

University of Strathclyde
Department of Human Resource Management

Corporate Level Strategic Decision - Making :
The Case of BT 1984 - 1998

by
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Glossary of Terms

Strategy (Wright et al (1992))

Top management's plans to attain outcomes consistent with the organisation's missions and goals.

Strategic Pathway (Finlay (2000))

The pattern of actions used to attain a strategic goal.

Strategic Goal (Finlay (2000))

A general statement of organisational direction : where it wishes to go and when it wishes to get there.

Strategic Planning (Finlay (2000))

The systematic process by which the results of strategic thinking are formalised and plans devised to support strategy implementation and control.

Strategic Management (Finlay (2000))

The process of managing the mix of goals and the strategic pathway that serve to define what the organisation is (or wishes to be), where it is going, when it wants to get there and how in general it is to get there. It also includes the processes of monitoring and controlling the strategy of the organisation.

Styles of Strategic Management (Mintzberg and Waters (1985))

Planned

Where senior management (executives) articulates precise intentions and embodies these in formal plans that set out precisely, the actions required from managers below them in the organisation. Consequently, senior management continues

to exert control, by monitoring actual performance against pre-determined plans.

Entrepreneurial

Where the organisation is under the personal control of the leader and strategies flow from the unarticulated vision of a single leader.

Ideological

In this style, strategies are the intended patterns in action, expressed in collective beliefs. Senior managers articulate inspirational and relatively consistent beliefs that govern the actions of those lower down the organisation's hierarchy and so become the strategy. The ideology embodies the organisation's intention and control is via indoctrination and socialisation.

Umbrella

With this style, the leaders define the overall targets and set the boundaries within which managers lower down the organisation hierarchy, actually formulate the content of the strategy. Control is exerted by monitoring achievement against target and behaviour against the boundaries.

Process

Here, the leaders control the process of strategy and leave the contents of the strategy to those lower down in the organisation's hierarchy. Control is exerted through keeping people to timetables and through managing resource allocations.

Unconnected

In this style, there is either no central intention or groups of people produce strategies in direct contradiction to central intention. The firm's strategy therefore flows from a collection of

unconnected strategies, formed by groups within the organisation.

Consensus

This style demonstrates that people in the firm converge on a common theme through agreement with each other, without any central managers directing them. Strategies are seen to emerge without prior organisational intention.

Imposed

In this case, this occurs where the environment dictates what has to be done.

Generic Strategies (Porter (1985))

Low cost leadership : striving to become the lowest cost producer within the market. (Require fairly unique capabilities to achieve and sustain their low-cost position).

Differentiation : Striving to create and market unique products and services for varied customer groups and in the process commanding a premium price. (Strategies dependant on differentiation are designed to appeal to customers with a special sensitivity for particular product attributes).

Focus : Striving to have special appeal to one or more groups of consumer or industrial buyers, focusing on their cost or differentiation concerns. (A focused strategy of either low cost or differentiation, attempts to satisfy the needs of a particular market segment).

Typical Forms of Strategy (Pearce and Robinson (1997))

Concentrated Growth

A firm that decides to develop a strategic emphasis on increasing market share through concentrating on Concentrated growth (market penetration strategy) is the strategy of a firm that directs its resources to the profitable growth of a single product, in a single market, with a single dominant technology.

Market Development

A strategy of market development allows the firm to practice a form of concentrated growth by identifying new demographically, psychographically or geographically defined markets.

Product Development

A strategy of product development involves the substantial modification of existing products or the creation of new but related products that can be marketed to current customers through established channels.

Innovation

A strategy of innovation involves the firm seeking to reap the initially high profits associated with customer acceptance of a new or greatly improved product. Then, rather than face stiffening competition, as the basis shifts from innovation to production or marketing competence, they search for other original or novel ideas.

Horizontal Integration

This strategy involves a firm attempting to grow through the acquisition of one or more similar firms operating at the same stage of the production-marketing chain. Such acquisitions

eliminate competitors and provide the acquiring firm with access to new markets.

Vertical Integration

This strategy involves a firm acquiring a firm that supplies it with inputs (backward vertical integration), or by acquiring a firm, that is their customers (forward vertical integration).

Concentric Diversification

A strategy of concentric diversification involves the acquisition of businesses that are related to the acquiring firm in terms of technology, markets, or products. The selected new business would possess a high degree of compatibility with the firm's current businesses.

Conglomerate Diversification

A strategy of conglomerate diversification involves a firm acquiring a business because it represents the most promising investment opportunity available. The main concern of the acquiring firm is the profit pattern of the venture, and little concern is given to creating product-market synergies.

Turnaround

A strategy of turnaround involves a firm, which is in a situation and represents absolute and relative-to-industry declining performance of a sufficient magnitude to warrant explicit turnaround actions. Turnaround situations may be the result of years of gradual slowdown or months of sharp decline.

Divestiture

A strategy of divestiture involves the sale of the firm, or a major component of the firm. Prospective buyers must be convinced that because of their skills and resources, or because of the

firm's synergy with their existing businesses, they will be able to profit from the acquisition.

Liquidation

A strategy of liquidation is where the firm is typically, sold in parts, or occasionally, as a whole. It is sold for its tangible assets and not as a going concern. The owners and strategic managers are admitting failure.

Joint Ventures

A strategy of joint venture involves two or more firms creating a third firm through a co-operative arrangement. In this case, the firms share the costs, share the resources and share their respective know-how, etc, in order to create and operate a third firm for the mutual benefit of the co-owners.

Strategic Alliance

A strategy of strategic alliance involves two or more firms entering into co-operative agreements through licensing, franchising, outsourcing. Here, strategic alliances are distinguished from joint ventures, because the companies do not take an equity position in one another. Most arrangements involve patents, trademarks, or technical know-how that are granted to a licensee for a specified time in return for a royalty or avoiding tariffs or import quotas.

Abstract

The global telecommunications marketplace has witnessed considerable and unprecedented changes in the past twenty-five years, so much so, that comparative recognition of most telecommunications fixed-link network operators is impossible. Consequently, industry structures, market specific structures and the internal operation of dominant firms have been transformed by visionary strategic directional changes. Demonstrably, the impact of national strategic intentions have identified clear shifts away from predominantly monopoly structured - highly bureaucratic, labour-intensive and government-run service providers, towards distinct regulated markets - supporting increasingly competitive, innovative and market-led organisations. With this in mind, this study considers the nature of organisational strategic evolution and its associated consequences on the UK incumbent BT, since UK telecommunications privatisation. A case study approach was adopted, with face-to-face interviews being carried-out with senior executives, using semi-structured questionnaire checklists. Grounded theory was applied during the analysis of data and results presented an historical examination, analysis and collation of the evolving nature of the strategic behaviour of the firm. Hence, BT was seen to evolve from a dormant, fat, inward-looking and inefficient organisation, towards a more dynamic, forward thinking, creative and global firm. Concluding remarks allude to company-specific characteristics of cultural and structural behavioural changes and the development of three conceptual frameworks, which relate to: - industry restructuring; evolving strategic focus of the incumbent; and evolving corporate level strategic decision making at BT.

Chapter 1

Introduction to Study

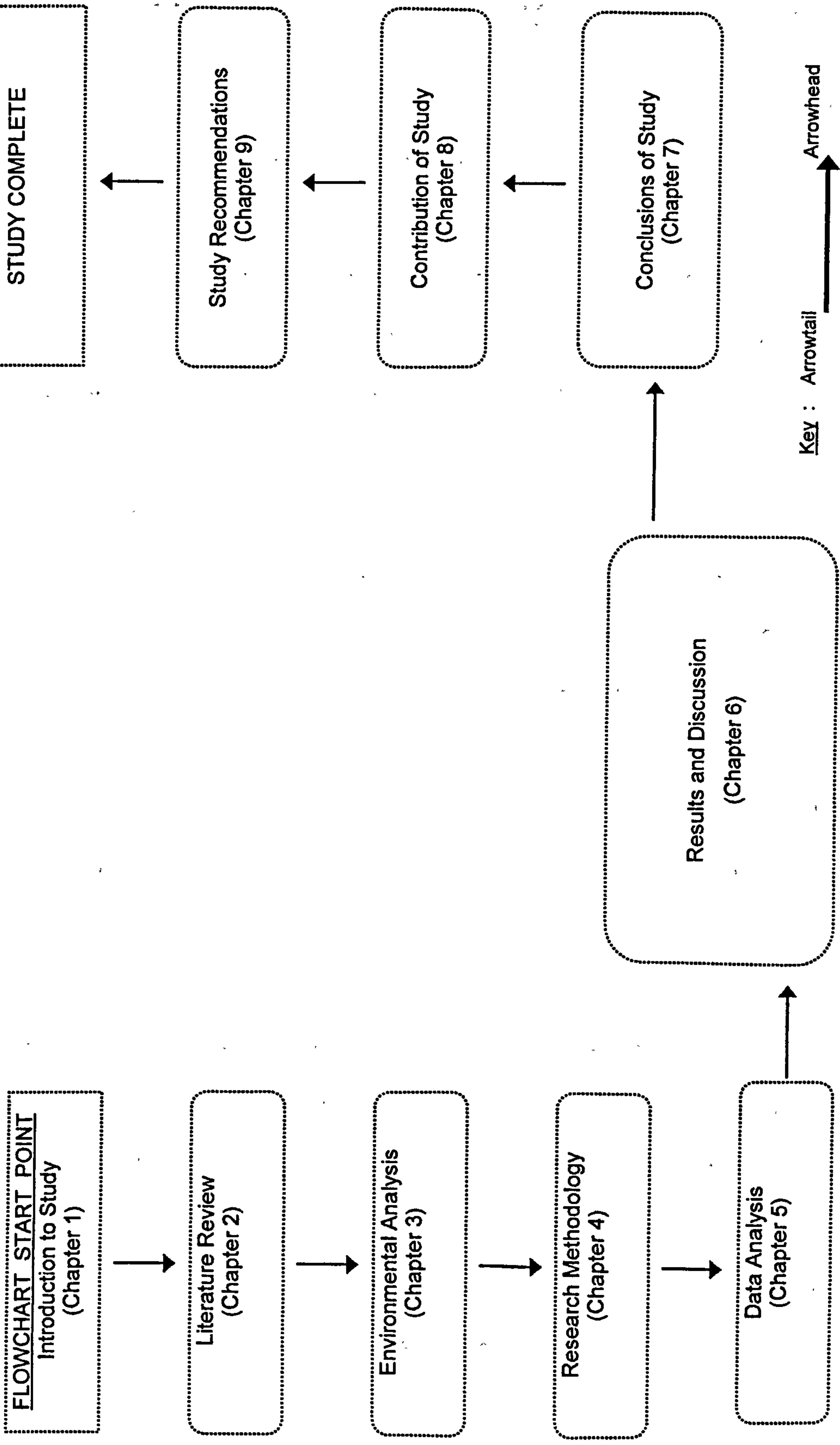
1.0 Introduction to Study

1.1 Introduction

This study is in nine parts. This first chapter briefly considers some contextual issues relating to privatisation in the UK telecommunications industry and concludes by stating the main aim of this study. The second chapter reviews a selection of academic literature, which has a bearing on the central focus of the study and concludes by stating the research objectives of the study. The third chapter considers the evolving UK telecommunications industry and an environmental analysis is conducted identifying evolving industry trends. The following chapter identifies the research methodological issues that were considered in addressing the main study aim, the associated research objectives of the study, and identifies the process adopted for data collection. The fifth chapter considers data analysis techniques and indicates the approach selected, in terms of the collected data. Chapter six presents the results of the study and discusses these in relation to extant research. The seventh chapter states the conclusions of the study in terms of the research objectives and thereafter, chapter eight identifies the contribution of this study in relation to adding to the existing body of knowledge. Chapter nine states recommendations for further research. Hence, in order to outline the forthcoming structure of this study Figure 1.1 has been generated.

Figure 1.1

Flowchart of Study



Key : Arrowtail → Arrowhead

From the Flowchart Start Point, the study proceeds in the direction indicated by the Arrowheads.

1.2 Introduction of Privatisation in UK Telecommunications

The world's first commercial telecommunications operations were established with a telegraph line connecting two areas in London, in 1839. Thereafter, in 1876 when Alexander Graham Bell first patented the telephone, governments from across the globe have - to a greater or lesser extent - been involved in the provision and management of telecommunications networks (Dimson and Marsh, 1987). Consequently, with a history of constant intervention and regulation in the provision of telecommunications services, the market structure within most countries was until recently, based around governments providing Post, Telegraph and Telecommunications (PTT) services under the one umbrella. In this vein, the principle that only a single provider could ensure universal access, at affordable prices was prevalent in the telecommunications industry for more than a century. Other industries falling into this category include utility operators (water, gas, electricity) the airline industry, the coal industry, the steel industry, etc.

Economic theory characterises such behaviour as that of a natural monopoly, which implicitly suggests that under certain conditions a monopolistic market is likely to emerge, e.g. Sawyer (1981); Baumol et al (1982); Griffiths and Wall (1997); Sloman (1998). In this type of environment, at one extreme, high barriers are placed before potential competitors attempting to enter these protected markets and at the other, public control and government intervention prevents the monopolist from abusing their

respective position. Hence, monopoly market structures were prevalent in many of these industrial sectors, including the telecommunications sector, up until the mid-1970's. Unfortunately however, not everyone would agree that the oversized bureaucratic hierarchies of the combined - Post Office and Telecommunications - was the most efficient or indeed, the most economical of structures for capitalising on evolving telecommunications markets. Such characteristics, which were evident in the UK PTT, have recently come under a considerable degree of criticism by a number of practitioners, e.g. Pitt (1980); Littlechild (1983); Baker (1983) and Noam (1992).

Against this backdrop, following Judge Greene's decision to break-up the monopoly of US telecommunications service provision in the late 70's, deregulation was to transform both governmental and organisational strategic behaviour of incumbent monopolies - on a global scale (Littlechild, (1983); Galambos (1988)).

Notwithstanding this landmark decision, in 1979, the UK electorate chose a Conservative Government led by Margaret Thatcher, to run the country. Prime Minister Thatcher was subsequently to introduce legislation in 1981, (in the form of The 1981 Telecommunications Act) to separate telecommunications from postal activities. The running of telecommunications, in particular, the fixed link voice telephone network, was to be operated by British Telecom, with the Post Office retaining the operation of postal services. Additionally, in 1982, Mercury plc was licensed

as a Public Telecommunications Operator (PTO) as a first step towards the government's objective of introducing industry competition in the UK (Bruce (1987); Carney (1987); Van Der Merwe (1987)).

By November 1984, further liberalisation of the telecommunications market had been introduced, thereby breaking the monopoly on: the supply of customer premises equipment and the supply of "packaged solutions" in the area of Value-Added Network Services (VANS). Furthermore, a regulator was established for the UK telecommunications industry - the Office of Telecommunications (OfTel) - and British Telecom was privatised with the first of a three-tranche share issue. The background to these events has been extensively covered in the literature (e.g. Dobbie, (1987); Bishop and Kay (1988); Beesley and Laidlaw (1989); Keynote (1992)). Hence, these events marked the beginning of an unprecedented programme of deregulation, privatisation and market liberalisation of UK nationalised industries.

1.3 The Research Purpose

In addressing the purpose of this research, it is widely recognised that the evolving nature of a firm's behaviour in this particular industry is reflected in the threat of revolutionary reform through deregulation and market liberalisation. Reform in this case, is fuelled by an alternative mindset, urging the replacement of inefficient, wasteful state-owned organisations with

privatised enterprises, which are governed by market forces. In this vein, in commenting upon the implications of privatisation Hatch (1990) reiterates these sentiment by stating,

"Competition forces the economy to respond to the needs of the consumer, it promotes efficiency, holds down costs, drives companies to innovate, and ensures that customers get the best possible value for money." (p62).

Invariably, decision making within such evolving organisations is strategic and long term, yet decisions are often undertaken in the uncertainty as to how the industry will evolve (Porter (1980); Senge (1990); Stacey (1992)). In this context, parallels can be drawn from studies which have been conducted, that relate managerial decision making - in conditions of predictability - to those in conditions of unpredictability, with results indicating that significantly different decision making modes must be applied (e.g. Thompson and Tuden (1959); Duncan (1972); Pfeffer (1981); Child (1984); Turton (1991)).

While there is a growing body of academic literature on the evolving UK telecommunications industry, few (if any) empirical studies appear to have been conducted, on corporate level strategic decision making in the UK telecommunications industry. This under-researched area therefore requires attention and it is against this backdrop, which has determined the topic of this study. Consequently, the particular purpose of this study is : -

“An historical examination, analysis and collation of the behavioural nature of the evolving corporate level strategies developed by the UK telecommunications incumbent (British Telecommunications plc.) within the dynamic UK telecommunications market, since privatisation.”

The reasoning as to why this topic has not been widely examined is in part, due to the relatively recent climate of deregulation in the UK telecommunications industry. Furthermore, due to the sensitive nature of this topic, it is rather difficult - if not, impossible to study - without considerable assistance from the incumbent operator. In the case of this study, the author had previously communicated with the incumbent and had received considerable co-operation, with successful access to senior management, for a previous study. This led to the possibility of suitable access being granted for this current study.

This study now continues by reviewing a selection of fundamentally important academic literature, which has a direct bearing on the central focus of the study.

Chapter 2

Literature Review

2.0 Literature Review

2.1 Introduction

The purpose of this Chapter is to examine the plethora of extant research in order to gain a clearer understanding of the developments, the controversies, and the breakthroughs, which have been engaging practitioner discussion on corporate level strategic decision-making and in particular, in relation to the strategic behaviour of the incumbent operator within the UK telecommunications industry following deregulation. Thereafter, the researcher will identify if any gap in the research exists, that requires further attention. In this vein, a number of unanswered questions lie dormant and require consideration and attention. This study considers five of these questions and these are identified as follows : -

1. What are the key factors that have influenced structural changes within the UK telecommunications industry since deregulation in 1982?
2. Following telecommunications privatisation within the UK, what corporate level strategies have been developed by the incumbent operator, and what impact have these strategies had on strategic behavioural changes in the organisation?

3. How have these strategies evolved throughout the post-privatisation period (1984-1998)? Furthermore, what impact have these evolving strategic changes had on the nature of the incumbent's strategic behaviour over this timeframe?
4. Why were these strategic changes made, in terms of identifying the key factors that directly influenced corporate level strategic change in the incumbent telecommunications operator? In addition, how have these factors evolved over time?
5. How has corporate level strategic decision-making evolved within the incumbent UK telecommunications organisation?

On examination, the natures of these questions are indeed, rather complex, however, there is an underlying assumption here, that the incumbent has developed corporate level strategy(ies) throughout the period since deregulation and this in itself will require testing. Consequently, in order to address these questions, the remainder of this Chapter is divided into six parts. First, to gain an understanding of issues associated with industry structures, an examination of existing studies on industry and market structures are reviewed in terms of the telecommunications industry. Second, in order to understand the nature of - industry specific - key factors that have influenced structural change within the UK telecommunications industry since deregulation, published materials are examined and reviewed. Third, to gain an understanding of strategy, a review of literature is conducted on the

nature of strategy and strategic decision making. Fourth, to gain a clearer understanding of issues associated with the nature of organisational strategic behavioural change, an examination and review is conducted of written works and these are considered in terms of the evolving telecommunications industry. The fifth part of this Chapter identifies a gap in the literature and this is addressed in relation to the primary aim of this study through the generation of a series of research objectives. The final part is a Chapter summary. In order to enhance clarity, Figure 2.1 has been presented in the format of an outline flowchart, holistically indicating the structure of this chapter.

2.2 Industry and Market Structures

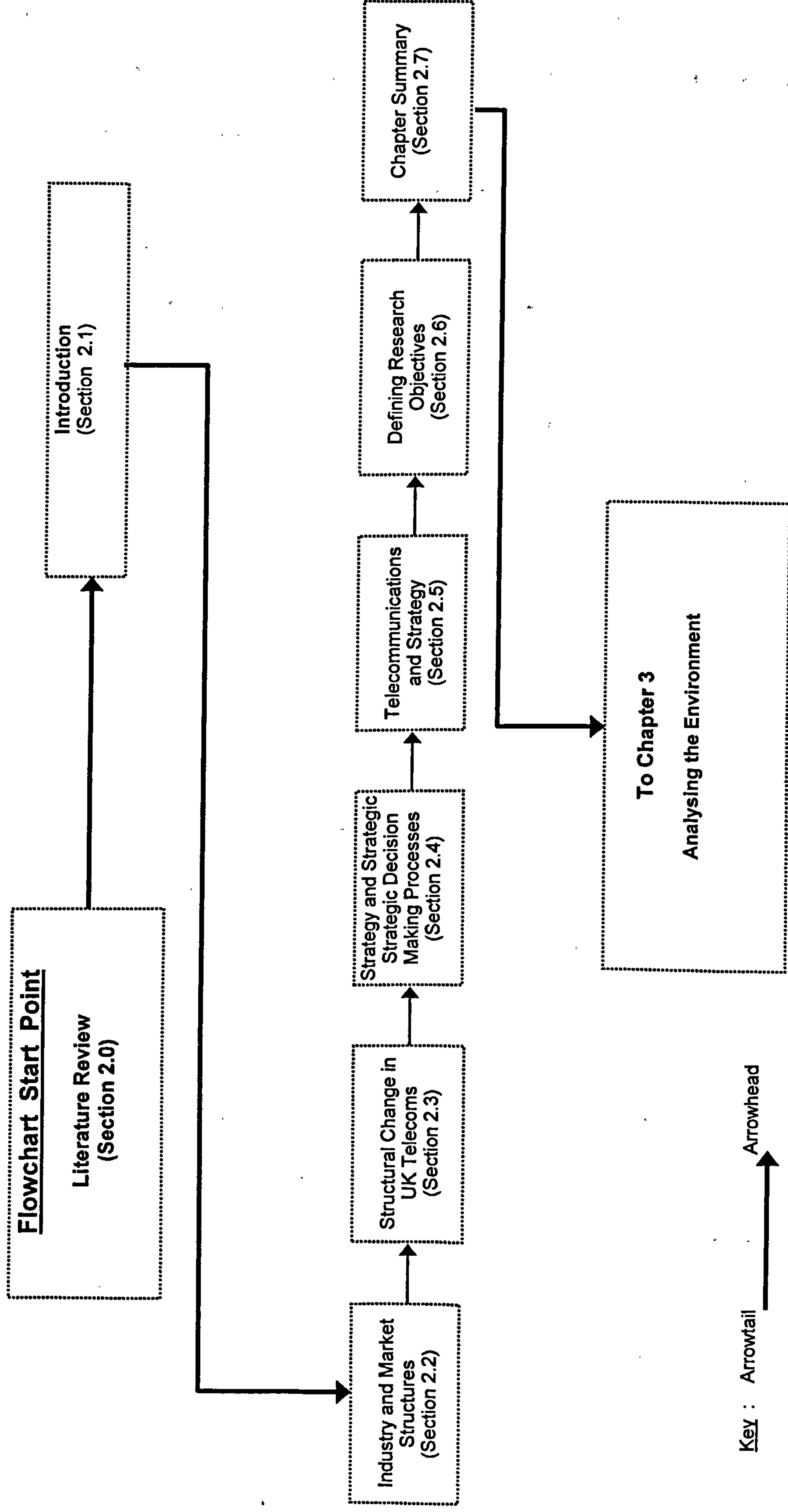
This section of the study considers a review of extant research in order to gain an understanding of issues associated with industry and market structures. Thereafter, these are reviewed in terms of identifying the evolving structural nature of the UK telecommunications industry following privatisation of the UK incumbent operator in 1984.

2.2.1 Defining Industry and Market Structures

In continuing, while strategists generally agree that organisations must align themselves to the environments in which they compete, as yet, there is not a generally accepted set of concepts or characteristics with which to describe

Figure 2.1

Flowchart of Chapter 2



Key : Arrowtail → Arrowhead

From the Flowchart Start Point, Section 2.0 proceeds in the direction indicated by the Arrowhead.

Source : Author Generated

the external environment of the firm (e.g. Ansoff (1965); Glueck (1976); Ohmae (1982); Bowman (1998); Mintzberg et al (1998a); etc.). In this sense, a distinction is required for the various parts of the environment, which have seen some considerable blurring, whereby the terms of industry and market, have been used interchangeably by a number of researchers (e.g. Thompson (1967); Ackoff (1970); Kotler (1972); Abell and Hammond (1979); Mintzberg (1983); Bowman and Asch (1987); Ellis and Williams (1993); Johnson and Scholes (1999)). Against this backdrop, due to the evolving nature of the telecommunications industry, a clear definition is therefore required.

For the purposes of clarification, Kay (1993) espouses a definition of an industry, which is widely accepted by practitioners (e.g. Hall (1978); Porter (1980); Baden-Fuller and Stopford (1992); Griffiths and Wall (1997)). This definition is considered as an appropriate understanding of the term for this study. He notes that an industry consists of producers that are much alike, in terms of supply side similarity. In other words, an industry is defined as a group of firms making a similar type of product/service, or indeed, employing a similar set of value-adding processes or resources. In this vein, categories of product or service similarity are used as delineation criterion for the industry boundary. Examples of industry categories would include the fishing industry, the confectionery industry, the airline industry, the automobile industry, etc. Hence, an actual example of similarity in product provision would be, Motorola, Toshiba, Hitachi, and other providers of similar products

i.e. semiconductors, and these firms would therefore be identified as being involved in the semiconductor industry.

As far as value-adding processes are concerned, an industry can be defined on the basis of firms delivering products or providing services using processes within their operations which add value, e.g. the retailing industry, the finance industry, the consultancy industry, etc. Furthermore, resource - based similarity would delineate firms in terms of firm specific resources, e.g. the information technology industry, the electricity industry, the oil industry, etc.

There is however, a blurring of industry boundary with some products. For example, a Swatch (a watch (timepiece) of the Swatch Corporation) can be viewed as a physical product and in terms of the production process, it would be reasonable to situate Swatch in the watch industry. Arguably, a problem arises in the situation where the Swatch is viewed as a fashion accessory and consequently, emphasis is placed on the key value-adding activities of fashion-design and marketing. Swatch would then be categorised as being a member of the fashion industry. In this vein, according to Porac et al (1989) this realisation that Swatch can be viewed in both contexts is an important insight to strategists.

Challengingly, on a similar note, the term market is generally seen by some economists as a place where supply and demand meet (e.g. Cyert and

March (1963); Yarrow (1972); Sawyer (1981); Sloman (1998)) while other practitioners such as marketers or strategists tend to define a market as a group of customers with similar needs (e.g. Kotler (1972); Mintzberg (1983); Casson (1987); etc). In this case, there is some degree of commonality and it is therefore generally accepted that a market is seen to consist of a group of buyers whose demands are rather similar.

Characteristically therefore, in terms of markets, the delineating criterion is that there are similarities on the demand side as opposed to the supply side. An example of this would be, passengers wishing to fly from New York to Glasgow, which is a different market from passengers wishing to fly from Amsterdam to London. Both these markets would be part of the airline industry. Here, the needs of both groups of customers are different and therefore, one cannot be substituted or indeed, replaced by the other.

In applying this criteria to the telecommunications industry, the industry can be subdivided into four main markets:

- The provision of fixed - link network services.
- The provision of mobile communications.
- The provision of satellite communications.
- The provision of equipment.

It is necessary to emphasise at this point in time that this study concentrates on the provision of fixed - link network services and will **not** go into any detail

classed as being involved in the telecommunications industry, and their primary market would be fixed - link communications in the UK market (BT Annual Report (1985)). However, as this study is seeking to explore, describe, analyse and collate the historical evolution of the strategic behaviour of the UK incumbent telecommunications operator, the boundaries - in this case - of both industry and market have moved towards one another. In this vein, in defining the evolving categories within the fixed - link network UK telecommunications market, following deregulation, the market consisted mainly of voice telephony and although there was some data business, this represented a very small amount of the incumbent's business. Therefore, it would be appropriate to consider these under the one umbrella of the UK telecommunications fixed - link network services market. Consequently, as the UK telecommunications market has evolved through market liberalisation since deregulation, the evolving market structure is seen as important and attention now centres on the evolving UK market structure.

2.2.2 Evolving UK Telecommunications Market Structure

In considering the evolving UK telecommunications market structure, it is widely recognised that the market structure under which a firm operates determines the firm's strategic behaviour, e.g. Koutsoyiannis (1979); Sawyer (1981); Wagner (1981); Bishop et al (1994); Griffiths and Wall (1997). In this vein, theorists generally agree that there are four types of market structures,

namely :- monopoly, oligopoly, monopolistic competition and perfect competition. The *monopoly type of market* has characteristics, which include:

- there is only one firm operating, i.e. no competition;
- there are either restrictions on entry into the market or, entry is blocked completely;
- the nature of the product or service being delivered is generally unique;

and

- there is a relatively inelastic demand curve.

An example of this structure would include the previously regulated utility markets of gas, water and electricity. In the case of an *oligopoly market structure*, characteristics would include :

- there are a few firms operating in the market;
- there is restricted access for entry;
- undifferentiated or differentiated products or services are delivered;

- and -

- the demand curve would be more elastic than a monopoly, however, it would depend on the reaction of competitors to price changes.

Examples of products in this category would be cement, cars, electrical products, etc. A market structure of *monopolistic competition* would be characterised by :

- many or several firms competing within the market;
- there would be relatively unrestricted freedom of entry in the market, products and services would tend to be differentiated;

- and -

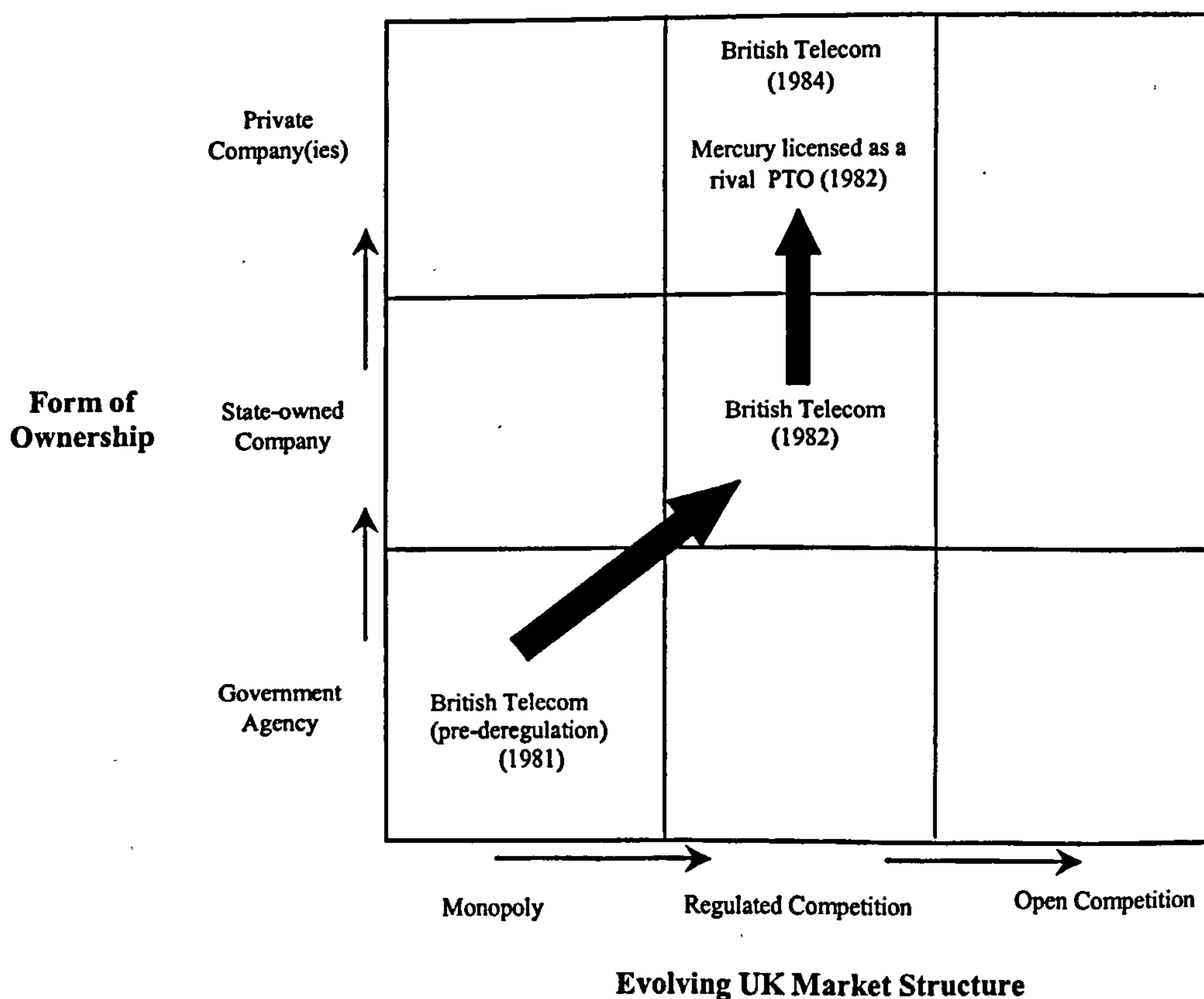
- there would be relatively elastic demand curve.

This category would include for example : - plumbers, restaurants, etc. Finally, a market structure portraying *perfect competition* is generally characterised by : having a large number of firms competing within the industry; there is unrestricted access and therefore total freedom of entry for firms; the type of product or service is undifferentiated; and the demand curve is horizontal, with the firm being more of a price taker. Examples of this category would be bananas, carrots, cabbages, etc.

Bearing in mind these categories of market structure, the collective name given to monopolistic competition and oligopoly is *imperfect competition*. Furthermore, prior to deregulation of the UK incumbent in 1982, there was clearly a monopoly position held by BT, however, with the licensing of Mercury Communications as a telecommunications provider in the UK thereafter, the situation changed whereby there was an oligopoly type of structure.

However, due to the unique nature of the evolving market structure with only two competitors, practitioners referred to the UK telecommunications market as a duopoly (e.g. Bishop and Kay (1988); Gist (1988); Law (1988); Beesley and Laidlaw, 1989). Of further note, at the time of the privatisation of BT in 1984, due to the limited product range of the incumbent operator i.e. primarily voice telephony, the industry and market in the UK was defined as one and the same. In this vein, the term's market structure and industry structure were used interchangeably at this time. Figure 2.2 shows the evolving market structure and form of ownership immediately before the introduction of deregulation and subsequently, thereafter.

Figure 2.2 Ownership mode and corresponding market structure of UK Telecoms Industry



Source : Adapted from Hood et al (1993)

From Figure 2.2, the arrows in the diagram indicate the direction of shift in the form of ownership of the incumbent operator, and also, they indicate the evolving market structure following between the period 1981 - 1984.

Prior to deregulation of the UK telecommunications market in 1981, BT was the only UK-wide provider of fixed-link telecommunications services and therefore the market structure was that of a *monopoly*, with the form of ownership being a Government Agency. Following the introduction of deregulation in 1982, the UK government created a State-Owned Company (British Telecommunication plc (BT)) and the market structure moved to that of *regulated competition* (as termed by Hood et al, 1993). Furthermore, at this time, a further operator, Mercury Communications, was licensed as a Public Telecommunications Operator (PTO) to provide fixed-link telecommunications services in the UK. In 1984 the UK government privatised the incumbent operator, and the form of ownership shifted to that of a private company, with the selling of 51% of the company's shares. As can be seen from this diagram, *regulated competition* prevailed, with no other operator licenses being issued.

The market structure status of *regulated competition* with only these two operators was to continue until 1992, whereby a further four firms were licensed to provide fixed-link telecommunications services, in the UK. Since 1992, market liberalisation in the UK telecommunications industry has continued and by 1998, more than 128 operator licenses were issued to

firms. However, the market structure remains that of regulated competition, and whether the market will achieve *open competition* status, is rather difficult to predict, but it is unlikely to occur, due to the history of monopoly evolution.

Now that there is an understanding of the evolving UK telecommunications market structure, the study continues by examining extant research to gain an understanding of the nature of the key factors that have influenced structural change within the UK telecommunications industry from the period of deregulation in 1982, until 1998.

2.3 Key Factors Influencing Structural Change in UK Telecommunications

Armed with an understanding of the boundaries of industry and market structures, the main purpose of this section of the study is to apply these delineation criteria towards examining the nature of key factors that have influenced structural changes within the UK telecommunications industry since the introduction of deregulation. In achieving this aim, these factors will be identified from a review of published materials, in order to gain a clearer understanding of the developments which have been engaging practitioner discussion in this area. Furthermore, from this examination, the researcher attempts to demonstrate a grasp of the background theory of the important issues that have affected the structure of the UK telecommunications industry since deregulation. With this in mind, the following areas are addressed:-

- To present a brief historical background on UK telecommunications service provision.
- To identify key events that have stimulated change in the UK telecommunications market since deregulation.
- To allow the reader to gain an understanding of the issues involved in this particular topic.
- To use these factors as a basis for conducting an analysis of the UK telecommunications industry in order to identify key industry trends. (These trends are important in understanding the evolving nature of the telecommunications market. Furthermore, they are also seen as essential in underpinning

the foundations of any potential research questions which may arise and therefore require addressing, in a later part of this study).

- And -

- To evaluate the contributions of practitioners and leading scholars to this area of telecommunications.

Hence, at this stage of the study, issues associated with the evolving nature of the industry are of importance and for the purpose of completeness, a brief historical background to UK telecommunications service provision is presented. Thereafter a number of key factors appear to have emerged prior to privatisation and therefore this industry will therefore be considered in terms of the period immediately following deregulation in 1981.

For the purposes of this study, key events are defined as important occurrences, which have been identified by extant research, as stimulating change - in the UK telecommunications industry at a particular point in time. These key events will be compared against the incumbent's interpretation and perspective, in terms of understanding the nature of any impact these key events may have on corporate level strategic decision making.

2.3.1 Key Events Stimulating Structural Change in UK Telecommunications

Prior to 1981, telephone services in Britain were supplied through a branch of the General Post Office. The company originated in the middle of the 19th

century when telecommunications were still in their infancy. Telephone and telegraph services were first private, but were soon taken-over by the government, through the Post Office. The Post Office therefore acquired the right to licence private telephone companies, and in addition restricted competition by building and developing its own infrastructure and network. It operated side by side with another carrier the National Telephone Company, until their licence expired in 1911. Consequently, from 1912, the Post Office secured themselves the monopoly rights on the supply of telephone services throughout the United Kingdom. Only one local company survived, and this was through co-operating with the Post Office, namely, Hull Corporation Telephone Department, or since 1987 named Kingston Communications Plc. In 1969, the Post Office Act changed the status of the Post Office from being a governmental department, to being a separate public corporation. Hence, the telecommunications services remained a part of the Post Office, but were separated from the postal services into Post Office Telecommunications.

In proceeding, following the introduction of deregulation in the UK telecommunications industry in 1981, one of the earliest liberalisation measures was in the area of equipment, where BT had until then, held a high presence. According to Hatch (1990) in ending of the *"Prime Instrument Monopoly"*, consumers were introduced to the notion of attaching any "approved" telecommunications equipment to their telephone line. This liberalisation resulted in a proliferation of High Street retailers supplying both

business and domestic telephone customers with equipment (Dobbie (1987)). In terms of this liberalisation measure, Hatch (1990) noted,

"BT's share of the telephone market fell from 79 percent in 1985, to 66 percent in 1986, and was expected to decline to 44 percent by 1989. Meanwhile, the High Street telephone market, which almost doubled in size in 1986, to reach £46 million, was predicted to double again by 1989." (p65).

In this vein, the impact of this government - driven initiative can therefore be seen to have had a profound effect on BT's market share in equipment, which is exactly what was expected from government policy, i.e. "competition" and "choice".

Whether the other government objective of introducing "value for money" was realised in the early years, is difficult say - as few figures have been tabulated, however, prices continued falling and by 1998, government policy had clearly satisfied these three objectives. An important point to note is that with the UK telecommunications market being a vertically integrated monopoly, prior to deregulation, it was extremely difficult to regulate (McCraw (1984); Stelzer (1990)) therefore, following deregulation, the incumbent "could" use their natural monopoly consisting of a complex network structure, to deter entry into the various segments of the business. In this particular instance, as the market for supplying equipment was now outwith the direct control and management of the incumbent, market force exposure had been seen to triumph.

In continuing, stimulated by the US experience of post-deregulation, according to Beesley and Laidlaw (1989) the UK market continued liberalising, and in 1982, Mercury Communications were granted an operator licence. Furthermore, as a consequence of market evolution, the pace of change in UK telecommunications was noted to be increasing at an unprecedented rate, with liberalisation expanding into the Value-Added Network Services market (VANS) by 1983. This policy was characterised by an increase in the use of outside suppliers in the provision of “packaged solutions” to meet the growing requirements of the business customer (Baker (1983); Home Office (1988)).

Further liberalisation measures ensued in 1983, with the granting of mobile communications operators' licenses for Cellnet and Vodaphone (Dobbie (1987); Keynote (1992)). The nature of these respective licenses allowed both operators to compete against one another, in the delivery of mobile services using cellular radio networks, through the development of wireless technology. This limited competition was later to provide the regulator with benchmark information against which to measure the performance of these firms, in terms of alternative offerings to consumers. In effect, this action stimulated the firms to focus on costs, improve the provision of service and innovate their respective service offerings.

Against this backdrop, by November 1984, BT was privatised by the British government, during which time, a second Telecommunications Act was

passed, which guaranteed regulated competition for the duopoly of BT and Mercury, with no other potential operator being allowed access to the UK market until 1992, at the earliest (Kay et al (1986); Bishop and Kay (1988); Majone (1990). The implication here tends to infer that BT and Mercury could provide unchallenged fixed network services for the forthcoming seven-year period, and that this policy would introduce true competition. Thus, Mercury had been elevated to the status of second national operator and given a period without further competition to establish itself. From these key events, the policy of UK telecommunications market liberalisation was clearly a long-term programme of incremental government initiatives. However, due to the level of domination of the UK market that BT enjoyed at privatisation, a number of problems arose in relation to the leasing of telephone lines to Mercury, thereby creating major problems for the new market entrant. Unfortunately, true competition did not ensue.

Challengingly, significant criticism from practitioners was hurled at the government for allowing BT to bully their competitor and for failing to have the foresight to predict the incumbent's strategic behaviour in this respect (Gist (1988); Higham and Lee (1996); Anon (1997)). Hence, the government established a telecommunications watchdog, the Office of Telecommunications (OFTEL) to issue operator licenses and to regulate the industry. Understandably therefore, restrictions (including price capping) were subsequently placed on the incumbent operator to mitigate anti-competitive practices and to allow Mercury the opportunity to establish

themselves as a reliable, and an alternative telecommunications provider. With this in mind, BT can be seen to be stifling the free market aspect of liberalisation.

As the telecommunications market opened up in the UK, albeit to only duopoly status, the market in the USA continued liberalising. Again, as with the UK, markets were tightly regulated and as a consequence, slow to progress in the early years. Weiss (1985) argued that official regulations were seriously delaying advances to the industry, this being highlighted in their respective critique of liberalisation, stating,

"The customer must be the focus in making changes in the telecommunications industry work. Regulators' failure to recognise the great change in the marketplace has limited the progress of deregulation. There is more competition than a few years ago, but the Bell operating companies (BOC) are still vigorously regulated. Rapid changes in technology and increased competition have eliminated the credibility of the Department of Justice's rationale for its actions and the anticompetitive behaviour The judicial policy makers need to change so companies can make change work." (p72).

Arguably, in changing the market status, restricted and limited competition does allow the new market entrant to position and consolidate themselves without the intensity of rivalry, or the threat of potential competitors imposing themselves in a forceful manner. Although the UK and USA situations were perhaps the first to be able to take advantage of a liberalised telecommunications market, many other countries recognised the long-term

benefits of open markets with competitive services, and followed suit, somewhat slowly (Financial Times (1987)).

Consequently, BT was progressively privatised from 1984-91 in three tranches of share issues. Law (1988) and Mansell (1993) concur that the revenue raised from these stages of privatisation of the incumbent, were primarily used to finance modernisation of the UK telephony network infrastructure, in terms of upgrading the technology from analogue to digital. Notably, in 1985, competition in the fixed link telephony network from mobile network operators and cable television companies was allowed, but only as agents for BT or Mercury. Thus, "resale of capacity" i.e. the leasing of lines from BT continued to be the modus operandi.

Liberalisation in the UK continued and following the results of Oftel's service quality surveys in 1987, BT lost their monopoly in the provision of public call boxes (Oftel, 2000). Additionally, with constant advances in technology in the late 1980s, licences were issued for the provision of satellite services, private mobile radio (PMR) Telepoint, and for the establishment of Personal Communications Networks (PCN) (Keynote, 1994).

At the beginning of 1992, the duopoly ended and full competition on fixed services was introduced in the UK. Applications for PTO licenses were permitted solely on merit and this resulted in the issue of twenty-four licenses to cable television companies. These licenses allowed the respective firm to

interconnect their regional services for the first time, but the existing PTO's i.e. BT and Mercury, continued to be prevented by OFTEL from holding cable television licenses, which, in the opinion of some experts, impeded the development of the "information superhighway" in the UK. This position was not scheduled to be reviewed again until 2001. Furthermore, in early 1992, Oftel granted four firms (Scottish Power Telecommunications, IonicaL3, British Rail Telecommunications and Energis) licences for the provision of fixed-link services, thereby opening up the UK to further competition. Meanwhile, however, the introduction of liberalisation in the area of International Simple Resale (ISR) allowed licensed operators of international leased lines between designated countries to interconnect with public networks at each end and resell their capacity to business and domestic customers in the UK.

This further opening up of the UK telecommunications market to domestic and foreign competition was seen as a major step forward, in terms of industry globalisation and furthermore there was a rapid growth in demand during this period for value-added services (Lynn 1992). Hence, by 1994, market liberalisation in the UK was rapidly increasing, and competition was growing from foreign operators entering the UK telecommunications market. In this vein, AT&T, one of the largest international telecommunications operators (in terms of revenue generation) began a \$500 million, three year inward investment programme in the UK (Wagstyl, 1997) thereby increasing the trend towards globalisation. Progressively therefore, joint ventures and

collaborative agreements were becoming commonplace with firms from the UK, France, Germany, Japan, Spain, Italy, and the USA strategically entering into foreign partnerships. Indeed, in recognising the opportunities that market liberalisation in telecommunications was bringing, Kramer (1993) and Wellenius and Stern (1994) noted the considerable movement in industry restructuring and industry globalisation. Of further note, Lera (1996) indicates that in 1995, the technological development of Integrated Services Digital Networks (ISDN) also contributed to the increase in value-added services such as electronic data exchange, video conferencing, online information services. The UK telecommunications industry had therefore shifted from delivering primarily fixed-link voice, to include a basket of differing market segments.

In observing these trends, the 1990's were seeing a constantly increasing number of strategic alliances being formed between telecommunications companies, equipment manufacturers, software developers and entertainment and media firms. Taylor (1997) notes the expansion behaviour of BT, by acquiring a stake in the US domestic market through the forming of a strategic alliance with MCI in 1993 and the setting up of a number of other international joint venture activities. Practitioners in the telecommunications area were acknowledging that the trend within the evolving telecommunications industry was rapidly moving towards the establishment of national, international and global multi-media empires and networks through international strategic alliancing of potential competitors (e.g. Heldman (1994); Mansell (1995); August (1997); and Suzman (1997)).

In 1996, AT & T launched into the UK domestic telecommunications market, undercutting BT's domestic and international call charges and by mid 1996, Mercury merged with three cable franchises, by-passing the BT network (Edwards, 1997). Mobile communications had clearly taken off in the UK with high annual growth rates, and the Internet was beginning to show significant signs of usage.

By 1997, a further market segment was emerging in Call Centres, and the UK accounted for half of Europe's centres. This was primarily, due to its low labour costs and flexible employment contracts. In May 1997, a Labour government came to power in the UK and there was little change in political will, implying that market liberalisation would continue in a similar and uninterrupted vein. Challenges for the incumbent therefore continued and technological advances were frequent with the integration and convergence of information, communications and entertainment. By the end of 1997, fixed network provision in the UK was opened to more than one hundred and twenty, licensed service providers. Hence, UK market liberalisation was finally showing signs of effectiveness.

Further liberalisation of the UK market was initiated with the licensing of international facilities, allowing customer premises telecommunications distributors to offer similar services to those being offered by any other national or public telephone operator (Anon, Yorkshire Post (1997)). Additionally, the granting of Conditional Access Licenses allowed customers

in the UK to stipulate a non-BT long distance carrier without special access codes, was seen as problematic for the incumbent, in terms of competition and profit, in this revenue stream.

One of the major changes in telecommunications regulatory reform and in relation to market structure, was the liberalisation of the European market in 1998. Here, the full deregulation of telecommunications services in Europe was implemented and was seen as a major event in what was clearly becoming a global telecommunications industry (Suzman (1997); Jones (1997)). The liberalisation trend was now unstoppable and globalisation of the industry was finally acknowledged (e.g. Dowling et al (1994); August (1997)). Prior to European liberalisation in 1998, some experts were predicting that any regulation of the domestic market would cease to be relevant or valid, and that the market tendency would be towards simplification of competition through consolidation and aggregation, e.g. The Economist (1996); Burnham (1997); Brown (1997). However, on examining the strategic behaviour of incumbent operators following European liberalisation, domestic markets continue to play a major role in terms of delivering the necessary revenues to compete within the global telecommunications environment, without which they could not and would not survive.

In concluding this section of the study, extant research has identified a series of key events that have affected the evolving UK telecommunications market

following deregulation. Based on an examination of these key events that have occurred within the telecommunications business environment since deregulation in the UK, the business conditions would appear to have changed with increasing rapidity. **Although theorists and practitioners have identified these key events as affecting the strategic behaviour of those involved within the UK telecommunications industry, little has been empirically reported on whether or not, these events are important - from the incumbent's perspective - in terms of corporate level strategic decision making. Consequently, this lack of data identifies a missing link in our understanding of corporate strategy in this UK market.**

With this in mind, in order to improve our understanding of the issues and arguments associated with structural change in the telecommunications industry, the key events which have been identified here, will be used as a basis (in the following chapter) for conducting an industry analysis, in order to identify the **key trends** influencing the evolving UK telecommunications industry. Additionally, these key trends will inform and guide our understanding to some of the key issues associated with the market liberalisation process and indeed, in identifying the evolving key events that have shaped the incumbent operators strategic behaviour since privatisation.

Against this backdrop, in order to understand the nature of the strategic behaviour of BT since deregulation, it is necessary to identify the important

key events - from BT's perspective, that have affected corporate level strategic decision making. In this vein, based on the identification of the evolving key events impacting structural change in the UK telecommunications market, the central focus of the study shifts towards addressing issues surrounding the evolving strategic behaviour of the incumbent since privatisation.

Challengingly therefore, in moving the argument forward, in order to ensure a clear understanding of the incumbents evolving strategic behaviour, the study now turns towards, defining, clarifying and understanding the concept of strategy and strategic decision making.

2.4 Strategy and Strategic Decision Making

As this study is seeking to identify those corporate level strategies that have been developed by the incumbent UK telecommunications operator since privatisation, the focus of the study centres on the areas of strategy and strategic decision making. Indeed, when considering to conduct an examination of the strategic behaviour of a firm, it is vitally important to have a clear understanding of both these concepts. In continuing therefore, this section begins by examining theories of strategy, following which the topic of strategic decision making is addressed.

2.4.1 Understanding Strategy

In understanding the concept of strategy, this study continues by examining and assessing the works of practitioners on strategy and to consider the historical evolution of the concept. In this vein, there are four major writing forms on strategy and these have been noted since before the birth of Christ. These are identified as : ancient Greek strategy; ancient Chinese strategy; military strategy; and works on business strategy. Unfortunately, actual transcripts of many of the early works have been either lost, destroyed, unreleased publications or indeed have been locked away and are therefore inaccessible. However, historical collations have been past on through the centuries and in taking cognisance of recent works relating to ancient Greek strategy, there are few theorists that concentrate solely on this topic. Hence,

in order to understand the evolving nature of strategy, these four writing forms are examined.

In discussing the influence of the ancient Greeks on strategy, a number of works indicate that a great understanding of strategy can be gained from the ancient Greeks (e.g. Lenin (1927); Montgomery (1958)) and historical search notes, indicate that the term strategy was originally inherited from the Greeks prior to five hundred BC. Furthermore, evidence suggests that the ancient Greeks were interested in the concept of strategy in terms of its relationship with both the practical and theoretical aspects of strategic leadership (e.g. Ansoff (1965); Cummings (1993)). Of significant note, is that these strategic practices in the form of leadership were later constituted as a basis for Western strategy. Insofar as ancient Chinese strategy is concerned, a number of modern-day historians have documented the concept of strategy in association with Chinese military strategies and recorded how these played an important part of the development of the term strategy. The father of strategic studies - T'ai King, has been honoured throughout Chinese history as both the first of the great military leaders and as the father of strategic studies (Yuan, 1991). On examination, the content of these writings focus on a broad range of teachings on strategy that would appear to be applicable to leadership in any area of human activity, including strategies for overcoming opponents of superior strength and the role of moral leadership. Notably, the recently translated text of Sun Tze, allegedly dates back to the fourth century BC (Sun Tze, 1995). This translation records the historical

evolution of strategy and has been classed as one of the oldest publications on the subject of military strategy. In continuing, Chen (1994) synthesised a range of writings on strategy and provides an in-depth overview of ancient Chinese military strategy with significant discussion identifying how ancient military strategy is currently used in the form of business strategy. Additionally, in translating Sun Tze's work, McNeilly (1996) identified a range of strategic principles for managers, which demonstrate profuseness of important and pertinent aspects of strategy, which can be applied to modern-day business. These were seen as the first prominent works that related strategy to business. Although no specific definition of strategy emanates from these materials, military connotations underpin much of the early interpretations. However, many of the underlying strategic principles and inferences of planning and leadership, etc, clearly underpin current commercial practices.

