

# An introduction to dialog telekom ltd business essay



**ASSIGN  
BUSTER**

Dialog Telekom PLC (The Company) operates Sri Lanka's largest and fastest growing telecommunication network - Dialog GSM. Dialog Telekom is one of the largest companies listed under the Colombo Stock Exchange. It is a subsidiary of the Axiata Group Berhad. Due to Dialog the Sri Lankan mobile industry has achieved new heights and has come at par with the developed world.

The telecom company operates 2G, 3G and 3.5G mobile services, supporting the current trends in mobile internet and multimedia services, as well as international roaming. Dialog Telekom accounts for more than 50% of Sri Lankan mobile phone subscribers.

Along with the mobile telecommunication business Dialog Telekom operates a wide portfolio of international telecommunication services including retail and wholesale international voice and data services.

Dialog Broadband Networks Pvt. Ltd. (DBN) is an owned subsidiary of the Company, and is an important player in Sri Lanka's ICT infrastructure sector. DBN was also the first service provider in Sri Lanka to introduce high-speed broadband internet services based on Wi MAX technology.

Dialog Television Pvt. Ltd. (Dialog TV) is another subsidiary of Dialog Telekom PLC. It operates Dialog Satellite TV, a Direct-to-Home (DTH) Satellite TV service. Dialog TV supports a wide range of international and local television channels.

Regarding the structure of the company, Dialog Telekom Ltd. has got a Hybrid structure which is a combination of Matrix structure as well as

Modular structure. As in each Strategic Business Unit (SBU) works independently and every function of each SBU has communication linkages with one another. Top down as well as bottom up communication is available and it uses worldwide resources and technologies.

## **MICRO ANALYSIS THROUGH – SWOT Analysis**

### **Strengths**

1. Dialog has the first mover advantage of GSM technology in Sri Lanka.
2. Due to its strong infrastructure it has got one of the best and far reaching mobile telecommunication coverage.
3. Relationship with a telecommunication tycoon in the same region; Telekom Malaysia Group.
4. Extension in collaborations maintaining good relations with other Telecom companies has enabled Dialog to have a global approach with services such as and Satellite Coverage & high roaming.
5. Dialog Telekom has got a very aggressive marketing strategy which enables it to have a good and stable Brand Equity.
6. Company's financial analysis proved excellent stability in financial statements regarding investments.
7. Strong Public Relationship that has been built up over the years.
8. Expanded CSR initiatives increased the social value of the firm.

9. High quality technical innovations has made dialog market leader in Sri Lanka.
10. Constant rise in the share prices has gained the confidence of the investors leading to value increment.
11. Strong distribution network spread throughout the entire island..
12. Well managed customer care support techniques has increase the level of customer satisfaction.
13. Wide variety of products.
14. Management Team is efficient and hard-working.
15. High level of corporate business knowledge retention through low employee turnover

## **Weaknesses**

1. Though the investment on advertising and value addition through technical innovation is high, there is no clear aim and idea of a broader market
2. Poor performance as on ISP.
3. Compared to its competitors Dialog lags behind in innovations related to pricing strategies.
4. The head office in Colombo is of a distributed nature due to non-expandability of the current location.

5. The level of motivation of internal employees is decreasing.
6. Due to the rapidly growing customer base the trends in Quality of Service are going down by the day.
7. In the front-office employee turn-over is high.

## **Opportunities –**

1. Telecom is one of the fastest growing sectors in Sri Lanka's 19.5 million people
2. As per estimations 4.5 million users would have mobile phones by the end of 2006
3. The communication industry is growing rapidly.
3. Fixed line penetration is low.
4. The approval and acceptability of the Value Added Services (VAS) by the users has increased the probability and success of any new VAS initiative.
5. The strategic partnership of Dialog Telekom with Vodafone UK.
6. Dialog has got the potential to gain benefits of Value Chain Convergence.
7. Technology advancements especially in mobile multimedia technologies and the advent and use of the next 3G mobile communications.

## **Threats**

1. The existence of all the other three GSM Mobile service providers pose a big threat to Dialog Telekom.

2. India's Bharti Airtel Ltd. has got the license to be the fifth mobile operator in Sri Lanka and launch the 2G and 3G services in 2007.
3. The three existing CDMA service providers also pose a different kind of threat.
4. Strongest Competitor of Dialog, the Mobile wing of fixed line telecom giant SLT is focused on cost-cutting strategy through its low cost pre-paid products in the market.
5. Rapid changes in the political, social and economic conditions as well as the laws and regulations.
6. Changes in currency exchange rates and high inflation which is inversely affecting the global business.
7. Rapid change in customer preferences and their growing needs due to high level of customer awareness.
8. Constant changes in technology.
9. Dialog had to switch off all base station in northern-province during the last few months due to military operations by the Sri Lankan Govt. forces. Thus there is an uncertainty due to the growing counter terrorist campaigns.

