

Assessing porters  
competitive forces  
field analysis  
business essay



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The five forces model by Michael Porter focuses on analyzing the key aspects that are essential for entering new market places. He defines the industry as 'the group of firms producing products that are close substitutes for each other' (Porter, 1998). Prior to exploring any new marketplace and business line, it is essential that a profound structural analysis be performed. The forces that determine the ultimate potential and threats for competitions for an industry are:

### **Threat of new Entrants**

### **Competitive Rivalry**

### **Threat of Substitution**

### **Bargaining powers of Buyers**

### **Bargaining power of Suppliers**

Figure 1. 1 - Porter's Competitive Force

A study was performed on Telecommunication Industry in Pakistan. Brief of each competitive force in relevance to the framework implication on Telecommunication Industry is given below.

## **Telecommunication Industry Analysis:**

### **Industry Overview**

In the recent years Pakistan telecom industry has flourished by leaps and bounds and overall teledensity technology advancement and foreign direct investment are the indicators of growth of industry in Pakistan. With over USD 9 billion was invested by foreigners' alone (Rising Pakistan, 2009). Pakistan's total teledensity has reached 52% in 2009 which stands well

above other regional economies, of which the fixed line teledensity is 2. 9% and cellular 48. 4%. Pakistan ranks among the most densely populated countries on the globe. Network coverage of almost 90% of the total population of the country has made telecom sector even more attractive for foreign investment. In 2009 the sector grew by 80% whereas average growth rate in last 4 years has been more than 100%. Today total users have reached 90 million (Jan 2010).

The entry of new operators into the market has certainly helped to further boost the competitive environment.

### **Threat of New Entrants**

Higher the competitor rivalry, the lower the industry will suffer from threats. The threat of new entries depends on the level of entry barriers in the country economy. Economies of Scale, Product Differentiation, Capital Requirements and Access to Distribution Channels are analysed.

### **Analysis:**

In a study conducted by World Bank Group-Doing Business 2009, it revealed that Pakistan globally ranks 85 as for ease of doing business.

Figure1. 2- Doing Business 2009 (World Bank Group)

### **Competitive Rivalry**

The analysis of competitive forces begins with studying the rivalry. If threats of new entrants are low then it's likely to have high Competitive rivalry in industry. Following elements are studied while performing the competitor analysis.

Numerous or equally balanced competitors

Rate of Industry Growth

Product/Service Characteristics

Level of fixed Costs

High Exit Barriers

### **Analysis:**

The telecommunication market consists of FIVE cellular services provider and has 78. 74 million subscribers. The biggest competitor in market is MOBILINK Phone, who has 30. 88 million subscribers, which makes approximately 40% of the market share.

### **Rank**

### **Operator**

### **Technology**

### **Subscribers**

**(in millions)**

### **Ownership**

1

Mobilink Jazz

GSM, GPRS, EDGE

30. 88

Orascom (Egypt-based company)

2

Ufone

GSM, GPRS

16. 44

PTCL Pakistan

3

Telenor

GSM, GPRS, EDGE

15. 35

Norway

4

Warid

GSM, GPRS, EDGE

13. 38

Abu Dhabi

5

Zong

CDMA2000 1x

2. 6

China

Table 1. 1- Cellular Service Providers in Pakistan (Pakistan Telecommunication authority -2010)

### **Threat of Substitute Products**

The related substitute products in the market increase the customers to switch to alternate option, as a result of poor services or increase in price.

#### **Analysis:**

The threat of consumer's adopting the substitute products is high. As there already five cellular services provider, lower price strategy or high quality service can help in consumer base.

### **Bargaining Power of Buyers**

Buyers and suppliers hold an important place in the market. The major buyer groups, united can bargain the prices or better quality.

#### **Analysis:**

The bargaining power of buyers is high, due to the high growth rate in the market. Mobile penetration was 40% (38 million mobile subscribers) by Dec 2009 (I. C. T, 2010)

## **Bargaining Power of supplier**

A supplier is in a powerful position if the supply industry is dominated by a few powerful companies. Key suppliers can raise prices or reduce quality.

(Morrison, 2006)

### **Analysis:**

The Bargaining power of the suppliers is low in the market as there are a lot of telecom related suppliers already available. Ufone, warid and Telenor are already operating in Pakistan.

The following table briefs the forces and their strength at a glance.

**Forces**

**Strength**

**Competitive Rivalry**

**High**

**Threat of Entry**

**Low**

**Threat of Substitution**

**High**

**Bargaining powers of Buyers**

**High**

**Bargaining power of Suppliers**

**Low**

Table 1. 2- Quick Glance at five forces

## **HR Implications:**

Pakistan labour cost in ICT sector is very low and the salary is USD 981. 29 per month. (Doing business, 2009) . Pakistan has an edge of skilful labour because they are easily trainable and has the capability to learn quickly. There are 7, 500 trade unions with 2. 2 million members in Pakistan. (CIA World Fact Book-Pakistan 2009). IT institutes are producing around 3000 ICT related graduates. Also a huge number of non-IT graduates are also working in this field. Most of employees are being given on job training and most of the current students jumping into ICT related study so, the telecom sector with the combination of experienced staff and fresh trained youth can make this industry more prosperous.