Over the ages, there have been a number of other works (including those previously mentioned) that have written on more modern military strategy (e.g. Machiavelli (1950); Mao Tse-Tung (1967)). Indeed, these works reviewed the business practices and techniques of a number of famous military leaders, including Alexander the Great; Julius Caesar; Napoleon and Frederick the Great, and additionally, these biographical notes identified many of the challenges faced by these leaders and their respective strategic responses. Much of the application of strategy and strategic techniques can be seen to be applied in a modern perspective. Similarly, Trachtenberg

(1991) and Dunnigan and Masterson (1997) provide an insight on the early evolution of American strategic thought and ponder over the issue of why the golden age of strategic analysis hit a dead end in the 1960s. A point of note, not all strategies were recorded as successful in terms of achieving their overall aims, and Ropp (1970) historically collates the development of contemporary strategy in terms of the failure of strategy in the Vietnam war of the 1970s. Yet again, much of this early work identifies strategy with aspects of leadership, planning and implementation processes.

Strategy in the context of business, has generally been seen as a relatively recent development, with a number of practitioners commenting on the history of business strategy and in particular, the development of the basic concept of corporate strategy (e.g. Cyert and Marsh (1963); Ansoff (1965); Ackoff (1970); Drucker (1970); Schendel and Hatten (1972; Anshen and Guth (1973); Taylor (1973); Bowman (1995)). In this vein, during the 1950s and 1960s, organisational wisdom lay in the belief that the size of the firm was the most important issue and in this case, size related to power. However, this view did not last long, as the 1970s saw a new age of management thinking and Glueck (1976) defines strategy in terms of :

"A strategy is a unified, comprehensive, and integrated plan designed to assure that the basic objectives of the enterprise are achieved." (p3).

This definition was generally accepted by theorists until the mid - 1980's, although the term strategic management was also in focus and used

interchangeably. Indeed, the definitions of corporate strategy, business policy and strategic management were typically related to the same concept of strategy, and in this vein, Bracker (1980) critiques the concept of strategy, arguing that it has been largely a semantic issue, since its first mention in the Old Testament. Furthermore, Bracker notes that there has been little investigation of the historical evolution of strategy and that this has led to confusion among professionals and students. However, this view is not widely shared, although he does make a valid point that since the time of the early Greeks, the concept of business strategy has been seen from varying perspectives, thereby changing over time, from a macro to a micro and back to a macro viewpoint.

During the early 1980s, the Porter (1985) model of generic strategies became widely recognised and important in strategic decision making. Consequently, Porter introduced the core term of generic strategy, and many planners believed that any long-term strategy should derive from a firm's ability to seek a competitive advantage based on one of the three generic strategies of *low cost leadership, differentiation and focus*. Hence, Porter advocated that based on these generic strategies; each of these options can produce above average returns for the firm. A detailed description of these respective generic strategies is recorded in the section entitled : - "Glossary of Terms".

Suffice to say, this approach advocated by Porter, has been widely criticised by a number of practitioners, in terms of both relevance and accuracy, however, the concept remains widely used today.

In continuing, around the same time as the introduction of generic strategies, attention centred on the areas of strategic intent (Mintzberg (1987); core competencies (Snow and Hrebiniak (1980); Karnani (1984); Mathur (1988); Prahalad and Hamel (1990); Faulkner and Bowman (1995)); and competitive advantage (Porter (1985); Barney (1986)). The underlying meaning of strategy appeared to remain unchanged throughout this period, until Mintzberg (1987) identified the five P's of strategy. Here, he suggested that human nature insists on a definition for every concept however, the word strategy has long been used implicitly in different ways, even if it has been traditionally defined in only one. In this sense, Mintzberg identified : -

- strategy as a plan - *which was a consciously intended course of action;*
- strategy as a ploy - *a specific manoeuvre intended to outwit an opponent or competitor;*
- strategy as a pattern - *that encompassed the firms resulting behaviour in the form of a stream of actions;*
- strategy as a position - *a means of locating an organisation in an environment;* and the fifth "P" being

- *strategy as a perspective - its content consisting not just of a chosen position, but an ingrained way of perceiving the world.*

Based on Mintzberg's interpretation of strategy, the term was beginning to be viewed in a wider context, and therefore added to the debate in understanding the nature of strategy. Consequently, attention was centring not just on defining the term strategy, but on understanding the strategic behaviour of firms, in terms of achieving success. The interpretation of strategy can therefore be seen as not necessarily surrounding the definition of strategy, but in understanding an extremely complex subject area.

Hence, with the debate shifting, strategy in the 1990s was primarily concerned with business transformation and the definition of corporate level strategy generated by Wright et al (1992) has since been widely quoted by many practitioners as a general definition. Wright et al quote corporate level strategy as :-

"top management's plans to attain outcomes consistent with the organisation's missions and goals," (p3).

In this vein, based on Mintzberg's interpretation of strategy, McKiernan (1996) introduced the roots of modern thought and classifies more recent contributions of strategy into four schools, the Planning and Practice school; the Learning school; the Positioning school; and the Resource-Based school. The Resource-Based school has been the most recent focus of attention and

Collis and Montgomery (1995) and De Wit and Meyer (1999) discuss the relevance of this strategic approach in understanding the complex business environment (and this will be addressed later in this chapter).

It is important to recognise and to give an understanding of the varying types of strategy open to firms. Consequently, Pearce and Robinson (1997) identify a number of strategies that have been commonly used by firms over the past four decades. These include : - concentrated growth, market development, product development, innovation, horizontal integration, vertical integration, concentric diversification, conglomerate diversification, turnaround, divestiture, liquidation, joint venture and strategic alliance. A detailed description of these respective strategies is recorded in the section entitled : - "Glossary of Terms". Suffice to say, this list is not exclusive, and is therefore intended to give an indication of the context and outcomes of corporate level strategic decision making.

In concluding this section of the study, the historical evolution of strategy has been long and diverse and consequently, the concept has not evolved without debate. Notwithstanding this, many writers have been noted to espouse a variety of interpretations and perspectives of the term strategy. Indeed, one of the leading practitioners in the area of strategy, has contributed with a recent addition to the strategy debate (Mintzberg et al (1998b)) with a further view, identifying ten schools of thought on strategy, whereby each school has it's own particular

perspective. Hence, there is clearly no, one interpretation on the concept of strategy that is all encompassing, as a multitude of definitions exist.

The researcher of this study could elaborate further on the subject by going into greater detail and indeed, could cover a wider selection of strategic approaches on the concept of strategy. However, little has been written on the understanding of strategy, from the perspective of the incumbent UK telecommunications operator.

Hence, as the respective firm's interpretation of strategy is unknown, a clear gap exists in the literature and it is seen as wasteful and rather pedantic to elaborate much further. If, in this particular case, specific perspectives emerge as the study continues, they can be addressed within the discussion at that time.

Insofar as this study is concerned, the definition of corporate level strategy as quoted earlier of Wright et al (1992) has been sufficiently widely accepted by practitioners and is currently generally accepted as a sound definition. Against this backdrop therefore, in order to assist understanding, this definition of strategy will be used throughout the remainder of this study, until the organisation's perspective on strategy has been determined.

Notwithstanding this, the study now continues by considering issues associated with assisting our understanding of corporate level strategic decision making.

2.4.2

Corporate Level Strategic Decision Making

In addressing issues of corporate level strategic decision making, it is important to stress the particular context of examination, which in this case, relates to the evolving strategic behaviour of the former UK telecommunications incumbent, BT. In the first instance therefore, the particular purpose of this section of the study is to explore extant research in order to understand the nature of corporate level strategic decision making. The second area of inquiry, seeks to examine a variety of scholarly sources in order to identify the processes involved in corporate level strategic decision making in terms of its' impact on the strategic behaviour of the organisation. Thereafter, in order to establish if sufficient research on the evolving strategic behaviour of the incumbent UK telecommunications operator exists, materials are examined in the two areas of : -

1. the theory of corporate level strategic decision making - and - corporate level strategic decision making in the UK telecommunications industry;
2. the theory on the impact of corporate level strategic decision making on the strategic behaviour of the organisation - and - the impact of corporate level strategic decision making on the strategic behaviour of the UK telecommunications incumbent.

Hence, the study continues by examining extant research in order to understand the nature of corporate level strategic decision making, with particular reference to the UK telecommunications incumbent, BT.

2.4.2.1 The Nature of Corporate Level Strategic Decision Making

In examining the plethora of research that exists on decision making in organisations, many types of decisions can be made in one day, and by a number of different people in the same organisation, when dealing with the same issue or problem, e.g. Drucker, 1974; Senge, 1990; Wilson, 1992; Stacey, 1993. Hence, organisations can have a number of levels of reporting within the structure of the firm and individuals or groups can have specific decision making authority. This authority in decision making is generally indicative of the level of responsibility that the individual or group has been given and of their respective position within the organisation.

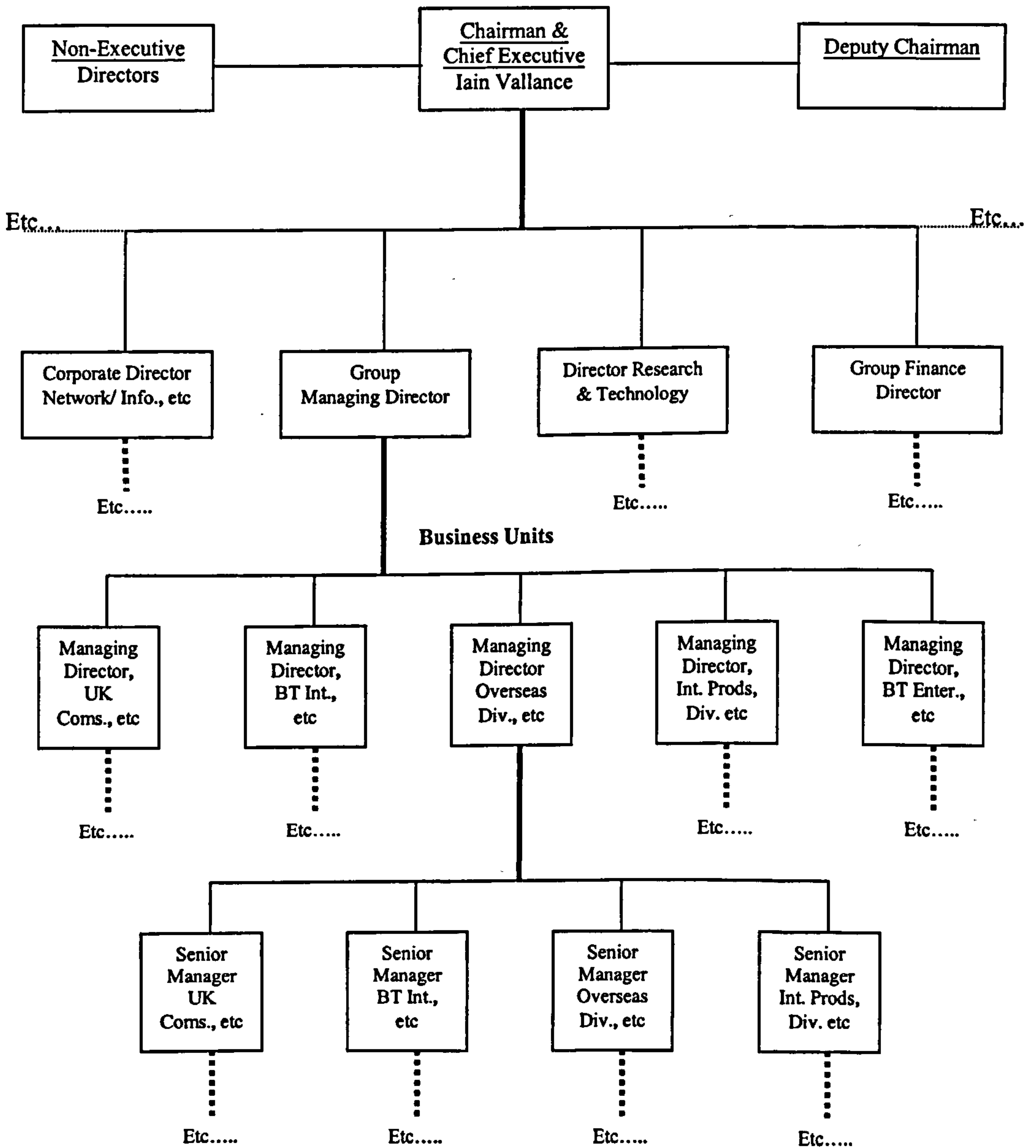
Similarly, it is widely recognised that not all decisions made within the firm equally contribute to its strategy and that strategic decisions can be separated from other types of decisions in primarily, three distinguishing ways (e.g. Ansoff (1965); Hofer and Schendel (1978); Abell (1980); Porter (1985); Mintzberg (1987); Johnson and Scholes (1997); Haberberg and Rieple (2001)).

- Strategic decisions are large decisions which affect the entire organisation (or a major part of it) and they entail a significant amount of interaction with the environment surrounding the firm, e.g. the firm's customers, suppliers, etc.
- Success in strategic decisions concern the medium - to - longer term, although there may be some immediate impact of the firm's performance. Hence, these decisions are not taken lightly and therefore they have a time-horizon, of usually three - to - five years, depending on the pace of change within the industry and within the firm's product offerings.
- Strategic decisions are concerned with making choices and committing resources in a manner which cannot be easily reversed, without significant costs being involved. These decisions typically involve investing resource into for example; building high-profile brands; penetrating other markets; developing new technologies; repositioning the firm in the market; changing the manner in which the firm operates; etc.

Against this backdrop, one could expect that it would be straightforward to identify which decisions were strategic, and which decisions were not. Unfortunately however, this is not always the case and suffice to say, all organisations operate in a different manner and although we can attempt to generalise in terms of strategic decision making, it is corporate level strategic decision making that is the interest in this study. Hence, to use British

Telecommunications (BT) as an example, Figure 2.3 shows the differing levels of strategic decision making in British Telecommunications in 1987.

Figure 2.3 Organisational Structure of BT during 1987 (Corporate Level)



Key : The dark coloured — line indicates the reporting of staff to their respective superior.

Source : Adapted From Management News (1988)

We can gather from Figure 2.3, that Mr Iain Vallance held the joint positions of Chairman and Chief Executive Officer (CEO), and is head of the organisation. He has a number of personnel that *directly* report to him , i.e. a Deputy Chairman, a group of Non-Executive Directors, and a number of corporate level directors. In this particular case, the Chairman is ultimately responsible for the decisions made by these individuals and groups.

Furthermore, each of the corporate level directors have a group of personnel reporting *directly* to them, and the example shown here portrays "The Group Managing Director", being ultimately responsible for the decisions of up to five Managing Directors. Each of these groups and individuals will be charged with particular responsibilities and duties and will therefore be required to make a number of decisions associated with their respective roles within the organisation.

As far as major decisions within organisations are concerned, typically, in the publicly owned corporation, there is a Board of Directors which generally consists of The Chairman, Deputy Chairman, Corporate Executives and a number of Non-Executive Directors. This Board, are legally responsible to shareholders and can pass judgement on management's decisions, although they are generally not involved in the day-to-day decision making within the firm (e.g. Bacon (1967); Mace (1971); Pfeffer (1972)).

Within the Board of Directors, there is a group of members who are full-time employees of the firm and these inside members are usually known as the Corporate Directors. These Corporate Directors are principally the top level managers within the corporation, that are directly involved in strategic decision making, for the whole firm. Consequently, these decision makers take a holistic view of the firm and make the major decisions which directly shape and mould the firm (e.g. Group Managing Director, Corporate Director of Networks, Director of Corporate Strategy, etc). Against this backdrop, for the purposes of this study, it is corporate level strategic decision-making that is important. Hence, this organisational chart of BT (Figure 2.3) identifies some of those individuals (Group Managing Director, and other Corporate Directors) that are typical of corporate level decision makers in organisations in general, that would make such decisions. At this particular time in the firms evolution, according to the British Telecommunication Report and Accounts (1988) the firm created a "Management Board" which was discharged with a delegated role of responsibilities for corporate level strategic decision making. This Report and Accounts (1988) emphasises the fulfilment of the remit of the Management Board by the inclusion of the following statement: -

"The Management Board

The board of directors has delegated, subject to its general oversight, certain responsibilities to the management board.

The management board keeps under review the operations of British Telecom and authorises certain large capital and business projects. It also examines policy and strategic

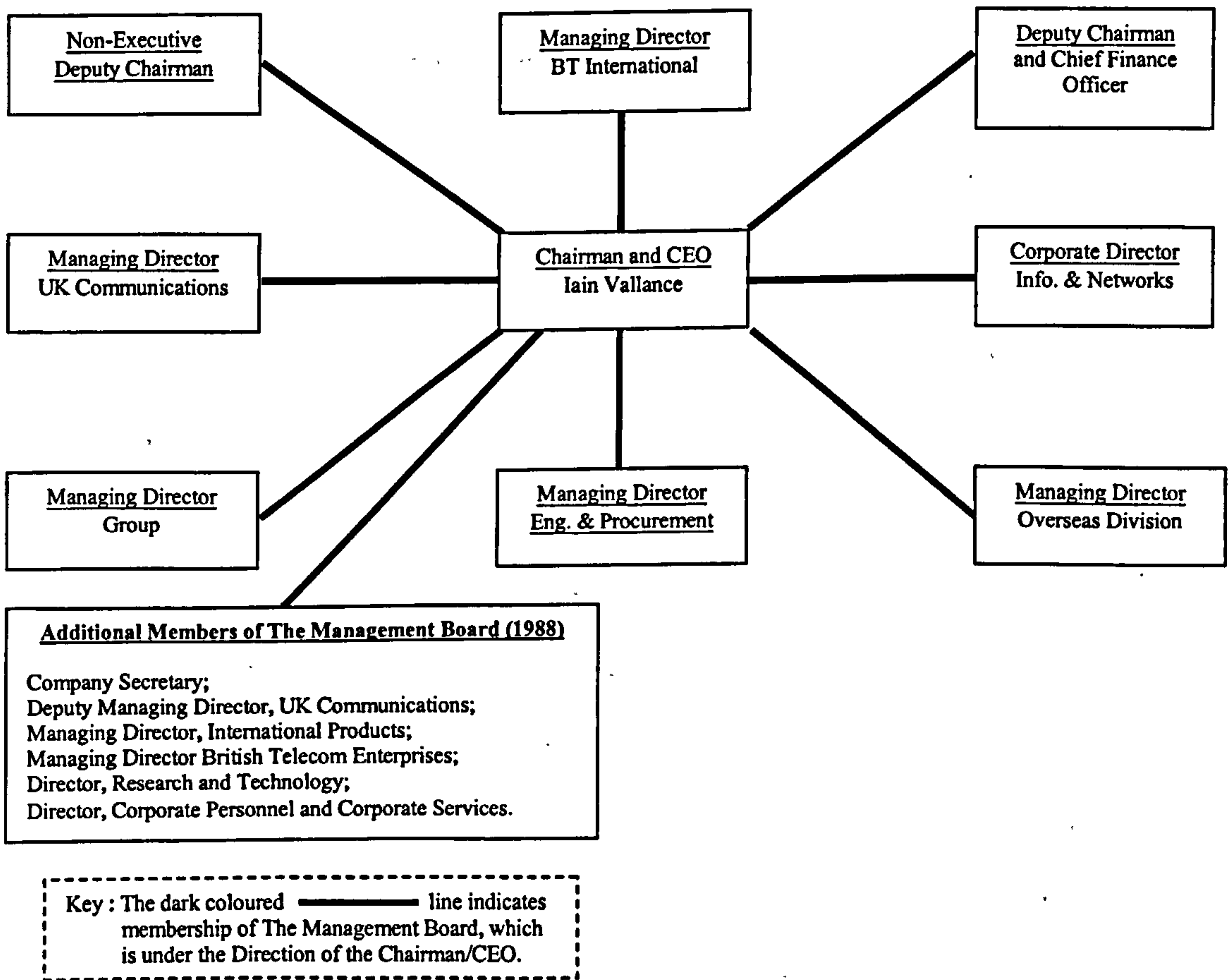
issues before they are presented to the board of directors."

(p7).

In order to gain a clearer understanding of the emerging structure of the firm, in terms of corporate level strategic decision making, it is useful to identify the constituent members of "The Management Board" from October 1987.

Hence, Figure 2.4 has been generated.

Figure 2.4 Members of the Management Board at BT From October 1987



Source : Generated from Data

It can be seen that during the initial formation of the board, membership consisted of nine members, which were under the direction of the Chairman and CEO (Iain Vallance). As the organisation developed and evolved, a number of additional members were introduced to the board during 1988 and these have been identified.

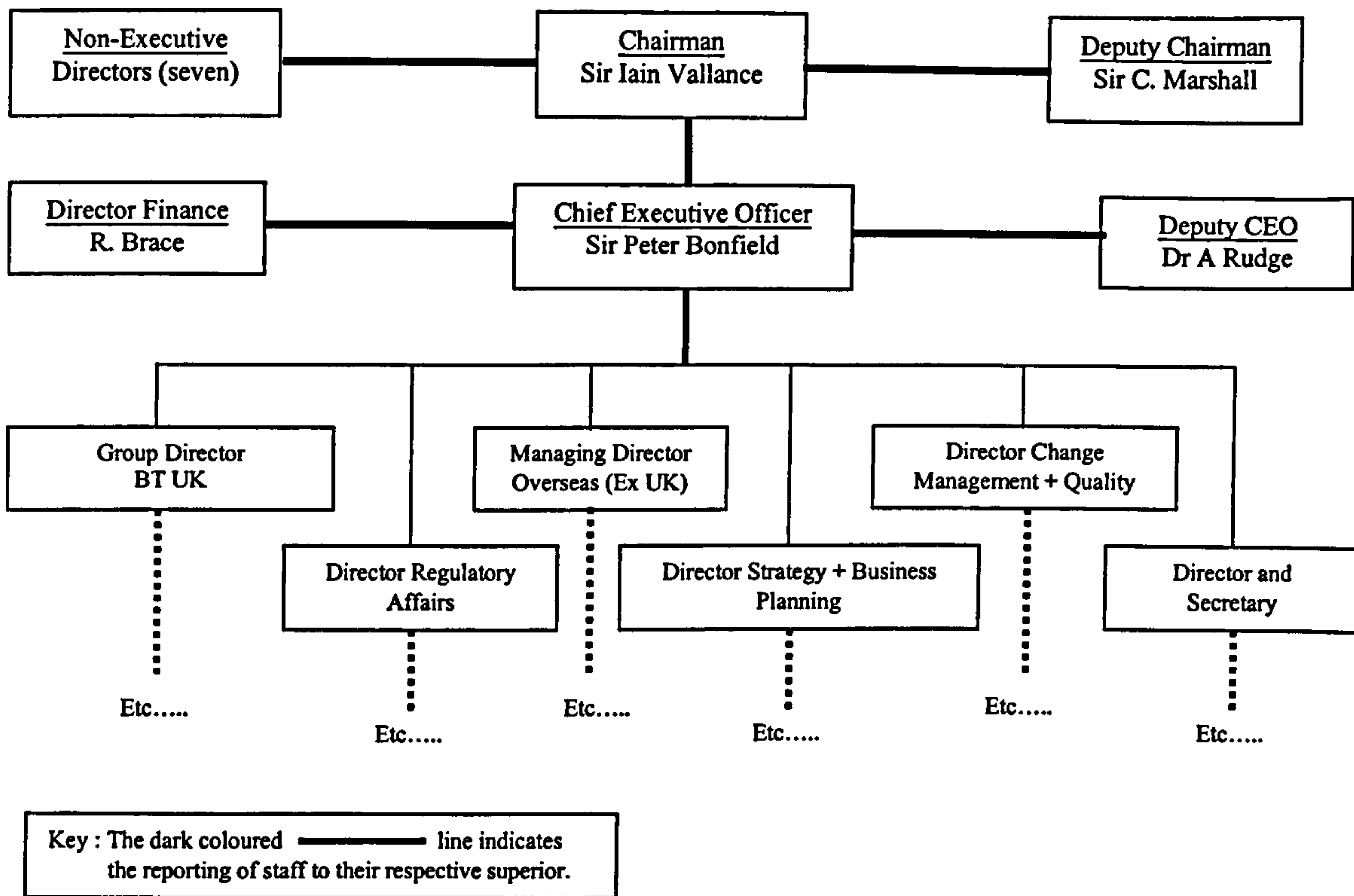
In this vein, various theories have suggested on how decisions are actually made within firms, and in this particular case, corporate level strategic decisions are made by the "Management Board" identified in Figure 2.4. Thus, corporate level strategic decision making is therefore seen as the major decisions that are made within the firm, that affect the whole organisation. Such decision making typifies the findings of a number of theorists and practitioners e.g. Argenti (1980); Mintzberg (1983); Ansoff (1990); Ellis and Williams (1993); Johnson and Scholes (1997); and De Wit and Meyer (1999).

Of further note, it can be seen from Figure 2.4 that all members of this group have a direct link to Iain Vallance, who had dual responsibilities within the organisation of both Chairman and Chief Executive Officer (CEO). Indeed, in general terms, the role of Chairman can be seen as the figurehead of the organisation and they would tend to take more of a "hands-off" role in terms of the day-to-day decision making within the firm - with that particular role being the responsibility of the CEO. However, in this particular case, the organisational structure of BT was specifically designed to have an individual

at the top of the organisation to perform the dual responsibilities of - the company Chairman and - the CEO (Iain Vallance). Prior to this appointment, Iain Vallance held the role of Chief of Operations, which at that particular time in the firm's evolution, can be equated to that of the role of CEO. With significant experience of the telecommunications industry - from his long, varied and established career with BT - this executive level manager had an understanding of the required creative vision for transforming the former government operated UK telecommunications incumbent and monopoly firm, into a commercially oriented organisation with a world-class outlook (BT Annual Reports 1985 - 1988). Hence, the creation of a dual role of Chairman and CEO, with Iain Vallance at the helm, can be seen to have been a rational and appropriate decision of appointment for the particular stage of evolution of BT, in 1987.

In continuing with examining corporate level strategic decision making within a telecommunications context, in 1996, BT split the roles of Chairman and Chief Executive Officer, with Sir Iain Vallance retaining the role of company Chairman, however, for various reasons, the Chairman relinquished the role of Chief Executive Officer to the newly appointed Sir Peter Bonfield, BT Annual Report (1997). In the light of this appointment, BT was restructured in order to cater for this splitting of the "dual roles" and as a consequence, Figure 2.5 has been generated in order to outline the modified corporate level reporting structure.

Figure 2.5 Corporate Level Organisational Structure of BT From 1996



Source : Generated from Annual Reports

From Figure 2.5, the Board of Directors that were responsible to shareholders consisted of the Chairman, the Deputy Chairman, the Non-Executive Directors, the Director of Finance and the Chief Executive Officer.

Prior to his appointment as CEO of BT, Skeel (1992) acknowledges Peter Bonfield for his leadership qualities in terms of :-

"consistency of purpose, quality, customer service, delegation of responsibility and encouragement of openness and aggressiveness within ICL." (p44).

Additionally, Bonfield received a knighthood from Her Majesty the Queen, in 1995 (prior to his appointment at BT) and his elevation to the BT Board was welcomed by the city (Fagan 1995a). In this vein, a number of primary reasons were identified by the firm (BT Annual Report and Accounts, 1996) for the splitting of the Chairman/CEO functions and the corresponding impact on organisational restructuring. These primary reasons revolved around the following factors:-

- The firm was facing many challenges from market liberalisation, with increasing opportunities being created and presenting themselves;
- Opportunities within the UK marketplace creating a requirement to grow the market for greater use of basic telephony services;
- The advanced services market was seen as an area which was very important to the firm for future growth;
- Technological advances in terms of the scale and scope of opportunities for accessing and interacting with information transmission market;
- Market liberalisation - on a global scale - encouraging proactive firms to capitalise on opportunity creation;
- The breadth and depth of international experience of Sir Peter Bonfield;
- Sir Peter Bonfield had considerable experience of the communications industry and came with a successful track record in executive management;

- His international experience was significant and his appointment created a welcomed match to the gap that existed in BT's senior management and towards managing internationalisation opportunities;
- There was an opportunity to capitalise on the experience of integrating telecommunications and communications industries;
- The key to the next phase in BT's organisational development and for the future of the market was the integration of information, communication and entertainment, and Sir Peter was seen as having the necessary skills and expertise to achieve the required organisational transformation.

However, with the splitting of the dual Chairman/CEO roles, Sir Peter Bonfield led "the Management Board" in terms of corporate level strategic decision making, which resulted in Sir Iain Vallance stepping down and relinquishing control of such decision making. Indeed, Reguly (1995) noted that as Chairman, Sir Iain :-

".. would have overall responsibility for the reputation of the group and would act as a bridge between the company and the board over matters of policy and strategy. " (p1).

Critically therefore, due to the relatively weak financial performance of the firm from 1992 - 1996, and in an attempt to proactively head-off any calls from financial institutions and city analysts for Sir Iain Vallance to step down, he agreed with the Board to split his dual role and appoint Peter Bonfield (Fagan, 1995b; Barrie, 1995; and Lorenz 1995).

Armed with an understanding of corporate level strategic decision making and in particular, in terms of the evolving nature of the organisational structure of BT, the study now seeks to examine extant theory in order to understand the processes involved in corporate level strategic decision making and any associated impact on the strategic behaviour of the organisation.

2.4.2.2 Strategic Planning and Associated Concepts

Various theories have suggested how decisions are actually made within firms, and for the purposes of this study, extant research reported that corporate level strategic decisions were seen as the major decision which are made within the firm, by senior managers, the senior executives or corporate directors. The dependency being placed on the respective structure of the organisation and the job titles of staffs. Consequently, the nature of this section of the study is to examine published scholarly sources in order to understand the evolving processes contained in corporate level strategic decision making and its associated impact on the organisation's strategic behaviour. This understanding will form the basis in which to examine the UK telecommunications operator (at a later stage in the study), in order to establish the evolving nature of corporate level strategic decisions since privatisation.

Hence, this section continues by examining the areas of strategic planning; strategic management; the strategic behaviour of the firm in terms of core competencies, competitive advantage and resource - based strategies.

2.4.2.2.1 Concept of Strategic Planning

The first article that was published in the Harvard Business Review, Donham (1922) argued, that all business decisions involve some form of risk taking and consequently, unless decision making in the business are systematised,

then business decisions would be no different to gambling. This systematising of business decisions has been known for more than half a century as strategic planning and strategic planning is a broad concept, which can be applied in all areas of business (e.g. Ansoff (1965); Grinyer (1971); Adair (1973); Kudla (1976); Trotter (1981)). In this vein, a number of studies have been conducted that looked at whether firms had used strategic planning and if so, were they more successful than those that didn't. A study conducted by Stagner (1969) noted that, where strategic planning had indeed taken place, the respective firms achieved the largest profit as a percentage of capital compared with those that did not use the technique. A further notable example, is Ansoff (1971) who found that those that had used strategic planning had outperformed those firms that did not. Many other examples of organisations adopting strategic planning approaches exist, with similar results being indicated.

Against this backdrop, Glueck (1976) defines strategic planning in a similar vein to many of his peers, when he accordingly stated :

“Strategic Planning is that set of decisions and actions which leads to the development of an effective strategy.” (p2 - 3).

Conceptually, the process of strategic planning was widely reported as being used in the period from the 1940s until the late 1970s (e.g. Chandler (1962); Najjar (1966); Thune and House (1970); Taylor (1972); Lorange and Vancil (1976); Argenti (1980)) and in this sense, Glueck (1976) typifies a number of

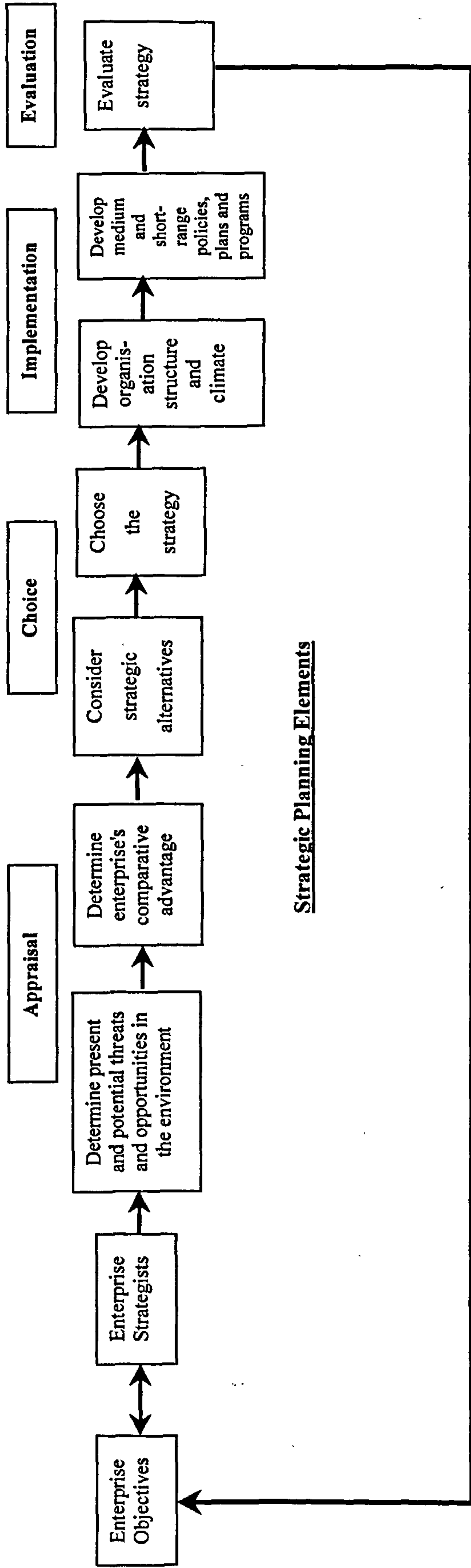
theorists and practitioners by outlining a model of the strategic planning process. This model by Glueck, is reproduced in Figure 2.6, where Glueck's view of strategic planning identifies four major phases in the strategic planning process: the Appraisal phase; the Choice phase; the Implementation phase; and the evaluation phase. Based on this model, these four phases are outlined in turn.

The process begins by the firm seeking to address the question of how to achieve the firm's objectives, with these objectives being the beginning and end point of the strategic planning process. With this in mind, following the definition of these objectives by senior executives, a managerial philosophy of continuous and iterative planning within a changing environment is created within the firm. Hence, strategies are developed in order to achieve the firm's stated or restated objectives.

Within the "Appraisal" phase of this process, an analysis of the environment is conducted, which takes into account an examination and analysis of the key factors that currently affect and indeed, are likely to affect the firm in the future. These would include the identification of issues associated with : the political; the economic; the sociological; and the technological factors, which

Figure 2.6

A Model of Strategic Planning Process



Source : Glueck (1976, p12)

were occurring in the external environment (outside the firm, but within the countries and markets in which they competed). From this analysis, any potential opportunities open to the firm would be identified, and additionally, potential threats would also be detected and used in strategy formulation.

Furthermore, included within the "Appraisal" phase, is a determination of the firm's comparative advantage. This is conducted in the context of examining and analysing the internal environment within the firm, in order to establish the strengths and weaknesses of the firm, in relation to other organisations within the industry. This analysis provides the firm with a representation of where the firm is; in terms of its past strategic decisions and its interaction with the environment. Thus, the firm can attempt to match the firm's strengths and weaknesses from their internal environment, with the opportunities and threats identified in the external environment. Hence, the "Appraisal" phase of the strategic planning process is complete, with the firm identifying any gaps or problem areas in their environments that require action, in order to accomplish the firm's objectives.

The "Choice" phase of the strategic planning process, primarily consists of two main steps. First, based on the gaps or actions identified in the Appraisal phase, the firm generates a number of strategic alternatives that will assist the firm in capitalising on opportunities and preparing for threats. In this phase, these strategic alternatives allow the firm to address the issue of matching the firm's respective strengths and weaknesses to the opportunities

and threats (or potential opportunities and threats) that exist in the external environment. In identifying these strategic alternatives, signals indicate which strategies are most frequently used and when each strategy is likely to be most effective. Contained within these alternatives, options can be included for the possibility of the requirement of major strategic shifts, which may result if the firm is severely threatened. The second step in the "Choice" phase requires the systematic consideration of how each strategic option would affect each of the major factors identified in the external and internal analyses. Typically, some form of ranking process of the strategic alternatives is introduced, based on firm-specific evaluation criteria. Hence, the strategic alternatives are therefore either indirectly or indirectly, considered against the firm's objectives and consequently, choices are made.

The "Implementation" phase of the strategic planning process involves two related, but independent steps. The first of these steps considers the organisational implementation of strategic choice, whereby in implementing the selected strategies, the firm's organisational structure and climate is examined. During this step, the main objective is to ensure that the strategic choice is communicated to all in the organisation, and the resources required to achieve success with the selected option are targeted in the appropriate manner, with the structure of the organisation being modified and developed accordingly. Once the structure of the organisation is correctly adjusted, there is a requirement to ensure that the appropriate personnel and

resources are made available (climate), in order to reinforce the chosen strategy(ies). The second step in the implementation phase addresses issues associated with policy implementation of strategic choice. In this vein, implementation involves the development of consistent and functional organisational policies, which reinforce the strategic choice.

The final phase of the strategic planning process involves evaluating the results of the strategy with the level of achievement of objectives. In particular, this phase involves a feedback system to be in place, in order to provide the necessary data for evaluation; some form of evaluation criteria must be available for comparison purposes; and some decisions, which emanate from the strategic evaluation should be acted upon.

In examining Glueck's approach of strategic planning, it is primarily used to improve business performance as part of a continuous planning cycle. Notwithstanding this, the strategic planning process has been presented here, in the form of four main phases and these phases have been treated as if they were autonomous and distinct. In reality, this is not the case as the phases are integrated with significant overlap and they therefore blend together and are not separated during the actual process of strategic planning. Hence, the process is integrative and iterative in nature. In this vein, the task facing those involved in strategic planning therefore can be seen as a process in order to :-

- identify where the firm currently is in it's respective markets;

- decide where it wishes to be in the future;
- anticipate future events and trends, then;
- decide how the firm is going to get there.

It should be pointed out, that although a number of theorists agree that a strategic planning process does indeed exist, there is considerable debate over the number of phases within the process, with some theorists arguing that there are three phases, others suggest four and indeed, some suggest five phases. These differences being mainly due to, for example: - the integration of the implementation and evaluation phases into one combined phase, or the separation of the appraisal phase into an external phase and an internal phase. Nonetheless, irrespective of the number of phases identified by practitioners, the actual strategic planning process, are similarly constructed to that identified by Glueck. Consequently, the study continues by considering the evolution of strategic planning into the decade of the 1980's and beyond.

In continuing, the 1980s brought advances in corporate level strategic decision making with the introduction of the term strategic management. In debating the definition of strategic management, copious works have been written on the subject and consequently, a number of definitions with similar interpretations exist (e.g. Porter (1980); Greenley (1989); Stacey (1993); Johnson and Scholes (1997); Finlay (2000)). A definition widely used throughout the 1980s and 1990s is stated by Glueck and Jauch (1984) who noted that strategic management is :-

"a stream of decisions and actions which leads to the development of an effective strategy or strategies to help achieve corporate objectives. The strategic management process is the way in which strategists determine objectives and make strategic decisions." (p5).

It should be noted here, that there are indeed a number of distinct similarities to the concept of strategic planning (in terms of analytical techniques) however, there are also additional areas within strategic management that include conceptual and behavioural aspects of strategic decision making that are absent from strategic planning. Consequently, this definition clearly does show, that the subject has moved forward, with the debate on strategic decision making continuing with even greater complexity surrounding both content and process.

Notwithstanding this definition, Mintzberg and Waters (1985) recognised much of the complexity of the term and the debate shifted towards identifying the two areas primary of :-

- the levels of management and their respective involvement in the formulation and implementation of strategies, and
- on the forms of strategic control which should be adopted.

Hence, their research led them to distinguish eight styles of strategic management, and these are identified as the planned style, the entrepreneurial style, the ideological style, the umbrella style, the process style, the unconnected style, the consensus style, and the imposed style. A detailed description of these respective styles is recorded in the section entitled : - "Glossary of Terms".

It is important to note these styles of strategic management, as clearly there are many postures that firms can take, and this can therefore have a significant bearing on the types of decision making that are, or indeed, will be prevalent in organisations. In this vein, Mintzberg and Waters related these strategic management styles to the types of environments that managers faced. Included within these, were for example, mature - diversified corporations in relatively stable environments, where the *planned* style was seen as being more appropriate; or, for turbulent environments, where the *umbrella* style was generally more suitable. However, what is now important, is the shifting of the debate.

An interesting caveat that does shed light on the debate, is that there are many works which explain and discuss the concept of strategic planning and much of this is contained within the business policy; strategic management; and corporate strategy areas, where by the early 1990s many practitioners used these three terms interchangeably and the term corporate strategy became the most frequently used. Indeed, Mintzberg (1994) discusses how strategic planning had fallen from favour since it arrived in the 1960s, and takes the position that strategic planning as it had been practised, had really been strategic programming, and that when companies understood the differences between planning and strategic thinking, they could get back to what the strategy-making process should be about. Strategic planning therefore is a term that is less widely used nowadays, and by 1998, Mintzberg et. al. (1998) noted the term as :-

“Strategic Planning is a means, not to create strategy, but to programme a strategy already created - to work out its implications formally. It is essentially analytical in nature, based on decomposition, while strategy creation is essentially a process of synthesis.” (pp118 - 119).

Against this backdrop, it was generally accepted that strategic management was the important (and latest) concept in corporate level decision-making, and concerns the three areas of strategic analysis, strategic choice and strategy implementation. In comparison to the strategic planning process, identified earlier, the strategic management process can therefore be seen to

be similar, in some analytical aspects. However, considerable differences do indeed exist, with the term strategic management incorporating a definition with a greater scope and a greater need to understand the complexity arising out of non-routine situations and ambiguity that is organisation-wide. Hence, decision making here concerns judgements, based on a conceptualisation of complex issues that require actions related to the management of strategy.

Insofar as this particular study is concerned, Johnson and Scholes (1997) used the term corporate strategy and strategic management interchangeably, when they referred to the formation and implementation of strategy. In this vein, they identified the three elements of the strategic management process in greater detail than many previous practitioners and noted these as including :-

Strategic Analysis

- An examination and analysis of the external environments;
- Consideration of organisational expectations and purposes;
- An examination of the firm's resources, competencies and capabilities.

Strategic Choice

- An examination of the bases of strategic choice (generic strategies);
- An understanding of strategic options;
- The evaluation of strategic options and the subsequent selection of strategy(ies).

Strategy Implementation

- **An examination of the structure and design of the organisation;**
- **Consideration of resource allocation and control;**
- **Managing strategic change.**

Against this backdrop, in summarising the strategic management process, a general understanding of these elements shows the complexity of the task, facing senior management of an organisation, and the process therefore begins with a vision of where they wish to see the firm at some time in the future. Thereafter, a mission statement is generated which outlines the purpose and scope of the organisation, and satisfies the vision. Based on the firm's mission, a set of goals and/or medium - long term objectives are generated. Strategic planning is used to both help set these objectives and to determine the activities undertaken in order that the objectives of the organisation can be achieved. The situation of the organisation is analysed (using both macro and micro factors). Thereafter, the capabilities of the organisation are examined (its internal strengths and weaknesses), and the opportunities and threats that exist in the external environment are reviewed. This allows the organisation to examine the alternative strategic options that are open to the firm and through strategy selection, to plot a course of action, in order to take the organisation from its current situation to its intended position (i.e. the position decreed in the corporate objectives). As this course of action is followed (by the adoption of tactical activities), progress is monitored and evaluated, with the results being fed into the ongoing process

of strategic planning. Hence, this process is seen as being both integrative and iterative in terms of responding to constantly changing environmental conditions.

In conclusion, as can be seen from this discussion, the evolving area of strategy formation, implementation and control is indeed vast and complex. Hence, in summarising the formal systems planning approach, there is an abundance of literature, which identifies a number of factors that should be included in a systematically planned strategy.

However, with the nature of the strategic planning process, there is an under emphasis of qualitative factors such as the strategic behavioural nature of the organisation, or indeed, a lack of emphasis of issues associated with power structures in the organisation. As a result, although strategic planning does indeed contribute to corporate level strategic decision making, it is not comprehensive enough in covering the scope of required understanding of this subject. Notwithstanding this, the previous debate has moved forward with the introduction of the strategic management process. Furthermore, emanating from the discussion of the evolving nature of the strategic management process, is a theoretical underpinning of why firms should concern themselves with the process of strategic management. Indeed, there is an implicit cognisance that this revolves around the nature of the

rapidly changing business conditions that most organisations face - integrated with the complex, judgmental and conceptualisation of issues surrounding strategic decision making. In this vein, practitioners during this particular era, advocated that suitable comprehension of these concepts was the only way to anticipate future problems and capitalise on potential opportunities.

Clearly therefore, the strategic management process does merit consideration in corporate level strategic decision making, although this researcher is not advocating that the debate stops here, but merely pauses, for the next wave of academic inquiry. Consequently, armed with a conceptual understanding of both, strategic planning and the strategic management process, the study now considers the area of organisational strategic behaviour.

2.4.2.3

Understanding Strategic Behaviour

In understanding the strategic behaviour of the firm, it is important to have an understanding of how decisions are made within organisations. This may seem rather simplistic, however, people perform decision making in organisations, and based on the formal planning approach, there is an assumption that people are rational and that they therefore make rational decisions. Unfortunately, in practice, this is not always the case, as not all firms are successful, and many firms thus fail with their strategies and consequently, either report financial losses or indeed, go into receivership.

Notwithstanding this, strategies can be seen to be more effective, or indeed, less effective when implemented through people, whose behaviour can be unpredictable. Hence, other perspectives on strategic decision making must be considered. Therefore, in this context, this section of the study examines extant research in order to understand the evolving strategic behaviour of organisations, by considering some of the qualitative aspects of corporate level strategic decision making.

2.4.2.3.1

Understanding Strategic Behaviour : Further Considerations

Against this backdrop, having considered rational, analytical and conceptual approaches to corporate level strategic decision making, there is a body of literature that suggests that this is only part of the overall picture of corporate level strategic decision making. In this vein, some practitioners propose that

there are a number of factors that require more detailed consideration and focus, than being hidden in the strategic management literature. These include the particularly focused areas of power (Pfeffer (1994)) social (Schein (1985)); political and organisational structural issues (Lindblom (1959); Mintzberg (1994)) cultural factors (Kanter (1991)) and leadership dimensions of strategic decision making, which directly affects strategic behaviour in the organisation (Peters and Waterman (1982); Peters and Austin (1988)).

Consequently, this literature has rapidly expanded in the past two decades and in extrapolating important aspects of their respective conclusions, it has enhanced theoretical understanding in a number of areas, and these practitioners tend to distance themselves from pure analytical approaches. Paradoxically however, in enhancing our understanding, these qualitative factors do indeed, add to the complexity of corporate level strategic decision making and in particular, there is now an increasing requirement for strategists to understand the multifaceted nature of organisational power, structure and politics in decision making; the need to comprehensively understand social and cultural aspects of organisational behaviour in relation to corporate level decision making; and the varying aspects in corporate leadership, conceptualisation and judgements that were possibly implied within strategic management, but rarely espoused with such focus.

In continuing with a typical example, the impact of strategic change can have tremendous implications on the culture within the organisation (e.g. Etzioni (1961); Katz and Kahn (1966); Kanter (1983); Robbins (1986); Argyris (1990) Hussey (1991)). Management may be in control of the change in culture or they may manage by "muddling through" (Lindblom 1959). Indeed, when small changes are made, the firm can be in control of their short-term future, however, if many small changes are cumulated and a number of medium - large changes are implemented, then the control of the firm's long term future can be lessened, if not lost completely (Lawrence and Lorsch (1967); Peters (1985); Miller (1990); Pascale (1990)). This form of change is similar to that described as chaos theory, hence, with every strategic change there is usually some form of cultural change in the firm. However, what is important here, is that cultural reform is seen as a necessity, if strategic change is to be successful.

Similarly, in terms of the structuring of organisations, much has been documented. Within the plethora of growing literature, practitioners suggest that the structure of an organisation changes, following strategic change (e.g. Chandler (1962); Child (1972); Mintzberg (1975); Galbraith and Kazanian (1986)). However, not all would agree with this, e.g. Prahalad and Hamel (1994) suggest that the opposite is the case. Nonetheless, in terms of organisational behaviour, structure does have an impact on corporate level strategic decision making and cannot be ignored.

An important work by Quinn (1980) suggests that strategic change processes tend to be fragmented, evolutionary and intuitive. Consequently, this is seen to result in strategy evolving in relation to a plethora of internal decisions, interacting with random events external to the organisation. This thinking, according to Quinn, creates a widely shared consensus for action in the organisation, with strategy tending to emerge incrementally and opportunistically as the many subsystems in the organisation expand (through for example acquisitions) or contract (e.g. through divestiture) are restructured (large or small scale organisational moves) or redesigned (through structural reform) and therefore, coherent patterns of behaviour can be seen to emerge. Within this proposition, as the organisation proceeds in an incremental manner, the new and modified roles, their capabilities and reactions towards strategic change can be assessed and adjusted accordingly. This approach of incrementalism allows the firm to increase learning on a step by step basis, and reaffirms the notion of capitalising on opportunistic developments, with lower levels of initial commitment. Similarly, due to the complex nature of strategic decisions, there is an importance in the timing of decisions, the sequencing requirements of decisions, there are cognitive and process limits in decision making, and indeed, there is a need to create awareness, develop consensus, and to build comfort levels in systems and in individuals.

Consequently, a number of practitioners tend to agree with Quinn's findings (Mintzberg et al (1985); Pettigrew et al (1992)) on the incrementalism view of

strategy, whereby corporate level strategic decision makers can be seen to be continually examining, analysing and evaluating strategy decisions and processes over a number of years, in an attempt to build and achieve success. Hence, this process is particularly dynamic in nature with strategies continually emerging and evolving in relation to the incessantly uncertain and changing environments surrounding the firm.

In conclusion, there are a number of perspectives that can be considered in relation to understanding organisational strategic behaviour. Furthermore, these perspectives are meaningful in the context of corporate level strategic decision making and they do indeed add to both - the debate - and - our understanding of important issues on organisational strategic behaviour. However, they do not cover all aspects of the subject.

Notwithstanding this, it is difficult to achieve total coverage all aspects of strategic behavioural change in a doctoral thesis and this is not the objective here. An important point to note therefore, is that in understanding the strategic behaviour of organisations this can be determined by examining the nature of changes that organisations introduce in response to strategic decision making. Some would suggest that these issues are implied with the area of strategic management, however, others disagree and suggest that these behaviours warrant special attention and categorisation. However, the

debate continues and consequently, there are a number of other important developments that require elaboration and further discussion, prior to examining extant research on corporate level strategic decision making in the UK telecommunications market, accordingly, these developments are now addressed.

In understanding the strategic behaviour of organisations, there are a number of important developments that have become established concepts over the past two decades. To begin with, there is the issue of core competence development, which has been seen by many researchers as fundamental to organisational success e.g. Penrose (1959); Ohmae (1982); and Teece (1986). Here, a firm's core competence demonstrably evolves from the chemistry, of the intertwining of resources, skills and policy development. However, Snow and Hrebiniak's (1980) examination of an organisation, uncovered the term "distinctive competencies" and these were explored in relation to ten functional areas of the firm. Some debate has therefore surrounded the exact definition of the term and as a consequence, Prahalad and Hamel (1990) are proponents of the term "core competencies", and apply this in the context of defining the central capabilities of an organisation. They defined core competencies as :-

"the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technology." (p82).

Early researchers in the area of strategic behaviour focused on the internal analysis of organisations and found marked differences among close competitors in the same industry. In this vein, Selznick (1957) was one of the first writers to acknowledge, that factors internal to an organisation, such as its personnel and previous experiences', were crucial to the achievement of

strategic success. Selznick used the term 'distinctive competence' to refer to these institutional peculiarities and norms, that played a large part in determining the potential success of organisational strategy. While Ansoff (1965) focused on the analysis of an organisation's strengths and weaknesses, Learned et al (1969) were influential in noting that a company's competitive strength derived from its 'distinctive competence' or 'what it could do especially well'. For them, the goal of corporate strategy was to match a firm's 'distinctive competence' with available opportunities and thus gain a competitive advantage.

With this in mind, Porter's (1980) research which was developed from traditional industrial organisation theory, attributed a firm's competitive advantage primarily to the industry of which it was part, and to its competitive position in that particular industry. Hence, organisations achieved competitive advantage by building strategies on unique resources and assets, which were rather difficult for others to imitate. Additionally, Porter's work continued through the development of value-chain analysis, (Porter (1985)). This framework was used as a means of describing and analysing the activities within and around an organisation and relating these to a firm's ability to provide value-for-money products and services. Hence, organisations were seen as much more than an accumulation of machines, peoples, materials and money, etc, but if collectively deployed, could produce competencies in performing particular activities. Thus, the source of a firm's competitive advantage lay in combining these competencies with the firm's ability to

manage linkages between activities. Porter therefore argued that in order to understand the concept of strategic capability, the firm must begin by identifying the separate value activities.

Coincidentally, Wernerfelt (1984) was also working in this area of research and took a slightly different approach, where he explored "A Resource-based View of the Firm". Although his work was ignored at the time it eventually led to the development of the resource-based school (Wernerfelt (1995)). This view, contends that the type, magnitude and nature of a firm's resources and capabilities are important determinants of its profitability. In this context, Wernerfelt's noted that practising managers did not become aware of the resource-based view until the publication of Hamel and Prahalad's (1990) article which presented many of the ideas in a compelling managerial style and consequently, made the case for corporate level distinctive competencies which were later seen as the collective learning of the organisation. As the resource-based approach continued to develop throughout the 1990s, the nature of resources and capabilities (or competencies) was examined more closely. Amit and Schoemaker (1993), defined resources as stocks of available factors that were owned or controlled by a firm, while capabilities were identified as referring to a firm's capacity to deploy resources, usually in combination, to effect a desired end. Hence, capabilities were seen as information-based tangible and intangible processes that were firm specific and developed over time through complex interactions among the firm's resources. Consequently, these could not

normally be acquired, but required to be built over a period of time. Since capabilities tend to be related to the outcome of organisational learning, firms that successfully identify and cultivate their capabilities can use them to obtain a sustainable competitive advantage. Sanchez et al (1996) identified these resource-based competencies as being a market driven concept, with the existence of competitive advantage in a market primarily being determined through the process of competition involving many firms' internal skills.