## **PESTEL Analysis**

### **Political**

Sri Lanka has very positive foreign investment policies. However though Sri Lanka identified importance of liberalization early as in 1977, due to political

interventions bureaucratic attitudes inherited from colonial reign and poor governance, the country as a whole and specifically the industry has not grown as it was foreseen at the time of liberalization. During the past two decades, terrorist activities have remained constant as well.

## **Economical**

Unstable macro-economic environment and trade policy regime has a negative impact on the industry. The fall of the exchange rate over the years happened on a gradual pace.

Since the inception of liberalization policy it has undergone massive reforms in this sector. However Sri Lanka lags dynamics incorporated by India to attract foreign direct investments. The attitude towards foreign direct investments needs to be improved.

## **Socio-Cultural**

Sri Lanka has better social conditions for example literacy rate is high, infant mortality rate is low and life expectancy is long. The country also has an educated and trainable work force.

Nevertheless Sri Lankans inherit a bureaucratic attitude from the colonial administration that results in inefficiencies and discrimination.

## **Technological**

Sri Lanka depends on technology transfers from foreign direct investments. However TRCSL encourages local research and development.

The country comparatively has not performed well enough to adapt technological changes on a timely manner. For example the shift from analogue to digital and the adoption of CDMA technology materialized in a slow pace.

## **Ecological & Legal**

TRCSL the regulatory body takes up multidimensional roles. It ensures fair enforcement of Govt. policy, hold operators accountable for performance, address consumer issues, monitor changing industry needs and provide feedback to the policy making units.

However TRCSL has been criticized over the years for information asymmetry, inefficiency and discrimination.

## **Porter's Five Forces –**

### **1. Threat of New Entrants**

- a. India's Bharti AIRTEL has got the fifth mobile operator license in Sri Lanka
- b. As per TRCSL, no more licenses would be awarded
- c. Thus it creates an entry barrier for all others to the market

### **2. Bargaining Power of Customers**

- a. Consumer protection groups are almost non-existing
- b. As compared to the west, consumers are not that strong in their demands
- c. Quality standards and supports are comparatively not major concern if they exist at a basic level



- d. Low switching costs
- e. Customers are highly cost conscious

### **3. Threat from Substitutes**

- a. Almost negligible
- b. Alternatives are fixed line and the more recent CDMA connectivity
- c. This is a much smaller market as compared to the huge total market

### **4. Bargaining Power of Suppliers**

- a. Local and International suppliers for Dialog
- b. Depends on SLT, MTT and a few other VSAT operators to access the national backbone
- c. Thus these particular suppliers are extremely powerful
- d. Acquisition of MTT and the creation of the new subsidiary known as Dialog Broadband Network

### **5. Rivalry Among Competing Firms**

- a. Very high competition with constant pricing wars
- b. Dialog certainly has an edge because of their Value Added Services and differentiation strategy and the huge customer base
- c. Value Added Services are becoming very popular among the consumers

## **Strategic Groups Adopted by the Company**

Dialog strategies are visible in the company's corporate, business and functional levels. They have already diversified their business across many areas during the last few years. For instance, by acquiring MTT, Dialog managed to strengthen its transmission backbone. Also recent past it has acquired CBNSAT, a satellite TV transmission company, and DERANA TV Channel with a long term objective of a value chain convergence. In addition to reach the customer, Dialog has created many alliances with other business corporations. Cargills-Dialog alliance to allow Cargills customers to settle Dialog bills is just one such example.

The business plan is formulated at the beginning of the year considering main objectives of the company. The progress of each project is monitored in a monthly basis through different strategic committee meetings.

On the other hand, Dialog tries to introduce latest technologies into the market considering global mega trends through its comprehensive Research and Development wing.

Services

Year of Implementation

Remarks

01

Introduction of GSM Technology

1995

1stin South Asia

02

Short Messaging Service (SMS)

1998

1stin South Asia

03

Automatic International Roaming (AIR)

1997

1stin South Asia

04

WAP (Mobile Internet)

2000

1stin South Asia

05

General Packet Radio Service (GPRS)

2001

1stin South Asia

06

Location Based Services (LBS)

2003

1stin Sri Lanka

07

Missed Call Alert

2003

1stin Sri Lanka

08

Multimedia Messaging Service (MMS)

2003

1stin South Asia

09

Trial 3G Service

2004

1stin South Asia

10

Call Home Service for Outbound Roamers

2004

1stin Sri Lanka

11

EDGE Service

2004

1stin Sri Lanka

Among them, the Dialogs initiative to setup the Dialog Research Lab at the University of Moratuwa is of importance because it effectively enabled Dialog to provide tailor made solutions to the local market. Nokia phones with Sinhala language support and Tsunami warning system for mobiles are just to name a few such examples. These technology initiatives can be considered as a strategy used to capture the market by effectively staying ahead from the competition in the technology and innovation sphere.

## **Structure**

The Company's business and operations are managed under the supervision of the Board of Directors comprising of 5 non-executive directors and 1 executive director. The Board has the power to appoint executive directors including the CEO. Divisional structure can be identified in company level but

performances of the divisions are measured through different strategic committees.