## **Human Resource professionals need to focus on the below given aspects in their practices.**

The correct set of strategies and policies need to be designed to hire the competitive workforce

There should be Competitive compensation plans designed to attract and retain the employees

Focus should be on Skill development for a highly competitive workforce

Performance Management

Succession Planning

Employee

Retention



## References:

### Books

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### Govt. Publications

South Asia Trade & Investment Network (2008): Regional Trade in South Asia Towards Stronger Linkages and Growth: SAARC Chamber of Commerce

The International Bank for Reconstruction and Development / The World Bank (2009) Doing Business 2009- Country Profile for Pakistan, USA

### Internet

The world Fact Book, The country information about Pakistan 2009

## Geert Hofstede™ Cultural Dimensions

The following cross-cultural analysis was performed, keeping in view the comparison between a developing and a developed country. For this, Pakistan(Asia) developing and U. K(Europe) developed were chosen as topics of study. The cultures are way different from each other. Also pakistan has opened its doors for liberalization.

The cultural studies done by Geert Hofstede (2001) are most widely used and best known on evaluating the cultural dimensions. Hofstede has

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identified five independent factors to analyze the cultural dimensions. These five dimensions are:

Figure 1. 3

### **Power Distance (PDI)**

### **Individualism (IDV)**

### **Masculinity (MAS)**

### **Uncertainty Avoidance Index (UAI)**

### **Long Term Orientation (LTO)**

A cultural dimensions analysis was conducted on United Kingdom and Pakistan using the Geert Hofstede studies (Geert Hofstede Website).

### **Power Distance (PDI)**

The findings reveal that Pakistan has High Power Distance Index (58), which indicates the fact that Pakistan still follows the traditional caste systems. The Govt. has made regulations to outlaw discrimination and biases however the large power distance score indicates that the attitudes still remain in practice. On the other hand, United Kingdom has low scores (38) in power index, which indicates that biasness, ethnicity, regional & national differences, inequalities are reasonably low. The UK legislations also protect the rights of minorities.

### **Organizational & HR perspective:**

Within HR, the Power Distance dimension may influence the structure of the organisational hierarchy, such as the extent to which a company may adopt a mechanistic or organic structure. (Sandy: lecture 5)

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The High Power Index in Pakistan depicts that strict protocols and hierarchies are observed in Pakistanis organizations. Whereas, the Low PDI at United Kingdom shows that organizational hierarchy do not observe strict protocols, also their relationship among employees is relatively casual.

### **Individualism (IDV)**

Pakistan has Low individualism (18), which shows that the society works more on the collectivism basis than focusing on individualism. UK scores 95 on Individualism index, which is relatively high. It indicates that the culture values individuality.

### **Organizational & HR perspective**

This dimension may influence the degree to which team working is practices and the degree to which organisations may employ a paternalistic management style. (Sandy: lecture 5)

Through an HR perspective, the high scores depicts that employees may be more concerned with their individual performances rather than be concerned working within the teams.

### **Masculinity (MAS)**

Pakistan has an average level of Masculinity at 55, where UK scores 62 with average Masculinity. With the world average just slightly lower at 51. This shows the gap between values of men & women. It reflects that both of the societies and cultures (UK & Pakistan) aspires equality for both the sexes, yet the cultures still undergo a certain level of gender biasness.

## **Organizational & HR perspective**

Within HR, this dimension may influence the degree to which there is equality of opportunities amongst the two genders, the degree to which a company offers flexible working and the extent to which a company may implement work-life balance policies. (Sandy: lecture 5)

## **Uncertainty Avoidance Index (UAI)**

Being rated at 75, Pakistan ranks quite high in Uncertainty Avoidance (UAI) dimension, which is doubled to UK (37) . It means they are more traditional in their work. The lower rating of UK explain that they are innovative, seek and experiment on new ideas and situations. The societies are more willing to do experiments and are risk takers.

## **Organizational & HR perspective**

Within HR, this dimension may influence for instance an organisation's openness to change and the degree of bureaucratisation in other words of rule making (Sandy: lecture 5)

The low UAI index of UK shows that the organization likes the changes and they are willing to do experiments and they do take risks and challenges. The formal procedures may or may not exist, but the organization does not follow any rigidity in their practices and procedures. The high uncertainty avoidance score in Pakistan means that they do not take risk and they are not much experimental in their work as compared to UK.

## **Long Term Orientation (LTO)**

The index for Long Term Orientation (LTO) for Pakistan is ranked at 0, where UK is ranked at 22. In this analysis, the ratings for Pakistani society have been found to be nil in contrast to UK, which seem they respect the traditions and they fulfil social obligation. On contrast UK is more likely to adopt the change in culture, as compared to Pakistani markets.

## **Organizational & HR perspective**

Within HR, this dimension may influence the HR planning function of an organisation and the degree to which subjectivity and networking may influence recruitment and selection. (Sandy: lecture 5)

## **International HRM**

Morgan defined international HRM as the interplay among the three dimension- human resource activities, types of employees, and countries of operation. For international HRM, the HR department engages in a number of HR activities necessary to manage operation between domestic and international environment. Following are the elements that need special attention by HRM professionals.