In understanding this resource-based concept of strategic decision making therefore, resources are of little strategic value unless effectively co-ordinated and deployed and co-ordinated deployments of resources are of little use unless they produce product or service attributes that meet market needs. Thus the competence perspective suggests that the internal aspects of strategy (firm competencies and resources) and external aspects of strategy (products, markets and industry environments) are inextricably inter-related and cannot be adequately understood when either is analysed in isolation from the other. In this case, the link between marketplace competitive advantage and internal competence must therefore be both important and strong. More recently, Slack et al (1995) emphasise the importance of core competencies in terms of the 'jewels in the corporate crown', while Greaver (1999) had a lengthier, but nonetheless no less-accurate description: -

"Core competencies are the innovative combinations of knowledge, special skills, proprietary technologies, information and unique operating methods that provide the product or the service that customers value and want to buy." (p87).

Where core competencies are lacking, or ill defined, Greaver suggest that an organisation can acquire or improve core competencies by hiring talented people, renting consultants or embarking on joint ventures. In terms of the resource - based perspective, Teece et al (1997) make a very good point, when they note that the fundamental question in the field of strategic management was how do firms achieve and sustain competitive advantage, which was typically defined as superior financial performance.

There are a number of criticisms of the resource-based perspective. Sanchez et al (1996) commented that the limitations to the competence perspective included "a paucity of empirical studies" while Lewis and Gregory (1996) reviewed areas of secondary literature that touched upon ideas of competence and capability and concluded that there was a lack of practical application and empirical evidence to support the theorising. Coyne et al (1997) on the other hand, claimed that while the idea of core competence had been enormously popular with managers, for most, it had been 'like a mirage : something that from a distance offered hope in a hostile environment, but that turned to sand when approached.' Moingeon et al (1998) noted that most current studies using the resource-based view, were theoretical in nature and had usually adopted a static perspective with the

goal being more to describe the resources controlled by the firm than to study the dynamics of how resources were acquired and managed. A final point, Scarborough (1998) criticised the resource-based approach because researchers had been unable to operationalise competencies adding that it was debatable whether resource-based theorists had succeeded in opening the black box of the firm only to confront another black box which they duly termed 'competencies' or capabilities.

In concluding this section of the study, the researcher has examined and discussed extant research, in order to demonstrate an understanding of theoretical underpinning on the impact of corporate level strategic decision making on the strategic behaviour of organisations. Consideration has been given to various concepts and indeed contexts, to which strategic decisions apply. A number of terms appear to dominated the general area of strategy, and definitions were therefore alluded to, which assist understanding, and which will be required throughout the remainder of this study. A number of typologies of strategy were discussed included: - strategy; generic strategies; corporate level strategic decision making; strategic planning; the strategic planning process; strategic management; core competence; competitive advantage; and the resource - based perspective on strategic decision making. In terms of these concepts, conventional wisdom is not monolithic, but consists of different and sometimes conflicting explanations.

Armed with an understanding of corporate level strategic decision making, the study now seek to identify whether sufficient research exists which contextually identifies the evolving nature of corporate level strategic decision making at British Telecommunications since privatisation of the firm in 1984.

Following an understanding of important issues and concepts associated with corporate level strategic decision making, the study now turns towards examining the works of prominent theorists, in order to establish if sufficient materials and explanations exist in the area of the evolving strategic behaviour of the UK telecommunications industry. In this vein, this section seeks to integrate the concepts of strategy, (identified in section 2.4) with appropriately sourced literary materials which empirically report on the evolving strategic behaviour of the UK telecommunications incumbent since privatisation in 1984.

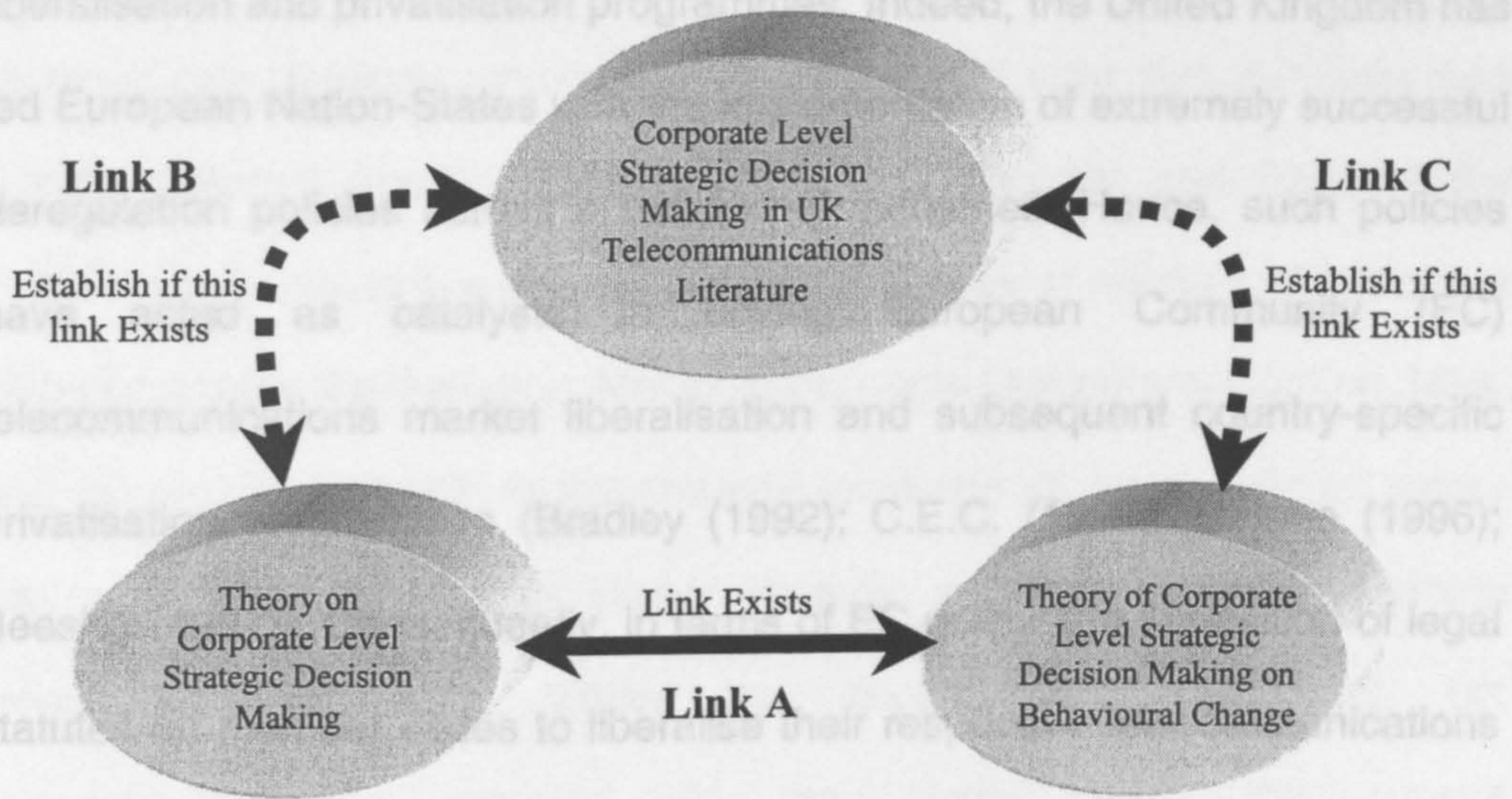
In continuing, this section begins by examining extant research in order to identify if sufficient empirical evidence exists which assists our understanding of the evolving nature of corporate level decision making in the UK telecommunications incumbent since privatisation. Thereafter, the study seeks to identify if sufficient empirical evidence exists which assists our understanding of the impact of corporate level strategic decision making on the evolving behavioural nature of the UK incumbent operator. Finally, in relation to these two areas, this section seeks to identify any weaknesses or gaps in the literature, that require further inquiry.

Hence, in considering whether the evolving nature of corporate level strategic decision making has been empirically reported on the UK

telecommunications incumbent operator, Figure 2.7 has been generated in order to pictorially represent these two areas of inquiry,.

Figure 2.7

Identifying Theoretical Links of Inquiry



Source : Autor Generated

It is worth noting from Figure 2.7, that from the theoretical evidence of earlier sections in this chapter, sufficient theory on corporate level strategic decision making already exists. Furthermore, sufficient materials were presented which suggests that theory of corporate level strategic decision making on organisational behavioural change has been adequately addressed. Therefore, it is concluded that sufficient theoretical links between these two areas exist and this is shown on Figure 2.7 (Link A).

Hence, the study continues in order to identify key sources of empirical evidence that have shaped thinking in the areas of strategy and behavioural change in relation to the UK telecommunications incumbent operator and to establish whether or not, these links exist (Links B and C).

Reflecting on the evolving global fixed-link telecommunications industry, most countries have been extremely slow to embrace deregulation, market liberalisation and privatisation programmes. Indeed, the United Kingdom has led European Nation-States with the implementation of extremely successful deregulation policies across a number of industries. Hence, such policies have acted as catalysts in driving European Community (EC) telecommunications market liberalisation and subsequent country-specific privatisation programmes (Bradley (1992); C.E.C. (1992); Majone (1996); Beesley (1997)). Consequently, in terms of EC policy, the imposition of legal statutes on member states to liberalise their respective telecommunications market by 1998, has resulted in a shifting in stance from primarily monopolistic competition status, towards the more liberal position of regulated competition (Hood et al. (1993); Edwards (1997); Brierly (1997); Bangemann (1997)). It is important to note that the impact of deregulation has brought with it, a definite will for change, with both incumbents and new market entrants striving to achieve success through strategic positioning and re-positioning, within rapidly transforming markets.

On examining extant research on the larger firm, management theory shows that a number of levels of strategy are seen to co-exist, from the Corporate level to the Operational or Functional level (Ansoff, 1979; Johnson and Scholes, 1999) with the Strategic Business Unit level (Hall, 1978) falling between these extremes. Indeed, with the rapid growth of joint ventures,

mergers; strategic alliances and organisational partnerships, the recent work of De Wit and Meyer (1999) has extended the aforementioned levels of strategy to include (at the uppermost level of such organisations) the Network or Multi-Company level. This clustering of firms into groups of two or more organisations resulting in the creation of inter firm networks was initially reported upon and categorised by Lorenzoni and Baden-Fuller (1995) who espoused examples extending across a number of industries with companies like Benetton, McDonald's, Apple Computers, Corning, Nike, etc. Such a radical shift in the strategic evolution of organisational theory has not gone unnoticed, as similar strategic activity appears to emanate from firms operating within the Global, European and UK telecommunications markets. At the global level, the current telecommunications industry portrays a number of distinct regional and country-specific variations in terms of individual market size, growth rates, regulation, technological capability, and business expansion opportunities, etc. Indeed, in the early 1980's, the USA led the telecommunications revolution with market liberalisation resulting in the break-up of the Bell Corporation and subsequent restructuring of the US telecommunications market (Kahn (1988); Faulhaber (1988)).

Globally, over the past twenty years, the telecommunications industry has seen unprecedented change. In addition to a number of key drivers of strategic change (e.g., market liberalisation, increasing consumer demand, cost drivers, globalisation, etc.) technology has played a vital role in the

integration of the three predominant areas: information, communication and entertainment. Here, considerable advances in wireless technology have stimulated research and development laboratories to the extent that there now exists, a rapidly evolving global information economy. In essence, since the mid-1980s, the evolving nature of the European telecommunications industry has consistently focused on the opening up of markets to foreign competition (Van Der Merwe (1987); Sapolsky et al (1992); Higham and Lee (1996)). Notwithstanding this, progressive change and the revolutionising of global telecommunications network markets have now clearly been accepted, particularly in Europe. Since privatisation in 1984, the UK incumbent (BT) has welcomed the opportunity to strategically position themselves as a European and indeed, a global player, in the delivery of a constantly increasing and diverse basket of services (e.g. fixed-link voice, simple resale, wholesale, data, bit transfer, mobile, billing services, number portability and wireless products). The UK market has witnessed the number of operator licenses increase from a handful in 1984 to more than one hundred and twenty by 1998. Such a dramatic increase has created a distinct requirement for the strategic repositioning of BT.

Notwithstanding this, the impact of these changes has focused significant attention on the important issues of deregulation, market liberalisation and privatisation of country-specific telecommunications operators from researchers from around the globe (e.g., Noam (1987); Beesley and Laidlaw (1989); Gillick (1991); Doyle (1996); Esser and Noppe (1996); Cave (1997)).

With rapid changes occurring, through the liberal behaviour of governments, this appears to have revolutionised strategic thinking in the telecommunications industry, as individual markets primarily consisted of one organisation. In terms of the benefits of market liberalisation on organisational behaviour, liberalisation has been seen to stimulate industry change and allow telecommunications to be viewed from important conceptual and contextual perspectives. Thus, the nature of such change has led to the development of unfettered ambitions of telecommunications firms, as they strive to position and re-position themselves in the reshaping and restructuring global marketplace (e.g., Porat (1977); OECD (1988); Antonelli (1991); Ioannidis (1993); Frieden (1997)). The UK incumbent has been at the forefront of these changes and has actively sought to play a leading industry role. One of the poignant issues of inquiry revolves around the impact of key events stimulating structural change of the UK telecommunications market, which as yet, remains unclassified.

A number of studies have reported on evolving market structures e.g. Aronson and Cowhey (1988); OECD (1990); The Economist (1995); Klepper (1997a); Klepper (1997b); Keynote (1998); etc, including life cycle models, however, the dynamics of the key stimuli inducing structural change are unknown. In particular, the evolving telecommunications markets have also been the subject of inquiry, e.g. Porter (1994); Cave (1995); Financial Times (1996); etc, and yet, although key factors have been identified as stimulating change, market structural dynamics appear under researched.

Hence, an area of weakness exists within the existing body of literature, on the dynamically evolving nature of telecommunications market structures. Therefore, from Figure 2.7, Link B requires further inquiry in this particular area.

In continuing, without putting too fine a point on it, there appear to be far fewer empirical studies being reported on over the last twenty years - in the general area of strategy than in previous years i.e. during the 1950's - 1970's. A number of reasons no-doubt exist, and some of these include, the restrictions in access imposed by corporations to appropriate sample frames; or due in part, to the sensitive nature of the data - from both a legal perspective and potential competitor awareness of data. Similarly, the subject area of telecommunications has grown at a rapid pace since the introduction of deregulation in the U.S.A., in the late seventies. However, yet again, there is a dearth of empirical evidence, particularly in terms of empirical case study materials. As an historian, this situation does present a problem, where on the one hand, there is an opportunity for researchers to exploit this area, and on the other, little empirical evidence can slow progress in this particular research area. Indeed, with rapid changes occurring in the global telecommunications environment, there is a distinct need for historical collations of empirical data.

Notwithstanding this, much of the extant works in the area of telecommunications strategy are in a similar state, with materials being

primarily based on theorising, are generated in terms of particular interpretations, or indeed, are various perspectives of others' works (e.g. Collins (1987); Dimson and Marsh (1987); Wallenstein (1990); The Economist (1995); Dowling et al (1994); etc). Much of this theorising is both warranted and useful in assisting understanding, hence, this researcher is not advocating any signs of incorrectness, but simply makes an observation.

Areas of particular weakness in extant research, include :-

- The nature of strategic decisions that were made by the UK telecommunications incumbent operator following Privatisation in 1984;
- An understanding of why these strategic decisions were made;

- and -

- A distinct lack of understanding of the evolving nature of strategic decision making in this organisation and indeed, in the telecommunications industry.

Against this backdrop, this situation does present a potential problem for current and future researchers seeking to examine volumes of data, of an historical and empirical nature, in the particular subject area of telecommunications strategy.

Therefore, a distinct weakness of current empirical literary evidence exists in the area of the collation of the evolving strategic decision

making of the UK telecommunications incumbent operator since privatisation in 1984. Hence, from Figure 2.7, Link B requires further inquiry in this area.

Within the global telecommunications industry, a number of studies have been conducted outlining the evolving behaviour of former monopoly telecommunications operators. Indeed, from extant research, a number of sources espouse on the strategic behaviour of the UK telecommunications incumbent, and on the general UK telecommunications market. However, there is indeed a distinct lack of empirical works on the evolving strategic behaviour of former incumbent operators. Although important, much of the existing works are primarily based on secondary data, this therefore creates a vacuum of empirical studies. (e.g. Hutcheson (1985); Hills, (1986); Dimson and Marsh (1987); Stalk and Hout (1990); Rutkowski (1991)). A particular recent study which warrants special mention, considers a comparative study of three international telecommunications operators, namely AT&T of the USA; BT of the United Kingdom; and NTT of Japan, (Fransman (1994)). This work compares the vision, strategy and competence of each of these firms and ponders a number of questions relating to the areas of strategic choice and strategy selection. Unfortunately however, Fransman concludes that it was not possible to reach a definitive conclusion regarding the relative efficiency of the strategic options. Fransman goes on to note that the efficiency of strategic choice is largely dependent on the respective firms' competencies and associated organisational and managerial infrastructures. On examining Fransman's data, little empirical data, (if any) appeared to exist, as only secondary data was evident. This form of research, although interesting, is typical of many studies in this emerging area of

telecommunications - post deregulation. Hence, it is studies of this ilk that have spurred the researcher of this current study, to explore this particular area.

Hence, a clear gap in extant research exists, whereby empirical evidence on the evolving behavioural nature of corporate level strategic decision making of the UK incumbent telecommunications operator is severely lacking. Therefore, from Figure 2.7, Link C requires further inquiry in this particular area.

A further important area that requires a greater detail of empirical understanding and inquiry, are the behaviours of incumbent telecommunications operators in internationalising their service offerings. Consequently, it was stated earlier, that the concept of globalisation was affecting all areas of business and telecommunications was seen as no exception. Within the plethora of literature discussing the meaning and interpretation of organisational internationalisation, considerable evidence exists which leads towards both broadening and deepening understanding of business activities, which transcend national boundaries (e.g., Vahlne and Wiedersheim-Paul (1977); Porter (1986)). In a similar vein, with the drive towards worldwide standardisation of consumer tastes, the evolving concept of firm globalisation is now accepted as a reality (Kogut (1985); Buckley and Casson (1992)). Furthermore, internationalisation processes have led towards a vast array of models and approaches intimating that international

activities tend to evolve in stages (e.g., Johanson and Wiedersheim - Paul (1975); Hood et al (1994)). Such observations indicate a greater concentration - of a theoretical nature - on a number of fundamental but important issues associated with organisations balancing risk, experience, commitment and control of foreign involvement, in terms of a variety of perceived benefits in both the establishment - and - expansion of foreign operations. Critically therefore, as we enter the 3rd millennium and firms from across all industries continue to position and reposition themselves for the environmental uncertainty and indeed, the rapidly evolving global markets that face them, strategic alliancing appears to become more attractive as a management option and as such, cannot be ignored (Niederkofler (1991); Child and Faulkner (1998)). Indeed, recent literature on international and global strategic alliances have been the centre of attention of many practitioners, resulting in the identification of a number of well-developed issues that seek to explain the reasoning behind the strategic alliance decision (e.g., Francis (1991); Rao and Schmidt (1998)).

Against this backdrop, changes in the global telecommunications industry have brought strong thrusts towards both market liberalisation and deregulation policies attracting foreign players to previously inaccessible markets (Hood et al (1993); Majone (1996); ITU (1999)). Due in part, to competition law and country-specific political regimes, international strategic alliancing is becoming one of the few modes of foreign market entry available to telecommunications firms (Moss (1998); Raphael (1998); Pappalardo

(1999)). Notwithstanding this, the global telecommunications industry has recently seen significant growth in the number of international strategic alliances with firms from both within - and - outwith the industry becoming increasingly involved (Ioannidis (1993); Beardsley and Evans (1998); Jardine (2000)). Unfortunately, however, there appears to be a dearth of critical examination, analysis and evaluation of the evolving nature of international strategic alliance decision making in the global telecommunications industry. Within this scarcity of decisional information lies the context of part of this study. Indeed, it would appear that the issues of strategic alliance management and indeed the success of strategic alliances have been given significant literary coverage (Harrigan (1986); Scanlon (1990)). Unfortunately however, in terms of identifying the nature of organisational decisions in the strategy evaluation process for entering into an initial international strategic alliance, or indeed, when entering into further international strategic alliances in telecommunications , little evidence on the nature of the key dimensions of decisional issues and any associated patterns of organisational behaviour appear to exist.

Notwithstanding this, the relatively recent phenomenon of market liberalisation has opened up this vast area of inquiry and there is therefore a greater need of empirical studies on both strategy and the evolving strategic behaviour of former monopoly telecommunications operators. What can be examined from previous studies, is the impact of strategic decisions on the evolving market(s) and the resultant strategic behaviour of competitive

positioning, however, in terms of understanding wider aspects of the behavioural nature of strategic decision making of the UK telecommunications incumbent operator, a dearth of material exist. Indeed, areas of evolving culture, evolving structure and international expansions, therefore appear to be under researched.

The literature in this area of management is vast, and a great number of works have been reviewed for this thesis, but not all materials come from the area of management, as other field have indeed made a significant contribution. It is the evolving behaviours of telecommunications incumbent operators in relation to entering into and expanding their network of international strategic alliances, which is important. In particular, it is the key characteristics of strategic impact that is important and it is this area that little in understood.

Hence, a clear gap in extant research exists, whereby empirical evidence on the evolving behavioural nature of corporate level strategic decision making of the UK incumbent telecommunications operator is severely lacking, in terms of internationalisation. Therefore, from Figure 2.7, Link C requires further inquiry in this particular area.

The study now continues by identifying a series of research objectives, which will be used as a basis for empirical research.

2.6 Defining Research Objectives

Following an examination and discussion of relevant extant research in the area of the evolving nature of corporate level strategic decision making of the UK telecommunications incumbent operator since privatisation in 1984, this section of the study has been developed in order to identify the main aim of this research, and to generate a series of research objectives which will form the basis for progressing the study.

Few empirical studies have reported on the nature of corporate level strategic decision making of British Telecommunications (BT) since privatisation and consequently, a clear gap exists. In this particular case, interest also lies in exploring the evolving natures of strategic behavioural changes that the firm has undergone since privatisation in 1984 which is also under researched, as little empirical evidence exists and therefore this requires researcher attention. It is against this backdrop, which has determined the topic of this study. Hence, the particular purpose of this study is to address the issue of :

“An historical examination, analysis and collation of the behavioural nature of the evolving corporate level strategies developed by the UK telecommunications incumbent (British Telecommunications plc.) within the dynamic UK telecommunications market, since privatisation.”

With this in mind, many important issues have been mentioned in this chapter which hypothesise as to both “what strategies have been developed by BT since the onset of UK privatisation?” and indeed, “why those specific

corporate level strategic decisions had been developed?" Unfortunately, to the knowledge of this researcher, a number of questions still remain unanswered and therefore, the following research objectives emanate from this research aim and are now specified in order to allow a concentration of focus for this investigation. These three objectives are stated as follows: -

Objective 1:

To explore the behavioural nature of the evolving corporate level strategies of the UK telecommunications market leader (BT) since privatisation, which has so far been ignored by previous research.

Objective 2:

To collate the historical evolution of those crucial company and industry specific factors, from the perspective of BT, that influenced the process of corporate level strategy development within the firm, that has been ignored by previous research.

Objective 3:

To extend our knowledge of corporate level strategy within conceptual and contextual frameworks, in terms of unfolding dynamic and evolving European and UK telecommunications market structural developments beyond the current limits of extant theory from the perspective of the incumbent within this industry.

Having stated these research objectives, the study now progresses towards summarising the finding of this chapter.

2.7 Chapter Summary

In recapitulating, within the global telecommunications industry, a number of studies have been conducted outlining policy adoption by countries, in relation to particular telecommunications markets e.g. Cherry (1978); Savage (1989); Besen (1991); Cowhey and Aronson (1991); Pitt and Morgan (1994); and Williams and Nakamoto (1997). Consequently, in addressing many of the important underlying issues, which emanate from these works, they can be seen to have significant implications for the UK telecommunications market. In this vein, the UK telecommunications market typified nationalised industries that were beset with problems, which are inherent, when market based-competition is absent and decisions are politicised. Hence, with prohibited market entry, consumers lack the power of choice, or indeed, the power of exiting the market. Additionally, these industrial corporations appear to have little incentive to take into account the interests of the consumer. Consequently, a further problem arises, with the lack of market-based competition - there is no threat of take-over and therefore little stimulation for improving efficiency. The ultimate loser is seen to be the owners of the business - the public, who in fact have no transferable property rights. Managerial decision making in the monopoly operator therefore, embraces uncertainty and confusion as to the priorities and setting of either public sector or commercial objectives.

Moving the debate forward, when considering the impact of deregulation on the evolving UK telecommunications market from 1981 until 1991, it could be

argued that Prime Minister Thatcher was perhaps the most influential driving force for change within the UK market. Indeed, this introduction of competition, choice and value for money, into publicly owned monopolies through deregulation has been recognised by many as being ideologically sound (e.g. Littlechild (1983); Armstrong et al (1994); Vickers (1995); Nuttall and Vickers (1996). Additionally Sarkar et al (1999) recognised this ideology as directly impacting structural change in telecommunications and noted,

"..... telco's have developed as either regulated monopolies, or as state-owned and operated entities in most countries.... Radical shifts in political-economic thinking have brought about fundamental changes ." (p361).

With such an oblique and radical mindset, many have welcomed regulatory reform in Telecommunications (e.g. Beesley (1981); Littlechild (1983); Oftel (1989); Noam (1992); Anon (1997) etc.,) and on this note, Wellenius and Stern's (1994) observations are seen as productive, in terms of the impact of liberalisation programmes. Here, they stated,

"...a move towards free markets is bringing with it a wave of privatisation and liberalisation, and thus new market opportunities. Increasing information intensity of economic activity and the globalisation of capital flows, manufacturing, and trade have resulted in a strong demand for better, more varied, and less costly communications and information services." (p152).

Although this description may sound enlightening, in challenging the success of UK market liberalisation, data suggests that after more than eleven years of liberalisation (i.e. by 1995) business customers were the main benefactors and residential customers were restricted for choice. Mercury Communications, which had been BT's main competitor since 1982, had accumulated an 8.5% share of the UK fixed-link voice telephony market, and most of their revenue was generated from the business sector (KeyNote, 1995). As far as the cellular network operators were concerned, they had managed to obtain an 11% of the market and BT's market share was a staggering 78%. These figures were in the face of their being - twenty-six licensed national and regional PTO's and fifteen cable companies with regional franchises. Therefore, BT continued to dominate the UK market, and many advocates of market liberalisation (e.g. Armstrong et al (1994); Shankar (1996); Helm and Jenkinson (1998); Ayres (2000)) criticised the regulator and the government for failing to introduce "real" competition into the UK, particularly in the domestic sector. As a consequence, Graham (1996) and Farrow (1997) argued that domestic customers had not really benefited from the introduction of competition. This situation was exacerbated when BT was allowed to "rebalance tariffs" on the grounds that the company was responsible for the maintenance of the network infrastructure, for the provision of "universal" service at a controlled price, and for the national provision of "unprofitable" services e.g. emergency, rural, etc. BT argued that the cost to other companies of leasing their lines was too cheap in view of these burdens. Some experts, assessing these rebalanced

tariffs, concluded that domestic customers were being asked to foot the bill in favour of business customers.

Against this backdrop, the comparative failure to introduce real competition in fixed link voice telephony can be attributed to several factors including the inherent contradictions in BT's role, where on the one hand, the incumbent is seen as being both the owner and maintainer of the infrastructure; and on the other, a competitor in the delivery of services, a discerning issue raised by Harper (1998) and Scherer (1998). A further factor concerns issues that relate to the continuing reliance on BT as the "owner" of the infrastructure, which raises many questions as to the conflicting responsibilities of BT, in terms of satisfying its shareholders and the evolving regulated market re: equal and unrestricted competitors access to the network.

Further problems lie in the difficulty of making BT competitive, when its licence conditions include "service obligations". This is seen as a major barrier, whereby issues of responsibility, resource and commitment etc, are noted as serious restrictions by Shankar (1996) and Farrow (1997). Consequently, for more than two decades, practitioners have commented on the issue of stimulating competition (e.g. Beesley (1981); Brock (1981); Communications Steering Group (1988); Bishop and Kay (1988) and Noam (1992)) and serious implications of the piecemeal UK approach, point towards the large capital investment, disruption to the environment and the time frame required to lay new infrastructure as impractical and infeasible.

Observably, an important issue raised by Mansell (1993) of, new technology in communications through computers, thereby by-passing the regulatory problems of traditional telecommunications and proving to be less expensive, is reiterated by Cane (1997). Hence, the growing pursuit of the cable route and neglect of the potential of wireless technology was bypassing and therefore short-circuiting the infrastructure problems. This was well argued by Garnham (1990) and Frieden (1997) and therefore cannot be ignored

The Regulator and the UK government must bear some criticism of their actions. The government, through market liberalisation, released the genie from the bottle, without realising the potential ramifications of their action, over the longer term - unfortunately, the genie cannot be returned to its original state. In addition, the reliance, which Oftel is forced to make on BT for its "information" and, therefore, decisions, are seen as problematic. Additionally, the regulator must accept some blame for their actions, or lack of actions, with the regulatory difficulties placed in the path of potential market entrants, where they are faced with direct competition and to the huge clout of BT, thereby limiting the success of the ethos of liberalisation. Hence, it is no wonder, that there is a tendency of entrees to concentrate on the provision of value-added services because of the difficulty and risk involved in entering the fixed link voice telephony market. Hence structural reform of UK telecommunications, although significant, has been slow to say the least; and at times, has clearly not gone far enough - particularly in terms of liberalisation in fixed-link telephony.

Hence, this chapter has outlined a series of inquiring issues relating to both corporate level strategic decision making and the telecommunications market. With this in mind, the initial starting point of this study outlined a number of questions that, rather quickly, bounded the study. In this vein, the purpose of the study was outlined and indicated that it was the evolving strategic behaviour of the telecommunications industry that was of importance and in particular, the UK telecommunications industry and the time frame bounding the study was identified as the period 1984 - 1998.

Thereafter, literary evidence was examined and discussed, in order to identify: -

- key works and issues relating to the development of corporate level strategic decision making in the UK telecommunications market, and
- the impact of such decision making on organisational behavioural change in relation to the UK telecommunications market.

Conclusions suggested that gaps in extant research existed in both these areas. Consequently, based on the main aim of the study, three key objectives were seen to emanate and these were defined. The study now continues by conducting an environmental analysis, in order to assist the reader in identifying key trends in the telecommunications industry.

Chapter 3

Analysing the Environment

3.0 Analysing the Environment

3.1 Introduction

The purpose of this Chapter is to examine the literature presented in the previous chapter in order to conduct an analysis of the external environments in order to identify important trends that will assist both the researcher and the reader in understanding key aspects of issues that affect firms operating in the telecommunications industry. Consequently, the following section of the study begins by conducting an external environmental analysis of the environment in which the incumbent UK telecommunications firms operate within, following which an analysis of the telecommunications industry is presented using an industry analysis technique.

3.2 Environmental Analysis

In understanding this form of macroenvironmental analysis, according to Ginter and Duncan (1990) environmental analysis (commonly termed PESTE analysis) assists the firm in responding to political/regulatory, economic, socio-cultural, technological and ecological changes in the external environment, that the firm has little control over. Hence, firms use this analysis in order to identify a number of factors in these five areas, which are considered to have a significant impact on a firm's strategic decisions. In this particular case, it is necessary to give due consideration to the nature of the

environment in which the incumbents UK telecommunications firm functions. In this vein, in order to apply this technique to BT's external environment this PESTE analysis relies on past events and experiences and can therefore be interpreted to predict future environmental trends. The firms can therefore begin, or continue to take cognisance of the identified issues in corporate level strategic decision making. The results of this analysis are summarised at the end of section 3.2.7.

3.2.1 The Political/Regulatory Environment

- Political stability of the many different countries in which BT operates.
- Decisions made by the telecommunications industry regulator, Oftel, are relatively unpredictable and have been problematic on occasion.
- Relationship with the previous and current government. BT had a sound working relationship with the previous government since privatisation, and has developed a very good working relationship with the new Labour government. This latter issue is emphasised by BT's support for the governments "New Deal Project" re: unemployment issue and the project on the "National Grid for Learning".
- EC attitude to mergers, monopolies and unfair competition could be problematic for future partnerships and alliances and is a potential issue of concern.
- Market liberalisation of the telecommunications markets world-wide, for example, in Europe on the 1 January 1998, has created opportunities

for expansions, however, there is potential hostility from existing competitors, and from those wishing to enter the UK market.

- The impact of European Monetary Union presents a potential problem.
- EU Social Chapter, relating to legislation on employee rights, working hours and minimum wage, require consideration.
- Government legislation regarding the Internet and data protection, is a potential problem as future profits for the firm are likely to be heavily dependent on this market.

3.2.2 The Economic Environment

- The issue of “Business Cycles” is a potential problem for BT. Currently, trends show that the economy is slowing down, with the possibility of a move towards a recession. This does have a major impact on revenue generation, whereby during recessionary periods, customers are less willing to spend their disposable income.
- The Bank of England has generally reduced Interest Rates over the past decade, and they are likely to continue in this vein. This makes UK exports more expensive and less competitive abroad. Hence, with the growth in overseas revenue streams, this has the potential to be significantly problematic.
- Currency fluctuations and foreign exchange rates will expose BT's earnings to additional financial risk exposure of foreign income.

- Inflation is low and controlled within the UK and this is likely, but not guaranteed to remain constant.
- Unemployment levels are falling according to government statistics.
- Costs of raw materials, transport and energy is increasing, thereby affecting the firm's cost structure, although competitors will also be affected by this, due to the scale of BT's operations, this could be a major issue of concern.

3.2.3 The Socio-Cultural Environment

- Shifts in values and culture have been occurring within UK society, whereby the populace is becoming more and more acceptable to the introduction of new technology.
- Changes in lifestyles have been occurring in the UK, with people in society becoming increasingly busier and on the move, therefore relying more and more on pagers, mobile phones, fax, etc, to keep in touch and to control their lifestyle.
- Attitudes to work have been changing, with more people working from home or remotely, thereby relying on telecommunications networks for effective e-commerce.
- Demographic changes in the UK, where the populace is increasingly becoming an ageing population. There is an increasing possibility where this segment will heavily depend on telecommunications links to the outside world. Furthermore, there are general trends within the UK of

falling birth rates, and in addition, there is a more diverse population with different cultural needs from that of the previous generation.

- Distribution of income is a further factor, and the UK is considered to be a wealthy nation, however, BT operates in some of the world's poorest countries and this must be taken into consideration in strategic decision making.
- The relationship and position of the firm within the community is a further issue of concern. BT's Community partnership programme supports health, welfare, education, regeneration, the arts, a number of sports and the issue of disability within the community. Hence, the issue of socially responsibility must be kept at the forefront of their mind.
- Levels of education within society in the UK are relatively high and increasing. BT needs a highly skilled workforce with the necessary technical skills, managerial qualifications and expertise and therefore, close links with institutions of education is an issue of concern.

3.2.4 The Technological Environment

- The speed of change and the adoption of new technology in the industry and the firm are of significant concern and potentially problematic. The costs of both developing technological products and services and their respective introduction to the marketplace are extremely high and increasing. BT is an innovative organisation and to some extent, one of the firms at the leading edge of technology, thereby setting the pace of

change for others in the market. Hence, the firm cannot afford to waste either time or resource, by getting it wrong.

- New patents and products are constantly being introduced into the telecommunications industry, and the firm must therefore continually peruse the UK, European and Global marketplaces in order to develop a comprehensive range of advanced data and interactive media solutions and technologies for the future.
- Due to the nature of the industry, with rapid changes in both products and technology, for those firms that wish to lead the market (i.e. BT and others) there is a requirement for heavy investment in research and development by BT and their competitors.
- There is constant encouragement from both the UK government and EU, towards investment in new technology.
- Development of UK infrastructure to carry data and voice transmissions.
- Growth in home ownership of computers as a result of falling price of PC's world-wide and respective potential impact on internet usage.
- Development of e-commerce and the use of the Internet in business.

3.2.5 The Ecological Environment

- Environmental pressure groups play a significant part in shaping strategic thinking and policy making in all areas of society and business. Hence, the need to develop and establish environmentally friendly

working practices. I.e. trading electronically with suppliers, waste management, energy management, cleaner working practises.

- Forthcoming government and EU legislation regarding environmental issues must be considered and proactively managed.
- In terms of environmental policies, there is a need to be monitored regularly. This encompasses areas such as, procurement, fuel and energy, emissions to air, local impacts and waste
- UK environmental standards, in terms of environmental management must conform to ISO 14001 practices.

3.2.6 Identifying Trends

In order for this technique to be useful, it is important for strategists to focus attention on primary influences that can significantly impact on corporate level strategic decision making. In this vein, this analysis allows the strategist to anticipate opportunities and carefully develop responses for change. Hence, from the analysis in this particular case, there is a need to identify the key environmental trends that are likely to impact on BT, and these are now summarised.

3.2.6.1 Deregulation/Market Liberalisation (World-wide)

Increasing market liberalisation of telecommunications markets, on a global basis. This will create opportunities for joint ventures, mergers, acquisition,

etc, in countries that are not so closely regulated as in the UK. Recent deregulation and market liberalisation in the US market in 1996, and more recently, the European telecommunications market in January 1998 has had a significant impact on BT's overseas operations. The deregulation of further foreign markets, for example, China, may significantly affect the future global strategy of the firm.

3.2.6.2 Societal Changes

Attitudes to work are changing, where an increasing proportion of people work from home or remotely nowadays and therefore rely on telecommunication networks for effective e-commerce. If businesses (in general) support this type of working practice, then this would directly impact BT, in terms of them having to develop an appropriate strategy to meet this increase in demand. A further influence relating to this area, are the development of e-commerce and the use of the Internet in business. Hence, companies will only fully embrace e-commerce if they are assured that it is a secure and viable method of trading - this has yet to be confirmed.

3.2.6.3 Technological Changes

The speed of change within the industry and the adoption of new technology must be of major concern to firms in this industry. The UK incumbent is considered to be a highly innovative company at the leading edge of

technology and seems to set the pace of change for others. However, the speed of change is so fast that complacency could leave BT standing still, particularly so, when rivals are increasingly investing in research and development. Consequently, new technology must be adopted quickly and effectively to provide customers with value-added services, as this could be a crucial factor in developing sustainable competitive advantage.

3.2.6.4 Legislation and Regulation

The issue of legislation and regulator actions can be seen to be a major issue of concern. As BT is a British firm it has recently set up a number of foreign joint ventures and other collaborative agreements in Europe. Thus, the policies of the EU will be of significant influence on strategic decisions. Due to the size of BT and the scope of their global operation, the EC's current attitude to mergers, monopolies and unfair competition could affect future partnerships and alliances. Of further note, is the introduction of "The Social Chapter", which influences policies regarding one of the company's most important resources, people, this must be a consideration in strategic decision making, as the costs of adoption, can be high. Additionally, decisions made by the telecommunications industry regulator in the UK, Oftel, have a significant impact on: competitor activity in the UK; BT's future activities; operations and pricing decisions, and therefore cannot be ignored.

In conducting an environmental analysis, the PESTE analysis is a widely accepted and acknowledged technique, and plays an important part in the strategic management process. It should be noted however, that precise data and answers are not always available to firms and that there is, to some extent, a degree of trial and error in establishing an effective and workable analysis process. In this particular case, data was examined from secondary sources, whereas in practice, a variety of useful sources of information are available to strategists, particularly from within the organisation. Additionally, there is a certain amount of judgement that is required from strategists in determining the key factors in the initial stages, and thereafter, in extrapolating key trends from the analysis. Nonetheless, the scanning effort and analysis should reveal a number of important environmental trends, which assist, in corporate level strategic decision making.

3.3 Industry Analysis

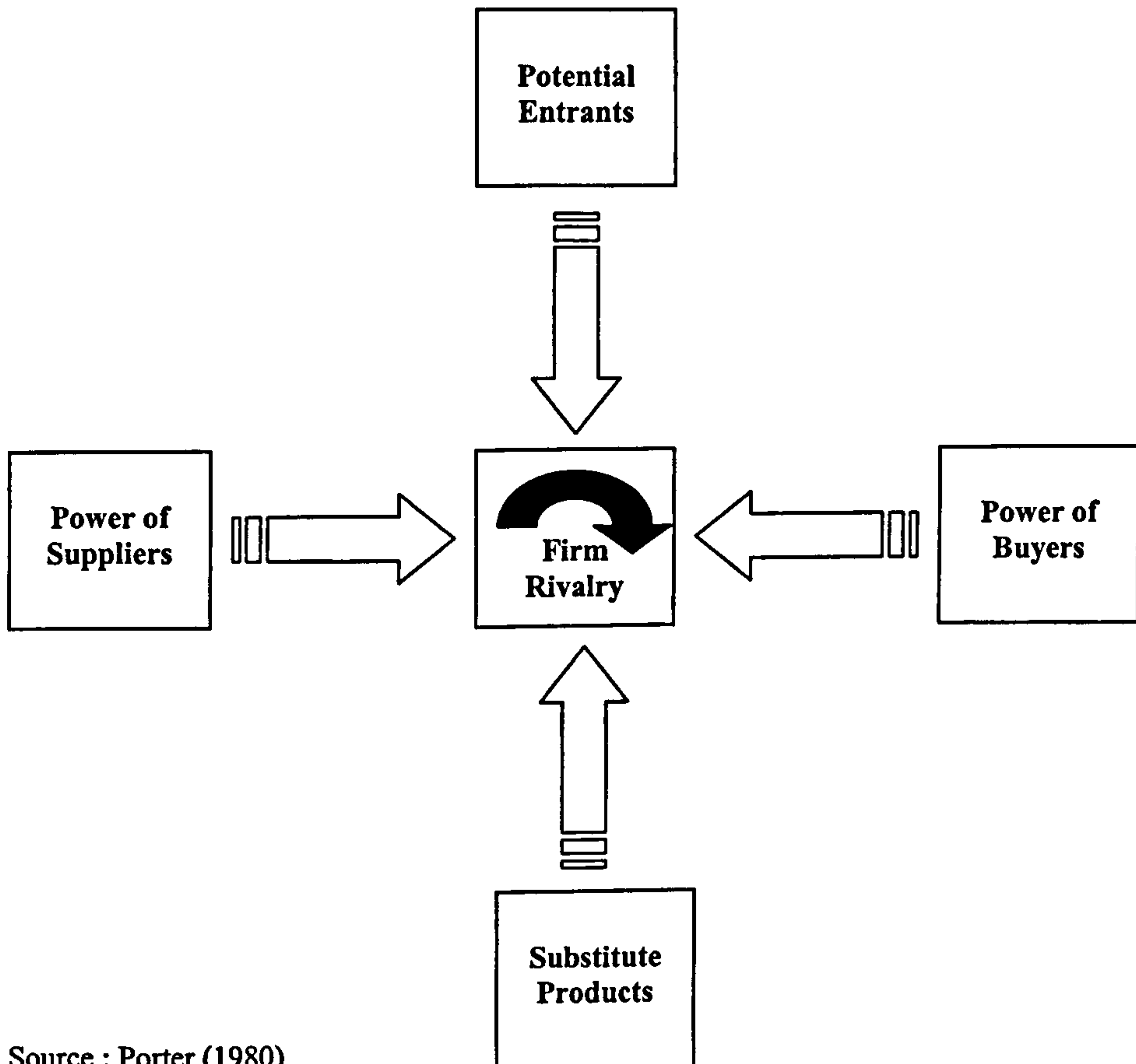
In order to understand the competitive position of a company within the industry in which it competes, a firm can conduct some form of industry analysis. In this context, Porter (1980) developed a technique for identifying the forces which act on an industry (termed : industry five-forces analysis) and these forces can therefore be used in order to : understand the level of attractiveness of the industry - in relation to how profitable the industry is; and, to identify the level of competitiveness in the industry - in relation to the intensity of rivalry that exists in the industry. Hence, the main purpose of this section of the study is to conduct an industry analysis of the evolving telecommunications industry, from an examination of the literature presented in the previous chapter. Consequently, the following section of the study begins by briefly outlining the five-forces analysis technique and subsequently, the technique is applied to the telecommunications industry.

3.3.1 An Overview of Five-Forces Analysis

The main objective of Porter's five-forces analysis is to assist an organisation in its desire to develop - both - opportunities in its environment - and - to protect itself against competitive threats, thus allowing the firm to develop appropriate strategies. The basic assumption underpinning this model is that all organisations seek to protect their own interests and in this vein, Porter describes this analysis as being concerned with the forces, which drive industry competition. Figure 3.1 outlines this model.

Figure 3.1

Porter's Five-Forces Analysis Model



Source : Porter (1980)

From Figure 3.1, the five fundamental forces that can act on an organisation are identified as :

- The bargaining power of suppliers;
- The bargaining power of buyers;
- The threat of potential market entrants;
- The threat of substitute products/services;
- The extent of competitive rivalry in the industry.

In conducting this industry analysis, a firm can therefore identify the key trends occurring in their respective industry, which can be used to develop

the organisation's competitive advantage. Based on this model, the study continues by analysing the UK telecommunications industry thereby identifying key issues that affect firms within the industry, (particularly BT, as they are the major provider of telecommunications services in the UK) following which key industry trends are identified.

3.3.2 Bargaining Power of Suppliers

Porter notes that the bargaining power of suppliers is determined by a differentiation of the respective firm's inputs, and where they are of significant concern, is when the customer's processes require this rare commodity. Suppliers' are therefore powerful when : -

- There are few suppliers in the industry;
- When there are few or no substitutes for their supplies;
- If their price of the supplies forms a large part of the total costs to the customer; and;
- Supplier power is high when the supplier can potentially undertake the value-added process of the customer.

In relation to the UK telecommunications industry, raw materials and components for networks are highly technical, therefore, it is likely that there are few suppliers that have the capability to provide technologically advanced products in each product area, thereby giving the supplier significant power to raise prices. However, BT's financial strength, size and

volume of purchases, is likely to give them some degree of power over their suppliers. Furthermore, BT have reduced supplier power through backward vertical integration and third party alliances, for example, BT Subsea Cables Ltd. This is a trend being adopted by other telecommunications firms. By securing consistent and reliable control over the supply of their raw materials, telecommunications companies can control costs - to a certain extent. However, suppliers do have some power due to the way the UK telecommunications industry is regulated. As BT is the dominant UK telecommunications provider it is subject to strict price controls by the regulator and therefore cannot raise prices to reflect price increases by suppliers.

3.3.3 Bargaining Power of Buyers

Utilities' buyers include both domestic consumers and other businesses. The bargaining power of buyers depends to some extent, upon their price sensitivity and bargaining leverage. Price sensitivity can be reduced through:

- Brand loyalty;
- Differentiation;
- The impact of the service on their product;
- The commercial buyers' own profitability; and
- Customer incentives.

The bargaining leverage of buyers is also important, and this is influenced by the level of :

- The concentration of buyers;
- The volume of buyers;
- The switching costs of buyers;
- Buyer information;
- The threat of backward vertical integration by buyers; and
- The level of existence of substitute products and services.

Buyers therefore, can be seen to have some bargaining power, this is primarily due to the nature of BT's basic service, which is generally homogenous and undifferentiated: i.e. a telephone call is a telephone call. Thus, customers could easily switch to other telecommunications companies who can provide a similar level of service, at a similar, (or depending on the product/service) a lower price. In this vein, BT's commercial customers will have more bargaining power than individual (residential) customers, since they demand a higher volume of service from the firm. Hence, the threat of a large corporation making large amounts of voice and data transmissions every day, switching to another telecommunications service provider is much more of a threat than if a normal residential consumer brand switches.

3.3.4 The Threat of Potential Market Entrants

According to the Porter model, the threat of potential entrants to an industry is determined by the profitability of the industry. In terms of the UK telecommunications industry, the market for data communications is experiencing explosive growth and is replacing voice over the networks. This will therefore undoubtedly attract other firms to the market. With this in mind, some of the telecommunications companies have acquired economies of scale through:- entering into global alliances and joint ventures; the cost of service provision is falling - due to the volume of sales already gained through years of market domination - and it would therefore be difficult (but not impossible) for new entrants to achieve the same low cost levels.

In relation to product differentiation and brand loyalty, BT is a firm that is well known throughout the UK, and recognised as having a reputation for delivering high quality service to customers. The firm has significant experience and knowledge of their UK customers, and as a consequence, it will take a considerable amount of time and significant investment for new entrants to the UK telecommunications market to develop the same level of "brand" loyalty. The telecommunications industry requires significantly large start-up cost to pay for the infrastructure and this acts as a barrier to entry with a rather high degree of risk being attached. However, due to regulatory reform, domestic and foreign firms can by-pass this problem by paying access charges for infrastructure usage and thereby directly compete against the incumbent with little start-up costs.

Notwithstanding this, BT owns a large proportion of the distribution channels to their customers (called the local loop, which is quite simply the last mile of the network, into the customers' home) and with the issue of - the unbundling of the local loop - legislation and new technologies will allow potential entrants, in particular cable companies, to interconnect their systems to established telecommunications companies networks. The barriers to entry are therefore being reduced quite significantly, thereby altering the cost structure of operating a telecommunications service. This aside, it would be a rather daunting task for new entrants to gain any significant foothold in the UK market - in the short term.

A further issue that requires consideration for potential market entrants, is the threat of retaliation from the incumbent, and this acts as a barrier to entry, since dealing with aggressive counter measures requires strong capabilities and significant advantages. Consequently, incumbent telecommunications operators like BT, have the financial power and resources, to cut costs, in order to force new entrants out of the market.

Generally, the switching costs for customers are relatively low, however, there is a growing number of contract products, where it may cost customers to switch to new entrants' products or services. For example, disconnection fees or breach of contract, hence, customers might be reluctant to incur these extra costs and therefore refrain from brand switching. A further issue of concern to potential market entrants to the UK, is that the regulator (Ofcom)

regulates the UK telecommunications industry rather closely, consequently, new entrants may find it difficult and expensive to reach pre-requisite entry-standards.

3.3.5 The Threat of Substitutes

The threat of substitution is quite high in the telecommunications market, as most products and services are relatively homogenous. Consequently, when analysing substitutes, Porter suggests that the following issues should be considered : -

- consideration of the threat of obsolescence;
- the ability of customers to switch;
- the costs of providing some extra aspect of the service; and
- the reduction in profit margin if prices come down.

In relation to the UK telecommunications industry, many customers are able to switch to substitutes easily and *usually* at no extra cost. Additionally, as telecommunications products and services are seen as an essential item for everyday life at home or at work, people need to communicate with each other over long distances, therefore in this particular instance, the threat of obsolescence is very low. The costs of additional services are insignificant compared to the operating profits of most telecommunications firm and in this vein, these are no real threat to the incumbent operator.

3.3.6 Rivalry Among Competitors (Industry Rivalry)

The UK telecommunications market has become increasingly competitive since privatisation in 1984 and competition has become even fiercer since market liberalisation and the entry of foreign players over the last few years. Telecommunications companies are engaging in regular and extensive monitoring of key industry competitors and are now forced to defend their competitive position on a national and global scale. Practices common within the industry are:

- Examining price changes and matching any significant changes immediately;
- Reviewing any product changes made by rivals and regularly introducing new initiatives. Different money saving schemes tailored to customer usage are common amongst all telecommunications companies in the UK;
- Poaching customers back from other telecommunication operators by offering reconnection at minimal costs.

Competitive rivalry is therefore high within the industry because of the high fixed costs and high exit barriers involved with the development of the infrastructure. There is relatively slow market growth of fixed residential lines although this is likely to increase due to 2nd line installations for Internet access. The competitive threat asserted by cable, fixed radio link and the development of digital cellular networks, indicates an intensity in competition in the local loop, an area which BT has, up until now, been able to maintain its market dominance.

3.3.7 Industry Trends

Based on the aforementioned analysis, the major industry trends identified within the UK telecommunications market are:

Bargaining power of suppliers. Supplier power can be reduced by the large telecommunications companies either backwards vertically integrating or forming partnership alliances with their key suppliers. This will allow telecommunications companies to control costs and secure raw materials. However, the level of power of suppliers is seen as being low-medium, depending on the product/service that they deliver to the telecommunications operator, and this level of power is likely to reduce, over time.

Bargaining power of buyers. As the basic services provided by the telecommunications industry are relatively undifferentiated, buyers have a certain level of power. The future success of telecommunications companies, in general, will depend on their ability to offer value-added services that are beneficial to customers. Non-price based competition may prevent brand switching and develop some sort of "brand loyalty". Large corporate customers who represent big financial contracts are more concerned with call quality and network performance rather than price alone. Hence, buyer power is medium - high and it is likely to increase.

Threat of substitutes. It is relatively easy for customers to switch between service, e.g. from landline to mobile phone, email, fax, etc, and usually at

minimal cost, so the threat of substitutes is medium - high in some cases and low - medium in others. There are assumptions here, that most customers have access to alternative products and can pay for them. Telecommunications is an essential service with constant demand. The cost of providing value-added services to customers to gain a competitive advantage are insignificant compared to operational profits. As technology moves forward, the threat of substitutes is likely to become higher, in the longer term.

Threat of potential new entrants. The data communications market is experiencing tremendous growth, thus attracting many new entrants to the possibility of high profits. The convergence of telecommunications, computer and satellite technologies indicates that in the future, established telecommunications companies could face competition from cable and computer companies providing integrated networks. Hence, the threat of market entrants to the UK is medium - high and likely to increase.