## **Systems**

Apart from the technical backbone, Dialog uses several systems to execute their business strategies successfully. For example-

SAP ERP (Enterprise Resource Planning) - This was launched in 2006 January to integrate identified key process in the company.

CCBS (Customer Care Billing System) - Currently existing billing system is going to be migrated into a new system to provide more customer centric services.

HRIS - Used for Human Resource Management and all the day to day functions are carried out through this system.

## **Style**

The management style always depends on targets and objectives. Strict deadlines are imposed while performance and progress are very closely monitored at all levels of the organizational structure. Rewards and benefit schemes are in line for the top performers and better achievements.

All the employees will have a number of recreational opportunities such as trips, get-together, sports etc. to take some time off from busy work schedules.

## **Staff**

The Company currently employs a workforce of 2500 who in turn are considered pivotal to the organization's growth and success. Annual manpower planning and recruitment is carried out in parallel with the business plan preparation. The capabilities required by potential employees are based on the requirements of the business plans applicable to respective departments of the company in any given year. Recruitment to the Company is governed by several policies. The core policy on filling vacancies spells out the Company's intention to attract the best with the aim of exploiting the individual's potential while providing career development opportunities irrespective of communal or gender differences. 7% of the total HR cost is devoted to training and development. The training needs for individuals and teams are identified from the competency requirements arising from the Company's business plan and employees' annual performance review.

## **Subordinate Goals**

All individuals with different backgrounds, different ethnics and nations are teamed up and driven towards a common set of goals and objectives at Dialog Telekom. The company has been successful in focusing the entire team towards a single vision by incorporating all individuals' goals and personal objective together.

## **Skills**

Dialog team consists of number of individuals with distinctive capabilities and competencies from top to bottom. Dialog is proud to have a very energetic and talented CEO in the caliber of Dr. Hans Wijesuriya. In addition

to that Dialog is served by a team of top class individual in the Sri Lankan industry with lot of talent and exposures.

## **Different Strategies Adopted by Dialog Telekom**

### **Corporate Strategy**

Considering the current performance, the key success factors and the SWOT analysis the directional strategy alternatives would be the following -

Growth strategy to expand the activities of Dialog Telekom further would be the first alternative. Since the current product lines have real growth potential concentration of resources on those would be ideal. In concentration Dialog Telekom can follow the vertical growth strategy to take the benefit of the value chain convergence opportunity that is existing in Sri Lankan context.

Stability strategy to continue with current activities without any changes to the direction would be the second alternative. Here Dialog Telekom can utilize pause/proceed with caution strategy to have only incremental improvements while the weaknesses stated are overcome. It can use this time to stabilize the organization due to the changes took place due to multiple strategies it adopted earlier such as acquisitions and investing on innovative developments, which will help to get back the losing internal employee motivation.

The first alternative will move Dialog Telekom further away from the competition and create a monopoly temporarily for converged industries of telecommunication, content, media and retail. However unfocused



highspeed growth to capture the market without stabilizing the existing acquisitions can disassemble everything. The second alternative will give Dialog Telekom and its employees much needed breathing space.

The recommendation would be to implement the second alternative initially to stabilize the organization without any other drastic change in the direction. And after some time they can adopt their long term beneficial value chain convergence option depicted in first alternative.

## **Business Strategy**

The business strategy alternatives available for Dialog Telekom to improve the competitive position in the industries it operates would be -

The first alternative for the competitive strategy would be to improve on the current strategy of differentiation. It can improve this by having unique Value Added Services for each of its current strategic business units DBN, CBNSAT and Dialog Telekom itself. This can improve the customer loyalty and thereby can charge a reasonable premium rate than competitors.

Second alternative which Dialog Telekom can try to implement is cost leadership to overcome the threat of lower rates provided by competitors, Mobitel. Since the VAS are less in Mobitel the switching from Dialog to Mobitel is not much in urban people who use these VASes. But people who are using purely as a voice/sms only are shifting as most of them are cost conscious and there is not much of a difference in coverage. Hence if Mobitel improves on its VASes it would become a serious threat at a stage at which only the rates would decide the attraction of that segment of the market.

Typically the differentiation strategy is more likely to generate higher profits than low cost strategy. However differentiation strategy implementation may involve higher investment than low cost strategy.

Competitive scope is an important factor when considering competitive strategies. The recommended alternative depends on the competitive scope in this situation. Considering both alternatives and the pros and cons of each most ideal would be to have culmination of both differing from the segment of the market. Dialog Telekom should have a focused differentiation strategy in the market where people are valuing the VASes and cost focus in the market where usage is purely for voice/SMS.

Simultaneously Dialog Telekom should look at strategic alliances as a corporate strategy to gain competitive advantage by working with other organizations. Currently they have stated this with some banks and some supermarket chains as mentioned earlier. However this can be vastly improved to include alliances with insurance companies, stock brokers, popular food chains etc.