) Loss of ecosystem services; (8) Poverty; (9) Education; and (10) Gender Equality. All these issues are attended to by the Vodafone in alignment with their efforts to maintain sustainable competitive advantage through preserving the good public image that their clients expect from them.

3. 3. 2 Porter's forces

The most dominant strategic management paradigm in recent years is known as the strategies model. (1985) claims that the intensity of competition in an industry is neither a matter of coincidence or bad luck. Rather, competition in any business industry is rooted in its underlying economic structure and goes well beyond the behaviour of current competitors. The state of competition in an industry depends on five basic

competitive forces. The following discussion illustrates the five basic competitive forces in the two companies (see Appendix 2).

The model of pure competition suggests that risk-adjusted rates of return should be stable across firms and industries. Nevertheless, a number of economic studies have asserted that different industries can sustain varied levels of profitability, through knowledge of the structure of the industry. With this, Porter's 5-Forces Model is useful for understanding the context of the industry, in which the firm operates.

Rivalry

In Vodafone, this is caused by several factors, such as the presence of a larger number of firms that compete for the same customers and resources; low switching costs for a consumer can switch from one product to another; strategic stakes are high when a company is losing market position; a diversity of rivals with different histories, cultures, and philosophies; and industry shakeout (2008).

Similarly, Vodafone also faces this factor since they have a lot of competitors like Nokia, Sony Ericsson, Samsung and others. In order to gain an advantage the company has to do some competitive moves. As competition seems to be very high in the telecommunication and mobile phone industry, so does the fight for high-value, the customers in particular. Vodafone is determined to gain more of these valued customers. Its strategic elements are a very effective way to compete with their rival companies.

Threat of Substitutes

Substitute products refer to products in other industries (2008). The threat to Vodafone is the price of the materials being used in order to sell products and render service to customers, which include cables, telephone lines, and many others.

In accordance to the threat of substitutes in Vodafone, Vodafone completely manage this factor to attain business success. Vodafone, in its commitment to customers in the business world, demonstrates value and return on investment. The focus on key industries permits Vodafone to locate customer needs. The price of substitute products is more expensive. This provides the industry a great following. Moreover, the quality, features and benefits of substitute products are generally lower.

Buyer Power

This refers to the impact that customers have on a producing industry (2008). In Vodafone's customers, buyer power is strong, such that this could provide Vodafone's rivals with a strong and efficient business. In Vodafone environment, the buyer power is the impact that customers have on a producing industry. As there are still only a few mobile phones and telecommunication technologies manufacturer who can compare to what the company has managed to achieve in this era, the bargaining power of buyers is not as great compared to the following epoch, and, coupled with the industry being a key supplying group for the buyers, which in this case, are large companies and several high end individual customers, the bargaining power of buyers have notably not budged.

Supplier Power

The power of suppliers over Vodafone is also strong, as it also contributes to the decline of the business of the company. Due to the increase of prices in the market, prices of raw materials also increases, thus, give additional costs for the company. In this regard, some of Vodafone's suppliers of components can possibly control their business operation. Vodafone is highly dependent on their supplier of computer components.

Barriers or Threat to Entry

The economies of scale play a significant role in the cost of produce the product and service. Companies in this industry have competitive fixed costs and spend relatively large on plant and equipment. Moreover, competitors in the industry are not likely to cut their price to defend their market position. In an industry experiencing fast market growth, patents, proprietary knowledge, and brand reputation are also considered as barriers for companies entering the industry.

3. 4 Conclusion

Companies in the mobile phone and telecommunication technologies industry considered to be diverse in their history and culture and in how they do business. Moreover, the product/service sold by the industry has low storage costs or is not perishable. Nonetheless, the industry is experiencing fast market growth. The products offered by companies in the industry are essentially interchangeable and indistinguishable. It has also been established that the product provided by the company is a commodity to a major part of its stakeholders. Moreover, it also shows that there are considerable numbers of large competitors that dominate the industry.

Key Issues

4. 1 Introduction

With respect to Vodafone's implementation of information system, this paper will analyse the Vodafone's current situation and business operation and therefore identify and possibly resolve its problems situations through the use of Checkland's Soft Systems Methodology (Couprie, D. et al. (n. d)).

4. 2 Stage 1-The Problem Unstructured Stage

During this stage, the managers and / or possible employees of the organisation identifies the problem situations that the organisation is currently experiencing or suffering from. In Vodafone, the problem reflects to their current information system.

4. 3 Stage 2 - The Problem Situation expressed

In the website www.vodafone.com, it illustrates that currently, the Vodafone is having a problem situation on the time that has to be spent on distribution of products that are sold. Furthermore, since the company has received increasing demand for its products, stocks have become difficult to find aside from the fact that they have become more expensive. This leads to another problem situation, that is, the cost of sales has increased, not only because of the higher cost of stocks but also due to the increase of rates in eBay (the online auction website where the company posts its list of records for sale) and PayPal (where the company gets the customers' online payments). The rich picture of these problem situation was presented below.

Figure 1. Vodafone's Distribution of Products Rich Picture

4. 4 Stage 3 - Root definitions of Related Systems

The related system would be the personnel hiring system and IS integration.

It is because the issue in www.vodafone.com is the lack of time by administrators and the staff of the Vodafone to distribution of products are sold by the company. Since administrators have other professions to attend to other than the company, there is a need to find additional personnel who will perform these tasks and handle the corresponding responsibilities.

There is a need for the manager to find the personnel who have the required skills and/or capabilities to perform the tasks and handler the responsibilities. In order for the newly hired personnel to effectively perform his tasks and/or responsibilities, there is a need for the personnel to be trained on the tasks and responsibilities that he has to accomplish and/or perform.

The CATWOE analysis for this root definition is:

Table 1

Customer

: the customers, the company

Actor

: the manager, the additional personnel, the information system

Transformation

: the employment of additional personnel and information system to perform the distribution of products

Weltanschauung

: the employment of additional personnel and information system will im