Rivalry amongst competitors. Since the deregulation of telecommunication markets around the world in recent years, competition has become fiercer amongst telecommunications providers. Hence, incumbent firms are defending their competitive positions on a national and global level. The biggest driving force to the established telecommunications companies, like BT, is the competitive threat posed by cable, fixed radio link and the development of the digital cellular network to the local loop. Companies,

which can harness these technologies, will be able to overcome the barriers to entry that have protected the telecommunications industry for years. Therefore, advances in technology will be the main agents for strategic change in the future. Hence, the intensity of industry rivalry is medium - high and is rapidly increasing.

3.3.8 Limitations of Technique

Although Porter's model is a useful starting point for competitive strategic analysis, there are some limitations regarding its applicability to the telecommunications industry. Firstly, buyers are judged to be as equally important as the other four forces, however, most telecommunications companies consider customers as a more important aspect of their environment and therefore, satisfaction of their needs will lead to loyalty and sustainable competitive advantage.

Secondly, many telecommunications operators have backward vertically integrated, so that they own a stake in their suppliers or indeed, co-operate with their suppliers to form third party alliances. In these cases, suppliers are not seen as a threat but as an opportunity to work together to cut costs, improve quality, exploit new technology, penetrate new markets and to assist in offering a value-added service.

Finally, Porter's model ignores the human resources aspect of competitive strategy. Attention is not paid to the management skills within different organisations, nor the cultural issues involved in global operations, which have a significant impact on telecommunications firms, and in particular, incumbent operators.

Porter's Five Forces Model (Porter (1980)) provides a useful tool to undertake this form of analysis as it recognises that there are five fundamental forces which exist and these can have a significant impact upon an organisation. The aim of Porter's model is to enable a firm to create a sustainable competitive advantage over rivals, which cannot be easily imitated. This analysis has therefore identified a number of key trends, which have been evolving in the UK telecommunications industry since privatisation in 1984.

The study now continues by examining the area of research methodology, in order to address the main study aim.

Chapter 4

Research Methodology

4.0 Research Methodology

4.1 Introduction

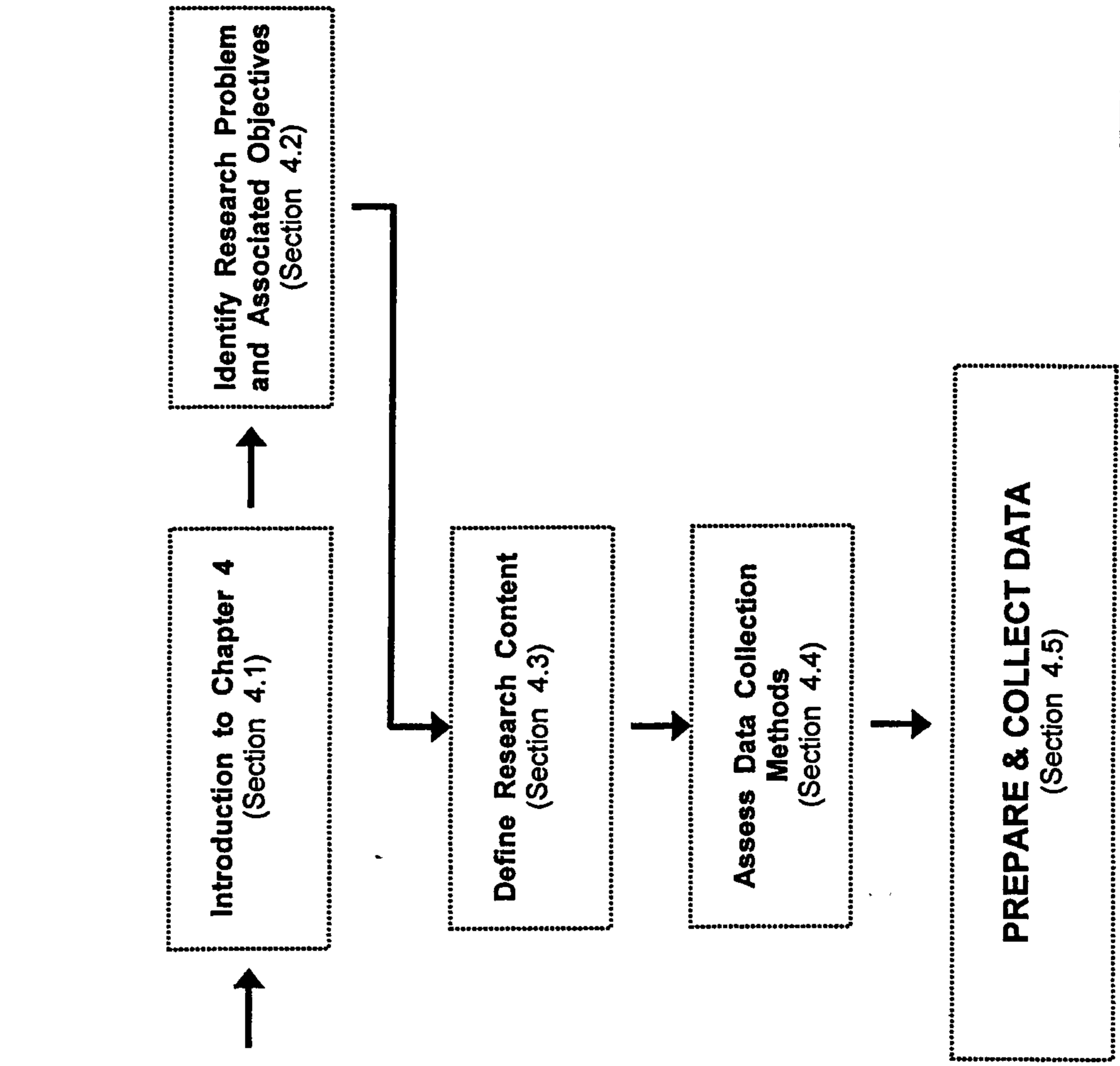
The main purpose of this chapter is to describe the research, which was designed to meet the research problem derived from the literature review and from the preceding chapter. To this end, the following section begins by defining a number of research objectives which - as a direct consequence - have emanated from this research problem. The research content is subsequently specified, leading to a review of both research methodologies and research strategies which were used to meet these study objectives. This led to an appraisal of the selected research design, followed-by an explanation of the data collection procedure adopted. Figure 4.1 has been presented in the format of an outline flowchart, holistically indicating the structure of this chapter (chapter 4).

4.2 The Research Problem and Associated Research Objectives

In describing extant research in the areas of telecommunications and strategy it becomes clear that such research does indeed contribute a series of thoughtful observations that support or question the validity of theories, which are in turn based on particular sets of beliefs and assumptions. Indeed, it was accepted that our knowledge of corporate level strategies has been greatly advanced in recent years e.g. Abell (1980); Kanter (1983); Mather (1988); Abrahams (1995); Mintzberg et al (1998b).

Figure 4.1 :

Flowchart of Chapter 4



Flowchart Start Point

**Research Methodology
(Section 4.0)**

**Introduction to Chapter 4
(Section 4.1)**

**Identify Research Problem
and Associated Objectives
(Section 4.2)**

**Define Research Content
(Section 4.3)**

**Assess Data Collection
Methods
(Section 4.4)**

**PREPARE & COLLECT DATA
(Section 4.5)**

Key : Arrowtail  Arrowhead 

From the Flowchart Start Point, Chapter 4 proceeds in the direction indicated by the Arrowheads.

Source : Author Generated

Nonetheless, accurate detail concerning corporate level strategic decision making of UK telecommunications operators since deregulation within the UK market has been rather parsimoniously covered, to say the least (e.g. Beesley (1981); Sir Bryan Carsberg (1989); Turner (1995); Cardwell (2000)) as much tends to address issues related to the impact of strategy on a variety of stakeholders. Against this backdrop, with the telecommunications industry (in general) seeing considerable change since the onset of deregulation, little is known of the specific factors leading to the development of the corporate level strategies by the UK telecommunications incumbent, British Telecom (BT) since privatisation of the firm in 1984. Such knowledge is seen by this researcher as being extremely valuable in terms of understanding the nature of strategy development within this UK industry and indeed, within this particular firm.

At this juncture, it would be prudent to introduce the findings of Kuhn (1962) who states that every once in a while, at opportunistic moments of scholarly upheaval a new paradigm appears that seems to do a better job of explaining the available data and guiding further inquiry. In this vein, one of the tasks of this current study was to sufficiently discuss relevant issues associated with the study's central theme that would allow a synthesis of both ideas and data, worthy of a PhD thesis. In this respect, Easterby - Smith et al (1991, p142) indicate that such studies require both a critical evaluation of relevant works associated with the researched area and a demonstration of a degree of original contribution to the respective field. Furthermore, it

would be reasonable to suggest that this current study seeks to demonstrate appropriate contributions in both these areas by acquiring legitimacy as reliable knowledge through developing the underlying epistemological assumptions and values that underpin and indeed, evolve from this area of corporate level strategic development within the confines of a former European telecommunications incumbent - British Telecom - since privatisation of the firm in 1984. Correspondingly, the area of interest of this study has been selected to explore aspects of strategic behaviour of the UK telecommunications incumbent which have as yet been under-researched and indeed, unmentioned in some cases, in order to both conceptualise and contextualise key influencing factors on driving corporate level strategic decision making from the perspective of BT since privatisation. Therefore, in order to restate the main research aim, the research problem is defined as :-

“An historical examination, analysis and collation of the behavioural nature of the evolving corporate level strategies developed by the UK telecommunications incumbent (British Telecom) within the dynamic UK telecommunications market, since privatisation.”

With this in mind, it is important to understand “what strategies have been developed by BT since the onset of UK deregulation,” and indeed, “why those specific corporate level strategic decisions had been made”. In this particular context therefore, a number of studies have hypothesised as to the exact nature of BT's strategic decisions, and consequently, a variety of views

and implications have emerged (e.g. Communications Steering Group (1988); HMSO (1990); Noam (1992); Tyler and Bednarczyk (1993); Oftel (1994); SDC (1998); Williams (2001)). Unfortunately, to the knowledge of this researcher, a number of questions still remain unanswered and therefore, the following research objectives which emanate from the research question are now specified to allow a concentration of focus for this investigation.

These three objectives are stated as follows: -

Objective 1:

To explore the behavioural nature of the evolving corporate level strategies of the UK telecommunications market leader, BT, since privatisation, which has so far been ignored by previous research;

Objective 2:

To collate the historical evolution of those crucial company and industry specific factors, from the perspective of BT, that influenced the process of corporate level strategy development within the firm, that has been ignored by previous research;

Objective 3:

To extend our knowledge of corporate level strategy within conceptual and contextual frameworks, in terms of unfolding dynamic and evolving European and UK telecommunications market structural developments beyond the current limits of

extant theory from the perspective of the incumbent, British Telecom, within this industry.

Having stated these research objectives, the study now progresses towards the identification of the research content.

4.3 Defining the Research Content

Having described the main objectives of this research, attention is now centred on the specific issues associated with this study. In reviewing current works on strategy development at the corporate level, many benefits can be observed from the views derived from such prominent investigations conducted by Ansoff (1965); Lindblom (1968); Bennis et al (1969); Ansoff (1969); Steiner (1969); Ackoff (1970); Mintzberg (1973); Ansoff (1979); Porter (1980); Buaron (1981); Hamilton (1981); Yip (1981); Porter (1985); Ellis and Williams (1993); Johnson and Scholes (1997); and Bowman (1998). Together, these theories and views have provided a relatively comprehensive empirical base for strategy formulation across a variety of respective industries of interest. However, these theorists generated and applied areas of theory on industries other than the telecommunications sector, although their respective works did indeed lend themselves to a significant degree of importance in explaining the nature of strategy development in general.

Important as these studies are, no research study can be seen to be all encompassing in the sense of having absolute and total relevance for all time, whereby it is perceived to have extended knowledge to the limits of infinity. As such, familiarity with these aforementioned studies have indeed left questions unanswered that directly apply to corporate level strategic evolution within the UK telecoms incumbent - British Telecom - since market liberalisation. Additionally, the understanding, judgement and theories generated by such strategists are clearly of significant importance, as their research and decisions have indeed shaped both - strategies for firms - as well as, the competitive environments in which they compete. In this vein, many of those respective firm specific strategies and extant theories appear to have been driven by abstract ideas. Indeed, the fact that this current study seeks to generate ideas of strategies that are abstract and theoretical in nature, does not mean that as such, they cannot have an influence on relevant knowledge, since concrete practical ideas have been used as stepping stones to reach further - towards the development of future strategies. In relation to corporate level strategic decision making within British Telecom, this striving towards the intangible is in the interest of all research activity, as our understanding can therefore be greatly enhanced. Similarly, as this work on British Telecom appears abstract and theoretical, it does not mean that it cannot have an influence on universal knowledge of corporate level strategy development on a wider scale or across other industries, particularly as empirical evidence will be collected. If through such research there is forward movement of our understanding of the evolving

strategic behaviour of a global telecommunications player (British Telecom) then such knowledge may have profound implications for the way in which strategists see the long term future of the firm. Critically therefore, this researcher seeks to explore such abstract ideas in the drive to shape the strategic world of tomorrow by uncovering and acquiring a clearer understanding of the historical evolution of corporate level strategies developed by British Telecom since UK telecommunications privatisation.

In this respect, the inertia of such contribution leads to a requirement for clarification of the general concept of paradigm which was mentioned earlier, whereby it was stated that paradigm was brought to the fore by Kuhn in the early 1960's. Following Kuhn's work, Masterman (1970) found that Kuhn's use of the term paradigm had been interpreted in more than 20 different senses, and therefore at this juncture it would be wise to state current thinking on an appropriate definition of paradigm for this research.

For the purposes of this study, the term paradigm as indicated by Gummesson (1991), is representative of current thinking for social science research. On paradigm, he states that it,

"..represents people's value judgements, norms, standards, frames of reference, perspectives, ideologies, myths, theories and so forth, that govern their thinking and action." (p15)

To place this term in context, this study now proceeds to establish if any paradigm shift resulted from the corporate level behavioural responses of British Telecom since privatisation, then their respective nature should be clearly identified. As such, the generation of corresponding study propositions was required here, to allow the identification of specific issues and questions that related to the research objectives outlined in section 4.2. Against this backdrop, these propositions allowed the researcher to establish a clearer understanding of the nature of the problem to hand. In continuing therefore, the following nine propositions have been generated to focus the key areas of interest of this study, which further assisted in clearly identifying the appropriate research design which was used throughout the data collection phase.

Study Proposition 1

The study seeks to identify those key periods in time when BT developed corporate level strategy since UK telecommunications privatisation of the incumbent.

Study Proposition 2

The study seeks to describe the nature and range of key primary factors leading to corporate level strategic behavioural change at BT since privatisation.

Study Proposition 3

The study seeks to historically collate those key precipitating primary factors occurring at BT since privatisation identified in proposition 2, with a view to understanding their dynamic nature.

Study Proposition 4

The study seeks to conceptually portray those key primary factors on industry development identified in proposition 3, from the perspective of BT, with a view to theoretically portraying their dynamic behaviour.

Study Proposition 5

The study seeks to collate and explore the historical evolution of the firm's corporate level goals since privatisation, with a view to understanding their evolving and dynamic nature.

Study Proposition 6

The study seeks to identify and describe the nature of corporate level decision making by BT throughout those key periods in time previously identified in proposition 1.

Study Proposition 7

The study seeks to collate and explore the historical evolution of corporate level decision making by BT since privatisation as

identified in proposition 6, with a view to understanding the firm's evolving strategic behaviour.

Study Proposition 8

The study seeks to identify, describe and collate the evolution of those key corporate level strategies identified in proposition 7, in terms of their impact on key aspects of behavioural change of the incumbent firm.

Study Proposition 9

This study seeks to theorise findings on the conceptual nature of corporate level strategic decision making, with a view to assisting our understanding on the behavioural nature of strategy development from the perspective of BT.

For the purposes of clarity and focus, Table 4.1 summarises these nine propositions in relation to the three research objectives of this study.

In relating the study propositions outlined in Table 4.1 to specific study objectives, all objectives can be seen to be addressed, with some propositions simultaneously addressing more than one objective. In this vein, a constructivist approach was used in generating theory associated with corporate level strategic development at British Telecom from 1984 until 1998. This form of inductive reasoning, will be discussed later in this chapter.

Table 4.1**Relationship of Propositions to Study Research Objectives**

Proposition Number	Objective 1	Objective 2	Objective 3
Proposition Number 1	Yes	No	No
Proposition Number 2	Yes	No	No
Proposition Number 3	No	Yes	No
Proposition Number 4	No	No	Yes
Proposition Number 5	Yes	Yes	No
Proposition Number 6	Yes	No	No
Proposition Number 7	No	Yes	No
Proposition Number 8	No	Yes	No
Proposition Number 9	Yes	Yes	Yes

Source : Author generated

On consulting the literature on research design, three fundamental types of data are typically mentioned: - exploratory, descriptive and explanatory (otherwise known as causal) studies (Babbie, 1973; Green and Tull, 1978; Chisnall, 1986; and Yin, 1994). From the propositions identified in Table 4.1 and their relationship to the respective study objectives, it can be seen that the central thrust of this research inquiry is primarily exploratory and descriptive in nature, with explanatory aspects although important, being reflected in more of a secondary role. Bearing in mind the nature of this inquiry in choosing an appropriate research design, clearly the design needs to be both - flexible enough to uncover characteristics of corporate level strategic decision making - and - rigorous enough to allow conceptual processes of any inter-relationships to be discovered. Since privatisation of British Telecom in 1984, a number of works have attempted to explore, describe and explain a variety of aspects of the firm's evolving strategic behaviour (e.g. Financial Times (1987); Faulhaber (1988); Rudd (1990);

Gillick (1991); Ghertman and Quelin (1995); Thomson (2001)) and this has resulted in exposing a gap on corporate level strategic decision making at the firm. Consequently, by using the nine study propositions to focus on evolving corporate level strategic decision making at British Telecom, findings from this study should lead to the prime goal of developing pertinent hypotheses and propositions for future inquiry into both - this area - and indeed, other related areas of corporate level strategic decision making.

4.4 Assessing Data Collection Methods

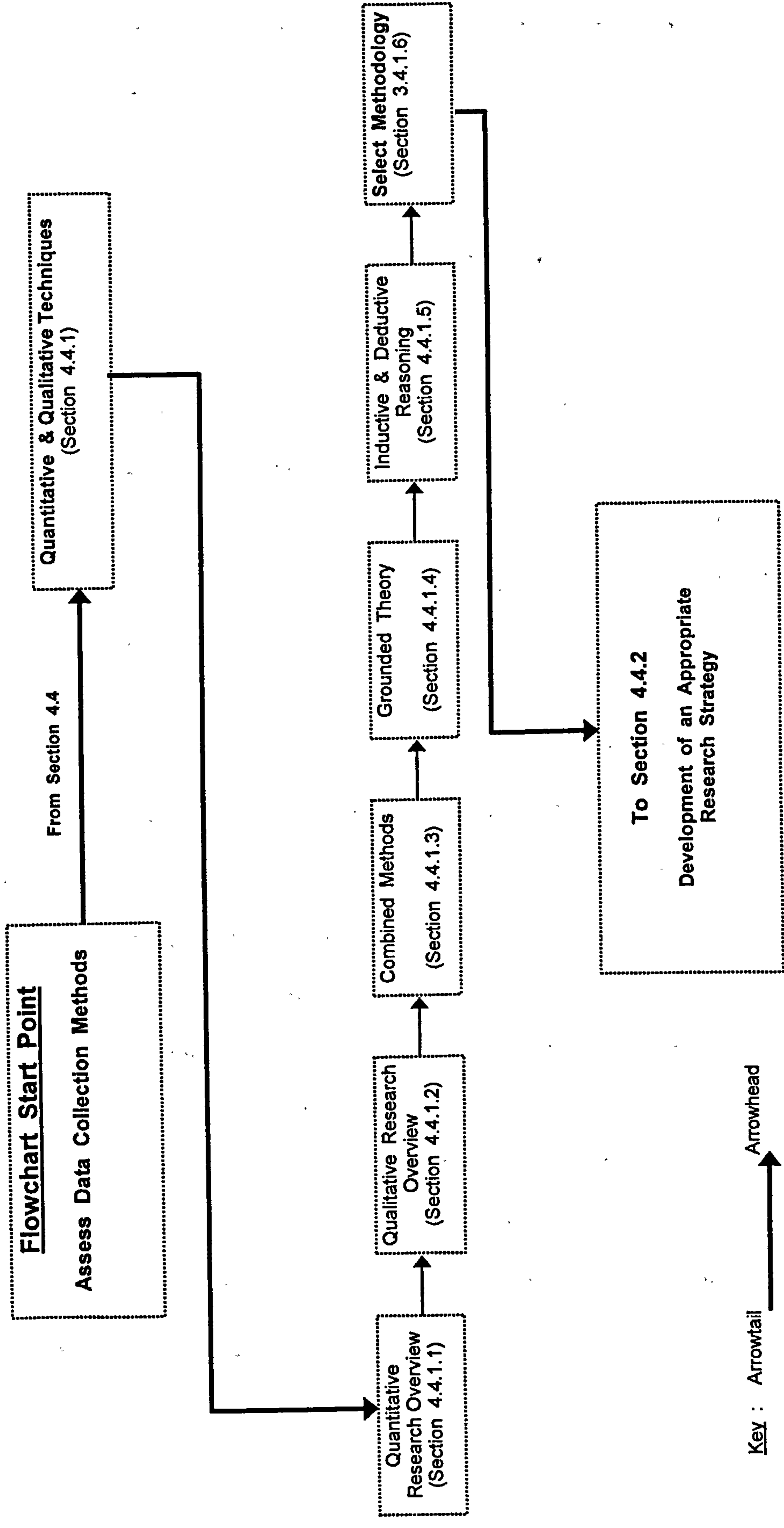
In addressing the issue of research methodology, the formation of a sound paradigm was seen as an absolute essential as a solid foundation in which to progress method selection. Accordingly, for studies in the area of management, there are two main philosophical paradigm positions in which methods tend to be derived, positivism and phenomenology (Taylor and Bogdan, 1984; Easterby-Smith et al., 1991; Burgess, 1991 and Miles and Huberman, 1994). Indeed, Burrell and Morgan (1979), go further by distinguishing three levels of use for the term paradigm, these being: - the philosophical level, reflecting basic beliefs about the world; the social level, which provides guidelines regarding researcher conduct; and the technical level, which identifies methods and techniques for conducting research.

Insofar as the context of this study is concerned, such theorists indicate that the positivist paradigm is seen to suggest that basic beliefs tend to see the world as external and objective in nature, with the observer being independent and science being value-free. With this form of research design, the researcher is seen to focus on for example, facts; look for causality and fundamental laws; reduce phenomena to their simplest elements; and to formulate and test hypotheses. The preferred methods with this paradigm can be seen to include the operationalisation of concepts by the researcher so that they can be measured - and - selecting relatively large samples for data collection.

In contrast, the phenomenological paradigm's basic beliefs view the world as being socially constructed and subjective in nature, with the observer being part of what is observed and in this situation, science is seen to be driven by human interest. In this type of research design, the researcher focuses on meanings; tries to understand what is happening; looks at the totality of each situation; and develops ideas through induction from data. The preferred methods here include the use of multiple methods to establish different views of phenomena; and using small samples - investigated in depth over time. With these two philosophical positions in mind, there is a tendency to infer that both should be used in a mutually exclusive fashion. However, a number of theorists have suggested that a middle ground exists whereby bridging these extreme views (Glaser and Strauss, 1967; Susman and Evered, 1978; Patton, 1980 and Gummesson, 1988). Hence, in assessing research methodologies, the objective therefore is to ensure that the appropriate method is selected to contend with the nature of the data sought. For the benefit of the reader therefore, Figure 4.2 has been generated to outline the process followed by this investigator in addressing the research question and to outline the forthcoming structure of section 4.4.1, prior to assessing these methodologies.

Figure 4.2 :

Flowchart of Section 4.4.1



Key : Arrowtail → Arrowhead

From the Flowchart Start Point, Section 4.4 proceeds in the direction indicated by the Arrowhead.

Source : Author Generated

To this end, discussions now centre on primarily assessing two broad types of data collection techniques, quantitative and qualitative methods.

4.4.1 Quantitative and Qualitative Techniques

The debate on the use of quantitative or qualitative techniques in the social sciences and more specifically, in the areas of management and business administration, has been continuing for many decades and no-doubt will continue for many more in the future. Indeed, a growing acceptance of qualitative data analysis as an appropriate technique in addressing research problems in these particular subject areas can be seen to be recognised through the plethora of discussions and applications on uses of this investigative technique (e.g. Kaplan, 1964; Mintzberg, 1979a; Morgan and Smircich, 1980; Bryman, 1988; Gummesson, 1991; and Miles and Huberman, 1994). On examination of the main research aim and associated issues of the investigation on corporate level strategic decision making at British Telecom, an initial inspection would suggest that a qualitative approach seems a favourable route for such a study. Nonetheless, before selecting the required method it is helpful to bear in mind the advantages and associated disadvantages of these broad approaches as they related to evolving corporate level strategic decision making at British Telecom since privatisation. Hence, in order to construct a position to select from these approaches, a brief overview is given.

4.4.1.1 An Overview of Quantitative Research

On reviewing quantitative designs, it would appear that they centre around data that can be tabulated, compared and indeed manipulated in a variety of controlled or objective forms (Hesse, 1980; Phillips, 1990a; Phillips, 1990b; and Guba, 1990). This numerical form of data allows data standardisation, ease of data comparison and classical survey statistical analysis of such data can be readily simplified. Interestingly, sample sizes tend to be larger than qualitative techniques and indeed, these samples can be both randomised and representative of a larger population. Given such characteristics, there is little room for the subjective interpretation of results, which gives greater scope for verifying important issues such as internal validity (Miles, 1979) and consequently, the question of the reliability of research findings is enhanced (Patchen, 1965; Glaser and Strauss, 1967; Bannister and Mair, 1968; and Cooper and Branthwaite, 1977). Accordingly, Adams and Schvaneveldt 1985, point to the scientific rigour of this research method.

Quantitative research methods do however have a number of distinct weaknesses that revolve around the nature of the data provided by this technique. Indeed within the behavioural sciences, suggestions indicate that limitations extend to the more rational aspects of important areas such as human and behaviour, with the subtleties of individual, organisational and social behaviour inclined to be overlooked. Furthermore, there appears to be a weight of evidence suggesting disillusionment with statistical data, pointing

towards it being rather superficial in nature and leading to a general lack of theoretical direction (Cooper and Branthwaite, 1977; Mintzberg, 1979a; Strauss, and Corbin, 1990; and Easterby-Smith, et al., 1991).

In a similar vein within management literature, quantitative techniques are seen as being too rigid, whereby surveying approaches are inclined to describe and interrelate orally expressed beliefs and sentiments rather than describe actual conduct. Notably therefore, a number of primarily quantitative studies have been conducted whereby data reflecting the impact of corporate level strategic decision making at British Telecom has been examined and analysed (e.g. Staple and Mullins (1989); Financial Times (1990a); Ghertman and Quelin (1995); Howard (2001)) however, much of the tangible evidence on corporate level strategic decision making at the firm have not been reported on, and for the purposes of this study, such evidence is seen as being of primary importance in understanding organisational behaviour. Indeed, Ames (1970) alludes to this method as: identifying the trappings of behaviour and not the actual substance of behaviour itself. Therefore, based on the nine study propositions identified earlier, the understanding of British Telecoms' strategic behaviour is extremely important in the investigative understanding required for this current study.

4.4.1.2 An Overview of Qualitative Research

Qualitative research has been defined along similar lines by a number of theorists (Jacob, 1987; Lincoln and Guba, 1986; and Miles, 1979) and the following definition by Van Maanen (1983) reflects typical thoughts,

“An array of interpretative techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world.” (p9).

Designs of this form tend to be associated with the depth and richness of data, offering even greater depth of understanding and meaning than quantitative designs (Davis, 1976; Moser and Kalton, 1985; Chisnall, 1986; Firestone, 1987; Easterby-Smith et al, 1991; and Strauss and Corbin, 1990). Indeed, Moser and Kalton (1985) identify the primary advantage of qualitative research as allowing investigators to dig deeper into areas of concern and eliciting a richer understanding than quantitative methods. In this genre many of these and other investigators have eluded to qualitative methods as a more appropriate technique for gathering the often complex and subtler information requirements of studies.

However, investigative concern has been expressed by a number of researchers over the extent of objectivity, validity and reliability demonstrated by both this method and the respective generated data (Dawson, 1982;

LeCompte and Goetz, 1982; Kirk and Miller, 1986; and Ginsberg, 1990). To this end, Miles (1979) questions this method stating,

“..how can we be sure that an earthy, undeniable, serendipitous finding is not, in fact, wrong.” (p590)

It would appear therefore that such doubts would continue in the minds of some researchers, while others see significant importance in the unfolding of issues relating to both behavioural patterns and social processes.

In a similar vein, a number of problems have also been expressed while using this method in the process of data collection. Here, there is a requirement for a number of highly specific skills, including interviewing skills, overcoming interview bias, ethical soundness and the intensity of labour requirements. Consequently, dealing with often copious qualitative data with innumerable observations (followed by voluminous analysis) can be seen as being overpowering and rather problematic, particularly during the later stages of studies. In these types of investigations, care and attention should be of utmost importance thereby avoiding methods of data analysis which may appear to have not been well formulated. Bearing in mind that qualitative analysis tends to be self generated and controlled, lack of diligence has (in some instances) led to the subjective nature of this method being seen as rather problematic (Chisnall, 1986; Strauss and Corbin, 1990; and Easterby-Smith et al, 1991). In terms of this particular study, a number of studies have been conducted on the behaviour of British Telecom since

deregulation and subsequent privatisation of the firm and these studies would tend to suggest a suitability in the use of a qualitative approach e.g. HMSO (1982); Philip and Tsoi (1988); Majone (1990); Pye et al (1991); Quelin (1992); Cane (1997a); McCafferty (2001). However, the nature and behaviour of corporate level strategic decision making at British Telecom would appear to have been ignored, as these studies tend to focus on the implications and effects of the firm's strategic decisions. Against this backdrop, extant research tends to suggest that doubts on the validity of a qualitative approach do exist, although a considerable body of knowledge and argument would appear to underpin confidence in this method. Although the debate on the use of qualitative approaches is continuing, considerable use of the qualitative technique would appear to be applied throughout current studies on both British Telecom and the telecommunications industry.

4.4.1.3 Combining Quantitative and Qualitative Research

There have been a number of combined studies which encompass both quantitative and qualitative data within the same inquiry (Smith and Louis, 1982; and Rossman and Wison, 1984) whereby these studies require researchers with distinct skills in data collection and analysis. Such studies are becoming even more complex, particularly when using a team of researchers working with comparable data collection and analysis methods (Herriott and Firestone, 1983; Yin, 1984; and Yin, 1994). For the purposes of this current study, a number of studies incorporating the joint approaches of quantitative and qualitative techniques have been conducted on specific aspects of corporate strategy at British Telecom since privatisation, e.g. Noam (1987); Snow (1988); Commission of the European Communities (1991); Muller et al (1993); BT-Regulatory Affairs (1995); Oftel (2000). Such studies do indeed add weight and credibility to the use of joint approaches of qualitative and quantitative techniques, when applied to studies similar to this current study. Unfortunately however, such studies reiterate previous sentiments that little has been reported on the nature and behaviour of corporate level strategic decision making at British Telecom since privatisation. Against this backdrop, concerns still exist with levels of confidence in findings when using such methods and there would appear to be a requirement for some form of shared ground rules for drawing conclusions from analysed data and verifying their sturdiness. Indeed, this can lead to the added problem when the classification of data is undertaken in order to deduce patterns from such a wealth of field data, in ways that are

irreducible or even incommunicable. In such instances, it can indeed be difficult to see where researchers' final conclusions emanate from. Finally, most weaknesses identified earlier, in quantitative and qualitative only - methods, are also applicable here as potential drawbacks, although if a joint approach were selected as the most appropriate technique, then this researcher would as far as possible, be seeking to ensure that data collected on corporate level strategic decision making at British Telecom would be both valid and reliable.

4.4.1.4 Grounded Theory

One further route to classifying alternative approaches to social science research is in terms of using Grounded Theory as a process for data collection and analysis (Glaser and Strauss, 1967). It would be appropriate to include this process at this juncture, as it does have relevance to research design.

Here, Grounded Theory is founded on the systematic generation of theory from data, that itself is seen to be systematically obtained from social research. Within this process, Glaser (1978) points to generating theory and conducting social research as two distinct parts of the same process. On the overall process, he states:

“How the analyst enters the field to collect the data, his method of collection and codification of the data, his generating of the categories, generating memos, and constructing theory - the full continuum of both the processes of generating theory and of social research - are all guided and integrated by the emerging theory.” (p2)

Following the generation of theory from data, the process involves generalising theory in order to develop subsequent theory from the data, hence the data becomes advanced normalised data, for development into

another theory. Therefore, new properties of data are seen to continually emerge.

This process has been highly criticised by many investigators, although Glaser and Strauss (1967) indicate that it is the history of qualitative investigations with their non-systematic manner which have also shown a tendency to lack rigour in a number of studies, that has led to such contentious views of this approach. Consequently, Glaser and Strauss (1967) and Miles (1979) argue for qualitative data to be systematically obtained and analysed, a view to which many researchers appear to concur (Strauss and Corbin, 1990; Easterby-Smith et al, 1991; and Yin, 1994).

From the key issues associated with the primary objectives of this study, in terms of collating the historical evolution of corporate level strategic decision making at British Telecom since privatisation, the use of inductive reasoning in the analysis of data is seen to have considerable merit. Indeed, this current study does appear to lend itself to theory generation. However, for grounded theory to be considered significantly rigorous and appropriate to the research question of this current study, it would be important to consider not reviewing previous literature on this general research area. To this end, this was seen to be rather difficult as a previous study considered to impinge on this area of telecommunications had already been conducted by this researcher and therefore the carrying of “baggage” could be seen as being rather problematic here. In this vein, there is the possibility of introducing

difficulties associated with impairing the objectivity of this study and consequently, introducing such weaknesses could potentially be serious in nature. Additionally, as the literature review had been underway for more than twelve months since writing this Chapter, this was also seen as a possible contravention of the underlying principle of Grounded Theory. However, in terms of the potential use of grounded theory for examining corporate level strategic decision making at British Telecom, it would appear to have some merit, as the central focus of this particular study had been under researched, with little (if any) empirical evidence being available. Consequently, with this in mind, the principle of theory generation from data was seen as being an approach worthy of further consideration in terms of the analysis of collected primary and secondary data.

Hence, Grounded Theory as a process for this current research study was therefore rejected as a primary research methodology for data collection; however, it does indeed have relevance to the analysis of data and was therefore selected for use during the data analysis stage of this study.

The use of grounded theory in this current study is therefore explained more fully, in the Data Analysis Chapter (Chapter 5) which follows.

4.4.1.5 Inductive and Deductive Reasoning

Glaser and Strauss (1978) identified a further approach to Social Science research in terms of both deduction and induction. This approach has had a number of critics and according to Swan (1985) these approaches can be seen to represent ends of a continuum, as opposed to two distinct alternatives. In the context of this current study where corporate level strategic decision making at British Telecom since privatisation was the central focus, the task here was to situate the research along this continuum and explain the reasons why the particular approach of induction had greater merit.

Hence, in explaining the use of a deductive approach, theory is developed from the literature and specific deductions are then generated from these respective theories, in the form of hypotheses. Using hypotheses as a basis for exploration, measures of variables are subsequently developed and population samples are therefore taken in order to derive observations. The task here, is to examine these observations to confirm (or otherwise) if the respective hypotheses are supported. Hence, according to Swan (1985) the main objective of this exercise is verification of the theory developed from the literature review.

In considering the inductive approach, Collingwood (1933) cited that such an approach has distinct advantages in that it can be applied to phenomena not covered by current theory and hence it has positive benefits when used for

the purpose of theory generation. Furthermore, in the evaluation of the use of an inductive approach to research methods, Swan describes this approach as consisting of four main steps. Initially, researchers select a phenomenon and measure its respective characteristics; the characteristics in other situations are then measured; the collected data is analysed in order to look for patterns; patterns are subsequently formalised as theoretical statements.

From observing these steps, the use of the term “measure” is seen to be rather problematic in the sense that it appears to identify with an unnecessary quantitative bias. A more apt term to use as a substitute would be “document,” whereby in this sense, a more qualitative researcher could see the first two steps of Swan’s approach as reading: - select a phenomenon and “document” its characteristics; “document” the characteristics in other situations. Nonetheless, both qualitative and quantitative methodological implications are seen to be relevant when using such an approach without modifying the respective meaning. As a result, theories generated from data of this form provide descriptions within a real context and for the purposes of examining corporate level strategic decision making at British Telecom since privatisation, inductive reasoning would indeed appear to have significant merit. In this vein, the fact that such data are collected over a sustained period of time or of a number of events makes them powerful for studying any process, including historical aspects of decision making. Indeed, the use of induction allows investigators to go far beyond issues of a snapshot of “what” or “how many,” to how and why things

happen as they do, allowing causality to be recognised as it occurs in its original setting. Hence, in terms of examining data collected on corporate level strategic decision making at British Telecom, theory generation would indeed be appropriate and could be used to assist in both - the conceptualisation and - the contextualisation of collected data. Hence, in this particular instance, identifying the nature of the firm's strategic behaviour gives further confidence that what has been going on, can be portrayed in a manner that can be conceptually and contextually be understood.

Hughes (1990) has made what appear to be criticisms of the use of inductivism, although these were perhaps less than criticisms of induction, and more of criticisms of the manner in which the results of the inductive process are presented as theory - an issue which was subsequently placed at the forefront of this researcher's mind for the remainder of this study. To this end, the corporate level strategies adopted by British Telecom since privatisation do indeed appear to be lacking in empirically based knowledge from which deduction could take place. As Collingwood (1933) clearly indicated that the deductive process is irreversible and indeed totally dependant on the established axioms of the subject under study. The literature review of the previous chapter of this study has already indicated this weakness and consequently, highlights a distinct need for greater depth of empirical evidence on corporate level strategic decision making at British Telecom since privatisation.

Against this backdrop, in considering the particular nature of this inquiry and in the absence of such a foundation of literature, there were few alternatives to the adoption of an inductive approach to this current study. As a result, in selecting such an inductive approach for this investigation, the stance taken was similar to that expressed by Glaser and Strauss (1978) indicating that there is no mandatory requirement for any priori hypotheses, since based on the nine study propositions identified in section 4.3, the corresponding data themselves will be the basis from which the argument for this current study will proceed.

4.4.1.6 Methodology Selection

From discussions of section 4.4.1, Table 4.2 has been generated to summarise the appropriateness of both quantitative and qualitative research methodologies in research design, and to identify key characteristics specific to respective methods.

Table 4.2

Summarised Research Methodology Characteristics

<u>Quantitative Methodology</u>	<u>Qualitative Methodology</u>
Formulate and test hypotheses studies	Preliminary exploration studies
Studies involving data of a quantitative nature	Studies of a mainly descriptive nature
Studies involving large numbers of variables (for association determination)	Studies involving mainly subjective data
Studies involving the control of areas directly relating to issues of reliability and validity	Studies requiring significant depth of understanding and meaning addressing behavioural issues
Studies involving ideas mainly developed using deduction	Ideas mainly developed using induction
Studies linking objectives to Grounded Theories derived from the "real world"	Explanatory behavioural model generation (Grounded Theory)

(Source : Literature Evidence)

In this instance, Table 4.2, shows that both types of methodologies clearly do have their own respective strengths. In particular therefore, based on the propositions identified earlier in section 4.3, this current study tends to lend itself to a more qualitative approach. Bearing in mind that the primary role of

research within the boundaries of this study is to link the theoretical and the empirical - in terms of examining corporate level strategic decision making at British Telecom since privatisation. Additionally, based on this central focus Table 4.3 has been generated in order to relate the summarised characteristics of Table 4.2 to the nine study research propositions.

Table 4.3

Relationship of Study Propositions to Research Methodology

Proposition Number	Quantitative Method	Qualitative Method
Proposition Number 1	Possibly	Yes
Proposition Number 2	Possibly	Yes
Proposition Number 3	Possibly	Yes
Proposition Number 4	No	Yes
Proposition Number 5	No	Yes
Proposition Number 6	No	Yes
Proposition Number 7	Possibly	Yes
Proposition Number 8	Possibly	Yes
Proposition Number 9	Possibly	Yes

(Source : Author generated)

On examination of Table 4.3, indications clearly suggest that qualitative methods are more appropriate to testing the study propositions as opposed to quantitative methods. Indeed, a view that this author tends to concur is expressed by Patton (1987) who states that,

“Qualitative methods are particularly oriented towards exploration, discovery and inductive logic..... Qualitative analysis is guided not by hypotheses but by questions, issues and a search for patterns.” (p15)

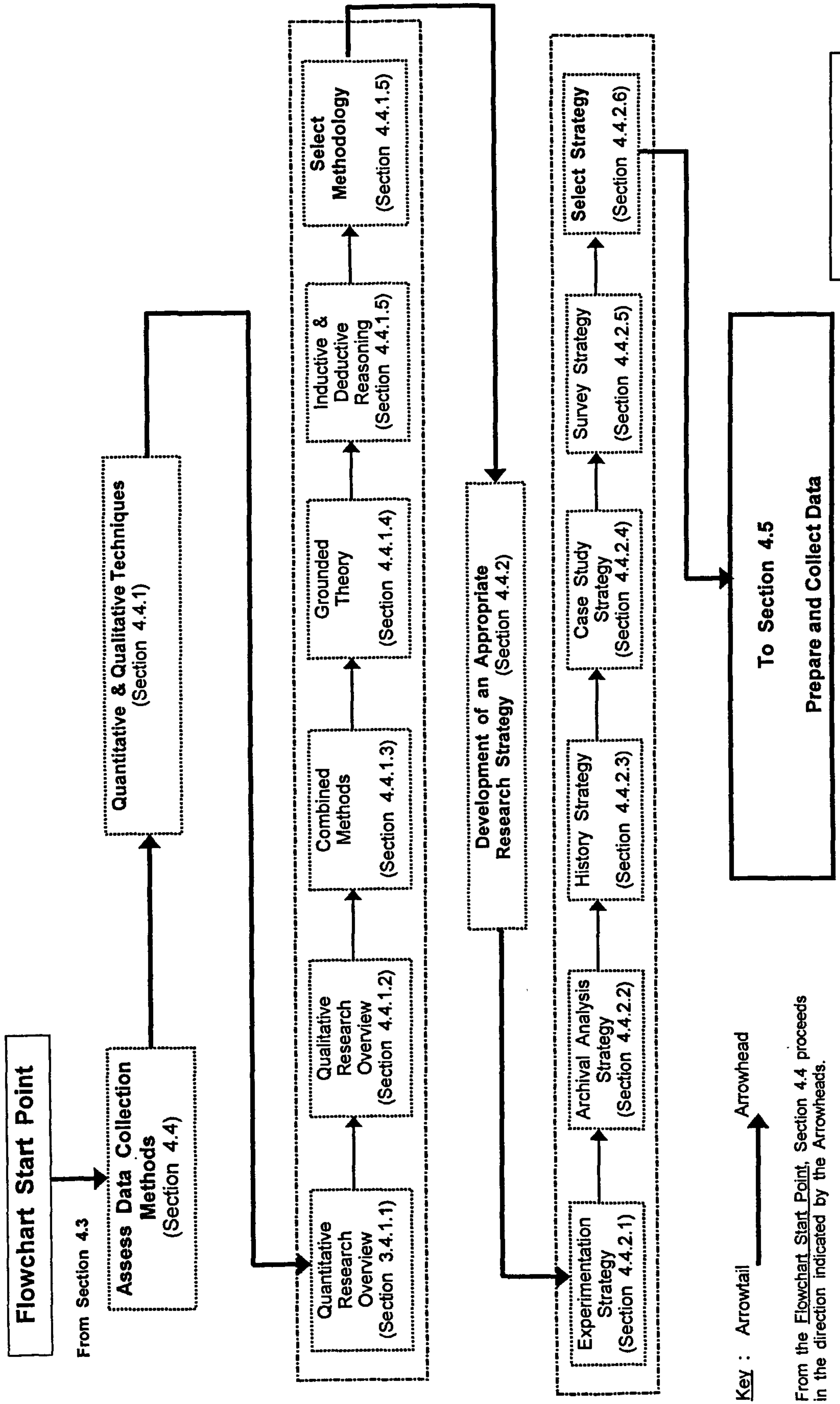
Against this backdrop, it now becomes clear that the type of data requirements in this instance reflect a research design that favours a methodology primarily based around qualitative methods, with the use of grounded theory and inductive reasoning being applied throughout the data analysis process.

With this in mind, attention now centres on the selection of an appropriate research strategy.

4.4.2 Development of an Appropriate Research Strategy

The main aim of this inquiry was to examine corporate level strategic decision making at British Telecom following privatisation in 1984, in order to historically collate the corporate level strategic responses of the firm, as the UK market pushed towards open competition. With this in mind, according to Erickson (1986) and Mishler (1990) no single study conforms to a standard methodological approach, as each calls for the researcher to apply the theory of methodology to the peculiarities of the respective setting. Consequently, what made the nature of this particular research qualitative, is a matter of the substantive focus and intent of corporate level strategic decision making within the UK's largest telecommunications firm. Based on this decision, this section now considers the selection of an appropriate research approach.

Figure 4.3 has been generated in order to outline the flow of Section 4.4.2, in relation to the flow of section 4.4 in general. From Figure 4.3, the main aim at this time is to conduct a review of research strategies and develop an appropriate strategy for the research problem to hand. In this instance, there are many ways in which social science research can be classified, and to do justice to all of them in this study is impossible. Indeed, Tesch (1990) identifies 27 types of qualitative research which he notes as being broad families of research purposes. Wolcott (1992) on the other hand, identifies more than twenty different approaches centring around qualitative methods which are organised according to preferred styles of collecting data.



Key : Arrowtail → Arrowhead

From the Flowchart Start Point, Section 4.4 proceeds in the direction indicated by the Arrowheads.

Source : Author Generated

Considering the copious literature on this area, Erickson (1977); Howe (1988); Lee (1991) and Pitman and Maxwell (1992) indicate that there are indeed a number of relatively common approaches. Typically, Yin (1994) proposes an approach that uses the term research strategies in order to categorise different research situations. Here, he identifies these research categories as experiments, surveys, archival analysis, histories and case studies. Although each of these research strategies will have their own respective positive and negative characteristics, the following three criteria are identified by Yin (p. 4) as essential for strategy selection:

(a) the type of research question;

(b) the control an investigator has over actual behavioural events;

- and -

(c) the focus on contemporary as opposed to historical phenomenon.

Using these three conditions, Yin (1994, p. 6), neatly summarises the relevant situations for each of these different research strategies in Table 4.4. Insofar as these research strategies exist, there are situations in which two or more research strategies might be considered equally attractive, in which case, the various strategies are seen not to be mutually exclusive. There are however, some situations in which a specific research strategy has a distinct advantage over other strategies, and therefore can be selected on merit.

Table 4.4**Relevant Situations for Different Research Strategies**

Strategy	Form of Research Question	Requires Control over Behavioral Events	Focuses on Contemporary Events
Experiment	how, why	yes	yes
Survey	who, what, where, how many? how much?	no	yes
Archival Analysis	who, what, where, how many? how much?	no	yes/no
History	how, why	no	no
Case Study	how, why	no	yes

Source : Yin (1994, p. 6)

Based on these relatively common research strategies, the following discussions have been developed in order to proceed with the selection of an appropriate research strategy for the research problem of examining corporate level strategic decision making at British Telecom since privatisation of the firm in 1984.

4.4.2.1 Experimentation Strategy

One of the primary elements of scientific method, is the use of experiments in research. Classical experimental methods tend to involve subjects being assigned at random to either an experimental or control group. In using this approach, conditions within the experimental group are subsequently manipulated by investigators and assessments of their respective effects are measured and compared with those of the control group, Winer (1962) and Townes (1968). In this instance, the control group is not subjected to any of the unusual conditions. According to Weick (1965) this form of experimentation strategy is,

“..... a process where events occur at the discretion of the experimenter and controls are used to identify sources of variation of subjects’ response.” (p195).

The advantage of this type of strategy is in the relative degree of accuracy with which it assists the investigator in establishing causality. Initial observations of this type of strategy would suggest that such an objective is outwith the scope of this current investigation, since accurate knowledge of both strategic decisions and reasons for these strategic decisions within the dynamic telecommunications sector is rather sparse. Hence, with this lack of information it is impossible to state which issues and variables are important for selection for an experimentation strategy. Furthermore, as this study seeks to identify and describe a range of important variables and issues at play during corporate level strategic decision making at British Telecom, until

there has been the establishment of any situational independent variables within the evolution of corporate level strategic decision making of this firm, or indeed, of the respective reasons for decisions made, it would be impossible to control these variables within the confines of any experiment.

Hence, in the light of the study's central focus - it was felt that this approach was inappropriate.

To look more deeply at another experimental strategic approach, according to Dalton (1964) researchers may find themselves rather fortunate when organisations agree to set up small artificial experiments within their own organisations. This may appear a sound approach in theory, but such opportunities are indeed rather rare. Correspondingly, information on corporate level strategic decision making within such a dynamic industry as the telecommunications industry, is extremely rare in itself, since little appears to have been documented for public consumption. Consequently, with the additional problems of time constraints on corporate level managers at British Telecom, as well as for example, issues associated with research validity and reliability of such practical studies, this approach appeared a rather difficult strategy for this current study to follow, and was therefore seen as problematic.

An important developmental approach to experiments is the quasi-experimental design introduced by Campbell and Stanley (1963). This approach was developed following the recognition of practical difficulties

within the positivists paradigm of producing purely experimental designs. Such classical design makes use of multiple measures over time, reducing the possible effects of a mismatch between control and experimental groups. Typical designs include the pre-test/post-test comparison approach.

The use of a control group in this current study would appear inappropriate, since much of this study involves the gathering of both past and present strategic decisions from senior managers at British Telecom, after the fact. Indeed, such a design would also prove to be impractical, due to the time delays between the recognition of events and their corresponding effects on corporate level strategic decisions that had been made at British Telecom following privatisation in 1984.

Based on the study's central focus of historically collating the corporate level strategic decisions of British Telecom since privatisation, the above discussion highlights a number of distinct failings with and consequently, this approach was rejected for the current study.

An alternative to experimental and quasi-experimental research designs is to use an ethnographic approach. This approach according to Spradley (1979); Agar (1986); Adler, Adler and Fontana (1987); and Hammersley (1992) would allow the investigator to immerse themselves in the organisational setting and become part of the group under study. This approach would allow a deep understanding of the meanings and significance's of group

members behaviour, in addition to extending conventional wisdom and generating new insights into human behaviour within a dynamic organisational setting.

For this current investigation, there appear to be a number of problems in using this ethnographic approach, including: the potential lack of access to senior managers within the industry over a suitable period of time; time resource constraints placed on the researcher for completion of this current study; and the validity of such an approach to those relevant decisions that have been previously made at British Telecom since 1984 - which play a major part in the identification of historical information pertinent to the core of this study. Consequently, it would appear that this approach does indeed present a number of serious drawbacks for this current study, but it may be an appropriate strategy to adopt for future studies in this area.

Hence, based on the central focus of the study, this approach was rejected.

4.4.2.2 Archival Analysis Strategy

In the search of an appropriate research strategy, the use of archival records does indeed have merit for investigations. This source of evidence can be extremely useful when consulting organisational records, charts, survey data (such as census records), lists of names and other relevant information e.g. calendars, diaries, decision making, etc. In some studies, such records can be the main mode of information retrieval prior to investigator analysis, while in others they may be of only passing or minor relevance, Webb et al (1965); Bailey (1982); and Carley (1990).

There are a number of distinct advantages that exist with this approach which include, information which can be repeatedly reviewed; the exacting nature of such materials containing items such as names, references and details of actual events; the relatively broad coverage of information spanning long periods of time, areas and issues associated with many events and in many settings. Furthermore data of this form is seen to be relatively precise in nature. (Krippendorff 1980; Bailey 1982; Carley 1990; Weber 1990).

With this in mind, a number of disadvantages are seen to exist with this approach. The retrievability of information can be low, which can also be problematic, since it can be selectively biased if the collection of information is incomplete. The reporting may indeed be biased, if the author is either unknown or biased in their collation of information. Further weaknesses

include the possible lack of access to such sources, which may be deliberately blocked for privacy reasons, or otherwise.

In this current study, where corporate level strategic decision making at British Telecom since privatisation is the central focus, qualitative aspects of information are at least as important as any relevant quantitative information. In addition, there appears to be little guidance from previous studies conducted on the telecommunications industry on the evolving nature of corporate level strategic decision making of firms since privatisation. However, for the purposes of this study, it has been possible to collect secondary information relating to key events that appear to have affected the UK telecommunications industry in general - and these were seen to be of significant importance towards the establishment of factual details (e.g. Kay et al (1986); Gist (1988); Beesley and Laidlaw (1989); Bradley (1992); Hood et al (1993); Anon (1999); Durman (2000)). In the light of a lack of empirical evidence and considering the central thrust of this inquiry, the selection of archival analysis as the primary approach to adopt is clearly appropriate, as it does have significant merit in the examination, analysis and collation of historical data on corporate level strategic decision making at British Telecom since privatisation.

Consequently, an archival analysis strategy was seen as an appropriate strategy to adopt as a primary approach. Hence, this research strategy was accepted.