International Taxation

International Relocation & Orientation

Administrative services for expatriates

Host government relations

Language translation services

Lower level employees often feel uncomfortable with expatriate managers from moderate to lower power distance countries, who may attempt to establish more participative, egalitarian management practices (Vance, Paik)

Geert Hofstede - Cultural Dimensions (Pakistan)

Figure 1. 4

Geert Hofstede - Cultural dimensions (United Kingdom)

Figure 1. 5

Figure 1. 6

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Charles M. Vance, Yongsun Paik (2000) Managing a Global Workforce

## **Impact of Technology on Jobs, Skills & Productivity**

The study shows the impact of information technology taking place in businesses today. The latest statistics show that the Information

Communication Technology sector represents over 5% of the EU GDP. This 5% drives 25% of overall growth and about 40% of our increase in

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productivity. Information and Communication Technology research and its impact on growth and job creation- Viviane Reding (2005). The penetration of ICT is leading the businesses to redesign their organizational functions. Technology has not only impacted the way business used to run, but has effected the jobs in great deal. These changes in the workplaces are requiring constant definition in job descriptions and new skills required to perform .

### **Change of Job Roles**

The use of Information technology is playing a dual role and has relatively changed the job roles. On one hand, technology has replaced some jobs. A millworker might be replaced with robotics, but the plant will require people to design, operate and maintain the technology. And on the other the work methodology is changed. The tasks that were performed earlier through manual working have been replaced by modern ways of performing.

### **Loss of Traditional Skills**

As a result of redesigned job roles, the penetration of technology and précised engineering is greatly involved in working dimensions. This has impacted in loss of manual work, ultimately resulting in loss of traditional skills. (E. g. carpet making, weaving, sewing etc.)

### **More female jobs created**

Female full time employment has grown faster than male full time employment since the eighties, In a study conducted over ' The Impact of Technology and Trade on Job Creation and Job Destruction', the findings revealed that the higher the level of technology in an industry the greater

the female job creation; and forth manufacturing sector, the higher the import penetration ratio the lower the female job creation. The result stated that the level of technology is positively associated with female job creation but negatively with male job creation (Junankar, 2000).

## **Creation of Work from Home Opportunities**

Due to expansion of business, and elimination of geographical boundaries, new and enhanced ways of business have been introduced. ICT has played a key role in this expansion. These changes and expansions have led to more work from home opportunities. The concepts of tele-working have been introduced.

## **Impact of Technology on Theoretical Frameworks:**

### **(Contingency Vs. Labour Process)**

The two major theories that discuss the impact of technology are Contingency theory and Labour Process theory. These theories are discussed below.

### **Contingency Theory:**

According to contingency theory, technology is believed to determine work organization. The nature of work people undertake, such as job design, and the systems of control they are subjected to by management, such as the number of managerial layers in the organizational hierarchy. (Sandy: lecture 4)



## **Labour Process Theory:**

The Labour Process theory defines that technology is a 'managerial control mechanism' and does not determine work organisation and managerial systems of control. Technology (Sandy: Lecture 4)

## **Analysis & Conclusion**

Few years back, IT played its role by easing the existing practices in organizations. It was simply used a medium to execute the existing organizational structures. But with the changing demographics, the impact raised from simply being operational to strategic part. Ultimately, the usage of ICT resulted businesses much more than it appear on the surface, and is continually changing the day to day practices. With the use of Business to Business (B2B) and Business to consumer (B2C) concepts, it has dramatically changed the retail and whole sale business.

## **IT Implications on Business operations:**

Few of the IT implication in modern business practices are given below.

### **Business Function**

#### **Implication**

Recruitment & Selection

Online job portals

Training & Development

E-Learning, Online Journals, Access to online libraries

Retail Industry

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Online buying & selling of goods. Business to Consumer-B2C (E. g E-Bay, Amazon, All retail stores)

Whole Sale Industry

Business to Business buying and selling

Marketing

E-marketing, Virtual Shops, websites, mail shots, e-newsletters

Groups & Teams

Virtual Teams, Online networking, groups, forums, Web Conferencing

Organizational Communication

Video Conferencing, Emails, Tele conferencing, fax, Intranets

Research & Analysis

Online databases,

Raw Material Sourcing

Business Portals, Online trade enquiries

Table 1. 3

Simple tools like e-mail have changed the way information is exchanged.

Emails were once limited to be delivered to the PCs only. But with the technological advancements, e-mail now can be read through a cell phone.

Online shopping and navigational tools have been provided on cell phones. Intranets have replaced the company newsletter. Internet database sites have made updating information such as inventory pricing a simple task, and finding a job or an employee online, has proved to be feasible solution.

Online services, including travel, banking & other financial services have expanded rapidly. A view of the given chart (Chart 1. 1) explains that how online retail sales were done in Europe (Euro stat- 2004). Within EU, 19% of individuals used e-commerce to purchase goods and services in 2003.

## **1. 1-Online Retail Sales in Europe (2004)**

Source: Financial Times, 10 June 2004

Chart 1. 1