4.4.2.3 History Strategy

According to Gottschalk (1969), histories are the preferred strategies when there is virtually no access or control over behavioural events. Indeed, the distinctive contributions of the historical strategy are primarily concerned in dealing with the past,

With this in mind, many investigators have similar thoughts on this approach Borrowman (1960); Social Science Research Council (1946); and Popper (1964). Typically, Kerlinger (1979) indicates that historical research or inquiry,

“.....is critical investigation of events, developments, and experiences of the past, careful weighing of evidence of the validity of sources of information on the past, and the interpretation of evidence.” (p407)

Kerlinger continues to point out that although historical research is not scientific research, it is extremely important in behavioural research. One of the main reasons as to the value of this approach is that if contemporary theories and research are to be fully understood, then the respective origins and roots of behavioural research are indeed both invaluable and fundamental to their underpinning. Additionally, historical research can be important in its own right, as this strategy is primarily used in situations when no persons are alive or available to report, even retrospectively, on events that have occurred. In these situations, investigators must rely on primary

and secondary documents and cultural and physical artefacts, as the main sources of evidence. In instances such as these, primary sources of information are seen as the original repositories of an historical datum such as an eye witness account of events, or indeed, an original record of events being collated. Secondary sources of information on the other hand, are associated with information one or more steps removed from the original source, such as a textbook account of research Yin (1994).

A number of theorists have questioned the use of histories as an acceptable research approach, which have had the effect of subordinating historical inquiry to a lesser position than it deserves. Consequently, Kerlinger who criticises these authors evidences this. Indeed, on the use of histories as an appropriate research approach Kuhn (1970) clearly demonstrates his view,

“History, if viewed as a repository for more than anecdote or chronology, could produce a decisive transformation in the image of science by which we are now possessed.” (p1)

Sen (1980) takes Kuhn’s view even further, and points out that there is no description without analysis and interpretation of respective data. In this genre, in making descriptions of an historical nature, choices are required and these choices are principally guided by the investigators paradigm, access and pre-understanding.

Within the confines of this current study, few literary materials focus centrally on the nature of the corporate level strategies that have evolved within British

Telecom since privatisation of the incumbent in 1984, although many reflect on past events and portray their respective analyses with little empirical evidence being used as underpinning, e.g. Hills (1986); Law (1988); Financial Times (1990b); Sapolsky et al (1992); Kramer (1993); Higham and Lee (1996); Monlouis (1998). In this context, and against this backdrop, this study seeks to generate an historical collation of events, which emanate from the research objectives identified in Section 4.2. Indeed, from these research objectives, a decision was made at an early stage, to ensure that there would be no predisposition to pursue any strategy in particular, until a suitable review of research methodological approaches had been conducted. A point to be borne in mind here, is that when histories infringe on contemporary events, the research strategy can be seen to overlap with that of case studies (Yin, 1994) an area to be considered later in this chapter. With this in mind, this study is indeed an history, as it does deal with decisions *primarily* of the past, although current decisions on corporate level strategy being made by British Telecom, are also of extreme interest to this study.

From the propositions identified in Section 4.3, it becomes clear from the above characteristics of an historical strategy, that if historical documents containing such sensitive information - on corporate level strategic decision making at British Telecom since privatisation of the firm - actually exist, they may not be readily available to investigators. As a consequence, if this approach were adopted as the primary strategy, then it would be expected to uncover unquestionable primary and secondary documents of support data.

During the early stages of this current study, this investigator pursued great lengths and endeavours to uncover primary and secondary data sources in the area of corporate level strategic decision making in the UK telecommunications industry, however, due to the rather sparse coverage of this research area, only some aspects of data had been located. Consequently, much of the primary data has been elusive - particularly those materials relating to corporate level strategic decision making at British Telecom since privatisation. Additionally, where such documents do not exist in the public domain, there would be a requirement for the collection of such data to come from a source close to, if not from those strategist that have been directly involved in corporate level strategic decision making with the incumbent firm. To this end, as this research is seeking to historically collate both corporate level strategies and their associated reasons - of British Telecom since privatisation - an historical strategy is seen as an appropriate strategy to select.

Consequently, *an historical strategy was also adopted* as one of the appropriate research strategies, although it was to be insufficient on its own. As such, further research strategies were assessed for their appropriateness.

4.4.2.4 Case Study Strategy

Case studies are increasingly being used as a research tool (Perry and Kraemer, 1986; Hamel, 1992; and Miles and Huberman, 1994) as well as for teaching purposes (Llewellyn, 1948; Towl, 1969; and Caulley and Dowdy, 1987). In the abstract context, Miles and Huberman (1994) define a case as,

“ a phenomenon of some sort occurring in a bounded context. studies may be of just one case or of several. There is a focus, or “heart,” of the study, and a somewhat indeterminate boundary defining the edge of the case” (p25)

Accordingly, Yin (1983) sees the case study as a common research strategy in areas such as business, economics and planning. Indeed, his investigations have gone even further since in 1994, Yin stated that: -

“In brief, the case study allows an investigation to retain the holistic and meaningful characteristics of real-life events - such as individual life cycles, organisational and managerial processes, neighbourhood change, international relations and the maturation of industries.” (p3)

Consequently, Yin suggests that case studies are a sound research approach to adopt, which can uniquely contribute to our knowledge of individual, organisational, social and political phenomena. In this vein, case research has a variety of applications, which include its use in both theory generation and in the initiation of change (in general). In terms of the main

study aim, of examining the behavioural nature of the evolving corporate level strategies developed by the UK telecommunications incumbent (British Telecom) within the dynamic UK telecommunications market, since privatisation, this approach would appear to warrant some merit. Indeed, some distinctly important requirements of this particular approach include: - the rigorous sampling procedures, the overall clarity in study design, the unambiguous definition of the research problem and the analysis of data requirements. Notwithstanding this, many investigators see commonality in case study research with it being a form of empirical inquiry that investigates a contemporary phenomenon within its real life context when the boundaries between phenomenon and context are not clearly evident (Yin, 1994; and Miles and Huberman, 1994).

Against this backdrop, for the purposes of this current study the use of such a strategy would therefore seem clearly appropriate, since the main research aim is primarily the historical collation of corporate level strategic decisions of the incumbent operator, British Telecom, since privatisation in 1984. The focus of this particular study does indeed include those strategic decisions currently being made by the firm. The defining context here would appear to be that a requirement for case studies includes a contemporary focus, which is relevant within the scope of this current study. Additionally, in order to obtain the required reliable information to address the nine research study propositions, the case study approach appears to possess the required legitimacy in obtaining the necessary depth of detailed information of

developed and developing corporate level strategies of the UK telecommunications incumbent, which has so far been ignored in extant research e.g. Weiss (1985); Kay et al (1986); Rutkowski (1991); The Economist (1995); Susman (1997); Taylor (1997); Cardwell (2000); Thomson (2001). Indeed, in order to uncover those underlying epistemological assumptions and values that underpin the strategic intentions of this major European telecommunications operator, such a case study approach was therefore seen as having considerable merit. From the characteristics of case study research identified in Table 4.4 (from section 4.4.2) the **how** and **why** types of questioning are clearly appropriate here, as is, the associated contemporary focus requirement. **To this end, this case study classification was therefore accepted as an appropriate research strategy for this current study.**

A point to note in this respect, is that, as far as classifications are concerned, the case study approach was not seen as a mutually exclusive approach to be adopted for this current study. Indeed, since this study seeks to uncover information relating to historical information, an historical collation does focus on archival and history classifications. Hence, in terms of research strategies, this study is seen to attempt to adopt the historical approach for the collection of secondary data, the archival approach for the collection of primary data and the case study approach for the collection of primary and empirical data.

4.4.2.5 Survey Strategy

Survey research is considered a branch of social scientific research, which was primarily developed by investigators in the areas of psychology, sociology, economics, and statistics (Campbell and Katona, 1953; Spradley, 1980; and Douglas, 1985). Such researchers have placed a rigorous scientific stamp on this strategic approach and in the process, have significantly influenced research within the general area of the social sciences. The main purpose of surveys is to obtain information from, or about a well-defined group or set of people, or indeed, a population. This technique involves the use of questionnaires, systematic observations and interviews (Parten, 1950; Kerlinger, 1976; and Nachmias and Nachmias, 1987).

Survey research has commonly been subject to a number of distinct disadvantages (Kinear and Taylor, 1987) and the following issues were therefore seen as being significantly important to the research question of this current study. Hence, these were given careful consideration when selecting the appropriate technique: -

- 1). the unwillingness of respondents to provide the required data. (Serious concern was therefore placed on non - response error, which can be problematic in the validation of any research findings);

- 2). the ability of selected respondents to provide data. (In the process of studying managerial decision, the overriding importance lies in targeting those individuals in the firm with the required knowledge and experience relating to the subject matter under examination);

- 3). the degree of influence of the questioning process on respondents. (Here, subjects may respond by giving the answers they think the researcher will want to hear. This can therefore be seen to be absolutely crucial, as it can distort the accuracy of data).

Indeed, such issues can reduce the validity of research results, although with diligence, these can be minimised by careful preparation of the survey instrument.

The survey investigator, it would seem, is primarily interested in the collection, examination and accurate assessment of specific characteristics of whole populations. However, rarely do survey researchers actually study whole populations, they tend to study samples drawn from populations. A variety of important categories of survey strategies were therefore considered for this current study and these are now elaborated upon.

4.4.2.5.1 Questionnaires

The use of questionnaires as an approach for collecting information indeed has merit for specific types of studies (Zaltman and Burger, 1975; and Moser, 1967). The use of questionnaires can allow access to a wider and more representative sample of the study population as well as produce little or no actual fieldwork costs. In such cases therefore, the cost per questionnaire can also be relatively low when compared to other methods of data collection. Indeed, some of the important characteristics of this technique include the elimination of interviewer bias; respondent anonymity is safeguarded through their use; segments of the sample are more easily accessible when compared with other approaches; and it is a more speedy form of data collection over field interviews (Ferber and Verdoorn, 1962).

Similarly, as with advantages of this approach there are a number disadvantages identified by these investigators, which include any bias resulting from non-response is often indeterminable (which can be problematic during the analysis phase of studies); control over person(s) responding to the information request is lost (introducing potential inaccuracies in the data received); interpretative meanings of response omissions is extremely difficult; the cost per return can be high in some cases (if the non-response rate is high); and respondents may be unwilling to formally document sensitive and confidential information. One final, but crucial disadvantage of this approach as an appropriate research strategy for this current study, is the lack of opportunity to extensively probe and ask

deep, searching questions of suitable candidates at opportune moments during the data collection process. Indeed, the sensitive nature of the nine study proposition would tend to suggest that the collection of appropriate data (using questionnaires) from corporate level executives would result in a low response rate of return. Consequently, in considering the validity of this approach to the area of corporate level strategic decision making at British Telecom since privatisation in 1984, this approach clearly fails to fully address the research questions and associated objectives of this study. Hence, questionnaires were therefore rejected as an appropriate strategy to adopt.

4.4.2.5.2 Observational Approaches

There are two primary types of observation, direct (simple) observation and ethnographic (participant) observation. During the visit to a respondent's respective site, there is the opportunity for direct observation of the environment, which serves as a source of evidence. These direct observations can range from casual data collection activities to those of a more formal nature (Marquis et al, 1951; Lofland, 1971; and Webb et al, 1981). Observations such as these, can involve the recording of observations of meetings, factory operations, decision making, etc. Similarly, information can be gathered on the condition of buildings and workspaces, and the location of respondents' offices can also indicate status within an organisational setting. In order to increase the level of reliability of

observational information, information from more than one observer can enhance both the formal and casual data. Unfortunately however, due to the nature of the central focus of this study on the historical collation of corporate level strategic decisions of the incumbent operator, British Telecom, since privatisation in 1984, the collection of such observational information is outwith the scope of this current study, and therefore direct observation was seen as an inappropriate approach. To this end, *this approach was rejected.*

Ethnographic (participant) observation according to Yin (1982), involves the investigator as more than a passive observer, whereby the observer may actively participate in the events being studied. This type of approach has primarily been used in anthropological studies, although it can be used in the organisational or small group setting (Redman, 1973; and Chisnall, 1986). In order to use this approach, the observer must gain suitable access to appropriate events or groups that are otherwise inaccessible to scientific investigation. A distinct advantage here, is the ability to view, experience and evaluate events from inside the respective setting - this being almost impossible to achieve using other approaches. This form of active investigation can be invaluable in a great variety of situations for data collection (Spradley, 1979; and Chisnall, 1986; Bryman 1988) and using such approaches would indeed allow close access to subjects and situations in the real world.

The practicalities in adopting such anthropological approaches in relation to this current study, whereby the researcher becomes more of an involved researcher, by becoming part of the situation being studied, can be seen to be rather problematic. Indeed, to follow the decision processes in British Telecom for a period of up to one or two years, where the researcher would conduct works within the firm and see corporate level strategic decisions made from the inside, would allow the collection of some meaningful information. However, in the light of the current research aims, this would not necessarily allow the collection of information relating to those corporate level strategic decisions that have already been made by the business elite of British Telecom since the firm was privatised in 1984. Nonetheless, due to time constraints placed on the duration of this current study and the corresponding financial costs involved in participating in studies of such a real world context (although such studies were seen by this investigator as being of significant importance and relevance to future studies in this area) it was seen as *currently* impractical.

Consequently, considering the research objectives identified earlier in this chapter, the observational approach is indeed, **inappropriate for this particular study - and was therefore rejected**.

4.4.2.5.3 The Structured Interview

Interviews can take several forms. The structured interview, entails the use of structured questions, along the lines of a formal survey, using questionnaires. Here, the interviewer asks the interviewee a series of pre-established questions, which have a limited set of response categories. All respondents are asked the same set of questions, in the same manner and sequence by a trained interviewer (Maccoby and Maccoby, 1954; Kahn and Cannell, 1957; Converse and Schuman, 1974; and Gorden, 1980).

Against this backdrop, there are three *key* assumptions to be borne in mind when considering using this approach: the possibility should exist to phrase all questions in a manner that is meaningful to all interviewees; all interviewees should have a sufficiently common vocabulary for answering carefully formulated questions; and question sequencing should be standardised as preceding questions may form the context of subsequent questions (Moser, 1967; and Nachmias and Nachmias, 1976). One of the important characteristics of this approach is the role of the survey instrument in relation to other possible sources of evidence and here a number of pieces of evidence would tend to be used to gain a more holistic view of the particular situation.

Consequently, Moser (1967) and Hyman et al (1975) identify a major problem in adopting such an approach in that due to the rigid nature of predetermined questions, the results obtained from interviews is likely to

produce data of little depth. Hence, while such an approach has a relatively higher level of reliability than other informal types of interviewing, it is an inappropriate technique for deep, probing, and searching questions. Consequently, in terms of addressing the study aim of historically collating corporate level strategic decisions of British Telecom since privatisation in 1984, it becomes clear, that in this respect, using such an approach would indeed present significant problems in addressing the research questions of this current study. **To this end, this approach was rejected.**

4.4.2.5.4 The Focused Interview

A second type of interview is the focused interview. Given its relatively unstructured nature, focused interviewing is where respondents are interviewed for a short period of time, with a concentration of open-ended questions being administered. In such situations the interview may assume a conversational manner, but more often than not, according to Zaltman and Burger (1975) and Nachmias and Nachmias (1976) interviewers follow a particular set of predetermined questions. However, Moser (1967) and Green and Tull (1978) disagree with these investigators and indicate that little guidance is used in such interviews, and consequently, they are indeed allowed to run freely.

The debate regarding the definition of this approach continues, but for the purposes of this inquiry the views of the latter investigators are seen to be

more apt to be associated with the in-depth (unstructured) interview, an approach which will be discussed later in this chapter. For the purposes of this study however, the use of focused interviewing overcomes the problems of inflexibility (as experienced in structured interviews) while ensuring that all relevant issues are addressed. In using such approaches, the investigator can include emotions and motives of respondents and gain a richer and deeper understanding of relevant issues (McClelland, 1965; and Jones, 1985). Opportunities are further enhanced, with the possibility of encouraging respondents to disclose information, which is rather difficult to obtain by more structured questioning Moser (1967). However, to use such an approach as a selected strategy for the collection of data on the evolving nature of corporate level strategic decisions of British Telecom since privatisation in 1984, according to Moser (1967) it would require the researcher to proceed based on three assumptions:

- 1). The researcher would be required to seek out those respondents that were known to have been directly involved in corporate level strategic decision making with British Telecom, during the period covered by this study;
- 2). a predetermined checklist of important issues relating to corporate level strategic decision making at British Telecom since privatisation, would require to be generated and used during the interviewing process;

- 3). the focus of any interviews would be required to be centred on the decisions made in terms of the situations under study.

Consequently, some of the major disadvantages with this approach stem from the increased role of the interviewer who requires being both highly skilled in interviewing and possessing considerable knowledge of the area of inquiry. Interviewer bias can also be a problem when questioning and recording the responses of respondents and this was to be borne in mind. Furthermore, reliability of the overall process can therefore be seen to be weakened when adopting the focused interview approach (Burgess, 1982; Stewart, 1982; and Jones, 1985).

From the research objectives identified earlier in this chapter, it would appear that the use of focused interviews as an appropriate research strategy, is more positive than any of the other survey approaches previously mentioned. Indeed, it would appear that this approach allows the necessary depth and richness of qualitative information to be gathered on corporate level strategic decision making from corporate level managers at British Telecom since privatisation in 1984. Considering the key issues which emanated from the study research objectives, a potential difficulty is indeed highlighted with this approach as it seems to lack the flexibility required of the interviewer to allow a more freely flowing response from respondents, which are pertinent to the historical information being sought. In this instance, specific questions can hinder the direction of both response and conversation. Indeed, although this approach as an appropriate research strategy was seen to be somewhat

lacking in some areas, it was not totally rejected, as it did appear to have considerable merit.

Considering the research objectives and the associated key areas of interest of this study, **this strategy was therefore selected** as one of the primary research strategies to adopt in addressing the main research question.

4.4.2.5.5 The In-Depth (or Unstructured) Interview

A further type of interview is the in-depth or unstructured interview. Many qualitative investigators Adams and Preiss (1960); Denzin (1989); and Spradley (1979), differentiate between the in-depth interview and participant observation. Lofland (1971) on the other hand, points out that the two go hand in hand, with much of the data gathering in participant observation coming from informal field interviewing. In the context of this study, the in-depth interview is seen as a means to encourage respondents to talk freely about the issue under investigation and the respondent therefore guides the course of the interview. As a consequence, the interviewer's role is confined to clarifying responses and general probing (Moser 1967; and Ferber and Verdoorn 1962).

During such interviews, the interviewer asks key respondents for the facts of a matter which can also be extended to include questions seeking the respondents' opinions about specific events. Indeed, respondents can be asked to propose their own insights into specific occurrences, which may be

used to generate propositions as a basis for further inquiry. Hence, there are no prescribed set of questions for respondents and the conversation tends to evolve naturally. Information obtained is copious, richer and can be more revealing of the personality of the respondent. However, although the quality of information is increased, the comparability among interviewees' responses is greatly reduced, with interviewer variation greatly pronounced (Zaltman and Burger 1975; Moser 1967; and Green and Tull 1978).

In terms of this current study, using such an approach would tend to yield information on the historic evolution of corporate level strategy development of British Telecom since privatisation, which is the primary aim of this research, thereby satisfying the objectives of this study.

In assessing suitability, it would appear that this approach does have less merit than the focused interview, due to the degree of comparability of responses from respective respondents and their corresponding low levels of reliability that may or indeed, are likely to ensue. Furthermore, the lack of control over interview proceedings is seen to be quite problematic, since the time restrictions placed on interview length by potential respondents is likely to affect the breadth, depth and focus of information, and hence many key issues relating to historical decision making may remain unexplored. These problems were therefore seen as significant.

To this end, this approach was seen as an inappropriate strategy to adopt, and was therefore rejected as part of the primary research strategy adopted for this study.

4.4.2.6 Review and Selection of an Appropriate Research Strategy

From the end of section 4.4.1.6, it was decided that a qualitative approach was the most sensible route for a study of this nature. As the problem being investigated and its' respective philosophical stance will dictate the research process, this study can be seen to primarily centre around exploratory and descriptive research. Hence, a suitable approach was required to evolve out of the research question and be determined by it. To this end, to proceed with this objective in mind, it has been demonstrated that qualitative research methods can be conducted in many ways. Indeed, in order to select the most appropriate strategy in this instance, strategies of experimentation were rejected as they were respectively demonstrated to be outwith the scope of this study, for a number of reasons which were previously stated.

The use of archival and history strategies, although insufficient in themselves to suitably address the area of corporate level strategic decision making at British Telecom since privatisation, they were demonstrated to have considerable merit and were therefore selected for the collection of primary and secondary information of this study. An additional research strategy was also seen to be relevant for this current study and this came from discussions on the use of case studies. Quite clearly, the case study approach was seen appropriate in terms of gathering empirical and primary data, in order to deal with the necessary depth required to address the central focus of the research objectives identified earlier in section 4.2, which

culminated in and directly related to strategic decision making of the incumbent British Telecom.

In continuing with an assessment of research strategies, from the main objectives of this study, survey strategies were carefully considered and Table 4.5 summarises many of the key characteristics identified of survey research strategies. This table indicates that generally, survey strategies have the advantage of a wide scope, whereby a great deal of information can be obtained from a large population using appropriate sampling techniques. Consequently, large volumes of data can be studied with far less expense than those incurred by studies using for example, a census. Although such an approach tends to be rather more expensive than laboratory experiments or field studies, they are relatively economical for the volume and quality of information that they generally yield. Furthermore, information is accurate, within sampling error, and it can give a remarkably accurate portrayal of values, attitudes and beliefs (Gross et al. 1955). Hence, forms of survey strategy were therefore seen to require a great deal of knowledge and sophistication, whereby the investigator must be competent in - sampling, question and schedule construction, interviewing, the analysis of data and other more specific technical aspects of the actual survey. An important caveat here, lies in the wide variety of knowledge and skills which can be difficult to obtain - in experience terms - for researchers and yet can be seen to be absolutely essential for the success of such studies. In deciding which of these survey approaches were appropriate for this study, it became clear

Table 4.5

Key Characteristics of Survey Research Strategies

	Advantages	Disadvantages
Questionnaires	<ul style="list-style-type: none"> • Wide access and representative sample of population; • Little fieldwork costs; • No interviewer bias; • Anonymity of respondents; • Speedy form of data collection. 	<ul style="list-style-type: none"> • Indeterminable non-response bias; • Little control over person's responding; • Response omissions causes interpretative difficulties; • Costs high, if non-response rate high; • Poor response likely if sensitive and confidential information sought; • Generally, responses are superficial.
Observational Approaches	<ul style="list-style-type: none"> • Excellent when considering formal and casual data; • First hand viewing, experience and evaluation of events; • Applicable to contemporary events; • High levels of reliability. 	<ul style="list-style-type: none"> • Observer must gain access to appropriate events and groups, which can be problematic; • Of little use in historical research.
Structured Interviews	<ul style="list-style-type: none"> • Simpler interviewer training requirements; • Interviewer bias is reduced; • Ease of data analysis; • Increased opportunity for data measurement; • Results are easily compared; • High level of reliability. 	<ul style="list-style-type: none"> • Requires standardised phrasing of questions, simple and closed; • Interviewees must have a common vocabulary for responding; • Sequencing of questions should be standardised; • Results obtained likely to produce data of little depth; • Little opportunity to ask probing questions; • Lack of clarification of any ambiguity; • A number of pieces of information required to gain a holistic view; • Low level of validity.
Focused or Unstructured Interviews	<ul style="list-style-type: none"> • Promotes the use of deep, probing questions; • Opportunity for collecting rich data; • High level of data validity; • Response ambiguities can be clarified; • Favours theory - testing; • Can be used for theory building; • Useful in Historical research 	<ul style="list-style-type: none"> • High degree of skill required from interviewer during interview; • Requirement of a high level of interviewer knowledge; • Interviewer bias can be problematic during questioning and recording of responses; • Possibility of increased interviewer bias; • Less scope for data measurement; • Comparability of results problematic; • Reliability of results can be questionable.

(Source : Literature Evidence)

from discussions that a straight comparison of survey strategies was indeed impossible. The distinct advantage of a particular approach can turn out to be a disadvantage of another. Here, the approach of the focused interview had considerable merit over other survey strategies.

Consequently, a case study approach was adopted, with archival and history strategies being used to enable collection and collation of primary and secondary information, the focused interview technique was adopted as the primary research strategy for empirical data collection. This case approach would be developed around a series of focused interviews, using checklists containing mainly open - ended, but focused questions. Interviews were to be conducted in a controlled fashion, in order to elicit free - flowing, rich and deep responses from interviewees on issues relating to this study's central focus. Indeed, in order to concentrate the focus of this study on the data collection process, Table 4.6 was generated to summarise the relationship of the case study and its' respective selected research strategies, to the nine research propositions which were identified in section 4.3.

Table 4.6 clearly shows that propositions 1, 2 5, 6 and 8 rely on data collected through the approaches of archival, history and interview techniques, while propositions 3, 4, 7 and 9 rely on the use of archival and history techniques only.

Table 4.6**Relationship of Study Propositions to Case Study Research Strategies**

<u>Proposition Number</u>	Technique Required	
	<u>Archival/History</u>	<u>Focused Interview</u>
Proposition Number 1	Yes	Yes
Proposition Number 2	Yes	Yes
Proposition Number 3	Yes	
Proposition Number 4	Yes	
Proposition Number 5	Yes	Yes
Proposition Number 6	Yes	Yes
Proposition Number 7	Yes	
Proposition Number 8	Yes	Yes
Proposition Number 9	Yes	

(Source: Author generated)

In applying the aforementioned approaches to identify the nature of corporate level strategies developed and adopted by a major European telecommunications incumbent since the onset of telecommunications privatisation in the UK, it is to the best of the knowledge of the author, the first comprehensive examination and analysis of corporate level strategic evolution of the largest operator within the UK telecommunications industry since privatisation in 1984.

Critically, the debate now centres on the application of the selected approaches, to the development of appropriate procedures for the collection of data.

4.5 The Data Collection Process

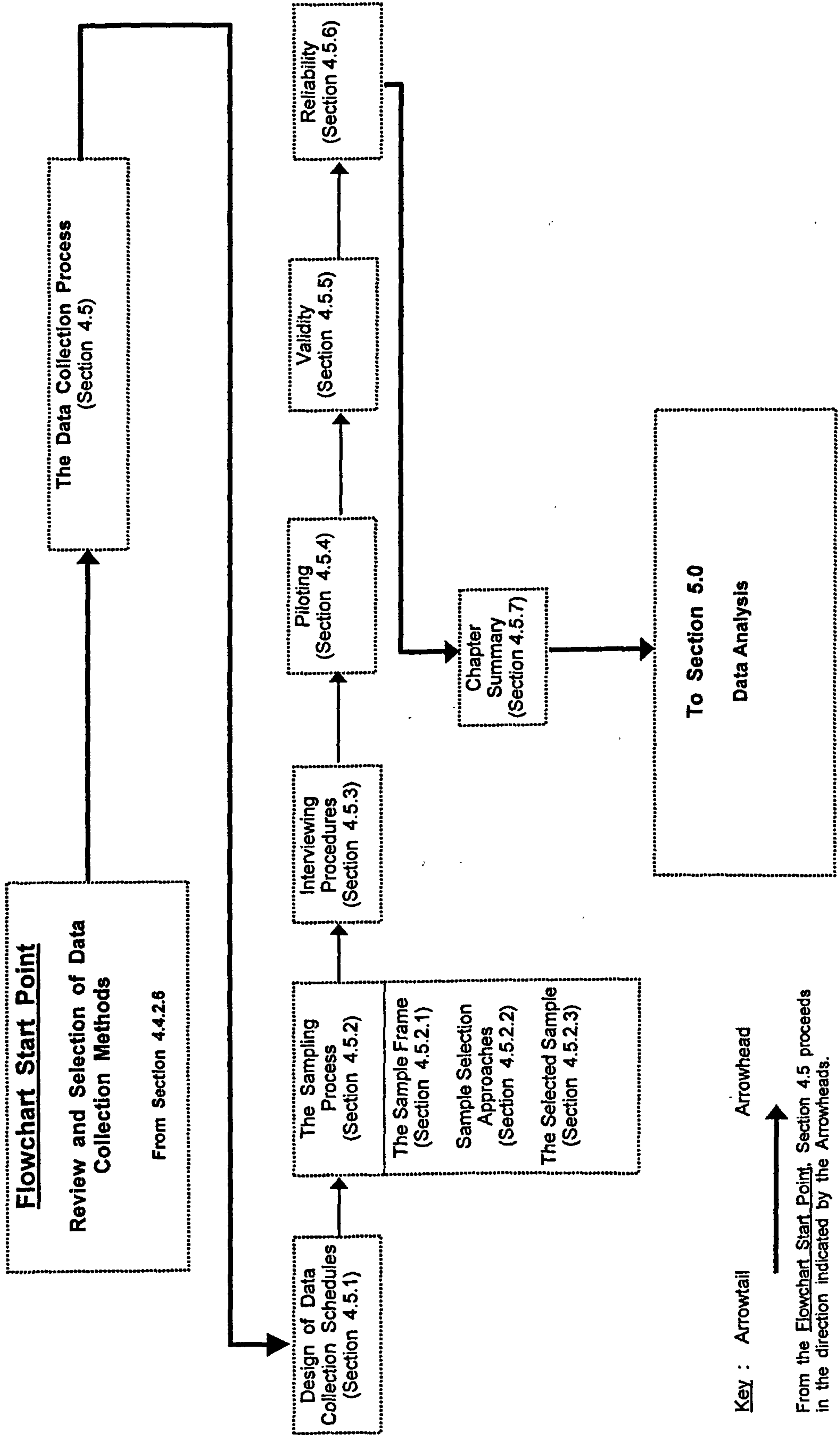
This section of the study directly follows from the choice of research method and attention now centres on the application of selected research strategies throughout the data collection process of the study. In describing this data collection process, four key areas were of significant importance: the design of the interview schedule; the sampling procedure; the procedure adopted for the management of interviews and finally, attention on issues of validity, reliability and objectivity. Throughout this stage of the study, a number of problems were encountered and these are identified and explored as the data collection procedure progresses. For the benefit of the reader, Figure 4.4 has been generated to outline the forthcoming structure of this section of the study and subsequently, protocols for each of the above four areas are described in detail.

4.5.1 Design of Data Collection Schedules

On consultation of literary sources, there appear to be rather few informational sources that focus on the development of a schedule for use during interviews with business executives at the corporate level of an organisation. It would appear that many sources centre attention on the management of a group or team of field workers while others deal with general problems faced by researchers managing such groups (Moser (1967); Bouchard (1976); Nachmias and Nachmias (1976); Fiedler (1978); Webb and Weick (1979); Adams and Schvaneveldt (1985)). However, a

Figure 4.4 :

Flowchart of Section 4.5



Key : Arrowtail

Arrowhead



From the Flowchart Start Point, Section 4.5 proceeds in the direction indicated by the Arrowheads.

number of studies do indeed have significant relevance to interviewing guidelines for consumer, doorstep and business executive interviewing (Kincaid and Bright (1957); Kahn and Cannell (1957); Babbie (1973); Kerlinger (1973); Chisnall (1986)). In this respect, as the principle method of data collection was through face-to-face focused interview(s), the selection of interviewee was to be of prime importance in the development of the interview schedule.

Hence, a number of factors were identified from various investigative works (Kahn and Cannell (1958); Oppenheim (1966); Moser (1967); Youngman (1984) and Chisnall (1986)) and these were seen as having the potential to present considerable problems to this current study. Critically, an evaluation eluded to the following six factors being generated, which were kept at the forefront of the investigators mind throughout schedule development:

- 1). Questions were to be developed for corporate level executives of British Telecom, who must be both willing and able to respond to relevant questions and discussion issues;
- 2). The form of question and questioning required to be appropriate for the information it sought to elicit;

- 3). Questions were to be consistently clear for all interviewees and the language used was required to be that which was familiar to the respective interviewee;
- 4). The directional flow of questions was to be consistently ordered to encourage full participation and to guide the interviewees' thoughts through a logical progression of respective issues and topics covering the required time period(s) when strategy was developed at British Telecom from 1984 onwards;
- 5). Interviewee's at British Telecom were to be asked only those questions that specifically related to the research problem, otherwise, extraneous questions may hinder effective use of time;
- 6). Care was to be taken to ensure that no suggestion was made towards some desirable response from British Telecom executives.

Armed with such advice, the interview schedule development phase, was designed to uncover issues associated with the evolution of corporate level strategic development by British Telecom, since UK telecommunications privatisation. Furthermore, as the aim of the study was not so much a

representative of executive opinion, but to gather informed factual information from those executives that had been involved, and indeed, are involved in strategic decision making at the corporate level within the incumbent firm. To this end, the interview schedule, which is presented in Appendix 1, was to be developed around a number of key themes.

The first theme of the interview schedule was designed around a general introduction of the study, emphasising friendliness and encouragement, thereby allowing interviewees of British Telecom to respond to questions in a relaxed manner. This was important in order to set the scene and prepare the interviewee for the forthcoming detailed and possibly, sensitive questions.

The second theme of the schedule was designed to encourage respondents to divulge information relating to both description and exploration of the nature of evolving corporate level strategies developed by the UK telecommunications market leader since privatisation. Furthermore, these questions identified the - *what, when, how and why*, the firm's strategic behaviour may have changed.

The third and final theme of the interview schedule was designed to focus on questions relating to those crucial company and industry specific factors, from the perspective of the telecommunications incumbent, that influenced the process of corporate level strategy development within the respective

firm. Furthermore, questions were *designed to extend our knowledge* of corporate level strategy within conceptual and contextual frameworks, in terms of unfolding dynamic and evolving UK telecommunications market structural developments from the perspective of British Telecom, since privatisation.

In adopting this approach to schedule design, the empirical data provided by interviewees was to be micro analysed in order to provide sufficient information to address the central focus of this study. Structurally, within the framework of all three themes, open-ended questions were primarily used, which was seen to be in-line with the exploratory nature of the research. The main problem foreseen at this juncture, that of data recording was to be captured by the use of written notes. The researcher was prepared to record (on tape) all interview sessions. However, due to the insistence of interviewees, who unfortunately felt "uncomfortable," with audio recording, there were no other options of gathering the required data, open to the researcher.

Suffice to say the issue of data analysis of open-ended responses from interviewees' was considered at this stage and meticulous attention was therefore placed on question design and data collection. Full account of the analysis of interview data is given in the chapter, which follows. For the development of interview schedules, the funnel sequence approach described by Erickson (1986) was adopted. This was seen as an opportunity

to maximise the potential success of interviews, allowing them to progress from the outside and periphery of key issues, working towards the core and central focus of the study, in a logical and relatively smooth manner.

The first few questions of the interview schedule were rather general in nature and focused mainly on characteristics relating to both the central focus of the study and on the interviewee. This approach was to allow the interviewee an insight into the main study aims and to allow them to speak about themselves and their respective position and roles within the company since their initial recruitment. Such a deliberate form of questioning was also adopted in order to allow a relatively relaxed tone to be set from the outset, which was seen to be beneficial in establishing a suitable rapport prior to asking the more specific and possibly rather sensitive questions, which were to follow. Furthermore, this relaxing tack was seen as a positive step towards allowing the interviewee the opportunity to respond to questions in a non-threatening, humble and rather friendly manner.

The next few questions (second theme) focused attention on obtaining information on the structural levels of strategy developed within British Telecom and their respective meanings in the context of the firm's definitions. Questions then centred on the corporate level planning processes adopted by the firm since privatisation, and of the respective respondent's role in this process. Respondents were then asked to identify key periods in time - on a time line (Appendix 2) which were supplied to the

respective respondent) indicating *what, when* - and the main reasons as to *why* - corporate level strategy was developed by the firm since privatisation. Additionally, questions for this theme centred on the identification and examination of specific key company goals, which were set in order to measure strategic success, from those respective decisions, which had been identified.

The third and final theme of the interview schedule began by considering the issue of *what* corporate level strategy was currently being developed at the firm, and the question - focus was primarily on the company's evolving vision, goals, missions, strategies, core competencies, competitive advantages and international strategic alliancing. The questions that followed were based around *how* these were to be achieved, and the identification of those key factors, which were seen to be currently bringing about the redevelopment of corporate level strategies. In this genre, questions also centred on issues surrounding *why* specific strategies were developed and their respective impact on evolving organisational culture and structure of British Telecom. Consequently, this level of questioning was developed to identify the key driving forces, which were seen as emanating from the identification of these key factors. Such questioning allowed the natures of both causes and effects of strategic decision making to be understood. Furthermore, this theme was set around questions relating to the impact of those previously identified factors and forces on the developing UK market structure, with particular reference to the network/fixed link infrastructure

services, since privatisation. Subsequent questions related to issues concerning the impact of regulation and the regulator on both the firm and the industry in general. The final questions considered the future of the firm and their strategic posture for future success in relation to the evolving market structure and to the dynamic global telecommunications environment in general. All of the issues identified in this part of the schedule were considered from the perspective of the UK incumbent, which again focused on factors of cause and effect.

Overall, the structure of the interview schedule was designed to allow considerable latitude for delving into those issues that appeared promising (and that required a degree of rigour) as well as provide a high degree of depth of response. Evidence from Kincaid and Bright (1957) and Zuckerman (1972) suggests that such flexibility was necessary when interviewing elite business executives, in order to ensure that every opportunity was made available to respondents to provide atypical responses in situations where a revision, reinterpretation or indeed, an extension of existing theory may be prevalent or emerge. Indeed, the implementation of this explorative approach towards these issues was seen as being vitally important to the potential success of the schedule.

4.5.2 The Sampling Process

During the design phase of the interview schedule, it became apparent at quite an early stage, that a number of formidable procedural problems could be encountered during this process. This was reflected on consultation of extant research (Fear, 1984; Moser and Kalton, 1985; Millar et al, 1992; May, 1993) whereby the fact that little had been reported on work relating to the development of corporate level strategies of firms in general and more specifically, in relation to the UK telecommunications industry. In this respect, there was little doubt that research work had been directed towards this stratum of industry, as the existence of many educational case study works on strategy would testify. Against this backdrop, personal interviews with the business elite were clearly seen as having great significance to the investigative understanding of corporate level strategies developed and those developing within the UK telecommunications industry.

Critically therefore, many important problems can only be approached through such interviews with this stratum of management. The main purpose at this juncture is therefore to discuss both - the procedures adopted - and - those specific problems encountered, in both sample selection and in obtaining the co-operation of corporate level executives of British Telecom for this current study.

4.5.2.1 The Sample Frame

A number of reasons were identified in the preceding chapter indicating that the process of strategy development - in general, cannot be assumed to be developed in isolation of other factors which directly and/or indirectly relate to the internal and external environments of the firm concerned. Indeed, the UK telecommunications industry is considered to be no different to other industries whereby strategies developed by one firm, clearly affect those strategies developed, as well as those being developed, by others. However, due to the rather sensitive nature of this area of corporate level strategic decision making, it was clear to this researcher, from both - previous experience of conducting personal interviews with more than forty corporate level executives from across a number of industry sectors - and - from extant literature (Glaser and Strauss, 1967; Pettigrew, 1985; Miles and Huberman, 1994) that it was vitally important to be particularly diligent in selecting an appropriate sampling frame for this study. Additionally, with the range of data spanning a duration of some fourteen years, by its' nature, it was envisaged that much of the data may be of an extremely sensitive nature, particularly in terms of shareholder accountability. With this in mind, according to Denzin and Lincoln (1998)

"Sampling choices within and across cases are powerfully determinative of just which data will be considered and used in analysis..... Qualitative researchers must characteristically think purposively and conceptually about sampling..... such choices

are theory driven (Glaser and Strauss, 1967), not driven by a concern with "representativeness"." (p204)

In this vein, issues associated with the underpinning of sample selection approaches were given careful consideration. Purposefully therefore, the intrinsic interest of the study led to the necessity to define (in rather broad terms) the population of interest.

Against this backdrop and considering the research aims, the selection of company as the primary subject and sample frame for this case study was to come from the firm which was seen as the largest UK telecommunications operator at the time of privatisation, in terms of some broad and relevant criteria. In this respect, following UK telecommunications privatisation of British Telecom in 1984, there were a number of telecommunications providers that possessed a telecommunications network (of one form or another) that appeared to fit the survey research demands of the population under study (i.e. The Post Office, Mercury Communications, Kingston Upon Hull, Scottish Power and British Rail Telecommunications). For most industries, the number of companies leading their respective market, by almost any measure (market share, turnover, current assets, employment, etc.) is indeed relatively small. In practical terms, considering the industry being studied; the evolutionary stage of the UK market in 1984; and the subsequent nature and impact of liberalisation on market size and structure, a number of criteria were seen as being realistically appropriate. Critically therefore, a diverse range of criteria were selected as reliable market

measurements which were used by a number of industrial surveys (e.g. Financial Times Telecommunications Survey (1987); Keynote Report (1992); etc.). In this concern, it was decided to select the sample frame around the firm that could meet the following ordered criterion, which was used for categorising the size of UK telecommunications firms.

- 1). The firm with the largest market share (by number of customers) of any UK telecommunications operator, immediately prior to privatisation.
- 2). The firm with the largest financial turnover in the UK immediately prior to privatisation.
- 3). The firm with the largest current asset base of any UK telecommunications operator immediately prior to privatisation.
- 4). The largest firm in terms of number of employees at that time.

In respect to this criteria and in terms of the scientific investigation of the research problem, the firm of British Telecom was selected, as no other UK telecommunications firm came close, in any of these criterion. On this basis, British Telecom was seen as the main incumbent telecommunications

operator in the UK at the time of the introduction of UK telecommunications privatisation (the firm was part of “The Post Office”). Indeed, the monopoly position for UK telecommunications provision held by this firm immediately prior to privatisation, was reflected in their “near” 100% market share. The size of British Telecom at the time of privatisation was reflected in the firm’s turnover of £6.876 billion, current asset base of £9.2 billion and their number of employees being (on average) in excess of 244,000 (Annual Report, BT 1985). Hence, considering the nature of corporate level strategic behaviour of British Telecom, and its respective impact on the developing UK market, it seemed prudent to select an organisation that was at the heart of the development of the UK telecommunications market since privatisation.

A point to note here, is that a great deal of thought and consideration was given to the possibility of conducting a cross-case comparative study, which included all of the aforementioned firms, however, this sample frame was discarded due to reasons relating to: the nature of data and associated data sensitivity; firm-specific confidentiality; the volume of data; data analysis; the reliability of data and time constraints. Critically therefore, for this explorative and descriptive study, British Telecom was seen as the clear choice of firm for this particular study. The debate now centred on the selection of appropriate subjects for interview.

4.5.2.2 Sample Selection Approaches

Within the organisational setting of this case, the knowledge being sought was clearly not equally distributed within the general study group of British Telecom employees. On consulting the plethora of extant literature on sample selection approaches, a number of approaches were therefore seen as being outwith the scope of relevance for this study (Parten (1950); Van Maanen (1983) and Jones (1985). Consequently, as the boundaries of this case were nested within the confines of executive - level employees of British Telecom, it was at this stage in the proceedings that a great depth of scientific reasoning was considered necessary for selecting subjects from the business executive stratum of the firm. To this end, the protocol adopted for considering approaches for this current study was to be theoretically driven by the principal conceptual question, which centred on the initial and primary choice of informant. In this sense, careful selection was necessary to ensure that such within - case sampling - was iterative and progressive in terms of the research question, as the study proceeded. Indeed, this approach was seen as beneficial in allowing a relatively concentrated focus of sample configuration bringing about some degree of both width and depth of collected data. In this vein, studies of Glaser and Strauss (1967) Morse (1989) and Kuzel (1992) suggest that appropriate sampling for qualitative studies, can be purposive and that samples can evolve as a study progresses.

Such **purposeful sampling** indeed has a number of variations and studies by Patton (1990) identify sixteen variations. However, on critically evaluating such sampling approaches - in conjunction with the study's main research aims - Moriarty (1983) and Schreiber (1996) elude to the use of **snowball sampling** as a technique to identify members of an organisation who were involved in the same project(s). Here, the technique is used to identify members of a network of decision participants, who as a consequence of their involvement in a particular set of decision making, are subsequently asked to identify other actors of a similar standing, that were also active participants. Cogent argument therefore suggested that such sampling approaches were clearly relevant for this current study.

In this genre therefore, the selected approach was seen to be **based on purposeful sampling** in the initial stages, coupled with **snowball sampling** for the subsequent sample of respondents for the remainder of the sample selection stage.

It had indeed been recognised that the inertia of initial interviewing was to be seen as beneficial in allowing significant insight into other potential subjects, who were **personally unknown** to the researcher, but were key players in corporate level strategic decision making while employed with the telecommunications incumbent. As part of the sample frame, the disclosure of information and subsequent introduction of further subjects by initial

interviewees was to be absolutely crucial to the success of this phase of the study.

4.5.2.3 The Selected Sample

To begin with, in adopting a purposeful approach a thorough examination of information on executives within British Telecom was conducted (Annual Reports, BT 1984 - 1997) although it remained unclear as to which currently employed executives were employed by the firm as executives in decision making, at the time of privatisation. In a similar vein, the particular roles and functions of these corporate level executives throughout the period were also unknown. This was seen as potentially problematic. Recognition of such problems led to discussions with the former Global Marketing Director of British Telecom (an individual who had previously participated in research studies with this researcher) and it was therefore decided at this point to approach Sir Iain Vallance of British Telecom, (Chairman of the firm) with a view to requesting a personal interview with him, in the first instance. A number of reasons and important issues alluded to this approach as being relatively sound.

The first reason became evident following an examination of information sources indicating that Sir Iain Vallance was the most senior member of the firm and was therefore seen to be the most influential executive within British Telecom.

Second, as Chairman, Sir Iain Vallance appeared to have the necessary corporate level experience required in order to answer questions relating to the central thrust of this current study.

The third reason stemmed from published information which indicated that Sir Iain Vallance had been employed at the firm for more than thirty years and as a consequence, secondary information suggested that he would have been both - part of the corporate strategy development team throughout the period covered by this study - and that he would therefore have seen the impact of corporate level strategies on the firm and the corresponding marketplace.

A further issue relevant in adopting such a selection was the high level of decision making power and credibility held by the Chairman, that as a beginning to the snowball sampling process, he was seen as a solid foundation in the development of an appropriate route forward at this important stage of the study.

A final reason surrounded the reliability of information emanating from interview materials, which was seen to be soundly enhanced by any input from the Chairman.

Therefore in practical terms, in approaching an executive such as the company Chairman, who had considerable knowledge and stature within the firm, was seen to enhance the possibilities of both opportunity and scope of

success in terms of gaining access to suitable candidates (interviewees). At this juncture, primarily due to time frame constraints, it was decidedly necessary to consider the possibilities of success or otherwise of this tack. Indeed, following three years of planning by this researcher, contingencies were considered important. Hence, Table 4.7 was generated in order to contextualise a number of scenarios which were seen as being realistic in the sense of identifying potential opportunities for progressing the study and gaining access to suitable respondents from the same sample frame.

Table 4.7 **Sampling Scenarios**

<u>SCENARIO</u>	<u>POSSIBLE OUTCOME</u>
Scenario (a)	The Chairman may accept the researcher's request for his assistance and allow the investigator a personal interview.
Scenario (b)	The Chairman may reject the interview request.
Scenario (c)	The Chairman may not be available to be interviewed, but may recommend and offer an alternative executive.

(Source: Author Generated)

In considering the scenarios of Table 4.7 at this stage of the investigation, it allowed the researcher to focus on the limitations of the selected sample, and peruse potential alternatives. In this respect, if Scenario (a) was the approach outcome, whereby the Chairman accepted the researcher's request for interview, the opportunity was seen to exist for snowball sampling to dominate proceedings, as recommendations of other suitable subjects would be sought from this interviewee.

If Scenario (b) was the approach outcome, it was thought that even though the initial approach to the Chairman was rejected, there would still be a requirement for the acquisition of a list of those British Telecom executives that would have the necessary experience and knowledge to be approached for interview. In this instance, to obtain a copy of such an executive list, a subsequent approach to the Chairman may be necessary, and may not be quite so problematic to obtain. Furthermore, it was also recognised that if in rejecting the researcher's interview request out of hand, all would not be seen to be lost at that stage, since in the scientific selection of suitable executives, the Chairman's response would possibly still leave the door open to *directly* approach other suitable executives within British Telecom, for interview.

Finally, if the approach outcome of an interview request to the Chairman was Scenario (c), then the investigation would proceed using a snowball sampling technique. The inertia of these scenarios identified one significantly major problem: how many interviews would require to be conducted in order to satisfy the research question? This was seen as an extremely important question and it was recognised that a lack of rigour here could be potentially damaging to the validity of the study.

In observing fertile research, Kincaid and Bright (1957) and Easterby - Smith et al, (1991) elude to sample sizes for interviews being limited by the time made available to interviewers in terms of both executive time and financial

costs to the respective firm. Critically therefore in terms of sampling, according to Easterby - Smith et al (1991, p122)

“The main aim of sampling is to construct a sub-set of the population which is fully representative in the main areas of interest. It is then possible to infer statistically the likelihood that a pattern observed in the sample will also be replicated in the population.”

In identifying with such contributions, it rapidly became clear that the focus of any sample centred on the gathering of information and informed opinions from corporate level executives that had been involved in corporate level decision making with British Telecom during the period 1984 - 1998. Practically therefore, it was concluded that a suitable **sample size** was indeterminable at this juncture. Such a conclusion was principally derived from the following three assumptions: -

1. that the selection of interviewees as suitable candidates for this study was outwith the control of this researcher;
2. the duration of employment and employment roles of candidate interviewees was to be indeterminable - at this stage;
3. due to the breadth and depth of information required for this current study's aims little was known of the level of disclosure which was to be forthcoming from interviewees.

Hence, the sample size was to be determined by the completeness of information obtained in adopting the purposive and snowball sampling

techniques and once data saturation was achieved, further sampling could cease. Indeed, much weight was therefore to be placed on the information obtained from interviewees and snowball sampling would continue until sufficient information relating to all nine study propositions had been obtained and reliability of data had been established.

Initially therefore, the Chairman of British Telecom (Sir Iain Vallance) was therefore purposefully selected as the primary and initial candidate within the sample frame, with a view to interviewing a series of executives that had been involved in developing corporate level strategy during the period covered by this study, using the technique of snowball sampling until sufficient information relating to the nine study propositions had been obtained.

To this end, a letter was drafted and mailed to Sir Iain Vallance (Appendix 3) on 18th September 1997. This letter introduced the researcher, the project supervisor (Professor Pitt), the study's aims, the duration of the study, as well as associated reasons for requesting interviews with top-level executives of British Telecom. Additionally, a copy of a previous publication co-authored by the researcher was also sent, as an indication of the researcher's work in this area (Hood et al, 1993).

Unfortunately however, the initial response from the Chairman's Office of British Telecom, was rather poor, since after a duration of four weeks, there had been no response to my initial request. Consequently, it was decided to

telephone the Chairman's Office, and inquire of the receipt of the written request.

This inquiry which took a further eight weeks of telephone calls by the researcher to the Chairman's Office in order to generate a positive response. Communication was eventually achieved following the re-direction of communiqués to the Private Secretary of the Chairman, via the Chairman's Office and his response indicated that the Chairman was extremely busy, although Sir Iain Vallance had intimated significant interest in the study to the Private Secretary. The Private Secretary indicated that the Chairman had read the article accompanying the correspondence and that the Chairman was keen to assist in this particular study.

The Private Secretary therefore asked for a further updated written request to be submitted to the Chairman, before any assistance could be given. On the 5th January 1998, a further letter was sent to the Chairman of the firm (Appendix 4) which was a modified version of the original request outlined in Appendix 3.

On the 14th January 1998, a letter was sent from the Chairman's Office indicating that the Chairman was keen to support this current study, but that due to business commitments, he would not be available to be interviewed in the short - term (Appendix 5). However, due to the nature of the inquiry, the Chairman was prepared to give significant importance to this study and

suggested that the researcher meet with a number of senior managers from within the firm's Strategic Business Planning, Strategy Implementation and Regulatory Affairs Directorates, whom he suggested would have detailed knowledge of the data required to address the objectives of this current study. Therefore, these interview candidates were seen to be an appropriately selected sample for this study.

4.5.3 Interviewing Procedures

Throughout the development of the interview schedule, it was clearly understood that the careful noting of responses was to be central to the success of this phase of the study and that sound judgement would be required from the interviewer to record all information accurately. Due to the insistence of interviewees at British Telecom, audio recording was regarded as an uncomfortable method to adopt and although total openness appeared to be shown, note-taking was the method which was recommended and therefore under the circumstances, seen as the most acceptable approach to adopt.

Indeed, it was understood from previous studies, that there would not be unlimited opportunities to access elite executives and that if opportunities presented themselves or indeed were created, then they were highly likely to be very few in number (Gorden, 1956; Kincaid and Bright, 1957 and Bingham and Moore, 1966). Such opportunities would require highly reactive time frame responses from the researcher and consequently, interview schedules may require flexibility towards sudden changes. Following the completion of the first interview on February 6th 1998, (Mr Tony Harris, Director of Strategy and Business Planning) communication was made (by telephone) with the Chairman's Office and subsequently, a further interviewee was recommended. This continual referring and approaching of the Chairman's Office for further interviewees was extremely productive in terms of ensuring an appropriate sample frame and time consumption.

Indeed, this ensured that all interviewees recommended by the Chairman, were directly involved in corporate level strategic decision making for some part of, or all of the periods of time covered by this study. All interviews were conducted between 6th February 1998 and 18th March 1998 and the interviews took place in the respective Offices of interviewees, in British Telecom headquarters in Newgate Street, London.

There has been a developing bond within the entire relationship between the researcher, the interviewees, the general topic, the problem and the outcomes produced from interviews. The debate now centred on the vitally important issue of whether sufficient data had been collected from each interviewee in order to address the research aim. In this genre, the researcher continually assessed and evaluated the empirical data collected with both primary and secondary data sources and the study research objectives, in order to ensure that as complete a picture of strategic decision making had indeed been recorded.

On reflection, this was seen as being vitally important in completing the task of historically collating the strategic decisions made by British Telecom since UK telecommunications privatisation. Sufficient data was seen to be collected following the completion of the third interview, with the Director of Change Management and Quality (Mr Ray Bell) at which time interviewing for the purposes of data collection ceased - as a point of saturation had been reached.

Unfortunately however, in the context of the initial approach adopted by this study at the outset i.e. snowball sampling, the actual method adopted is seen as being outside such classified boundaries. Correspondingly, the author can find no reference to such a sampling approach from wide-ranging scans of literature sources. Consequently, as a historian, the adopted sampling approach was seen as creating an appropriate sample from an otherwise indeterminable sample in terms of both validity and reliability. In this genre, the categorising of this approach would seem sensible.

**Hence, the author's description classes this sampling method as a
"sponsor - driven iterative sample."**

Following the completion of interviewing, a letter of thanks was sent to the Chairman and each of the interviewees. One copy of the letter is included as Appendix 6.

4.5.4 Piloting

A number of studies indicate that the use of piloting is considered to be an important element of the data collection phase (Patton (1990); Miles and Huberman (1994)). In this vein, on piloting, Janesick (1998) states:

“The pilot study allows the researcher to focus on particular areas that may have been unclear previously... .. pilot interviews may be used to test certain questions.. .. this initial time frame allows the researcher to begin to develop and solidify rapport with participants as well as to establish effective communication patterns.” (pp42-43)

Against this backdrop, following the generation of interview questions for this study, questions were piloted by carrying - out the first interview with the Director of Strategy and Business Planning at British Telecom. The primary reason for piloting at this stage, was two-fold.

Firstly, this interviewee was the appointed interview candidate by the British Telecom Chairman and a degree of uncertainty, as how many interviews would be sufficient in order to complete data collection, it was seen to be appropriate to consider piloting at this juncture in contrast to consideration at a later stage.

Secondly, although the researcher had experience of interviewing corporate level managers, there had been no other appropriate opportunity to test interview questions with telecommunications executives. To this end, from

the initial interview questions and subsequent interviewee responses, further discussions with my supervisor, led to the highly constructive, modification of the Question - Checklist. This modified checklist, included a number of questions that had been omitted from the original checklist and these were seen as being appropriate in enhancing the reliability of collected data. These additional questions are identified in Appendix 7.

Preliminary tabulations were considered and consisted of setting-up and using an appropriate data base for data coding. Due to the nature of the collected data, for examination and analysis purposes, initial thoughts centred around methods incorporating both content analysis and grounded theory. Reasoning behind this decision is elaborated upon in the following Chapter. Furthermore, throughout this phase, there was continuous academic back - up from my project supervisor, which ensured that any problems encountered would be promptly advised upon.

4.5.5 Validity

The issue of validity has been discussed by many researches in a variety of contextual situations (Lincoln and Guba, 1986; Bryman, 1988; Wolcott, 1990; and Silverman, 1993) and its importance cannot be underestimated. From the details outlined in the design of question checklists, great care and attention can be seen to be taken, in order to ensure that the respective questions contained within the test instrument did indeed satisfy the research aims. Implicitly therefore, the description and exploration of data contained within this case study, is seen to add considerable richness and value to the uniqueness of this study.

For this current study the definition of validity offered by Hammersley (1990) has been selected for its appropriateness, as it appears to capture the sentiments of a number of theorists. Here, Hammersley states:

“By validity, I mean truth: interpreted as the extent to which an account accurately represents the social phenomena to which it refers.” (p.57).

It would appear however, that no general approach appears to exist that could be classed as the best approach to adopt for the testing of data validity. Hence, due to both - the qualitative nature of this current study - and - to the critical investigation of single case data, a form of triangulation of findings has been adopted here. In this vein, the collation of empirical, primary and secondary information on the historical evolution of corporate

level strategic decision making at British Telecom, has been compared and contrasted by adopting an iterative process, throughout the Literature Review, Data Collection, Data Analysis and Discussion phases.

Insofar as the acceptability of this approach is concerned, a number of failings have been alluded to by some practitioners (Reason and Rowan, 1981; Bloor, 1983; and Bryman, 1988). However, in an attempt to expose the adopted empirical method to validation - and consequently, in order to ensure that an accurate portrayal of the historical collation of key strategic decision making has been achieved, the research findings were also presented to the Chairman of the firm for comment on validity. Unfortunately, to-date there has been no response from Chairman's Office that would confirm or deny the validity of findings. On a more positive note, the academic papers that have been generated from this study were also sent to Chairman's Office for comment prior to publication and no comment has, as yet, been received by the researcher.

Due to the time-scale involved in completing this study, it is reasonable to make the assumption that since more than twelve months have passed since initial contact re: comments on findings, had there been any adverse comments from sponsors which either contradicted or criticised the validity of the data, then these would indeed have been forthcoming from the sponsoring organisation. On reflection, it was pointed out by all interviewees during respective interviews, that aspects of the empirical and primary data,

may be seen to be of a rather sensitive nature to stakeholders of British telecom and/or competitors and that confirmation of certain data, issues and events may therefore be difficult. Implications here centre around the legal nature of information disclosure and insider trading, as well as the association towards managerial competence in decision making.

To this end, the researcher can only assume that the explanations of study results are seen as credible. Correspondingly, such an audit trail of checks and cross-checks are suggested by Lincoln and Guba (1985) as appropriate validity measures of qualitative research and study validity is therefore acceptably confirmed.

4.5.6 Reliability

Theorists have long advocated the need for the confirmation of reliability of data (Rorty, 1979; Kirk and Miller, 1986; Janesick, 1998). Indeed, according to Hammersley (1990):

“Reliability refers to the degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions.” (p67).

In terms of applying this definition to the current study, there are clearly no absolute guarantees that observer bias has played a part in distorting findings, or otherwise.

However, throughout the data collection phase of this study, it was pointed out that considerable thought, energy and effort had gone into ensuring that had the investigation been carried out by someone other than the researcher, using the same methods, then the same results would have been obtained. Here, great emphasis was placed on a variety of factors considered necessary to ensure that the design of both - the data collection schedule - and - the interview procedures, were standardised as much as practically as possible. Hence, the introduction of added variables was minimised.

While this study has generated far more information than is presented here, the writer has endeavoured to summarise findings as objectively as possible.

The question arises as to whether or not interviewer and/or interviewee bias will interfere or enhance findings. There is indeed the possibility that respondents may attempt to hide some information and disclose only information that is not commercially sensitive. However, due to the interest in this particular study by the Chairman of British Telecom, it is seen to be inappropriate for respondents to mislead the researcher. Furthermore, within the sample frame, the opportunity arises where triangulation between interviewee responses; company documents, reports and internal communications; literature analyses; and researcher field notes were compared and contrasted for consistency. To this end, the data collected is seen to be complete, and is believed by the writer to be both extensive and reliable.

4.5.7 Chapter Summary

On reflection, this chapter has outlined a number of methodological approaches to conducting research and consequently, following careful examination and evaluation of literary studies has described the research methodology adopted throughout the data collection phase of this study. In particular, in adopting such an application specific methodological approach, this study proceeded by collecting data which described and explored issues associated with: -

- 1). identifying the nature of corporate level strategies developed and adopted by a major European telecommunications incumbent (British Telecom) in the light of privatisation of the firm;
- 2). developing a clearer understanding of those primary factors which brought about corporate level strategic change at British Telecom, during and throughout key periods of time, following privatisation in 1984;
- 3). exploring the behaviour of the incumbent in achieving corporate level success in the light of the development of strategies for success throughout the period since UK telecommunications privatisation.

- 4). methodological advancement, whereby following the completion of this study, it is expected that the methodology used for this current study to be of considerable interest to those seeking to investigate future studies of a similar nature and indeed, in accepting the methods of this study, such an investigation could be incorporated into a wider study of the evolving corporate level strategies of other major European telecommunications incumbents;
- 5). furthering knowledge, whereby the results of this current study be used to clearly assist in comparing and contrasting knowledge of such strategic evolution and by using a deterministic approach it is hoped to develop a richer and clearer understanding of strategy development within the UK, European and global telecommunications industries;
- 6). extrapolating findings, in order to ensure that theories that result are grounded in real-world patterns, which appear to be lacking in extant research.

This study now continues by considering the selected method of analysis for the collected data.

Chapter 5

Data Analysis

5.0 Data Analysis

5.1 Introduction

The main purpose of this chapter is to describe the operations applied in the systematic and coherent procedure for analysing the empirical data from the collected data set in terms of the study research objectives. To this end, the following section begins by visiting Figure 5.1, which has been presented in the format of an outline flowchart, holistically indicating the structure of this chapter (Chapter 5).

It can be seen from Figure 5.1, that this chapter begins by clarifying terminology used throughout this stage of the study and subsequently outlines the procedure adopted for analysing the collected data. As a consequence, the collected data is then analysed in preparation for interpreting and theorising study findings.

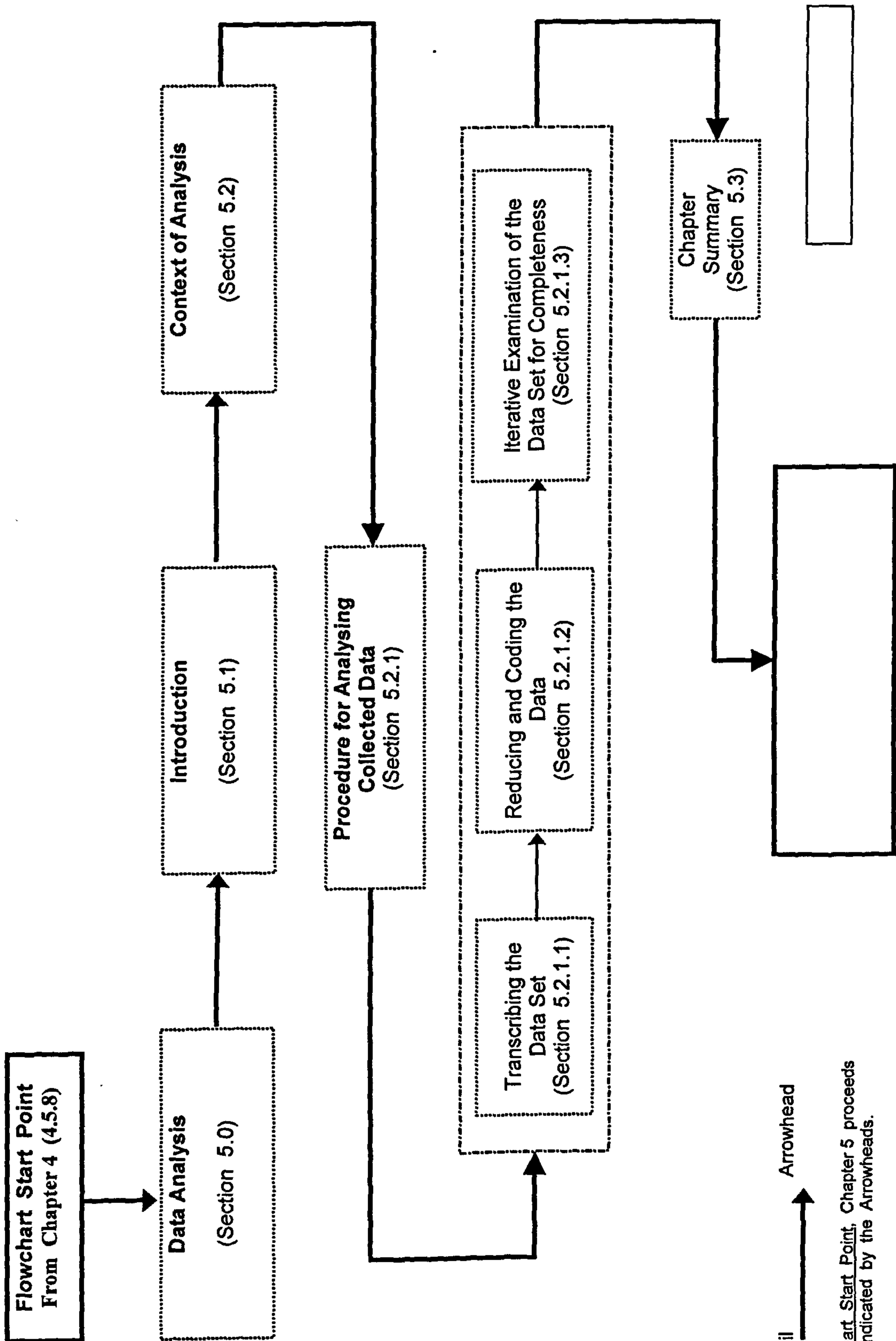
5.2 Context of Analysis

The issue of the selection of appropriate data analyses approaches raises many questions for researchers. Arguably, there are a number of approaches that can be assumed to be appropriate for each and every data set. More specifically, when considering qualitative research data, Silverman (2000) points out that,

"Qualitative research is, by definition, stronger on descriptive narratives than on statistical tables." (p.90).

Flowchart of Chapter 5

Figure 5.1



Key : Arrowtail → Arrowhead

From the Flowchart Start Point, Chapter 5 proceeds in the direction indicated by the Arrowheads.

Initially, the approach considered appropriate for analysing data in this disciplined inquiry was ***Content Analysis***. Here, the collected data was addressed under the phenomenological social science approach, with a conscious understanding of the crucial issues relating to the areas of internal validity, external validity, reliability and objectivity. This approach was therefore seen to allow the collation and categorisation of the historic strategic decisions and events (of the UK telecommunications incumbent) which took place throughout the time-period under question (1984 - 1998).

In this vein, Wolcott (1994) discusses the general approach of Content Analysis and highlights a number of thoughtful and practical advice for researchers. Three key operations are therefore importantly distinguished in the application of content analysis, these being : - *description; analysis* and *interpretation*.

- *Description* relates to identifying "what is going on," in terms of the data set.
- *Analysis* considers "how things work," through the identification of key factors and relationships.
- *Interpretation* considers "what is to be made of it all," in terms of making sense of meanings in respective situational contexts.

With this in mind, in an attempt to theoretically interpret both the collected data set and the analysed data, inductive reasoning was applied in order to

model and generalise some understandings of key concepts. This approach can be described as a form of ***Grounded Theory*** as espoused by Glaser and Strauss (1967) which was subsequently, further developed by Strauss and Corbin (1990). In this context, a constructivist approach was used to generate theory associated with the study aim of examining the nature of corporate level strategic decision-making of a leading telecommunications operator. The reasoning behind the selection of this technique was discussed in the previous chapter under sections 4.4.1.4 and 4.4.1.5, with primary factors revolving around a decision to gain a more comprehensive understanding of the nature of key concepts and issues, in line with addressing study research objectives.

Against this backdrop, over the past twenty years, a number of software programmes have been developed to facilitate the analysis of research data. Programmes such as: - The Ethnograph; NUDIST; SPSS; etc, do indeed have merit. However, due to cost, time constraints and the experience of this researcher, it was decided to use Microsoft Excel for tabulating, storing and retrieving data. Although this package was not sophisticated, it was seen as both adequate and relatively flexible for the purposes of this study.

Based on this selection, the definition used to describe data analysis, is adapted from that identified by Miles and Huberman (1994) and contains the four primary stages of: -

- transcribing the data set;

- reducing and coding the data set;
- examining the data set for completeness against study propositions using *Content Analysis*;

- And -

- developing concluding theories.

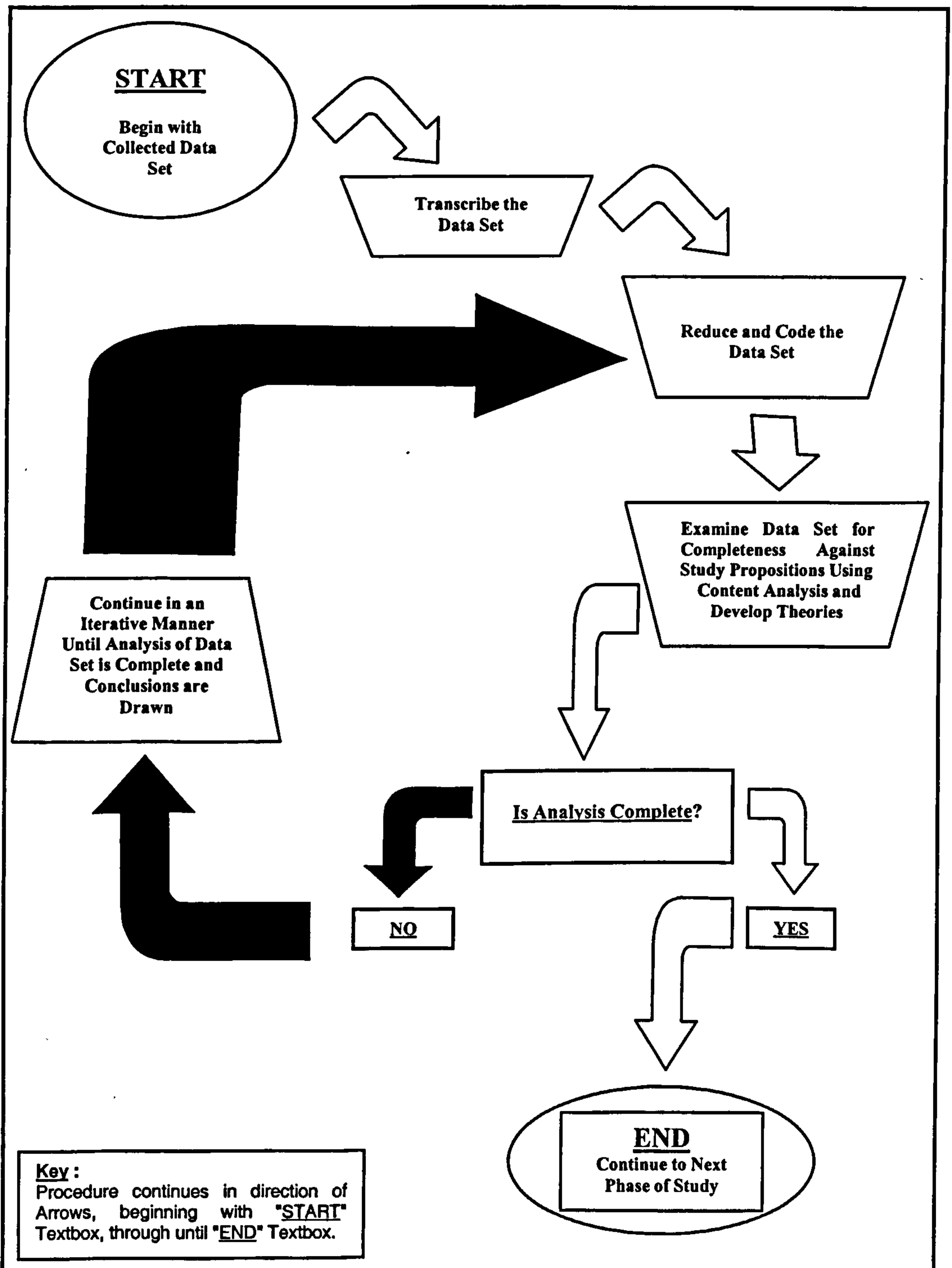
These processes were considered throughout both - the data collection stage (where interim and iterative data analyses were carried-out) - and - following the completion of the data collection stage.

Figure 5.2 has been therefore developed in order to outline the adoption of this procedure throughout the analysis phase of this study.

5.2.1 Procedure for Analysing Collected Data

Various types of data were collected and principal amongst these was the data from the face-to-face interviews (identified as: "START," in Figure 5.2). The researcher took extensive notes during interview sessions, and immediately following each interview, brief field notes were generated. These field notes allowed the collected data to be considered in specific contexts, thereby maximising and supporting the collected data, in terms of reflecting on important concepts, issues and questions. Furthermore, such notes were

Figure 5.2 Procedure Adopted For Analysing Collected Data



Source: Author Generated

seen as important in stimulating thought on the potential analytical techniques appropriate for processing the collected data set and for reflecting on the overall interview experience.

Where available, respondent's provided evidence of reports, minutes of meetings and other written materials associated with specific questions, during and following interview sessions. Unfortunately however, due to the sensitive nature of materials, hardcopies of original materials were not allowed to be removed from respondent's premises, although the researcher was allowed to observe, note and draw any relevant materials and diagrams.

5.2.1.1 Transcribing the Data Set

The data set from the initial interview notes was extremely useful as it was used as a pilot study for the remaining interviews. This data was therefore transcribed verbatim from notes and consequently generated a large volume of data (which was seen as desirable as it did not lose any of the essential richness). It is recognised however, that the transcript itself is not exactly the same as the interview experience. This is particularly evident in the light of the fact that during the very process of transcribing the data set, much of the meaning of spoken words can indeed, be destroyed and this is recalled in terms of inflection, tone, mannerisms, meaningful pauses and a variety of other forms of non-verbal gestures, body language and communications that were witnessed throughout interviewing respondents. For the purpose of

ensuring clarity in interpretation and meaning, throughout the process of interviewing and subsequent transcription of data, the interviewer attempted to capture as much non-verbal communication as possible. As previously stated, the volume of collected data was rather large and therefore it was seen sensible to include a sample of transcribed data, this is presented in Appendix 8.

From this sample of transcribed data, the richness of the information is clearly demonstrated from the detailed note-taking.

Due to the exploratory nature of this study, and before any *full analysis* of the collected data from the initial interview was completed, further interviews using a modified questionnaire checklist were conducted in order to fully address the issues associated with the study propositions. The additional data (to some extent) also tested the reliability of information, as some questions were rephrased questions, from original questions which had been asked earlier in the interview. All collected data was treated in a similar manner during transcription (identified as: "Transcribe the data set," in Figure 5.2).

5.2.1.2 Reducing and Coding the Data Set

The next stage of this procedure consisted of applying an iterative process of examination, analysis and evaluation of the collected data set until an

acceptable and reduced set of coded data had been generated, for manageability. The study propositions were seen as fundamentally important at this stage of the analysis procedure, as they were used as a focus for coordinating and collating the reduced data set (identified as: "Reduce and code the data set," in Figure 5.2). The method chosen to systematise the transcribed data was through a process of coding. Two approaches initially were considered.

- The first approach which was considered, required a previously prepared list of codes, which would be assigned to specific chunks of text.
- The second approach considered, focused on the emergence of categories from the text and subsequently labelling them with an appropriate code. Strauss (1987) calls this form of reading the transcript, noticing what a particular section is about, and subsequently labelling with an appropriate code as "Open Coding."

Due to the complex nature of data, it was this second approach of coding that was considered appropriate for the collected data set and therefore it was selected, and applied.

The content of the coded data set was constantly analysed by comparing and contrasting the materials in search of trends, patterns and regularities in order to conceptualise issues and processes for the purpose of developing a

clearer and comprehensive understanding of the data. This iterative process allowed emerging data clusters to be generated, with inferences being drawn from the data segments. These are identified as, "Examine data set for completeness.... and develop theories," in Figure 5.2.

During this stage of data reduction and coding, the data was surveyed and analysed for relevance and completeness in the light of the researcher's knowledge, skill and experience, as well as in terms of known literary and theoretical evidence. It was at this stage that Axial Coding as described by Strauss (1987) was introduced. Here, the open coded data was coded more intensively around the existing open codes. The text was therefore systematically numbered and coded for ease of retrieval and to facilitate analysis of transcribed data. Furthermore, This approach allowed the collection of similarly coded pieces of text from multiple sources (interviewees) to be collated and tabulated for further analysis. An example of this Open Coded text is presented in Appendix 9.

In this instance, processing involved keeping the first four columns of the left side of the text free, whereby an indicator of the interviewee's identity, identity code, role code, and time period were placed. Consequently, the summarised text was assigned one or more (up to two hundred and twenty six) text codes to various chunks of text, in the first instance. These chunks of text were primarily categorised in terms of independent themes, with little (if

any) overlap. When the interviews had been completely transcribed and coded in this manner, it was then possible to:

- retrieve chunks of common text;
- display information alongside distinct codes;
- identify the respective interviewee's with ease; and
- recognise the data file from which it had been extracted.

This approach allowed the simultaneous examination of all similar themes and text in terms of the study propositions and gave the researcher an insight into the differing or similar interviewee responses on particular issues and topics.

Against this backdrop, it was necessary to structure the data into more refined categories whereby a single code could retrieve **all data of a similar ilk**, irrespective of respondent. This was seen as the most appropriate approach to adopt in the process of categorising the data into meaningful information. Hence, Table 5.1 has been generated in order to identify the "Master Code Sheet" that was developed and used during the analysis stage of this study.

Table 5.1**Master Code Sheet**

<u>Code</u>	<u>Description of Categorized Data</u>
01	3 Strategy levels
02	Definition : Corporate level strategy
03	Definition : Vision
04	Definition : Mission
05	Time Phase : Period One
06	Time Phase : Period Two
07	Time Phase : Period Three
08	Time Phase : Period Four
09	Definition Catalysts
10	Evolving Catalysts Prior to Period One
11	Evolving Catalysts Period One
12	Evolving Catalysts Period Two
13	Evolving Catalysts Period Three
14	Evolving Catalysts Period Four
15	Market Structure Issues
16	Definition : Goals
17	Definition : Objectives
18	Corporate Vision Period One
19	Corporate Vision Period Two
20	Corporate Vision Period Three
21	Corporate Vision Period Four
22	Corporate Goals Period One
23	Corporate Goals Period Two
24	Corporate Goals Period Three
25	Corporate Goals Period Four
26	Definition : Strategic Focus

Table 5.1 (Continued)

Master Code Sheet

<u>Code</u>	<u>Description of Categorised Data</u>
27	Evolving Strategic Focus Period One
28	Evolving Strategic Focus Period Two
29	Evolving Strategic Focus Period Three
30	Evolving Strategic Focus Period Four
31	Definition : Hybrid Strategy
32	Definition : Differentiation Strategy
33	Key Areas of Behavioural Change
34	Definition : Core Competencies
35	Definition : Competitive Advantages
36	Evolving Core Competencies Period One
37	Evolving Core Competencies Period Two
38	Evolving Core Competencies Period Three
39	Evolving Core Competencies Period Four
40	Evolving Competitive Advantages Period One
41	Evolving Competitive Advantages Period Two
42	Evolving Competitive Advantages Period Three
43	Evolving Competitive Advantages Period Four
44	Definition : Organisational Culture
45	Definition : Change Initiatives
46	Change Initiatives : Period One
47	Change Initiatives : Period Two
48	Change Initiatives : Period Three
49	Change Initiatives : Period Four
50	Evolving Cultural Change : Period One
51	Evolving Cultural Change : Period Two
52	Evolving Cultural Change : Period Three

Table 5.1 (Continued)**Master Code Sheet**

<u>Code</u>	<u>Description of Categorical Data</u>
53	Evolving Cultural Change : Period Three Four
54	Evolving Structural Change : Period One
55	Evolving Structural Change : Period Two
56	Evolving Structural Change : Period Three
57	Evolving Structural Change : Period Four

5.2.1.3 Iterative Examination of the Data Set for Completeness

The next stage in the analysis procedure was to use the selectively coded text in order to establish categories of data that were seen to be more robust and to display any relationship between these, as usefully as possible in the form of integrative diagrams (Strauss, 1987). This stage was not a linear process, but decidedly cyclical. Consequently, the objective at this stage was to:

- develop a first version of integrative diagrams from the coded data;
- decide whether or not it was a useful representation of what had taken place during the period of UK telecommunications privatisation;

- and -

- if necessary, return to an earlier stage in the data examination, and repeat the process until an appropriate diagram and/or representation had been portrayed.

Throughout the analytical sequence depicted in Figure 5.2, the iterative examination and analysis of data led to increasingly integrative diagrams to both evolve and be developed (identified as: "Continue in an iterative manner... and conclusions are drawn," in Figure 5.2).

To this end, by using **Grounded Theory** and applying inductive reasoning, this process allowed theory to be generated through the development, analysis and evaluation of tables, figures and models. Subsequently, conclusions were drawn and are presented. Analysis was therefore seen to be complete, as indicated in the "END" stage of Figure 5.2.

5.3 Chapter Summary

This chapter described the process that was developed for examining, transcribing, coding and analysing the collected empirical data. Due to the qualitative nature of the data, the use of both *content analysis* and *grounded theory* were identified as appropriate application techniques.

An evolving procedure for analysing the data was outlined and a procedural model was subsequently developed and explained.

In applying the analysis procedure to the empirical data, examples of both the transcribed data and the coded data were presented.

This study now continues with Chapter 6, whereby the analysis of this coded data, in terms of the results of the study and their respective implications, are discussed.

Chapter 6

Results and Discussion

6.0 Results and Discussion

6.1 Introduction

The primary purpose of this chapter, is to present the findings of the analysis conducted on the collected data and subsequently, to discuss the results in terms of relevant extant theory.

Recognising this, the chapter begins by addressing the issue of data presentation, whereby the rationale for the portrayal of empirical data is identified and defined. In this genre, the study proceeds by considering a coordinated, in-depth analysis and discussion of the collected data, with respective reference to the nine study propositions which were outlined in Table 4.1 of Chapter 4. Thereafter, a chapter summary is included, which concludes this stage of the study.

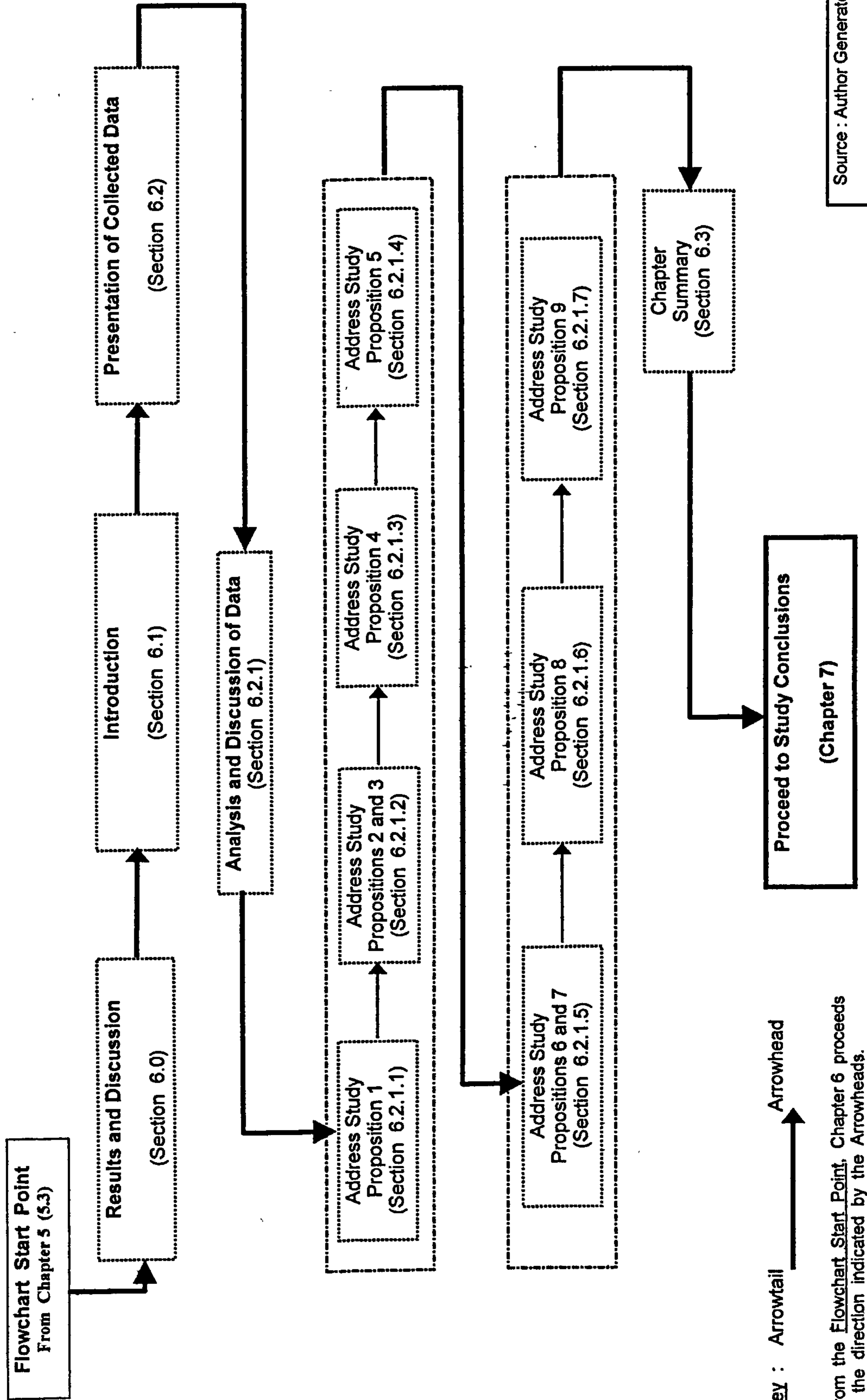
Consequently, in order to holistically indicate the structure of this chapter (chapter 6) Figure 6.1 has been presented in the format of an outline flowchart.

6.2 Presentation of Collected Data

In analysing the content of the empirical data for this study, the emphasis is now placed on presenting the results on an issue - by - issue basis and

Figure 6.1

Flowchart of Chapter 6



Key : Arrowtail Arrowhead

From the Flowchart Start Point, Chapter 6 proceeds in the direction indicated by the Arrowheads.

Source : Author Generated

discussing their respective implications to extant theory. In an attempt to identify these important issues from the empirical evidence, the nine research propositions that emanated from the study research objectives were used as a central focus. The main objectives here, were two-fold.

Firstly, due to the complex nature of qualitative coded data, it was seen appropriate to portray the study results in a manner which was conducive to identifying key trends from the rich-text of the data. This approach was seen as necessary in order to gain a clear understanding of the nature of the historical information, which was central to the main aim of this study.

The second objective was to create the opportunity to compare and contrast the collected data against extant research. This approach was seen to allow an appropriate opportunity to make a number of generalisations from descriptions in the data set, towards establishing universal interactions through the possibility of theory development. It was against this backdrop that careful consideration was given to the many approaches that can be adopted to presenting analysed data.

In continuing, for the purposes of this study, the approach selected, was to consider each research proposition in turn, and to address them in a manner that was seen to be conducive to assisting in understanding the nature of strategic behaviour of BT within the telecommunications industry. In an

attempt to ensure clarity, Table 6.1 presents the order in which the nine Propositions have been addressed in this section of the study.

Table 6.1

Order of Examination of Study Propositions

Study Proposition Number	Order in which Examined
Proposition Number 1	1st
Proposition Number 2	2nd
Proposition Number 3	2nd
Proposition Number 4	3rd
Proposition Number 5	4th
Proposition Number 6	5th
Proposition Number 7	5th
Proposition Number 8	6th
Proposition Number 9	7th

Source : Author generated

Here, Table 6.1 shows that data associated with study Proposition 1 is examined and discussed first. Empirical data relating to study Propositions 2 and 3 are collectively addressed next. This is primarily due to both the natures of the collected data and the restrictive manner in which the qualitative data can be represented. Immediately thereafter, study Propositions 4 and 5 are considered independently (third and fourth respectively) with corresponding discussions being conducted. Study Propositions 6 and 7 are then collectively examined - fifth. Reasoning for this collective examination, are similar to those previously identified for study Propositions 2 and 3. Finally, Propositions 8, and 9 are independently

examined sixth, and seventh, respectively. The main objective in adopting this approach is to ensure that respective issues are considered in a logical and rational manner, in terms of addressing both the main aims of the study and its associated three research objectives.

6.2.1 Analysis and Discussion of Data

The study now centres on the analysis and discussion of issues associated with the strategic behaviour of BT since UK telecommunications privatisation, in order to establish, "what strategic decisions were made;" "when did these decisions take place" and "why were they made?" Observations on the evolving nature of the firms responses to these important questions, will be central to study discussions. In this context, the foundations of this section will build around the nine study propositions.

At this juncture, it is worth noting that the researcher has endeavoured to ensure that the validity and reliability of study findings are credible. In addressing this issue of credibility, the empirical data collected from all interviewees have been collated and analysed to ensure that the important factors associated with each of the nine study propositions are representative from a valid data set. Consequently, all data responses from respective respondents have been compared and contrasted against each other, in order to maximise the level of data reliability. Furthermore, as far as possible, published secondary data has been used to verify much of the empirical

data, with additional verification coming from primary data via the examination of minutes of the incumbent's corporate level strategy development meetings and associated documents and notes.

Each of the nine study propositions is now discussed in terms of the collected data set.

6.2.1.1

Addressing Study Proposition 1

In addressing study Proposition 1, it was considered appropriate to identify the levels of strategy that currently existed at BT, and any associated definitions in terminology prior to establishing key periods in time *when* strategy was developed at BT. Hence, an analysis of data alluded to the conclusion that strategy development was currently structured around three levels in the organisation (BT) and these were classed as corporate level, business level and operational level strategies. Respondents defined these levels as follows : -

Corporate Level strategy

"this is primarily developed by the Board of Directors."

Business Level Strategy

"this is primarily developed by Business Managers (in conjunction with Board members who were directly responsible for specific areas of business) within each respective area in which BT operates."

Operational Level Strategy

"this is developed by those teams of people within each of the sectors of BT's business, at the specific functional operational levels in their organisation."

As three levels of strategy existed within the firm, the main focus of attention of this study centred particularly on the area of corporate level strategy. The definition of corporate level strategy was therefore considered important and was defined by **BT respondents** as: -

"It is the general directions that we (BT) require our businesses to take, to achieve our vision and our goals. Therefore, corporate strategy is the development of our (BT's) long-term plans in order to realise our vision through the attainment of predetermined goals."

In comparing this definition of corporate strategy by BT, with a generally agreed theoretical definition of strategy as identified by a number of theorists, e.g. Ansoff 1965; Glueck 1976; Mintzberg 1987; Johnston and Scholes 1997; De Wit and Meyer 1999; etc., the BT definition tends to concur in most areas. This can be seen from the widely quoted **theoretical definition** by Wright et al (1992) on the definition of strategy: -

"top management's plans to attain outcomes consistent with the organisation's missions and goals," (p3).

Finer analysis of the BT definition of strategy with that of Wright et al, shows that the BT definition contains key elements in terms of: - BT's development of plans; the attainment of BT's goals; and a realisation of the firm's' vision.

One point to note here, is the difference between **the theoretical definition, of strategy**, which identified a firm's "mission" and the **BT definition**,

which identifies a firm's "vision." With these caveats in mind, clarification of these definitions are therefore seen as being fundamentally important in ensuring consistent and coherent argument throughout the remainder of this analysis and discussion section.

BT respondents defined the term vision as follows: -

"Vision at BT is the shared image we see of BT in the marketplace of the future."

Observably, on the term "vision," there is a plethora of research, with a general consensus on the definition. Indeed, studies such as those conducted by Ouchi (1981); Peters and Waterman (1982); Barry (1986); De Geus (1988); Day (1990); Wilson (1992); Whittington (1993) and Lynch (1997) tend to show distinctly similar definitions. **Day defines vision as: -**

A vision is a guiding theme that articulates the nature of the business and its intentions for the future.

Taylor (1984) on the other hand, goes slightly further and discusses vision in terms of "vision of success," thereby indicating vision in terms of an organisation developing a description of what it should look like as it successfully implements its strategies and achieves its full potential. Hamel and Prahalad (1989) define an organisations vision in terms of "*strategic intent*." Here they see strategic intent as one that encapsulates the desired future state or aspiration of the organisation.

A widely used extant **definition of vision by Johnson & Scholes (1999)**

tend to integrate the above definitions and define vision as : -

"A vision or strategic intent is the desired future state of the organisation. It is an aspiration around which a strategist, perhaps a chief executive, might seek to focus the attention and energies of members of the organisation." (p13)

In comparing the definitions of both BT and those from research, there is little difference and both definitions do indeed concur with one another.

However, this does not fully explain the focus and content of **BT's definition of strategy which contains the term "vision,"** while the **theoretical definition of strategy focuses on the term "missions."**

The definition of **"mission" by BT respondents** was disclosed as: -

"Mission at BT is defined in the form of a statement which clearly demonstrates the nature of our business and how we aim to satisfy our vision."

In considering **current theoretical definitions of "mission,"** Campbell and Tawady (1990); Stacey (1993); Lynch (1997) all appear to show little difference with the BT definition. Indeed, one of the most common definitions by Johnson & Scholes (1999) define mission as : -

"A mission is a general expression of the overall purpose of the organisation, which, ideally, is in line with the values and expectations of major stakeholders and concerned with the scope and boundaries of the organisation." (p13)

In comparison therefore, BT does indeed have a mission statement which has evolved since privatisation, however, the firm places little emphasis on a mission when referring to strategy.

A point which is worthy of note, is that on the one hand, the use of the term vision by BT, appears to have connotations extending towards the use of strategy over the longer term, whereas the theoretical definition would suggest a shorter life span for strategy. On the other hand, there are similarities between both the theoretical and practical definitions, whereby this subtle distinction may in itself be significant to the historical strategic behaviour of BT in terms of the firm's' respective perception of their internal and external environments and consequently, its' evolving strategic behaviour since UK telecommunications privatisation was initiated. This point may be seen to be of importance later in this chapter, when the issue of the evolving "vision" of BT since privatisation is revisited and discussed.

Against this backdrop of definitions, Study Proposition 1 is now addressed and in order to ensure clarity, it has been restated.

Proposition 1

The study seeks to identify those key periods in time when BT developed corporate level strategy since UK telecommunications privatisation of the incumbent.

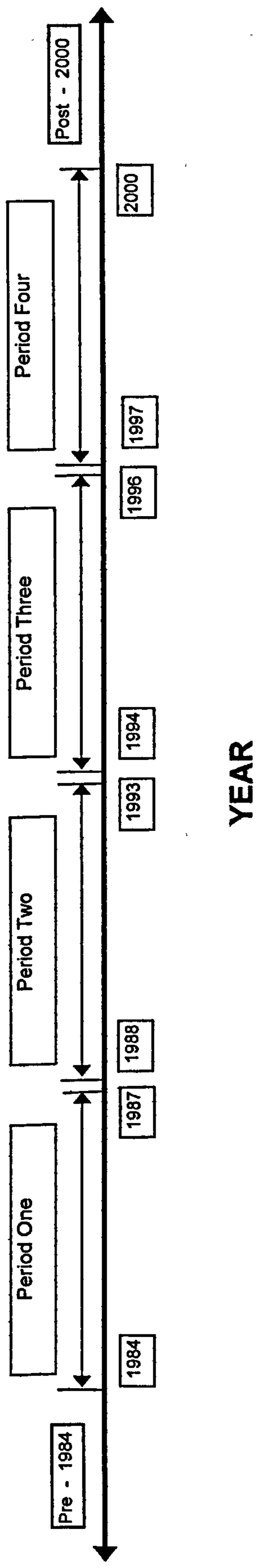
With this in mind, in terms of identifying key periods in time when corporate level strategy was developed within BT since privatisation, Figure 6.2 has been generated.

Here, the timeline shows (from BT's perspective) the four key periods in time that BT developed corporate level strategy since privatisation of the firm in 1984. Period One straddles the time from 1984 until 1987; Period Two straddles the time from 1988 until 1993; Period Three straddles the time from 1994 until 1996; and Period Four straddles the time from 1997 until the year 2000.

It was noted from respondents that strategy was continually examined, assessed, and evaluated throughout these four key periods since privatisation. In this genre, strategy was developed and redeveloped throughout these crucial stages, as the firm evolved. The reason for adopting such a timeline approach is mainly due to the benefits in conceptual clarity in identifying these key periods in time. Considerable research has been

Figure 6.2

Key Periods of Corporate-Level Strategy Development at BT since Privatisation of the Firm



Source : Author Generated from Data

conducted into areas such as the development of organisational strategy and strategic planning e.g. Bennis (1969); Ackoff (1970); Ansoff (1979); Porter (1985); Quinn (1989); Van Der Heijden (1996) and Mintzberg (1998a). Indeed, these works show distinctly iterative cycles of strategic change in organisations and consequently these studies note similar models and processes of planning. However, as yet, the exact nature of the models and processes adopted for strategy development in the firm under observation cannot be confirmed.

In concluding this section, this form of pictorial representation can be seen to consider the issue of when BT developed corporate level strategy since the firm was privatised. Furthermore, this clarification is fundamentally important when considered in the context of identifying and addressing the evolving nature of the firm's strategic behaviour. Hence, Proposition 1 has been addressed and consequently, the study now turns to examine the question and underlying reasoning, as to why strategy was developed during these key time periods.

6.2.1.2

Addressing Study Propositions 2 and 3

For the prime purpose of conciseness during the examination, analysis, collation and discussion of empirical data, the simultaneous and joint considerations of study Propositions 2 and 3 was seen as an appropriate method for data portrayal. This approach was seen to allow a clear exploration of the data and consequently, it assisted in understanding the nature of the primary reasons as to *why* corporate level strategy was developed at BT during the four key periods in time identified in the previous section. Therefore, this section of empirical analysis and discussion begins by restating study Propositions 2 and 3.

Proposition 2

The study seeks to describe the nature and range of key primary factors leading to corporate level strategic behavioural change at BT since privatisation.

Proposition 3

The study seeks to historically collate those key precipitating primary factors occurring at BT since privatisation identified in proposition 2, with a view to understanding their dynamic nature.

In terms of these study propositions and in considering the evolving nature of the primary factors which drove corporate level strategic change at BT since privatisation, these key factors were described by respondents as :-

"catalysts driving strategic change."

The term catalysts being used by respondents, in preference to the term "forces" or "factors" as catalysts were seen as:-

"events, issues and trends that occur in the internal and external business environments that we (BT) have some, little or no direct control over. These catalysts require serious consideration in strategic decision making."

In this vein, on further clarification, the term forces were seen as being an inappropriate term to use by BT, and consequently forces were defined by respondents as: -

"vectors that have distinct size (magnitude) and direction and in our business, it is impossible to visualise or measure either of these "

Due to the complex nature of the serious issues affecting the firm's business environment (both internal and external environments) within the confines of the BT perspective, respondents saw these definitions as being wholly appropriate interpretations of key events which brought about strategic change at BT. Furthermore, in order to synthesise the importance of these catalysts, in terms of the uncertain nature of the various forms of environmental catalysts, they were depicted by respondents as:-

"these catalysts have been constantly growing in number and diversity and apart from our vision, these events and in particular, uncertain events, were the main reasons that stimulated strategic change throughout the key periods since privatisation."

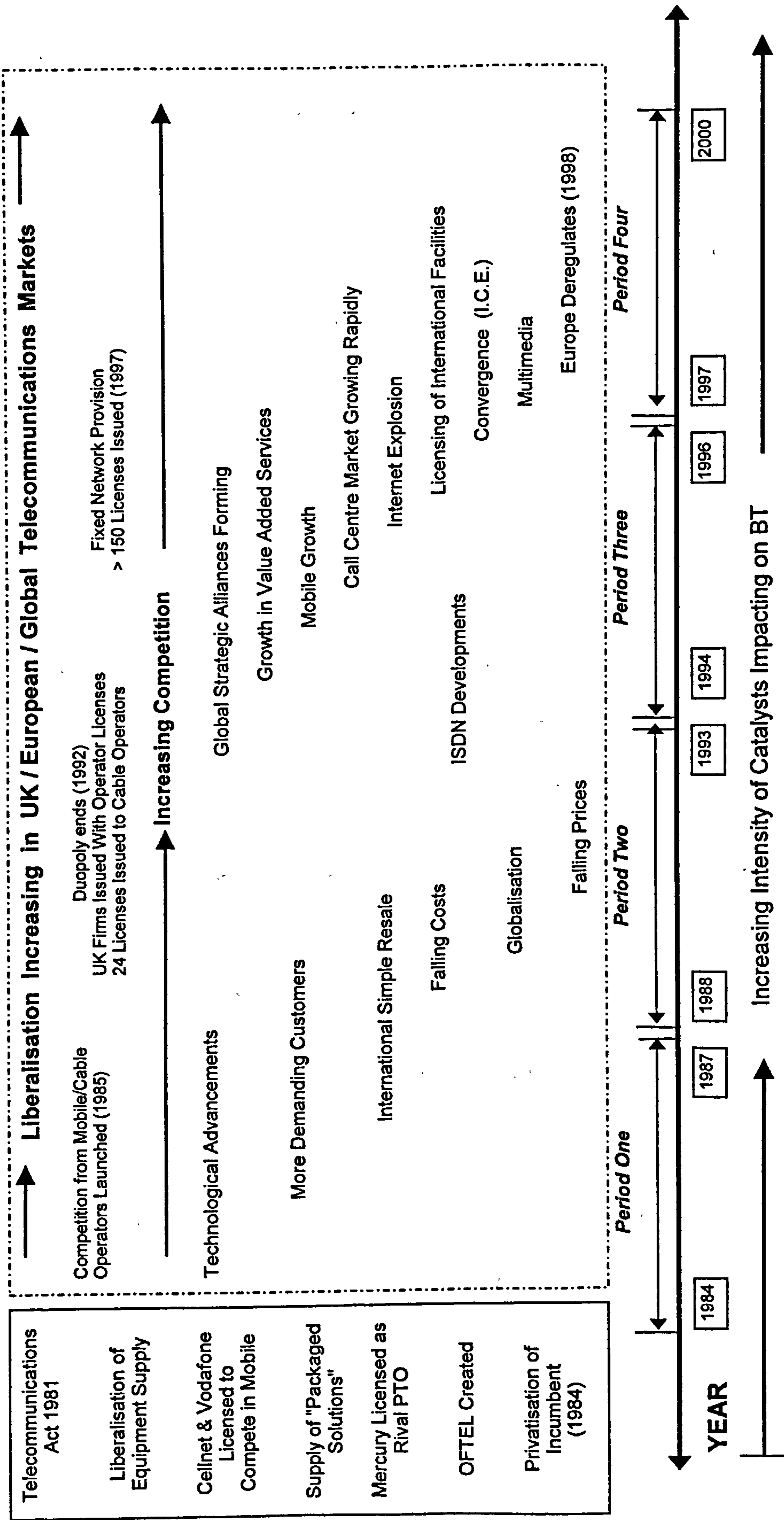
From these responses, the development of strategy at BT was clearly driven by both the firm's vision and these catalysts. The issue of BT's vision will be examined later in this chapter, however, Figure 6.3 has been generated in order to identify, collate and understand - from BT's perspective - the evolving nature of the main catalysts driving strategic change at BT since privatisation in 1984.

As can be seen from Figure 6.3, a number of catalysts evolved since UK telecommunications privatisation in 1984. These were identified by respondents and consequently, underpinned corporate level strategic change at BT throughout the four key time periods.

In examining this data, we find that a number of key events occurred **prior** to privatisation of British Telecommunications plc in 1984, and these are seen as important in understanding the nature of the firm's behaviour. However, it should be pointed out, that respondents stated - in no uncertain terms - that at the time of privatisation, the firm had little control over these catalysts. Observably, we find that the seven key events (which are surrounded by a **solid line** on the diagram) were identified by respondents as : -

Figure 6.3

Evolving Catalysts Driving Corporate Level Strategic Change at BT since Privatisation in 1984



Source : Author Generated from Data

Key : Catalysts driving corporate level strategic change evolve from Period One - to - Period Four respectively, with the Arrowhead indicating an increasing intensity of each catalyst on BT.

1. the introduction of the telecommunications act of 1981, separating telecommunications from postal services;
2. the breaking up of the network operator's monopoly of the supply of customer premises with equipment, which was one of the earliest measures in UK telecommunications market liberalisation by the government;
3. the companies of Cellnet and Vodaphone were licensed to compete in the provision of mobile communications services, opening up the UK mobile communications market;
4. liberalisation of "packaged solutions" thereby increasing the use of outside suppliers to provide these to the business market;
5. Limited competition was introduced into the UK fixed network services market, with Mercury Communications being elevated to the status of the 2nd national UK operator and the duopoly was created (duopoly guaranteed for seven years);
6. UK government creates a telecommunications regulatory body - OFTEL - with the Office of Telecommunications;
7. British Telecommunications plc was created with privatisation of the incumbent - 51% of the firm's shares being sold in the first of three tranches.

At this juncture, it would be appropriate to examine the reliability of interviewee responses in the period until 1984. Hence, in considering reliable literary sources, according to Bruce (1987) the UK Government in 1981, promulgated the Telecommunications Act, which separated Post and Telecommunications, with the Post Office retaining postal services and British Telecommunications running the telecommunications services. In particular, British telecommunications operated the fixed link voice telephony network. Additionally, Carney (1987) and Van Der Merwe (1987) acknowledge that Mercury plc was licensed as a rival public telecommunications operator (PTO) as a first step towards the UK Government's objective of introducing competition to the telecommunications industry, in the interests of the consumer.

Against this backdrop, one of the earliest liberalisation measures of the UK telecommunications market, was in the area of equipment, which resulted in a rapid increase in the presence of equipment suppliers and distributors (Dobbie, 1987). This stage of evolution of the UK telecommunications market structure was also characterised by an increasing use of outside suppliers to provide "packages solutions" to this particular segment of the business market, providing value added network services (VANS). In the provision of mobile services, relying on wireless technology (cellular radio networks) Cellnet and Vodafone were licensed to compete in this segment of the UK market. Notwithstanding this, in 1984, a second Telecommunications Act guaranteed the duopoly of British Telecommunications and Mercury

Communications, in the provision of fixed network services for seven years. Thus, Mercury was elevated to the status of second national operator and given a period of time to establish itself, without being hampered by further competition (Beesley and Laidlaw (1989); and Gillick (1991)). Due to the domination of British Telecommunications and its control over the leasing of lines to Mercury Communications, there was a legitimate perception of potential problems and subsequently, the Office of Telecommunications (OFTEL) was created. The emerging role of OFTEL was to monitor the UK telecommunications market; to issue operator licenses; and to regulate the development of the industry (Gist (1988); Higham and Lee (1986); and Anon (1997).

Challengingly therefore, in response to the question of data reliability, it would appear that these catalysts were indeed key events which did occur prior to UK telecommunications privatisation in 1984 which conceivably, directly affected the behaviour of the firm. As the main focus of this study relates to the time immediately following privatisation, the study now centres on the nature of the evolving catalysts which drove corporate level strategic change at the incumbent since privatisation in 1984. Figure 6.3 identifies the evolving catalysts as those events which are - enclosed within - and surrounded by - the dashed-line in the diagram, and consequently, the four key time periods are addressed in turn.

On observing Figure 6.3, respondents reported a number of catalysts as key stimuli of corporate level strategic change at BT during this period. These were identified as follows :-

- Competition was launched by mobile network operators Vodaphone and Cellnet via their respective cellular radio networks.
- Market liberalisation allowed cable television operators to offer fixed link telephony services but only as agents for the duopoly players (British Telecommunications and Mercury Communications). Thus, “resale of capacity” i.e. the leasing of lines from BT continued to be the “modus operandi”.
- Technological advancements - both internally (within British Telecommunications) and externally (industry - wide) were evolving, with new digital technology overtaking existing analogue technology products.
- More demanding customers, in terms of requirements for an increasing range of products and services.

Hence, during Periods One and Two, British Telecommunications was progressively privatised from (1984 - 91) with a further two tranches of share sales by the UK government and revenues were used to finance modernisation of the telephony network infrastructure. The primary area for this investment was the conversion of the infrastructure from analogue to digital and Law (1988) and Mansell (1993) confirm the target of investment. Furthermore, throughout these two periods, the UK government imposed

controls on borrowing in nationalised industries and the regulator implemented price controls at the rate equivalent to the Retail Price Index minus 3% (RPI - 3%, until 1987) which, had also held this investment process back. Reliability of this catalyst is confirmed by Beesley and Laidlaw (1989).

6.2.1.2.2 Evolving Catalysts : Key Time Period Two

Respondents reported that, during this period, apart from investment into technology, diversification and infrastructure, costs at British Telecommunications were beginning to fall and the effects of firm globalisation were becoming major catalysts for change. Indeed, the level of telecommunications revenue being generated from business customers operating across a number of continents was increasing, and this stimulated demand and had become a target for competitors.

Respondents reported that the firm was becoming increasingly concerned, and by 1992, the duopoly had ended and full competition on fixed services was introduced. Applications for PTO's were allowed solely on merit and four UK firms were given operator licenses (Scottish Telecommunication, British Rail Telecommunication, Energis and IonicaL3). Furthermore, market liberalisation expanded with the issuing of twenty-four licenses to cable television operators to offer fixed link services. Consequently, these companies were also being allowed to interconnect their regional services for

the first time. However, the existing duopoly of PTO's, continued to be prevented by OFTEL, from holding cable television licenses, which, in the opinion of some experts, impeded the development of the "information superhighway" in the UK. This position is not scheduled to be reviewed again until 2001. Nonetheless, this phase of liberalisation introduced competition in all aspects of telecommunications including the provision of international, national and local services.

Meanwhile, the introduction of International Simple Resale (ISR) allowed licensed operators of international leased lines between designated countries, to interconnect with public networks at each end, in order to resell their capacity to both business and domestic customers. Respondents indicating that this represented a move towards globalisation of telecommunications. The regulator had implemented price controls at the rate equivalent to the Retail Price Index minus 4.5% from 1989 - 1991, thereafter this rate restriction was subsequently increased to RPI - 6.25% until 1993.

Against this backdrop, the increase in competition instigated significant falls in prices, which was seen as a major catalyst and consequently, directly impacted the behaviour of the incumbent as profitability was being affected.

6.2.1.2.3 Evolving Catalysts : Key Time Period Three

During Period Three, respondents indicated that technological developments in relation to the application of Integrated Services Digital Networks (ISDN) were contributing to the increase in value-added services such as data transmission, email, internet, video conferencing, online information services, etc. Such applications opened up opportunities for the cross-fertilisation of inter company technologies, and expertise that as a consequence, strategic alliances between telecommunications companies, equipment manufacturers, software developers and entertainment and media companies, were created. For reliability purposes, these are also confirmed by Lera (1996). Furthermore, British Telecommunications had acquired a stake in the US domestic market via an attempted acquisition/strategic alliance with MCI of the USA. This alliance was to fail during the forthcoming period (Taylor, 1997).

Inward investment in the UK telecommunications service industry was seen by respondents as a further catalyst, which increased competition in a number of areas, e.g. AT&T(US) invested \$500 million during this period (confirmed by Wagstyl, 1997) which also had the effect of increasing the trend towards both globalisation in the industry and a rapid growth in demand for value-added services. Domestic competition was also intensifying in the UK telecommunications market, with a number of firms creating a price war in both the incumbents' domestic and international call charges.

Respondents were quick to point out that the mobile communications sector had been steadily growing over the previous two key periods and during this third key period, this steady growth changed to rapid growth with increasing revenues being generated. Based on current predictions, British Telecommunications had forecast that by the year 2000, more than 38% of the UK populace would have a mobile telephone.

Of further note from respondents, before the end of this period, the Internet sector was being seen as a global business opportunity for British Telecommunications. Significant Internet growth was evident and future profits were seen to come from this segment of the business. The Internet was seen as bringing about a paradigm shift in terms of the Internet evolving from the fuelling of communications growth to displacing telephone revenues. Respondents reported that this was driving strategic change and was expected to occur in three phases:-

1. There would be a boom in 2nd lines and an increase in the requirement for bandwidth.
2. There would be a substitution of new Internet services for traditional services. Here, Internet Protocol Wide Area Network Services (IP WANS) would replace private circuits; Internet fax would replace phone; Web transactions would replace toll free services; and email would substitute for voice and fax.

3. The pre-emption of Internet technologies over telecommunications technologies was being seen as the primary platform for service innovation. This was evolving in the areas of E-Commerce, Multimedia, and Networking.

Here, the Internet was expected to be just as significant for telephony as the personal computer was for the mainframe computer. Furthermore, the impact of the Internet would mean that traditional telecommunications operators would be relegated to emerging economies and carrying Internet traffic. Hence, the Local Loop would be the main gateway to the Internet, as wireless technology would not be able to offer the required capacity.

According to respondents, a further catalyst was seen to emanate from the large growth in the "Call Centre" market, where the UK already accounted for half of Europe's call centres. This was due in the main, to the low cost of labour and the relatively flexible employment contracts. Throughout this period, the regulator implemented price controls at the rate equivalent to the Retail Price Index minus 7.5%. This level was the highest price restriction placed on the incumbent, to - date.

A point to note here, by 1995 Mercury Communications had only acquired 8.5% of the UK fixed link voice telephony market, in terms of revenue, and most of the market share had come from the business sector. This catalyst is also confirmed by Keynote (1995). Furthermore, cellular network operators

had accrued an eleven percent share of the UK telecommunications market, while British Telecommunications had approximately 78%. Midway through this key period, there were twenty-six licensed national and regional PTO's and due to strategic alliances and acquisitions there were only fifteen cable companies with regional franchises. The cable operators were rationalising within the industry and as a consequence, they were beginning to gain in critical mass - due to both their size and customer bases. Restructuring was prevalent within the industry. Against this backdrop, the incumbent, quite clearly continued to dominate the UK telecommunications market, and in particular, greater than 95% of revenue was generated from the domestic sector. A fact confirmed by Shankar (1996).

By the end of this period, Edwards (1997) noted that Mercury Communications had merged with three cable franchisees, thereby bypassing the BT network. As a consequence, Graham (1996) argued, that to-date, domestic customers had not benefited from the introduction of competition.

This situation was exacerbated by BT being allowed to "rebalance tariffs" on the grounds that the incumbent was responsible to the regulator for the maintenance of the network infrastructure. This was primarily for the provision of "universal" service at a controlled price, and for the national provision of "unprofitable" services e.g. emergency services and rural services. British Telecommunications argued that the cost to other

companies of leasing their lines was small and therefore too cheap in view of these burdens. In this vein, some experts, assessing these “rebalanced tariffs”, concluded that domestic customers were being asked to foot the bill in favour of business customers, Graham (1996). By the end of this period, the rate of market liberalisation was increasing with a number of licensed operators offering international telephony from the UK. Indeed, competition in this market segment was intensifying, with forty-five new licences being issued by December 1996 for international facilities based services (IFBS). These can be split into four classes of international operator : - BT and Cable and Wireless Communications; International Facilities Based Service providers; International Simple Resale (ISR) licence holders; and Call-back operators. Each of these were seen as threats to BT, since they would be introducing price-based competition to this segment of the UK market - which was extremely profitable to the incumbent and therefore, problematic in the longer term.

6.2.1.2.4 Evolving Catalysts : Key Time Period Four

In terms of Figure 6.3 , respondents indicated that Period Four saw further liberalisation of the UK telecommunications market with the licensing of international facilities. This form of market liberalisation was seen as a major catalyst driving strategic change at the incumbent. The regulator was allowing telecommunications distributors who were competing within the customer premises market segment (business customers) to have similar

capabilities to any national or public telecommunications operator (Anon, Yorkshire Post 1997). In addition, the granting of a Conditional Access Licence allowed customers in the UK to stipulate a non - BT long distance carrier without special access codes. Hence, the licensing of international facilities was seen as being of major concern to the incumbent. Respondents noted that by this time, more than one hundred and fifty licenses had been issued for the provision of a variety of network services, which included six key categories :-

- long-distance carriers;
- cable operators;
- regional operators;
- cellular operators;
- metropolitan area network operators;
- and -
- fixed - radio access companies.

The evolution and integration of technologies was becoming an intense area for investment by the incumbent. This was particularly evident in the form of achieving the capability to deliver combined services in the areas of information, communication and entertainment (I.C.E.). Technological development was at an advanced stage and the incumbent was strategically positioning themselves for liberalisation in the entertainment sector - a review by the regulator was to take place in 2001. Tests in this area were already underway and the market for the provision of such multimedia services was

seen as a tremendous growth opportunity for the incumbent. The regulator implemented price controls at the rate equivalent to the Retail Price Index minus 4.5%, and these were scheduled to remain until 2001.

As predicted by Boult and Kamman (1989) full deregulation of telecommunications services in Europe would indeed occur, and this was fully implemented, with few exceptions or restrictions in 1998 (Suzman (1997) and Jones (1997)). Competition was intensifying in all areas of the market and with the unstoppable trend towards globalisation (Dowling (1994); August (1997), some experts were predicting that regulation of the domestic market would cease to be relevant or valid (Anon, The Economist 1996). In this vein, there were suggestions that the market tendency would be towards simplification of competition through consolidation and aggregation and strategic alliancing (Burnham (1997); Brown (1997)).

In summarising, respondents reported that these catalysts were primarily seen in the areas of : -

- Wireless technology will increasingly become the primary access technology for voice.
- Telecommunications will increasingly be about carrying data (although voice will be the major money spinner for many years to come).
- Newcomers will displace the traditional telecommunications operators.

- Strategic alliancing and acquisitions will play a major role in the evolving structure of the UK, European and Global telecommunications markets.

Key objectives in telecommunications liberalisation and deregulation were the offerings of greater competition and choice. What we can learn from the BT perspective of catalysts driving change in the evolving UK, European and indeed global telecommunications industries, is that there appears to have been a distinct failure in introducing real competition in fixed link voice telephony. The market share figures of the UK industry would tend to suggest this.

Accordingly, research would concur with this statement and consequently, failure can be attributed to several factors:-

- The inherent contradictions in BT's role: it is both the owner and maintainer of the infrastructure and a competitor in the delivery of services (Garnham, 1990).
- Continuing reliance on BT as the "owner" of the infrastructure, and the difficulty of making BT competitive when its licence conditions include service "obligations" (Shankar (1996); Farrow (1997)).
- The large capital investment and disruption to the environment required to lay new cables, and new technology in communications through computers is "by-passing" the regulatory problems of traditional telecommunications and proving to be cheaper (Mansell (1993); Cane (1997)).

- The pursuit of the cable route and neglect of the potential of wireless technology which would resolve the issue and bypass the infrastructure problems (Garnham (1990); Frieden (1997)).
- The reliance which OFTEL is forced to make on the incumbent for its "information," and therefore the regulatory difficulties placed in the path of potential "entrees" to the market, based on the fact that they are placed in direct competition to the huge clout of British Telecommunications (Beesley and Laidlaw (1989); Noam (1997)).
- The tendency of new entrants to the market to concentrate on the provision of value-added services because of the difficulty and risk involved in entering the fixed link voice telephony market (Dowling (1994); Heldman (1994); Jones (1997)).

In conclusion, in interpreting the significance of these evolving catalysts, it is clear that British Telecommunications had some control over a number of these catalysts, while having little, or no control over others. Some theorists have categorised these catalysts into "internal factors" and "external factors," e.g. Thompson (1967); Pfeffer and Salancik (1978); Porter (1980); Linneman and Klein (1983); Bryson (1988); Johnson and Scholes (1997); Lynch (2000).

Evidence from this study suggests that a number of these catalysts were triggered by : -

internal events

e.g. falling costs, efficiency levels, effectiveness of policies and procedures, etc.

external events

e.g. governmental policy, globalisation, competitor behaviour, etc.

and others which were simultaneously triggered by : -

both internal and external events

e.g. technological advancements into ISDN, regulator behaviour, etc.

In this genre, from the perspective of the incumbent, there is an important distinction here that cannot be overlooked in terms of a firm's strategic behaviour, and consequently the importance of the evolving nature of these three forms of catalysts should not be underestimated.

However, the important factor which should not be overlooked, is the impact of these catalysts on the strategic decision making of BT, in terms of their perception of a monopolistic environment as it evolves towards a more competitive environment. In this vein, distinct catalysts would appear to have been continually shaping the UK, European and global telecommunications industries, whether they were generated internally, externally or simultaneously acting together.

From the evidence presented here, the findings would contend that to categorise the catalysts for the UK telecommunications industry, into distinct internal and external catalysts, would indeed be exaggerated, unrealistic and indeed, inappropriate. Hence, extant research should take cognisance of the dynamic and complex nature of these catalysts as they evolve over time.

One further point to note : as far as possible, the researcher has attempted to verify the reliability of catalysts and associated events with an examination of secondary literature and this approach is expected to continue throughout this chapter. This has been successful (to some extent) in terms of confirming some catalysts as being of significant importance to either the industry in general, or indeed, events that have occurred as a result of regulator, competitor or BT's actions. Furthermore, respondents allowed an examination of minutes of meetings to be observed by the researcher (from historical notes) to confirm many of the issues explored so far. Similarly, the data addressed in the remainder of this chapter has - to some extent - been verified from respective historical records of BT meetings and internal data sources.

Figure 6.3 can be seen to be an appropriate form of pictorial representation when considering the issue of *why* BT developed corporate level strategy during the four key periods, since the firm was privatised. Contextually therefore, Figure 6.3 has outlined the respondents perspective on the evolving nature of key catalysts driving corporate level strategic change at

British Telecommunications and consequently, Study Propositions Two and Three have been addressed.

The study now turns towards examining the impact of these catalysts on the evolving telecommunications market structure.

6.2.1.3

Addressing Study Proposition 4

The central focus of this section of the study is to integrate the findings of section 6.2.1.2, with secondary data, in order to conceptually portray the evolving market structure of the telecommunications industry, since the introduction of deregulation. Hence, to ensure clarity of discussion, study Proposition Four is restated.

Proposition 4

The study seeks to conceptually portray those key primary factors on industry development identified in propositions 2 and 3, from the perspective of the incumbent, with a view to theoretically portraying their dynamic behaviour.

In proceeding, this section is designed to examine a number of important conceptual issues from both - scholarly literature sources - and - the catalysts identified from the previous section, driving changes on the evolving UK telecommunications industry. Theoretical analysis is used to identify the nature and effects of the dynamic catalysts/factors driving changes in the face of the European telecommunications market liberalisation.

As has been stated, the world-wide telecommunications industry has been liberalising for more than two decades with deregulation in particular, driving forward changes in the reshaping and restructuring of markets (e.g., Porat, 1977; Antonelli, 1991; Hood et al, 1993; Ioannidis, 1993; Edwards, 1997). Indeed, with the integration of wireless technologies, voice, computers and

broadcasting systems, a rapidly evolving global information economy is being created. Consequently, regulatory activity in the developing area of telecommunications has both stimulated - and - been stimulated by - the redefinition of these fundamentally important areas. In essence the evolving nature of the European telecommunications industry vis-à-vis increasing liberalisation, deregulation and privatisation programmes has led to the opening up of markets to foreign competition (Van Der Merwe, 1987; Higham and Lee, 1996; Frieden, 1997).

Such is the importance of market liberalisation in terms of both conceptual and contextual frameworks that this area of telecommunications evolution has attracted significant growth in the interest and attention of many researchers (e.g., Noam, 1987; Beesley and Laidlaw, 1989; Gillick, 1991; Doyle, 1996; Esser and Noppe, 1996; Cave, 1997). Initially, the formulation and implementation of liberalisation policies existed mainly around periphery areas of telecommunications monopolies, in areas such as equipment, cellular telephony and value added services. The Directive on Open Network Provision identified principles for harmonisation of technical standards and proposed harmonised tariff principles, which reflected a solid push and drive towards the single market in EC telecommunications (Sapolsky, et al., 1992).

Against this backdrop, within the Global telecommunications market, individual market size, trends, growth and business opportunities vary from country to country, and latterly, there has been significant activity in the area

of strategic alliances (Ioannidis, 1993; Keenan, 1996; Anon, 1999). From a political perspective, the liberalisation of an economy's telecommunications industry through such privatisation programmes encourage popular capitalism through widespread public share ownership, reflecting a bias towards a market economy orientation. Based on the success of the UK's privatisation programme, the impact of performance exposure to the scrutiny of private investors has clearly stimulated BT to improve its efficiency from market forces, rather than from the direction of central government. Furthermore, the opening up of European and global telecommunication's markets has allowed a transfer of technology from prospective market entrants, which has resulted in a growth of international strategic alliances with varying types of service providers.

Insofar as assessing industry structure is concerned, discussions on the application of the product life cycle model, e.g. Levitt (1965); Cox (1967); Polli and Cook (1969); and Kotler (1972) have come under scrutiny, with significant debate surrounding its relevance for examining industries. Porter (1980) has progressed the debate on industry structure towards identifying the forces which underpin an industry for attractiveness and competitiveness. In this vein, the five - forces model outlined by Porter (1980) has withstood the test of time and has some relevance for the telecommunications industry. However, Porter's model does show a lack of usefulness when addressing the impact of market liberalisation. Buzzell (1981) on the other hand, addresses the issue of "natural market structures," and throws some light on the topic.

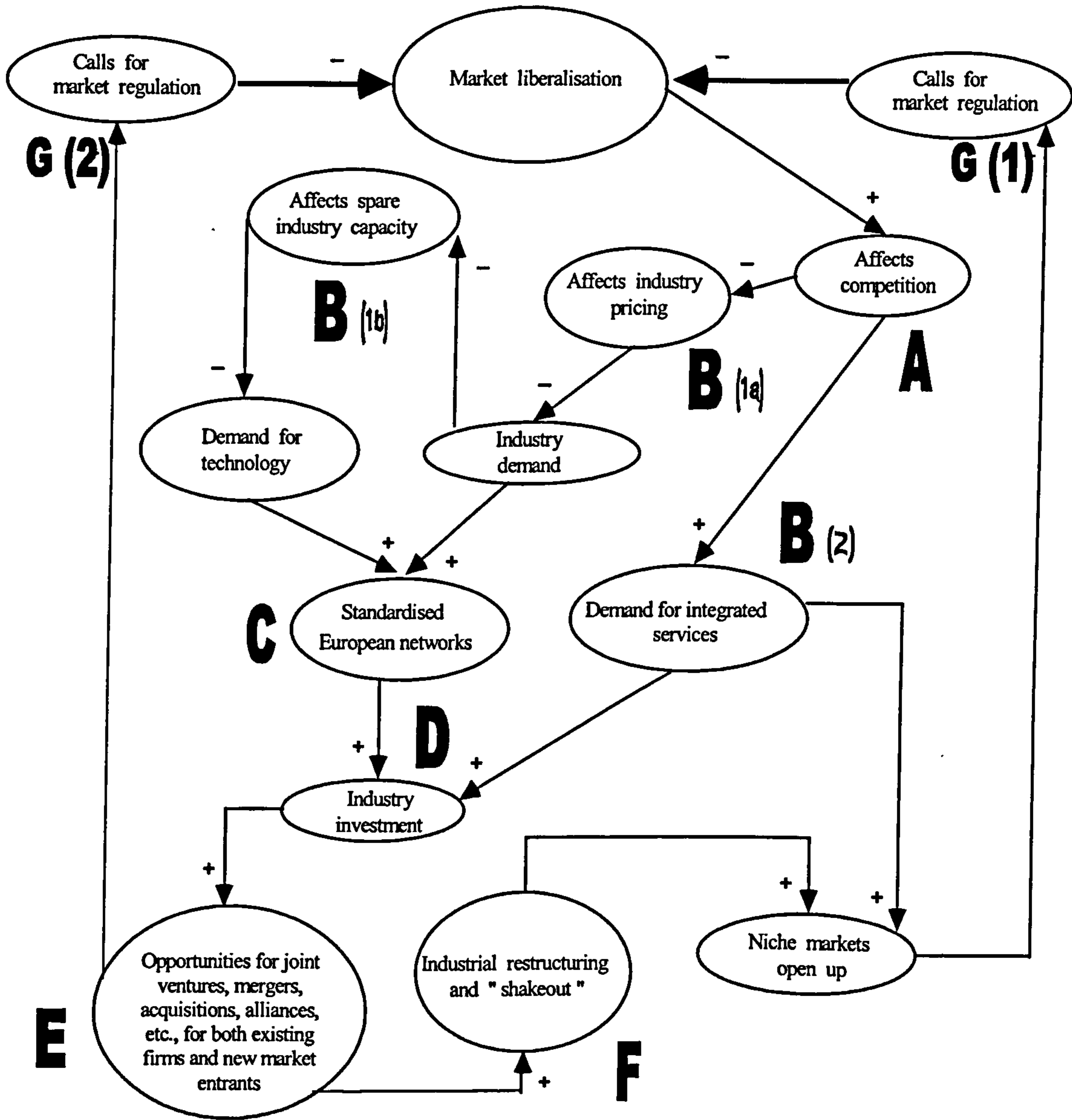
Unfortunately, extant research shows that scant attention has been paid to evolving market structures. Challengingly therefore, an examination is conducted of the liberalisation process of current privatised network services in order to develop an appropriate model of the impact of change on the liberalisation process within the European Community. In this case, a more flexible approach has been adopted and identifies an evolving European telecommunications market structure - which as yet, remains unclassified.

In considering the dynamic characteristics of the evolving European Telecommunications Industry, a model (Figure 6.4) has been generated from an examination, analysis and evaluation of the empirical and secondary data. The elements of this model are considered in terms of their respective causes, identified at arrow-tails, and their direct or indirect effects on issues identified at the arrowheads. The (+) signs at the arrowheads imply a direct relationship effect, in terms of the respective issue at the arrow-tail. Similarly, the (-) signs at the arrowheads imply an indirect relationship effect, in terms of the respective issue at the arrow-tail. Figure 6.4 begins by identifying a positive drive by European governments towards increasing market liberalisation, with increasing deregulation of telecommunications network operations.

As this broad telecommunications network market experience further liberalisation with markets opening up, the level of competition increases.

Figure 6.4

Evolving Model of the European Telecommunications Industry



Source: Author generated from literature

Key: The (+) signs at the arrowheads imply a direct relationship effect, in terms of the respective issue at the tail. Similarly, the (-) signs at the arrowheads imply an indirect relationship effect, in terms of the respective issue at the tail.

This in turn has the following two major effects. **Firstly**, as the number of players in the respective market increase (affects competition (A)) there appears to be a greater demand for a wider choice and higher level of service quality (demand for integrated services (B(2))) which causes a requirement for further industry investment (industry investment (D)) as competing players focus on their respective strategies of product and service development. Consequently, opportunities arise for the raising of finance from joint ventures, acquisitions, mergers, etc., and for further market expansions by both current players and new market entrants (opportunity for joint ventures, expansions, etc., (E)). These investment opportunities have the effect of introducing regulation to bring about stability in the liberalisation process thereby controlling further market entry and reducing any further market liberalisation (G1).

Insofar as these opportunities will allow, restructuring takes place within the respective market, causing shakeout in the industry (industrial restructuring and shakeout (F)). This shakeout causes niche markets to open (niche markets open up) as players reposition themselves to supply customer and application specific services.

The effects of niche market opportunities opening-up will also be a direct result of the symptoms created by the demand for a broader menu - and greater degree of integration of services (demand for integrated services (B(2))). Accordingly, further market liberalisation is influenced by the

development of regulatory policies to control the speed and effects of the shock waves, which are ensued by this process (G1).

Secondly, as the number of players in the respective market increase (affects competition (A)), prices begin to fall within the industry, which induce price restructuring for the European market as a whole, (affects industry pricing (B(1a))). Thus, overall demand within the industry tends to rise (industry demand) as the price of calls are reduced which will have the significant effect of reducing spare capacity (affects spare industry capacity (B(1b))). Consequently technological driving forces (Demand for technology) presses ahead in order to satisfy demand through innovative methods whereby there is a push to create definitive form(s) of standardised European network and substitute products (Standardised European networks (C)). These factors of industry demand, spare capacity and technological demand, create a resultant drive in leading towards further industry investment, thereby shaping the market by creating opportunities for vast expansion programmes (Industry investment (D)). As the impact of this requirement for substantial financial investment evolves, many competitive players find that they are unable to venture into such large projects alone and this has led to a greater number of joint ventures, mergers, acquisitions and alliances etc, (E). Thus, there is a greater call in the immediate term for regulatory policies to control further liberalisation (G2) and with this form of industrial restructuring, where in the short term further shakeout (F) occurs, there are a greater number of niche markets created.

From this model, it is possible to extrapolate forward and to look towards the future, and depending on the innovative and integrative effects of computers, telecommunications and video over the forthcoming decade, there is a strong possibility that some smaller players in the European market will be squeezed out by both large autonomous organisations and conglomerate multinational enterprises.

In concluding this section, it would appear that to become a leading global telecommunications enterprise, organisations are increasing their international presence; forming strategic partnerships; identifying opportunities for strategic acquisitions; and providing a variety of technologically integrative products and services that span the globe. Former monopoly network operators are sharpening their focus on growth, by concentrating on cross-border activities and by restructuring, their respective communications services groups, in order to address business customers and end consumers, on a global basis.

In particular, as telecommunications markets continue to liberalise and evolve, the competitive environment confronting firms is shifting towards a greater requirement for closer customer interaction and more tailored products. Hence, the evolving natures of market structures directly affect the bases of competition in the telecommunications industry. The consequences of this are that network technologies

become increasingly important towards the attainment of firm-specific competitive advantage, and indeed in the achievement of corporate strategy objectives. To this end, if markets become too liberated and move largely towards open competition status, then the franchise value of the incumbent service provider will be reduced. This in time will threaten the success of liberalisation and its associated policies.

Demonstrably therefore, this model adds to the debate of industry structures and in particular, recognises the complex nature of the telecommunications industry. Furthermore, the model identifies the dynamic nature of the evolving European telecommunications market and conceptually depicts those factors directly impacting industry change.

6.2.1.4

Addressing Study Proposition 5

Following the identification of important issues associated with *why* strategy was developed at BT since privatisation, the study now considers the impact of these on the development of strategy at BT. In situations such as these with multiple issues, the complex nature of strategy development cannot therefore be underestimated. Acknowledgement here must allow for considerable latitude in the understanding and interpretation of these events which can either drive strategic change or in some cases, necessitate change. In this respect, conceptual understanding of strategic decision making must take into account the possibilities of strategic decisions being made under limited degrees of certainty - and - uncertainty of the evolving nature of the previously identified catalysts. Disentangling all the elements is indeed difficult. Thus, in examining the nature of such diverse situations with respect to a firm's strategic behaviour, the setting of corporate level goals is therefore an important consideration and warrants exploration and explanation.

Based on interviewee responses for this particular case, the issue of - why - strategy was developed has not been fully explained. Challengingly therefore, in order to aptly consider the why issue, an exploration of the strategic behaviour of BT requires identification of the corporate level goals that had been developed since UK telecommunications privatisation. In this genre, to ensure clarity of discussion for this section of the study, Proposition Five is restated.

Proposition 5

The study seeks to describe, collate and explore the historical evolution of the firm's corporate level goals since privatisation, with a view to understanding their evolving and dynamic nature.

In addressing the evolving nature of BT's corporate level goals since UK telecommunications privatisation of the incumbent, it was stated from earlier discussions in section 6.2.1.1, that in terms of strategy, the BT vision can be seen to be inextricably linked to the firm's goals. In this context, BT respondents defined corporate level goals as : -

"Goals are the general aims that we seek to achieve in addressing our vision."

A plethora of literature has been written on the definition of the term goals and consequently, goals as identified by for example, Cyert and March (1963); Simon (1964); Ansoff (1979); Bryson (1988); Stacey (1993) etc, show distinct similarities. For the purposes of this study, goals as identified by Johnson & Scholes (1999) are a generally accepted definition. In terms of organisational goals, these are defined as: -

"If the word goal is used, it usually means a general aim in line with the mission. It may well be qualitative in nature." (p13)

Similarly, in defining the term objectives, Peters and Wotruba (1967); Glueck (1976); Bowman and Asch (1987) concur in the definition. In this vein, Johnson & Scholes (1999) espouse this widely held view and define a firms' objectives as :-

"an objective is more likely to be quantified, or at least to be a more precise aim in line with the goal." (p13)

Of note, although much has been written on the definition of the terms goals and objectives, there is considerable evidence which suggests little difference between these two terms. Consequently, these terms have been widely used - interchangeably, by many practitioners. e.g. Lynch (1997); Mintzberg et al (1998a); and Johnson & Scholes (1999).

However, in continuing, respondents at BT confirmed the firm's objectives in terms of :-

"Objectives are details of the quantified targets set to satisfy our goals."

Data observations suggest that BT see objectives as more refined explanations of goals, which are more of a quantifiable nature. What is noticeable in terms of this current study, from the definitions given here, it would be reasonable to assume and therefore to suggest that the theoretical and practical definitions of goals are acceptably similar. Consequently, the foundations of this section will build around the evolving nature of BT's vision

and their associated behaviour in terms of examining the firm's corporate level strategic goals that were developed since privatisation. In ensuring a cohesive approach to this section, the definition of vision by BT respondents is restated as :-

"Vision at BT is the shared image we see of BT in the marketplace of the future."

To continue, Figure 6.5 has been generated in order to describe, collate and explore the evolving corporate level visions and associated key strategic goals over the previously identified four key time periods, since privatisation of the incumbent in 1984.

6.2.1.4.1 Corporate Vision and Strategic Goals : Key Time Period One

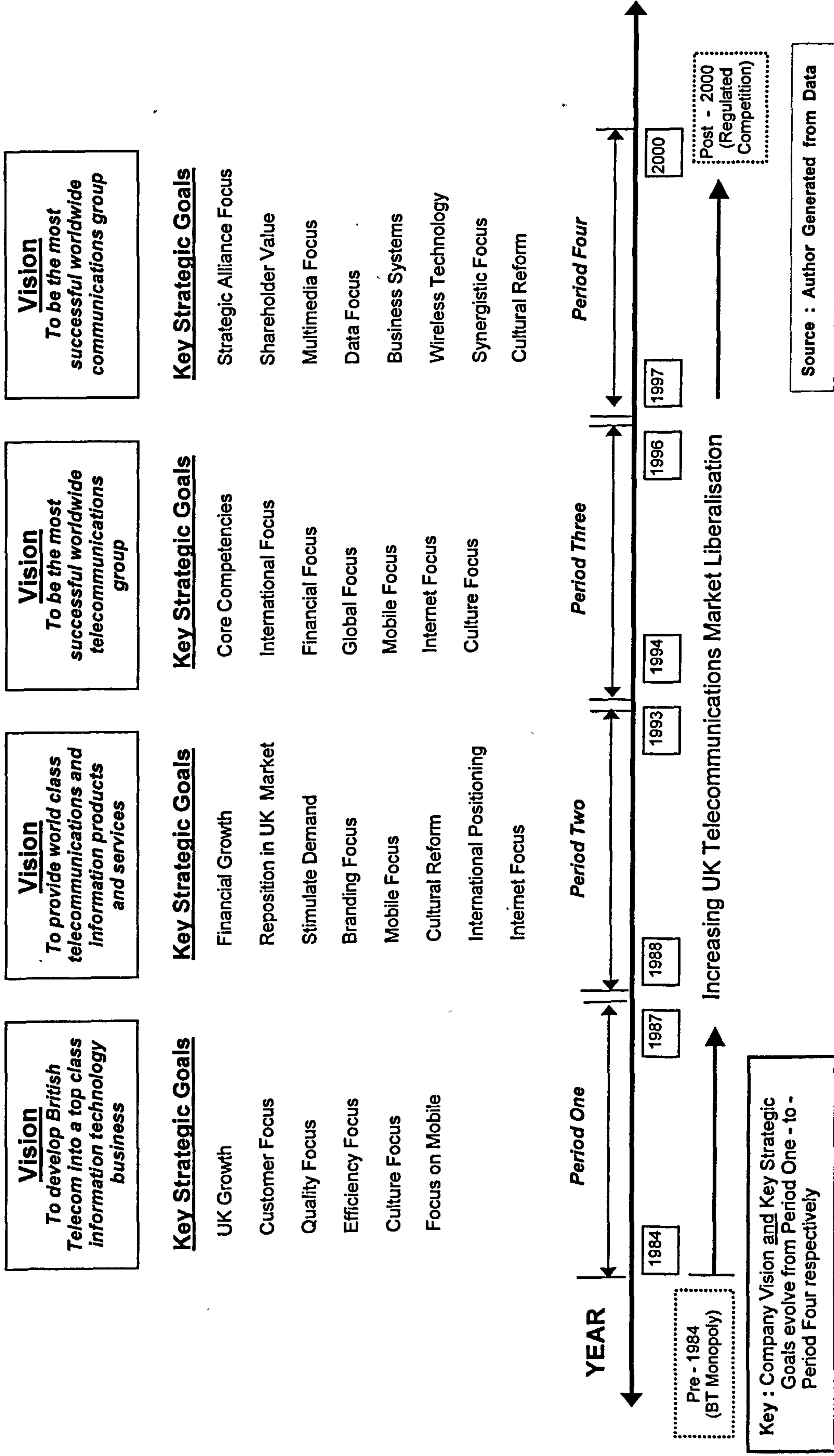
At the beginning of this post-privatisation era, from Figure 6.5 interviewee responses, identified that the company's vision sought to develop the firm into :-

"a top-class information technology business."

In understanding and exploring the derivation of this term, it was seen to originate from the culture of the Civil Service, which BT belonged and inherited, prior to privatisation in 1984. At that particular time following privatisation, "top-class" was a term which had been frequently used in military connotations, with a hierarchical bias, and as the term suggests, this was seen to be the highest level attainable. The implication here is that the

Figure 6.5

Evolution of Company Vision and Key Strategic Goals at BT since Privatisation in 1984



thinking and perception of the firm was, "to be the best firm in the industry." The best at exactly what - is examined and analysed during the remainder of this section when data relating to the firm's key strategic goals are considered. However, what does begin to resonate here, is that the information technology business was seen as the latest development in terminology within the telecommunications industry during that particular period of industry evolution. Such terminology was also in line with technological developmental thinking in the communications sector. **Arguably, in terms of the telecommunications industry, this vision can be seen as being appropriate for the environmental situation facing the incumbent. Indeed, in terms of a comparison with incumbent PTO's from the European telecommunications industry in general, this articulated vision reflected a distinctly forward thinking organisation.**

6.2.1.4.2 Corporate Vision and Strategic Goals : Key Time Period Two

Referring to Figure 6.5, it can be seen that, during Period 2 the company's vision changed, whereby respondents reported that the focus of the organisation shifted in order to :-

"to take a more worldwide view of the company's position."

Here, the company vision was reassessed and the firm therefore sought :-

" to provide world class telecommunications and information products and services."

This redefinition of the firm's perception shows a distinct drive forward, in the application of evolving terminology, as many multinational organisations (particularly globalising Japanese and U.S. firms) were seeking to achieve world-class capabilities in their attempts to dominate their respective markets e.g. Ohmae (1989); Hood et al (1994); Bartlett and Ghoshal (2000).

With this in mind, respondents reported that this BT vision was demonstrating the firm's ambitions and evolving strategic response to a rapidly liberalising marketplace. Evolving key strategic goals therefore centred on :-

- financial growth (in terms of the segmenting UK customer base, with a particular emphasis on generating revenue from large business organisations);
- positioning within the increasingly liberalising and competitive UK market;
- developing service offerings;
- creating and stimulating demand for advanced products and services;
- developing mobile communications markets;
- positioning within global markets;
- Internet developments.

A further point of note during this period, is that cultural reform was again on the agenda and cultural transformation of the firm continued under the new leadership of Iain Vallance (BT's new Chairman and Chief Executive). This development is further reflected in the evolving nature of the firm's vision.

Of further note, the company name at the beginning of this period was British Telecommunications plc, and the firm decided that a more appropriate company name and corporate identity were required. By the end of Period Two, the goal of re-branding the firm was achieved with the launch of, BT, and the development of a correspondingly revised corporate identity, which revolved around their logo of "Mercury." As in the previous period, heavy investment continued in infrastructure development, with the Mobile Communications sector beginning to grow at a more rapid pace. Hence, the foundations for the Internet Services sector was beginning to be laid and both these sectors represented considerable potential and indeed profit, to the firm in the longer term.

6.2.1.4.3 Corporate Vision and Strategic Goals : Key Time Period Three

On examining Figure 6.5, BT's company vision was reassessed during period three, and consequently the vision shifted from providing world class telecommunications and information products and services to allow BT :

"to be the most successful worldwide telecommunications group."

It was noted from respondents that this key period saw the UK telecommunications industry evolving competitively, with increasing market liberalisation directly resulting in more players entering the UK market. Indeed, throughout the previous key periods, BT had been constantly

developing its service offering and consequently was now delivering a significantly broad range of products and services.

Against this backdrop, the evolving global market led the firm to rethink its respective position in each of the areas of business in which it was competing. Respondents acknowledged that the period from 1993 - 1996, saw the key strategic goals of BT being redeveloped in order to realise the evolving vision and these goals primarily centred on the following: -

- developing key core competencies;
- the need to grow the rate of revenue generation for further expansion programmes;
- offering “Advanced Services” to markets outside the UK;
- growth in Mobile/Internet/Multimedia;

- and -

- focusing on cultural reform.

These revised key strategic goals were to become the central focus of strategy development throughout Period Three. Hence, high levels of infrastructure investment continued and the firm's focus was on expanding the offering of advanced services to global markets. Respondents noted that this approach required diverting financial resource and managerial energy towards gaining international access to formerly closed markets - with the

creation and building of collaborative ventures through strategic partnering arrangements. During this period of goal setting, the Mobile Communications and Internet Services businesses were seen as rapid growth sectors and presented BT with the opportunity to capitalise on previous product and market development investments.

6.2.1.4.4 Corporate Vision and Strategic Goals : Key Time Period Four

Following the increasing level of success that BT had achieved since privatisation, the marketplace had been constantly changing and by the beginning of 1997, this was becoming particularly evident. Respondents acknowledged that, the impact of these changes were being seen in the following areas of : -

- technological advances in materials;
- digital and integrated electronics developments;
- new product and service developments;

- and -

- foreign market penetration.

BT's vision was therefore modified to match evolving and global market conditions and consequently, Figure 6.5 shows the modified BT vision emphasising the business shift from telecommunications to communications.

This evolving vision was stimulated by the creation of innovative products and services with ever increasing technological advancements. Against this backdrop of significantly rapidly evolving change, the firm's vision was restated as: -

*"to be the most successful worldwide
communications group."*

During this period, respondents reported that many governments from across the globe, including those operating within the collective structures of the European Union (imposing comprehensive telecommunications liberalisation in January 1998) had begun implementing unprecedented market liberalisation programmes. This was creating significant expansion opportunities for BT and their competitors.

Figure 6.5 shows the evolving nature of BT's key strategic goals for the period. Respondents indicated that the firm therefore sought to : -

- concentrate on expansion by strategic alliancing;
- improve shareholder value;
- concentrate on improving market share in Data and Bit transfer;
- concentrate on providing communications business solutions;
- concentrate on wireless technology and products;

- capitalise on technological synergy with information, communication and entertainment;

- and -

- continue the firms focus on cultural reform.

In this vein, key strategic goals focused on capitalising on the high level of technological and infrastructure investments which were resulting in synergistic integration of information and data products; communications services; and entertainment products. Specific strategic goals were also developed in the high growth areas of business systems and wireless products. Organisational restructuring continued and a further emphasis was placed on cultural reforms throughout this period.

In concluding this section of the study, Figure 6.5 was generated from empirical data and showed an historical collation of the evolving nature of the key strategic goals developed by the incumbent since UK telecommunications privatisation in 1984. Hence, BT was seen to develop a number of key strategic goals throughout each of the four key periods and generally, these goals were developed at different times within each of the respective periods.

In terms of key strategic goals, the firm exhibited patterns of behaviour which reiterated commonality throughout the four key periods. Here, the areas of financial prowess, mobile communications and cultural

reforms permeated all periods of strategic evolution of the incumbent since privatisation.

The nature of the firm's behaviour was demonstrated by a phased approach to the development of key strategic goals (contained within periods) which underpinned the evolving strategic vision of the firm, and from the firm's perspective, these goals took account of the key catalysts which stimulated strategic change. Of note here, were the emerging patterns of firm behaviour which showed that the thrust of BT's goals were inextricably linked to the firm's evolving vision and it would appear that it was the evolving vision of the firm which was the main driver of strategic change.

Extant research espouses the need for firms to develop mission statements, furthermore, the literature suggests that a hierarchy exists whereby the mission of the firm is seen to drive the development of strategic goals. (e.g. Lynch (1997); Johnson and Scholes (1999)). In the BT case, although the firm developed mission statements, these were not seen as critically important in the process of the firm's evolving strategic behaviour. Indeed the relationship between BT's evolving vision and their corresponding strategic behaviour was of greater importance. This behaviour is seen as significantly important, particularly in relation to Mintzberg (1983); Campbell and Tawadey (1993) and Abrahams (1995) who espouse that a firm's mission should play a central role in decision making, in terms of creating shared

values, shared goals, commitment, and loyalty within the organisation. Results from this study show that *this is clearly not the case* and therefore is seen to warrant mention. Hence, the relationship between BT's evolving vision and the firms' strategic behaviour will be examined in greater detail later in this chapter.

Finally, extant research lays some importance on firms having a clear strategic vision, however, from the results presented here the following two conclusions are observed: -

- Firstly, the emphasis of achieving a firms' vision cannot be underestimated and in this sense, the vision would indeed appear to be the central focus of the firm's strategic actions, with lesser importance being given to key strategic goals.
- Secondly, that a firm may have a strategic vision, but in terms of the rapidly evolving telecommunications industry, the life expectancy of their vision is likely to last a duration of between four and five years.

Notwithstanding these concluding remarks, the study now turns towards addressing study Propositions 6 and 7.

This section of the study focuses on addressing Study Propositions 6 and 7 and for the purposes of clarity, the simultaneous and joint considerations of these two Propositions was seen as an appropriate method for exploring and discussing the collected data. Additionally, this approach was seen to assist in demonstrating understanding of the nature of the corporate level strategies which were developed at BT during the four key periods in time identified in section 6.2.1.1. In this respect, this empirical analysis and discussion begins by restating study Propositions 6 and 7.

Proposition 6

The study seeks to identify and describe the nature of strategic focus of corporate level decision making by BT throughout those key periods in time previously identified in proposition 1.

Proposition 7

The study seeks to collate and explore the historical evolution of the strategic focus of corporate level decision making by BT since privatisation as identified in proposition 6, with a view to understanding the firm's evolving strategic behaviour.

In addressing these propositions, when referring to strategy, respondents described three levels within the organisation. However, for the purposes of this discussion, the central focus refers to corporate level strategy. On examining empirical data, it was noted in section 6.2.1.1, that respondents described corporate level strategy as :-

"It is the general directions that we (BT) require our businesses to take, to achieve our vision and our goals. Therefore, corporate strategy is the development of our (BT's) long-term plans in order to realise our vision through the attainment of predetermined goals."

As stated earlier, this definition of strategy by BT was seen to concur with frequently used theoretical definitions found in extant research. However for the purposes of this study, due to the **complex nature of strategy**, it is the **strategic focus** of BT that is important. Therefore, in considering the interpretation of strategic focus, the definition intimated by respondents is that it is: -

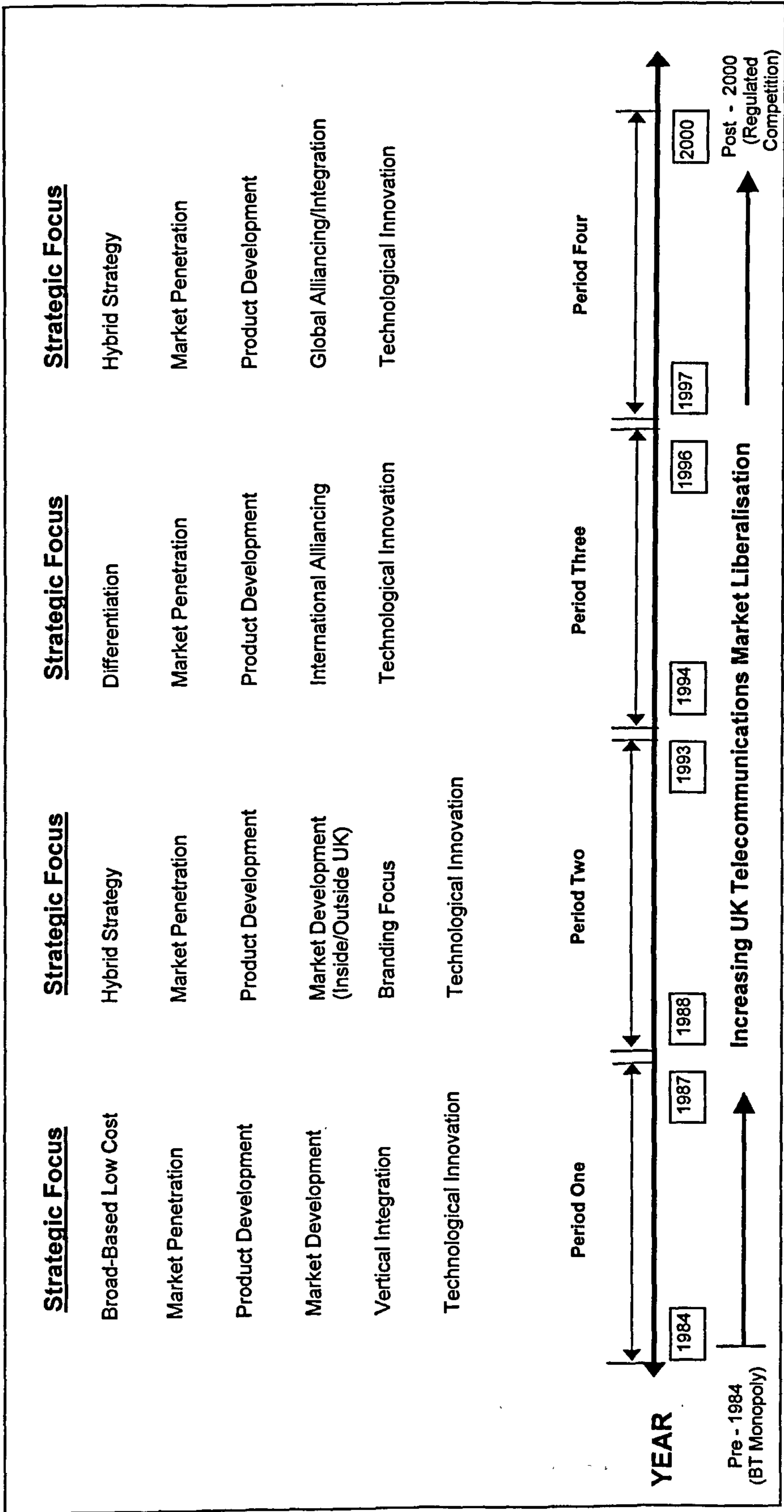
"the directions of resource investment for key strategic decisions that were made by the firm."

Hence, exploration of empirical data seeks to identify the key strategic decisions that were made by the incumbent since privatisation in 1984. This historical collation of the evolution of corporate level decision making is extremely important in understanding the nature of strategy development in a former monopoly telecommunications organisation. What does resonate here is that this section of the study will address the question :- **what** is the nature of the strategic focus of corporate level decisions which were made by BT since privatisation in 1984?

On examining and exploring empirical data, Figure 6.6 has been developed in order to assist in interpreting the evolving behavioural nature of the

Figure 6.6

Evolving Strategic Focus of Corporate Level Decision Making at BT since Privatisation in 1984



Key : Strategic Focus of BT evolves from Period One - to - Period Four respectively

Source : Author Generated from Data

strategic focus of BT's business since privatisation. Consequently, the four key time periods surrounding corporate level strategic decision making are now presented.

6.2.1.5.1 Strategic Focus : Key Time Period One

From Figure 6.6, respondents reported that during Period One, the strategic focus of BT from the time of privatisation in 1984 until approximately 1987. At this period in the firm's history, BT offered what was termed, "Basic Services" to the UK marketplace, whereby its operations were primarily focused on delivering fixed-link and related services (in terms of voice and information communications services). Here, change was seen to be essential - for the long-term survival of the firm and the incumbent was therefore described as an organisation : -

- high in employee numbers;
- rather inefficient in service delivery;
- operating with a high cost structure;

- and -

- lacking in a commercial focus.

Against this backdrop, the firm was further driven and stimulated by the desire to grow the UK market (in terms of generating revenue) for the firm's

service offerings and a distinct and unequivocal need to develop a greater commercial awareness for competing in the evolving industry. The strategic focus of the firm therefore centred on the following six areas.

The first area identified, concerned the high cost base of the firm, which was underpinned by fundamental inefficiencies in service delivery. The firm's focus was shifted towards reducing inefficient and ineffective working practices through the development of a strategy which Porter (1980) termed "a broad based low cost strategy". Porter describes this strategy as a basis of competition, where the firm (in this case, the incumbent) seeks to become the lowest cost provider in the marketplace. In order to achieve this position, respondents acknowledged that the firm therefore developed a strategic focus which resulted in the incumbent: -

- investing in training and retraining essential employees;
- developing commercial working practices;
- employing managerial personnel with commercial experience (from across a number of industries);
- reforming the culture of the firm;
- and -
- investing in research and development.

Secondly, the firm focused on a strategy of market penetration. Thompson (1995) describes market penetration as a low-risk strategic option, whereby the respective firm attempts to :-

"manage their existing range of products and services more effectively, aiming to sell more of them and to reduce costs in order to generate increased sales and profit," (p70).

It was therefore reported that this strategic focus allowed the firm to centre on: -

- increasing the number of installations of fixed link lines;
- increasing the volume of calls;
- increasing the level of revenue generation over the period (which increased from £6.8 billion - to £9.34 billion);

- and -

- improving their marketing capabilities.

Thirdly, the firm embarked on a strategic programme of product development, which according to respondents, centred on the firm developing new products and services, ideally using related technology and skills, for sale in existing markets. In adopting this approach, the firm's strategic focus was on investing in research and development, which resulted in :-

- technological advancements in infrastructure;
- advancements in digital technology and data communications;
- investment in the development of a wider range of products and services;

- and -

- investment in mobile communications.

Respondents acknowledged that the fourth area of evolving strategic focus for British Telecommunications lay in market development, and involved the firm in seeking out new customers, or even new market segments, for existing products and services. In adopting this strategic focus the firm : -

- segmented the market into many customer groups and targeted each respective group;

- and -

- increased customer numbers.

The fifth area of strategic focus lay in the decision to diversify the organisation into other areas of business. During this key period, the firm decided to backward vertically integrate, by acquiring firms that were involved in supplying both equipment and technology to British Telecommunications.

This form of strategic focus allowed the firm :-

- the opportunity to gain greater control of the equipment supply chain;
- and -
- to control the speed of new product development.

The sixth area of the firm's strategic focus lay in adopting a strategy of technological innovation. It was reported that the benefits of adopting this strategy allowed the firm to invest in areas of technology that were previously outwith the scope of the firms business offerings. This focus enhanced the firms opportunities to integrate any technological advancement across a number of areas including : - data; communications; and computer technology, into the firm's portfolio of products and services.

Consequently, during this key period of evolution, the strategic focus of the incumbent developed competitive strategies in order to: become more customer focused, improve technological capabilities, improve operational efficiencies and to restructure the organisation.

6.2.1.5.2 Strategic Focus : Key Time Period Two

Figure 6.6 shows the evolving strategic focus of BT throughout Period Two. Consequently, respondents acknowledged that at the beginning of this period, the UK telecommunications market was growing in terms of scope and a number of market segments were emerging. In particular, these

included : voice; fax; mobile; data; wholesale; and specialist applications. Respondents reported that the firm had realised that until around 1988, considerable homogeneity of telecommunications services existed both in the UK and abroad. Thus, BT's strategic focus shifted from offering "Basic Services" in the UK, towards delivering an ever increasing broad range of "Advanced Services." This situation was brought about by a number of factors, with the following playing a significant part : -

- the threat of further UK telecommunications liberalisation;
- rapidly changing technology;
- falling costs;
- and -
- threatening competitor behaviour.

In this vein, the firm's behaviour indicated an evolving positional shift away from a low cost strategy towards - what respondents described as : -

" more of a hybrid strategy."

In defining the concept of strategic positioning, extant research is rather unclear and considerable debate has indeed ensued e.g. Mintzberg (1978); Porter (1980); Karnani (1984); Mathur (1988); Faulkner and Bowman (1995); Johnson and Scholes (1999), so much so, that Stimpert et al (1998) have progressed the debate and describe strategic positioning in terms of "trajectories". This is usefully defined as :

"the path delineated through a multidimensional competitive space by strategic decision making over time." (p52).

Suffice to say, that the conceptual nature of strategic positioning of a firm is indeed important, however, it is unfortunately outwith the scope of this current study. Notably, from these and other studies, few conclusions can be drawn on the topic of strategic positioning, and this area therefore requires greater research attention.

In terms of reflecting on the evolving nature of BT's strategic behaviour during this key period, this hybrid strategy was defined by respondents as : -

*" a strategy developed in order to
be all things to all men."*

This hybrid strategy was therefore seen to underpin the evolving strategic behaviour of the firm in terms of : - penetrating existing markets more deeply; and in focusing on a strategy of product development.

In this respect, respondents reported that the evolving strategic focus identified in Figure 6.6 of technological innovation and market development were seen as being fundamentally important towards long term organisational success and therefore continued throughout the period. This strategic focus effectively repositioned the firm away from premium pricing, and allowed them to develop distinct competencies in order to compete within the evolving multitude of segments within the UK market, as well as to

prepare BT for entering overseas markets. Indeed, one of the areas of future success for BT, was seen to lie in overseas revenue streams. The firm therefore made a number of in-roads into foreign markets with the development of a series of foreign subsidiary operations (both wholly-owned and joint venture arrangements).

It was noted that throughout this time period, BT's business acumen was developing and became more refined in terms of delivering an evolving basket of advanced services and consequently, a branding focus was required in order to match the evolving business environment. Towards the end of this key time period, the mobile market was growing at a rapid pace and technologically the Internet market was emerging as a potential major revenue stream. Compared with figures of 1984, the firm's annual turnover had almost doubled to £14 billion and the number of employees had fallen from approximately 245,000 to 170,000.

6.2.1.5.3 Strategic Focus : Key Time Period Three

The time period from 1993 - 1996 of Figure 6.6, acknowledges responses that indicate the evolving strategic business focus of the incumbent attempting to centre on developing the firm's core competencies and offering "Advanced Services" to markets outside the UK, e.g. fixed-link voice, simple resale, wholesale, data, bit transfer, mobile, billing services, number portability, wireless products, etc.,.

Based on the evolving strategic behaviour of the firm since privatisation, respondents acknowledged that the firm saw this focus as being a challenge for the organisation and key catalysts driving strategic change primarily revolved around : -

- the evolving BT corporate vision to become a global leader in the telecommunications market;
- further market liberalisation and deregulation (on a global scale);
- the need to grow the rate of revenue generation;
- the growing wholesale and value-added network services markets;

- and -

- foreign market development opportunities.

During this period of the firm's evolution, respondents alluded to the evolving strategic focus of the firm requiring : -

"a significant directional shift away from the previous hybrid strategy, to one of differentiation."

Differentiation was subsequently defined by respondents, to that similarly defined by Porter (1980). Here, the firm sought to focus on : -

"offering products and services which are perceived to be unique to our customers, in return for a price premium."

This period saw the firm attack these challenges, however, the level of revenue required to succeed, was well in excess of the firm's reserves.

It was noted that this strategic response allowed BT to capitalise on their technologically advanced - in terms of both - wide ranging - and - application specific service offerings, towards major global businesses (e.g. through the development of Concert/Sovereign projects, etc). Indeed, the implementation of these programmes allowed BT the opportunity to develop distinct competitive advantages over foreign market incumbents and in the process, flex their muscles in developing focused strategies towards the rapid penetration of foreign competitors' markets, on a global basis. To-date, BT had initiated a number of reforms which according to respondents, resulted in the following : -

- reliability of firm infrastructure;
- advancements in technology;
- improvements in service delivery;

- and -

- evolving developments in smarter working practices.

Consequently, respondents acknowledged that BT had rationalised their business operations which resulted in a 23% reduction in employee numbers, from 170,000 to less than 130,000 people. Progressively therefore, cultural

reform of the organisation continued and annual turnover increased slightly, to approximately £15 billion. The firm's core competencies were seen to exist in their comprehensive delivery of value-driven integrated products and services, to a global customer base.

6.2.1.5.4 Strategic Focus : Key Time Period Four

In addressing the strategic focus of the incumbent during Period Four, respondents reported that the following factors directly impacted the firms evolving focus : -

- unprecedented deregulation in developed and developing nations;
- the rapidly globalising telecommunications market;
- regulatory controls and restrictions;
- competitor retaliatory behaviour;
- technological innovations;
- the rapid growth rates of both the internet and mobile communications sectors;

- and -

- the success of BT's strategic global market positioning.

Against this backdrop, the firm's strategic focus of differentiation, over the previous period, was causing some concern. Respondents noted that, with the increasing rate of new market entrants to the UK market, competition was intensifying to unseen high levels and price based competition had emerged. Hence, the firm repositioned itself in the UK, with a hybrid strategy that offered a wide range of products and services to an ever increasing segmenting market. On this basis, the evolving strategic focus of BT centred on penetrating as many UK market segments with creative and focused product and service offerings at competitive prices. Product development and technological innovation were a key to success here and the firm embarked upon delivering an ever increasing basket of services in order to win back those customers that had brand switched. Included within this strategic focus was preparing for the possibility of regulatory reform in the provision of entertainment products.

Of further note, throughout Period Four, the evolving strategic focus of BT centred on global expansion of the firm's service offerings in an attempt " to deliver both Basic and Advanced Services," to a global marketplace. Respondents acknowledged that, critical to the success of global expansion, was the formation of international strategic alliances in the areas of :-

- mobile communications;
- the development of core competencies;
- the Internet;

- software development;

- and -

- international local loop collaborative agreements.

Respondents acknowledged that the firm's strategic focus therefore was driven towards expanding this success across the global marketplace through the modes of joint ventures, mergers, acquisitions and strategic alliances. Consequently, suitable partnering objectives were capitalised upon with a number of global collaborative ventures in the businesses of mobile communications, Internet service provision and software design (e.g. Binariang Berhad (Malaysia); Cegetel SA (France); LG Telecom Limited (Republic of Korea); Sunrise Communications AG (Switzerland); Telefort BV (Netherlands); Bharti Cellular Limited (India); Airtel Movil SA (Spain); Microsoft (USA); AT&T (USA); etc). Not all ventures that BT entered into were successful and the failure to clinch a major strategic alliance with the US carrier MCI, was a major blow to the firms global plans. The synergistic benefits of a successful merger with MCI were extremely high for both organisations, however, a cultural mismatch was seen as the major insurmountable problem.

In terms of strategy, this evolving strategic focus implied that a mass-market approach was emerging at BT, as they sought to deliver "Basic Services" to all potential customers in liberalising markets. Finer analysis suggests that the future focus of BT will continue in this area of partnering, with a business

focus centring on delivering technological advancements in applications-specific products, which integrate information, communication and entertainment.

Consequently, respondents noted that with the UK market rapidly becoming the testing place for BT's strategic initiatives and continually improving service offerings, success was becoming rather difficult to achieve with revenue averaging £16 billion during this period, although the firm did see significantly improving shareholder value with a share price ranging from approximately £3.73 to £15 during this period. One final concern that was emerging, was the rather heavy financial debt situation that the firm was creating and there was a serious concern here that BT may indeed be beginning to spread themselves rather thinly.

In conclusion, this section of the study sought to collate and explore the historical evolution of the strategic focus of corporate level decision making by BT since privatisation with a view to understanding the firm's evolving strategic behaviour. In this respect, the evolving strategic focus of the incumbent (BT) was identified through the generation of Figure 6.6. The impact of market liberalisation and privatisation was shown to sharpen the organisational focus of BT, towards greater commercial orientation and financial accountability. In this vein, a growing number of telecommunications firms have been reconsidering their respective service offerings, in order to address the growing global demands of business and consumer needs. With this in

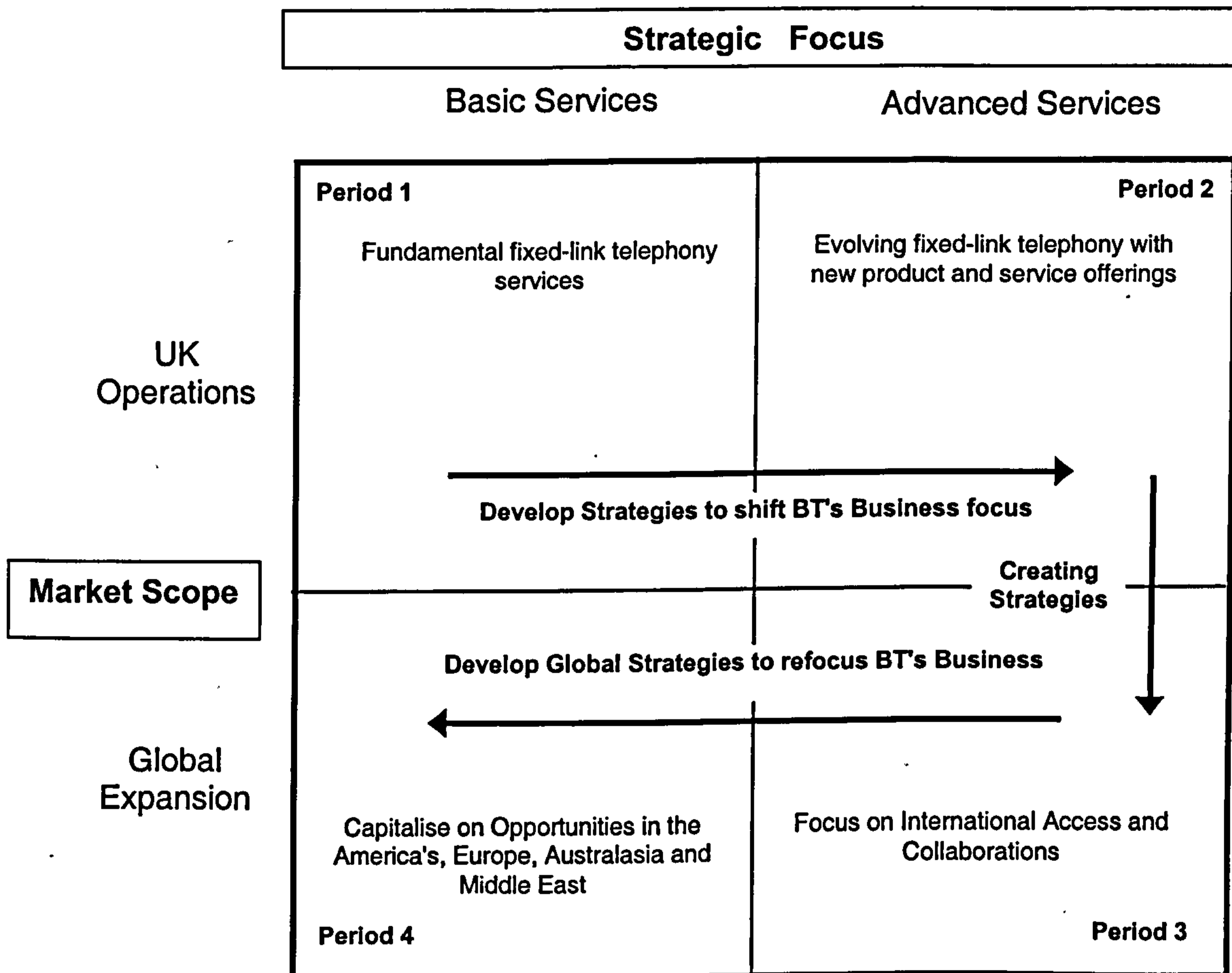
mind, to become a leading global telecommunications firm, incumbent operators such as BT, are becoming involved in organisational growth through acquisitions, and indeed, actively seek suitable joint venture, merger and strategic alliancing partnering opportunities - on a global scale.

In conceptualising the evolving nature of BT's strategic focus since privatisation of the incumbent in 1984, Figure 6.7 has been generated. This diagram identifies the evolving nature of BT's strategic focus in their desire to realise a developing BT vision which included both - growth of product and service offerings - and - achieving global success, in the longer term.

From Figure 6.7, during period one, BT offered what is termed "Basic Services" to a rather narrow market scope, primarily consisting of the UK. Hence, the firms strategic focus centred on delivering fixed link voice and information communications services to the UK marketplace. Following further UK telecommunications market liberalisation, rapidly changing technology, competitor behaviour and visionary evolution during Period Two, BT's strategic focus was evolving to reposition the firm within the UK market and to prepare them for entering overseas markets. Strategies were therefore developed in order to shift the firm's strategic focus from offering "Basic Services" in the UK, towards delivering a basket of "Advanced Services" for example in the areas of :

Figure 6.7

Evolving Strategic Focus at BT since UK Telecommunications Privatisation



(Source: Author Generated)

Key: The four periods: 1, 2, 3 and 4 represent the four key business focuses of BT since privatisation of the UK Telecommunications operator in 1984.

The Arrow \longrightarrow represents the direction of shift in strategic focus of BT, from Period 1 through to Period 4 respectively.

- voice; value added network services; international simple resale; retailing; etc. Period Three of Figure 6.7 portrays BT as they create strategies that centre on developing the firm's core competencies and offer "Advanced Services" to markets outside the UK. This strategic response allowed BT to capitalise on the wide ranging and application

specific service offerings to major global businesses This response required the creation and building of collaborative ventures through international strategic partnering arrangements. During this stage of strategic evolution, the Mobile Communications and Internet Services businesses were seen as rapid growth sectors and presented BT with the opportunity to capitalise on previous product and market development investments.

The strategic evolution of BT during Period Four saw the firm capitalise on unprecedented deregulation in developed and developing nations, a rapidly globalising telecommunications market, technological innovations, the rapid growth rates of both the internet and mobile communications sectors and the growing success of BT's strategic global market positioning. The firm therefore developed global strategies to refocus their business focus in order to expand this success across the global marketplace, through the modes of joint ventures, mergers, acquisitions and strategic alliances. In terms of strategic initiatives, this implied that a mass-market approach was required in delivering "Basic Services" to all potential customers in liberalising markets via collaborations in all areas and in particular, in local loop access.

As one of the global pioneers of telecommunications privatisation, the evolving competitive nature of the UK market has brought with it, much

of the unknown, in terms of what barriers and competitive opportunities lay ahead for the incumbent, BT. In this sense, the realisation of the firm's competitive position following deregulation in 1984 required a radical shift in strategic thinking resulting in a significant step change. For the telecommunications industry, these pioneering modes of expansion are seen as revolutionary for the industry, and therefore highlight the intensifying nature of the competitive environment confronting telecom firms. Hence, the evolving model of BT's strategic focus alludes to a greater requirement for closer customer interaction, combined with the development of more sophisticated and tailored products. The consequence here is that network technologies and research & development programmes are becoming increasingly important in both achieving competitive advantage and in the attainment of corporate strategy objectives. Challengingly, this customer-driven approach towards stimulating and creating customer demand has been recognised and allows network operators such as BT, to strategically reposition itself within the UK, European and indeed global marketplaces.

As this study sought to grasp an understanding of the evolving nature of strategic decision making at BT since UK telecommunications privatisation, these decisions are clearly voluminous, complex, and iterative. Demonstrably therefore, this theoretical conceptualisation of the historical evolution of the strategic focus of corporate level

decision making by BT since privatisation adds to the debate in understanding a firms' evolving strategic behaviour. This study now turns towards examining the impact of strategic change at BT since privatisation.

6.2.1.6

Addressing Study Proposition 8

Previously in this Chapter, it was recognised that a number of key catalysts underpinned strategic decision making at BT throughout the four key time periods since privatisation of the firm in 1984. Of further note, was the evidence from section 6.2.1.4 indicating that the firm revised their vision and corresponding key strategic goals throughout these periods, which also had a significant impact on strategic decision making. Bearing in mind the evolving nature of these catalysts, the firm's vision and respective goals, the previous section outlined an historical collation of the evolving strategic focus at BT since 1984, and these findings therefore begin to indicate the important aspects and indeed, complex nature of strategic decision making in this particular case.

Notwithstanding this, interest now centres on the impact of key strategic decision making throughout these key time periods in terms of the focus on behavioural change at BT. It is in this direction that the study now turns, and in order to ensure clarity of discussion, study Proposition 8 is restated.

Study Proposition 8

The study seeks to identify, describe and collate the evolution of those key corporate level strategies identified in study proposition 7, in terms of the evolution of key aspects of behavioural change of the incumbent firm.

In attempting to understand the nature of the behavioural changes that took place at BT, it was important to clarify the forms of changes that occurred

within the firm over the previously identified periods. In this respect, respondents indicated that behavioural change was constantly sought in three key areas. These were identified as :-

1. ***the creation of core competencies;***
2. ***the development of competitive advantage;***
- and -
3. ***the creation of a sustainable change culture.***

In the light of these three key areas of behavioural change, they are now reported - on, in turn.

6.2.1.6.1 Evolving Core Competence and Competitive Advantage

Literature on corporate level strategic decision making provides numerous examples of strategy, however, few offer any depth of insight into the behaviour of organisations from the telecommunications industry. In particular, the UK telecommunications industry has been neglected.

On the issues of core competencies and competitive advantage, respondents defined these as :-

"core competency at BT is the intertwining of resources, skills and policy development resulting in the creation of exceptional capabilities and wisdom."

"competitive advantage at BT is the strategic focusing of our unique resources, assets and tacit knowledge which are extremely difficult, if not impossible, for our competitors to imitate."

In comparing these two definitions with prominent literary sources, the issue of core competence creation, has been seen by many researchers as fundamental to organisational success e.g. Penrose (1959); Porter (1985) etc. In this vein, a typical definition which has been consistently used by researchers, is that espoused by Prahalad and Hamel (1990) who define core competencies as : -

"the collective learning of the organization, especially how to co-ordinate diverse production skills and integrate multiple streams of technology" (p82).

And, on competitive advantage they state that : -

"Competitive advantage derives from deeply rooted abilities which are difficult to imitate and lie behind the products that a firm produces allowing the firm to diversify into new markets by reapplying and reconfiguring what it does best." (p83)

Interestingly, the BT definition of core competency points towards the creation of exceptional capabilities and wisdom through the use of resources and skills, whereas the theoretical definition identifies the collective learning

of the organisation through the co-ordination of skills and technology. Although the specificity of BT's resources is unclear, particularly in terms of technology, both of these definitions would appear to show distinct similarities.

On the definitions of competitive advantage, BT uses the term strategic focus of the firm's resources and tacit knowledge - which it sees as being difficult for competitors to imitate, whereas the theoretical definition points towards the firm's abilities to reapply or reconfigure abilities which are difficult to imitate.

Observably therefore, it would appear that implied within both of these respective definitions (BT's definition and the theoretical definition) of core competence and competitive advantage, there are clearly distinct similarities and therefore further discussion is rather redundant and therefore, not required.

It should be noted, that the author has isolated the firm's core competencies and competitive advantages and kept them separate from key issues and events in the evolving telecommunications marketplace. This is primarily due to the recognition that complicated entanglements and interrelationships exist here and that these do indeed have a bearing on the respective firm's strategic decision making. Furthermore, the approach selected for this study has been adopted in order to gain a clearer understanding of these relationships and to manage complexity.

Consequently, in order to identify the evolving core competencies and developing competitive advantages at BT since privatisation, Figure 6.8 has been generated from data and the four respective key time periods, are now addressed in turn.

6.2.1.6.1.1 Evolving Core Competence and Competitive Advantage : Key Period One

Respondents reported that at the heart of organisational reform, was the creation - over a period of time - of fundamentally sound competencies which were to be rather difficult for rivals to imitate. This chemistry was brought about by the intertwining of asset based resources, people skills, and policy development. As can be seen from Figure 6.8, at the beginning of this post - privatisation era, interviewee responses, identified that the company's core competencies primarily existed in the two areas of :-

1. the high level of skills of their staff;

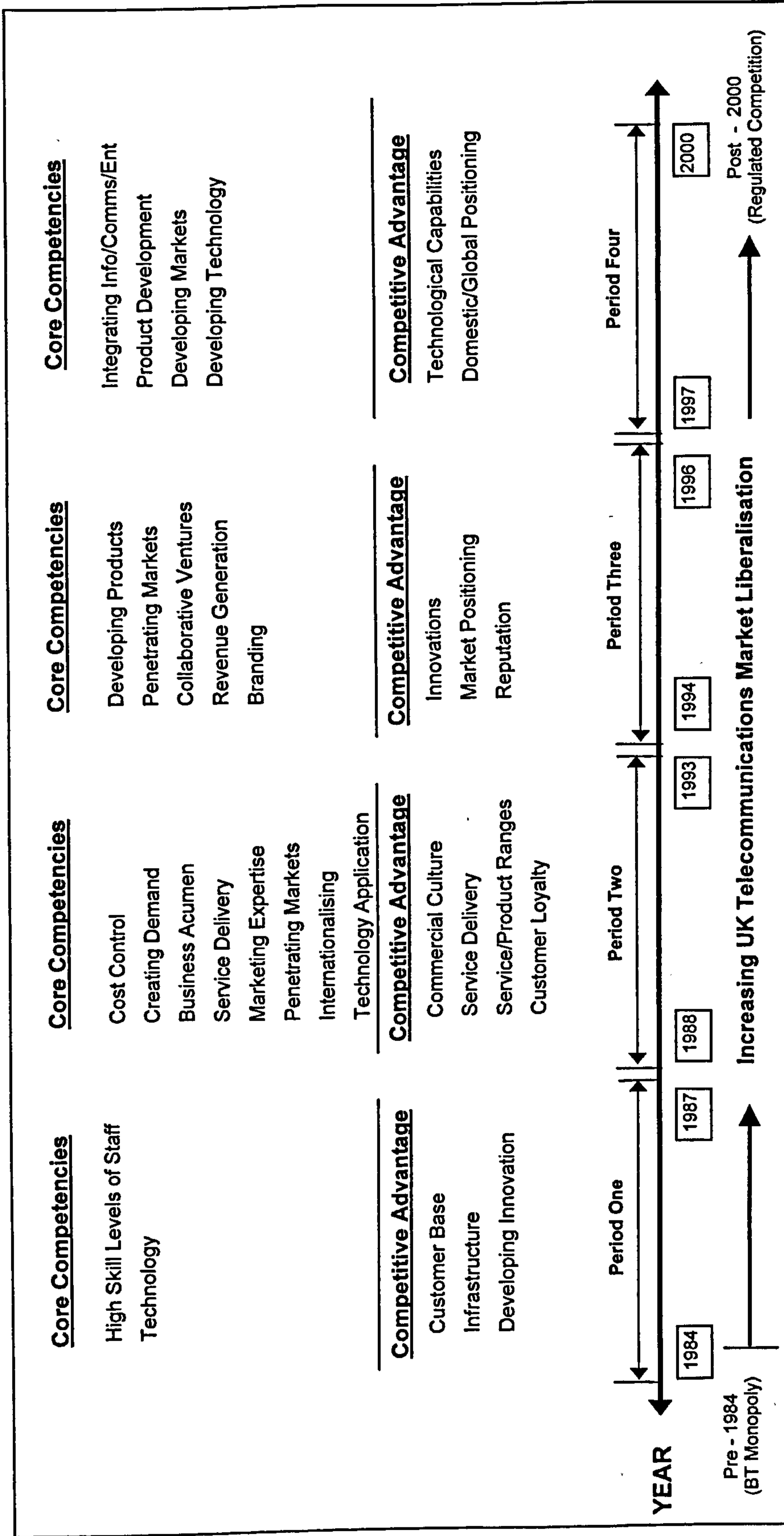
- and -

2. technology development.

In elaborating on these, the high skill levels of BT's employees were seen to emanate from :-

Figure 6.8

Evolving Core Competence and Competitive Advantage at BT since Privatisation in 1984



Key: Evolving Core Competencies and Competitive Advantages at BT from Period One - to - Period Four respectively

Source : Author Generated from Data

- their extensively experienced employees;
- the highly motivated and large workforce;
- a high level of technical literacy;

- and -

- the harmonious processes and procedural control mechanisms in place at BT.

The technological competence of the firm was reportedly demonstrated by : -

- the great emphasis on research and development, which was further amplified by
- the constantly improving technology being introduced to the firm's product ranges.

As far as the UK market was concerned, BT had significant competitive advantages over others, and three key advantages were identified during this period : -

1. Customer base;
2. Infrastructure;
3. Developing technology.

In examining these, respondents acknowledged that the evolving situation during this period saw the firm inherit an existing customer base consisting of

virtually 100% of the respective private and residential sectors of the UK market. Although a duopoly existed, BT lost less than 2% of their market share, in terms of fixed - link revenue to their rival, Mercury. This loss was achieved by Mercury "cherry-picking" the high volume users - and - high value business customers, from the main UK cities London, Birmingham, Manchester, Glasgow, etc.

Respondents reported that the infrastructure (hardware and software) was seeing considerable investment throughout this period and BT had a monopoly over both usage and management. However the level of investment in infrastructure renewal by the incumbent was rather costly and exceeded £500 million per annum, throughout Period One. Infrastructure competition from Mercury was not seen as a short term problem, although as the only other licensed operator, they were laying their "hi - tech" network infrastructure throughout this period. Technologically advanced products and services were being developed throughout this period by many rival and non - rival global firms in the industry, and consumer demand was showing signs of rapid growth. With the augmentation of digital and fibre optic technologies, infrastructure reliability and flexibility was beginning to shows signs of increase, in terms of fewer faults and scope of usage.

6.2.1.6.1.2 Evolving Core Competence and Competitive Advantage : Key Period Two

At the beginning of this period, it was noted from respondents that BT had realised that a significant shift in the make-up of its workforce was required and that additional professional and managerial staff was therefore necessary. This orientation resulted in the recruitment of a number of senior members of staff, from across both disciplines and industries. This readjustment and realignment of managerial expertise, allowed BT to develop a core competence in commercial business practices throughout this period.

Hence, there was a greater emphasis towards the development of marketing expertise within the firm, and this was an area which had previously been lacking somewhat, in terms of both industry behaviour and indeed in the firm's behaviour.

Respondents acknowledged that during Period 2 (Figure 6.8) **the firm developed core competencies in the area of cost control and this was achieved by : -**

- increases in service efficiency
- and
- a reduction in personnel of approximately 70,000.

Throughout this period, the firm embarked upon the development of advanced products and services through technological innovations, which

resulted in both the creation and indeed, the penetration of a number of evolving market segments.

Furthermore, the firm developed a competence in internationalisation through the acquisition of a number of wholly - owned subsidiary operations (and a small number of partially - owned ventures) which included a greater international emphasis in the areas of research and development, equipment manufacturing and mobile communications. These international ventures were regarded as additional revenue streams over the longer term and therefore they were seen as the foundations of future global success for the firm.

With the rapidly developing product and service ranges and the many market segments that were emerging, respondents reported that BT witnessed a considerable increase in demand. This had a direct impact in almost doubling the firm's financial turnover since privatisation, to approximately £13 billion.

Based on the evolving core competencies of **both** Period One and Period Two, respondents noted that **the firm developed competitive advantages over other industry competitors in terms of : -**

- their evolving commercial culture - which was permeating their organisation;
- their market leading range of products - which was extensive in scope and increasing;

- the firm's global service offering - with the development of overseas operations;

- and -

- the development of enhanced customer loyalty - with evolving brand awareness and brand recognition, competitive pricing and targeted marketing programmes.

These advantages were the result of an aggressive management team that was characteristically atypical of the management of regulated telecommunications companies.

6.2.1.6.1.3 Evolving Core Competence and Competitive Advantage : Key Period Three

Until the beginning of this period, a number of key catalysts were stimulating change within both the industry and within BT. Indeed, respondents reported that these stimuli showed little sign of slowing down and consequently, the intensity of industry rivalry was rapidly increasing. The firm, in attempting to anticipate regulatory reform, saw considerable obstacles placed in their path and tensions between BT, the regulator, and competitors was considerably heightened. This resulted in the firm building on its existing core competencies and differentiating themselves from existing and potential market entrants. Over 90% of the firm's revenues were generated from within the UK and BT saw opportunities for competitors to target this customer base and erode this important UK revenue stream. BT's employee numbers fell by a further 45,000 during this period to approximately 130,00

employees. By the end of this period, the firm had almost forty overseas offices, which employed two percent of the workforce, generating approximately six percent of the firm's revenue.

In this vein, BT developed core competencies in the areas of : -

- new product development - with technological advancements in ISDN;
- penetrating the evolving market segments - particularly in the areas of : Wholesale, with Bit Transport; Retailing with Advanced Products and Services; and as a Service Provider offering Packaged and Customised Solutions;
- developing collaborative ventures, by penetrating other areas of the communications market through international strategic alliancing, which included joint ventures and collaborative agreements;
- revenue generation, although the firms UK market share was falling, alternative revenue streams were created in the areas of: - value-added network service provision, mobile communications, the internet, 2nd line installations, international ventures, etc;
- branding, with BT marketing their brand, which resulted in inducing, brand awareness, brand recognition and customer loyalty.

Based on the evolving nature of these core competencies, the firm developed competitive advantages in : -

- innovations in product and service;

- market positioning in most market segments;
- and
- the firm's evolving global reputation.

Since privatisation, the firm had invested in excess of £20 billion in the modernisation and expansion of the network. Furthermore, enhanced value creation was seen to position BT as a leading player within the global telecommunications industry.

6.2.1.6.1.4 Evolving Core Competence and Competitive Advantage : Key Period Four

It was noted from respondents that during Period Four, the firm's technological developments in relation to the integration of information, communications and entertainment were successful and BT's core competence in this area was evolving. Furthermore, with the firm's rapidly growing product and service offerings - in terms of both scale and scope, BT continued to consolidate and develop their competence here. With this in mind, respondents reported that the core revenue of the firm had historically been generated from within the UK and clearly, this was unlikely to change in the short term. Hence, the focus of strategic decision making during this period was to ensure that competitive advantage was sustained through offering value adding propositions, in terms of product and service ranges and in terms of competitive pricing, to existing residential and business customer bases.

Against this backdrop, respondents acknowledged that, with telecommunications market liberalisation evolving on a global basis, the penetration of foreign markets through international strategic alliancing was becoming a distinct core competence of BT. This period saw a further reduction in workforce by approximately 5%, with call volumes, both domestic and international, increasing by an average of 7% and 9% per annum respectively. Technological innovation and developments in policy were seen as the key areas which underpinned organisational effectiveness.

In developing the firm's core competencies BT was adding considerable value to existing and developing customer bases throughout this period and competitive advantages were noted to be evolving in : -

- both their positioning of the firm - domestically and internationally;
- and
- the firm's technological capabilities.

Respondents reported however, that the firm was spreading themselves rather thinly, with considerable resource being allocated towards expansions into other markets, technological investments and their drive towards creating increasing levels of shareholder value.

The firm's strategic decision making was therefore having a direct impact in the level of success, resulting in a rather weak cash flow position and increasing levels of debt. Turnover during periods three and four was

increasing at a rather slower pace than previous periods and had shifted from an average of £13 billion per annum to approximately £16 billion. Profitability of the firm was averaging approximately £3.3 billion per annum. Although the firm was profitable, there were growing signs of rather difficult times ahead, in terms of increasing regulator intervention, growing competition and stagnating revenue growth.

In conclusion, this section of the study reports on the core competencies and competitive advantages of BT, which have been seen to evolve over the four key periods since privatisation. These two concepts have been considered in relative isolation here, although theoretical literature suggests that these are indeed closely linked, e.g. Porter (1985); Prahalad and Hamel (1990); Johnson and Scholes (1999). The author does recognise that such links exist and that they are important. However, for reporting purposes; the purpose of clarity; and in terms of managing the complexities involved in understanding the nature of the incumbent's strategic behaviour, core competence and competitive advantage have been separated. Furthermore, the resource capability of BT has not been reported on in any definitive or procedural manner. This is primarily due to the response from interviewees indicating that the terminology and approach identified in this study, are those which underpin strategic decision making at the incumbent.

Against this backdrop, in terms of strategic decision making, key aspects of BT's behaviour indicate that the following five trends emanate from the analysis of collected data : -

- 1. technological competencies appear to be extremely important to the firm, in achieving sustainable long term competitive advantage;**
- 2. constantly reviewing and creating competitive costing structures and competitive pricing structures appear to be fundamentally important to customer loyalty and towards sustaining competitive advantage;**
- 3. developing competencies in penetrating foreign markets appear to be critical to long term organisational success;**
- 4. BT appear to be taking a resource - based view of strategy and under the circumstances, this would indeed, appear to be the most appropriate perspective for the firm to consider. However, it may also be appropriate to consider other perspectives, as the market changes and other competencies are developed.**

- and -

- 5. developing new products and services appear to be at the heart of sustaining competitive advantage.**

The study now considers the impact of strategic decision making on other aspects of behavioural change, specifically, the creation of a sustainable cultural change at BT since privatisation.

6.2.1.6.2 The creation of a sustainable change culture

Previously in this section, it was stated that the main aim of study Proposition 8, was to identify the impact of corporate level strategic decision making in terms of the focus on behavioural change at BT, since privatisation. In moving towards this aim, respondents indicated the high level of importance placed on achieving success in changing the culture within the organisation throughout the time since privatisation. It would therefore be prudent to begin by uncovering the definition of organisational culture as understood by the incumbent, and in this vein respondents defined their interpretation on this concept as :-

"the intangible ambience, mind set and behaviour within BT which is created by collective beliefs and values of every employee as we strive to achieve excellence in all we do."

Similarly, in defining organisational culture from a theoretical perspective, a commonly used definition is espoused by Stacey (1993) which states :-

"The culture of any group of people is that set of beliefs, customs, practices and ways of thinking that they have come to share with each other through being and working together. It is a set of assumptions people simply accept without question as they interact with each other. At the visible level the culture of a group of people takes the form of ritual behaviour, symbols, myths, stories and artifacts." (p41)

In comparing these definitions, the terminology of the theoretical and the practical would appear to generally concur, with both emphasising the collective sharing of values and beliefs within the organisation, underpinning behaviour.

It must be pointed out however, that the practical definition of BT, clearly identifies the terms "intangible ambience" and "mind set" as being of significant importance, while the theoretical definition would seem to implicitly infer these within the defined body. Whether there is any benefit in overstating this difference is as yet unclear, however, the definitions are not ideologically dissimilar.

In continuing therefore, from an examination and analysing of collected data, respondents indicated that in terms of behavioural change, a series of *change initiatives* were instigated by the incumbent. Change initiatives were defined as :-

"Change Initiatives are policies and procedures that have been implemented in order to focus on change on particular or all areas, of the organisation."

In this vein, these change initiatives were implemented in an attempt *to alter the culture* and at times, *alter the structure* of the firm, as well as meet the firms goals. It should be noted at this point, that there is no intention on the part of the author, or indeed for the data, to suggest that any specific change initiatives **drove** cultural or structural change within the firm, or vice-versa.

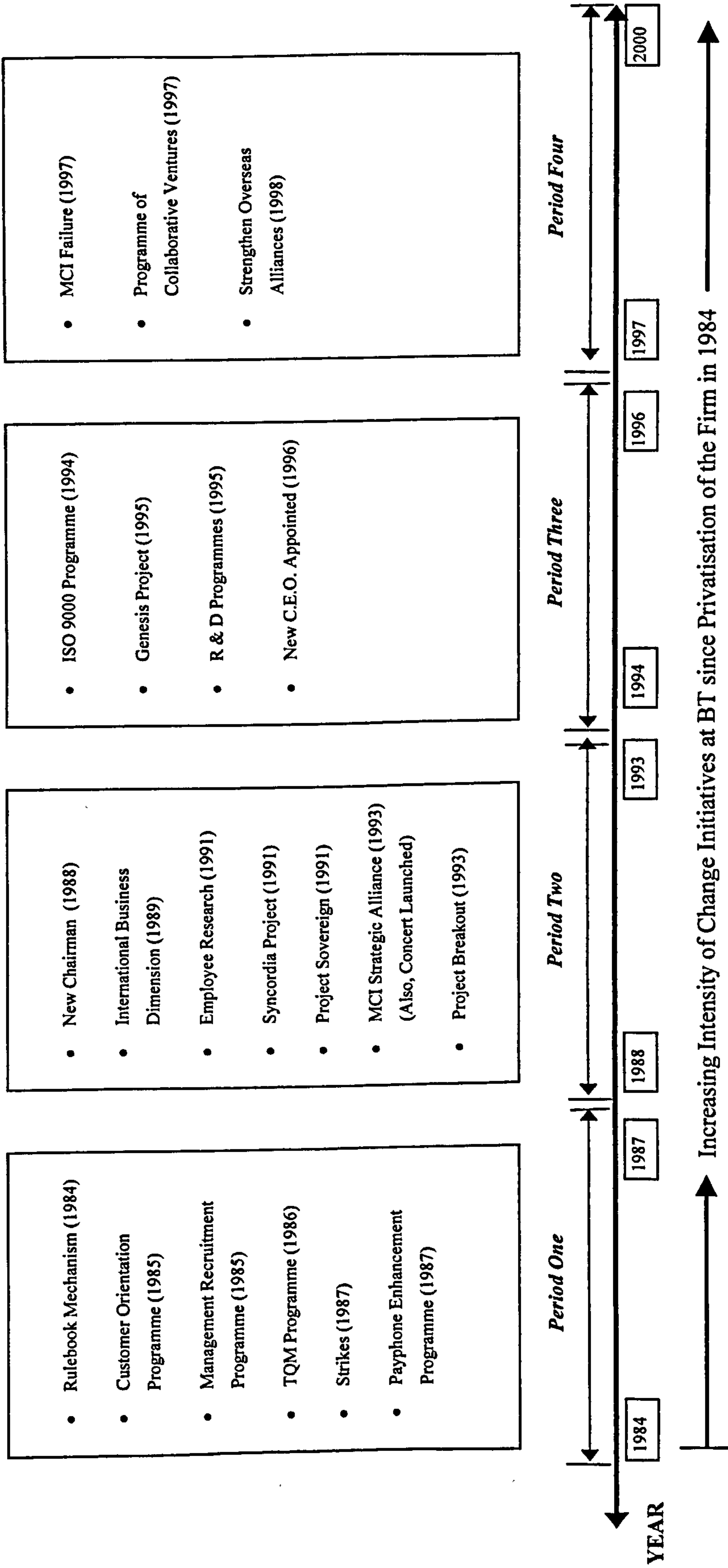
Data is therefore portrayed in a manner to assist understanding of the nature of behavioural change that took place at the incumbent since privatisation and the dynamics of their respective interaction although interesting, is therefore outwith the scope of this current study.

Therefore, in order to ensure that behavioural change is reported on and understood, the change initiatives introduced by the firm will be discussed first, and immediately thereafter, the areas of cultural and structural shifts evolving within the firm will be reported.

With this in mind, in order to focus on the first of these three areas of change, Figure 6.9 has been generated. Hence, in terms of the key characteristics stimulating behavioural change at BT since privatisation, this figure identifies the evolving nature of the key change initiatives that have occurred at the incumbent over the four key time periods and these periods are now addressed in turn.

Figure 6.9

Evolving Important Change Initiatives at BT since Privatisation in 1984



Key : Change initiatives are implemented and evolve from Period One - to - Period Four respectively

Source : Author Generated from Data

6.2.1.6.2.1 Important Change Initiatives at BT since Privatisation : Key Period One

Respondents acknowledged that, at the time of privatisation, Mr Jefferson was leading the firm and the challenge confronting him was to change the mechanistic rulebook system that existed, towards an organisation that focused on competitiveness. Figure 6.9 identifies the change initiatives introduced during period one and begins with a focus on the existing rulebook mechanism.

Telecommunications service delivery by the incumbent was underpinned by bureaucratic rules and regulations which had evolved over the period spanning the 20th century. Hence, procedural operations were permeating every aspect of the organisation and contained within these were highly restrictive practices which resisted change. Consequently, interviewee responses indicated that with the firm being accountable to shareholders, there was a distinct requirement to shift the focus of the firm away from a government run, monopolistic, UK telecommunications operator with a single product, i.e. telephony - to one of a commercial orientation - with modern, creative and commercial working practices, offering a range of products.

Against this backdrop, one of the first areas recognised as causing major concern was the level of customer service being delivered. The firm therefore invested in an information system to integrate and manage customer information and embarked on a customer orientation programme for employees. Information was therefore gathered by employees on customers,

which was subsequently fed-back to systems designers, in order to refine service requirements and service delivery.

Following privatisation, a significant programme was undertaken to recruit appropriate management personnel (1985). This initiative marked the beginning of a long term programme of headhunting business people, from a variety of industries that had different mindsets from both - those that existed within the firm and different from those that were involved within the telecommunications industry. This approach created a "marzipan effect" within the organisation, with an influx of skilled management personnel that had little experience of the telecommunications industry, however, they were to bring marketing, strategy and general business expertise. Initially, this approach created a cultural mismatch with those that had served the incumbent for a considerable number of years. However, this insurgent breed of middle and senior management were seen as absolutely necessary to stimulate behavioural changes throughout the organisation.

In providing telecommunications services, respondents reported that the firm had a responsibility to provide a payphone service to the UK. Unfortunately, a rather poor level of service was being provided with : -

- consistently high levels of payphones out of order;
- low detection rates of faulty payphones;
- high vandalism rates and distasteful kiosks;
- high levels of customer dissatisfaction;

- unreliability of payphone service;
- and -
- a poor image of payphones.

Against this backdrop, following the launch of a competitor payphone service in 1987, (Mercury Communications' first payphone in Waterloo Street Station, London) the firm embarked upon a "Payphone Enhancement Programme" to revamp the payphone. This programme involved investing more than £200 million over a three year period and in an attempt to tackle some of the reporting issues on payphone conditions, employee and community assistance was sought to - monitor and report - defective local Payphone Boxes. This provided extremely successful results all-round, and subsequently the payphone was redesigned and re-launched in the UK market.

Respondents pointed out that in recognising the need to change, an attempt was made to change the culture of the organisation. In this vein, the firm embarked on a programme of "Total Quality Management (TQM)," which meant developing a philosophy of meeting customers' requirements first time - every time. Underlying this decision, was the desire to implement an initiative that improved the quality and delivery of service and to develop an orientation towards achieving commercially driven results.

With this requirement for vast change, the firm was in considerable turmoil throughout this period, which resulted with a series of worker strikes in 1987.

As one would expect, these strikes had a significantly negative impact on the image of the firm, particularly in the light of the constant reaffirmation by the firm of their commercial prowess, since privatisation.

6.2.1.6.2.2 Important Change Initiatives at BT since Privatisation : Key Period Two

In continuing with change initiatives, respondents acknowledged that Period Two brought with it a number of changes which were to complement - rather than replace - those initiatives introduced during the previous period. From Figure 6.9, we see that the firm appointed a new leader as both Chairman - and - Chief Executive of the firm (Ian Vallance). These changes brought with it an evolving vision and consequently, further strategic change was necessary.

In recognising this, the incumbent had developed a "growth bug" which was to centre on overseas development. Consequently, an international business dimension was added to the firm's existing portfolio and a number of diverse, foreign operations and ventures were created and developed, i.e. BT Australasia Pty Limited (Australia); Mitel Corporation (Canada); Belize Telecommunications Limited (Belize); BT Tymnet (USA); BT Telecom Deutschland (Germany); McCaw Cellular Communications Inc. (Canada). This external focus was to continue throughout the period and not all ventures were outstandingly successful.

Change however continued, and a further important change initiative that was introduced during this key period was the Employee Attitude Research Programme. It was noted from respondents that this programme was instigated in order to :-

- measure the level of satisfaction of employees - in terms of their work;
- provide management with appropriate feedback;

- and -

- to highlight areas for improvement via change initiatives.

Respondents pointed out that the firm had recognised that in order to improve performance levels, in terms of :- quality of service, efficiency levels, cost base reductions, international business, etc, then employee co-operation was absolutely crucial. This programme did indeed show significant signs of success as improving performance levels were constantly being achieved.

With the market continuing to expand in both size and diversity, the global telecommunications market was seen to be rapidly evolving and changing at an unprecedented pace. Hence, the pace of changes within the firm required a greater intensity of focus and Project Sovereign was therefore launched.

The aim of this project centred on the four areas of :-

- becoming more customer focused;
- creating and developing international business opportunities;

- using "Marketing" as a competitive weapon;
- and -
- focusing on reducing the firm's cost base.

In achieving success with this project the firm : - built the organisation around the customer; took more proactive strategic steps towards satisfying market needs; introduced a number of redundancy programmes; redesigned their new corporate identity; and launched their new BT brand.

Furthermore, the evolving vision and strategic intentions of the firm were constantly reinforced and communicated to all employees throughout the organisation. This approach saw some significant success, although managerial behaviour was rather sceptical of the uncertainty that surrounded this initiative. Hence, integrative team working sessions were introduced for more than 30,000 managers and significant behavioural changes were noted as managers began to understand the needs of both customers and employees.

Hence, one of the major initiatives adopted during this period was the decision in 1993, to enter into a strategic alliance with the second largest International telecommunications carriers of the USA, MCI. Respondents indicated that this decision was one of the riskiest and most radical initiatives attempted by the incumbent to-date, as the firm had resisted getting into bed with any of the major telecommunications players. This signalled a shift in the mindset of senior management to all in the organisation and furthermore, this

behaviour instilled a global perspective of the firm's market position. A number of key reasons underpinned this strategic decision e.g. : -

- globally position the company;
- offer broader range of services to multinational firms;
- alternative revenue stream;
- optimal utilisation of resource;
- capitalise on synergistic opportunities;
- the need to gain critical mass;
- requirement for long term growth;

This initiative was seen as a significant shift in firm behaviour, as the direction of the firm was realigned with a further visionary shift. Joint ventures therefore became an acceptable method of business practice for the firm.

On the back of the MCI venture, BT launched the Concert Project in 1993, which was to supersede the former Syncordia Project. Concert therefore capitalised on the firm's previous investments in Syncordia, by providing a single source for multinational and global firms, in the provision of a broad range of seamless global communications services. This change initiative was seen as the main vehicle of global expansion for the firm. One of the main intentions of this initiative, was to grow the firm's revenue from overseas ventures and become one of the largest providers of global telecommunications services by the year 2000.

The mindset of both manager and employee had substantially changed since privatisation, however, with so many change initiatives being instigated, it was decided to rationalise change. In this vein, Project Breakout was constructed. The main aim of this project was to create a world-class organisation which was capable of meeting the global challenges facing the firm over the forthcoming decade. A number of stimuli were identified as necessitating such behavioural change and these were essentially stated by respondents as :-

- market liberalisation across all continents creating opportunities;
- globalisation of business;
- a high degree of discontinuity, discord and dysfunctional behaviour of the existing systems within the organisation;
- the need for all employees to become more customer focused;
- competitor behaviour;
- maximising shareholder value;
- a requirement to develop excellence in all internal processes involved in service delivery.

Unfortunately however, based on current initiatives and on the positioning of the firm within the markets in which it competed, it was perceived to be both difficult and highly unlikely to succeed in many of these areas.

In recognising this, Project Breakout was to allow the firm to identify areas of best practice and to capitalise on these by integrating all outstanding initiatives

successes across the whole organisation. The firm introduced the concept of "The Balanced Scorecard" which was primarily a feedback mechanism of performance of all areas of the organisation, using a series of focused performance indicators. This project reinforced a future vision of the firm in the year 2000, to all employees. Employee behaviour was therefore being instilled with a perception of the need for constant examination of performance, measured against goals and modified following evaluation against future targets. Hence, in this vein, change was being seen as a normal phenomenon within BT as opposed to the previous perception of change being threatening. Following the project launch in the latter months of 1993, Project Breakout was extremely successful in altering the mindset of all, within the organisation.

6.2.1.6.2.3 Important Change Initiatives at BT since Privatisation : Key Period Three

Respondents reported that this period started with a tremendous increase in business across all industry sectors transcending national boundaries. From Figure 6.9, it is noted that BT continued their quest of evolving change, with the ISO 9000 Programme, in 1994. At this stage in the firm's evolution, many initiatives had been tried and this particular initiative and indeed achievement, amplified the organisation's commitment to quality. This initiative was seen as the culmination of many years of investment in quality systems and introduced a number of standards and controls to within the existing framework of service delivery.

Project Genesis was a further change initiative that was launched by the incumbent, in 1995. This project was based around feedback from Project Breakout, whereby a series of pilot projects were initiated which integrated a number of key initiatives and outcomes from Breakout. These integrated pilot projects were implemented in a number of key UK locations, however, respondents stated that this initiative unfortunately failed to live up to expectations. Reasons given, primarily revolved around poor implementation by middle management. Some benefits were generated, and although much complexity existed, these were seen as benefits that would be realised by the firm in the longer term.

At the beginning of this period, technology was playing an ever increasing role in the evolution and development of both the firm and the industry. Also, by the period end, BT had invested more than £20 billion in technology on the network since privatisation. Hence, with the growing demand for technologically advanced products and services, the firm embarked upon a number of research and development initiatives. Hence, in terms of employee numbers, this period saw BT grow to become the largest research and development organisation in the UK. Research focus during this period therefore, centred on mobile communications, computer technology, information systems and video communications.

At the beginning of 1996, a new C.E.O. was appointed in Sir Peter Bonfield and respondents acknowledged that this appointment was underpinned by a number of factors, e.g.,

- the need to create an even greater focus on customer requirements;
- evolving market conditions on technology and communications;
- the need for executives with international experience;
- the need for executives with experience of the computer industry;

In this vein, the firm saw this change initiative in terms of developing areas associated with: - the firm's vision, technological integration, alternative mind and skills set of senior management and firm globalisation.

6.2.1.6.2.4 Important Change Initiatives at BT since Privatisation : Key Period Four

Figure 6.9 acknowledges responses, whereby three key change initiatives were implemented, which directly impacted the firm's behaviour during the early part of Period Four. Although many initiatives had been continuing for a number of years, e.g. Total Quality Management Programme; ramifications from Project Breakout; Concert; ISO 9000, etc, the failure to conclude a merger with MCI, was a major body-blow to BT.

However, this failure did not stop the firm's globalisation programme, although it did delay the rate of expansion of Concert. A number of underlying reasons were given for this failure and these primarily come under

the culture umbrella, in relation to there being a significant cultural mismatch between the two firms. Hence, MCI pulled-out of the strategic alliance and BT sought alternative opportunities.

In responding to evolving company goals, an initiative was developed to grow the organisation through collaborative ventures. In implementing this initiative, the firm embarked upon a policy of expanding their service offerings by entering into a series of strategic alliances which included, for example, Microsoft (USA), AT &T (USA), NTT (Japan), China Telecom, VIAG (Germany); Telefort BV (Netherlands), etc. This initiative required considerable change within the firm in terms of : -

- providing software solutions;
- the global internet business;
- expanding mobile communications;
- establishing market leadership in “E-Commerce”;
- developing the skills to manage future strategic alliances.

Respondents acknowledged that an examination highlighted a number of deficiencies in the firm's current behaviour and consequently restructuring was necessary. In-line with the creation of strategic alliances, a gap was identified in the lack of creativity that existed in the mindset of many managers. The firm therefore embarked upon stimulating and creating a mindset of *“thinking big and setting stretching goals”*. This meant that in order to ensure ownership of strategic decisions, everyone would be involved in the

dream of aligning the firm's objectives and the organisation's behaviour in terms of strategic focus. Hence, the firm sought to reward enterprise and contribution.

At the beginning of this period, information from survey evidence noted that dissatisfaction within alliances was generally high. In responding to this, an attempt to strengthen the firm's existing and future international strategic alliances was initiated in 1998. Consequently, respondents stated that in order to be successful, BT's international strategic alliances required a number of fundamental characteristics. Respondents indicated these as : -

- a shared vision between partners;
- clear reasoning as to the purpose of the venture;
- shared values within the alliance;
- sound communication channels;
- an understanding of the preparation requirements;
- clear strategic objective that fit with the partners' own objectives;
- high people and cross cultural skills;
- robust planning;
- a high tolerance for managing ambiguity, frustration, conflict, etc.;

- and -

- appropriate skills for developing ventures.

In addressing this problem, it was noted that a series of alliance managers was seen as the key towards international strategic alliance success,

however, whether or not such individuals with the requisite characteristics actually exist, is unclear. Against this backdrop, with much of the organisations future dependent on revenue steams from outwith the UK, it may be the case that there is a requirement to develop a high calibre of multinational managers with an international cadre of experience which includes: language fluency; cultural and technical literacy; and who can “think globally but act locally”.

Insofar as corporate level strategic decision making is concerned, Figure 6.9 has identified the impact of these decisions on the evolution of change initiatives which were implemented throughout the four key periods since privatisation. These initiatives clearly played a significant role in the evolving behaviour of the incumbent.

Bearing in mind that the main aim of this section of the study was to identify, describe and collate the evolution of key aspects of behavioural change of the incumbent firm, these change initiatives only partly represent behavioural change. As can be seen from the plethora of change initiatives introduced by the incumbent since privatisation, they were clearly not all successful. Although what can be deduced is that the commitment towards change, was unquestionable. However, success can be measured using many criteria, with time playing a considerable role. Whether those specific measurements selected and actually used were appropriate in serving purpose or not, is difficult to

conclude and requires further investigation. Furthermore, the level of resource allocated to these change initiatives in terms of finance, time, knowledge, skills, wisdom, etc, can influence their respective levels of effectiveness.

Notwithstanding these factors, in terms of understanding organisational behavioural change, the implementation process is indeed important and cannot be underestimated. As such, in order to uncover the evolving nature of behavioural change of a former monopolistic telecommunications incumbent organisation, it is recommended that the implementation process adopted by the incumbent throughout the four key periods requires increased research attention.

Consequently, in uncovering the evolving nature of change initiatives adopted by the incumbent, the debate moves forward whereby a number of important issues, and trends emerge from corporate level strategic decision making, in terms of both cultural and structural reform of the incumbent. In this vein, some of these important issues and initiatives have been addressed, however, attention now centres on the evolving nature of both cultural and structural reforms of the firm since privatisation.

6.2.1.6.2.5 Evolving Characteristics of Cultural and Structural Change at BT

In addressing the issues of cultural and structural changes that occurred at the incumbent since privatisation, it must be pointed out that the nature of these facets of change are indeed complex. From examining and analysing the collected data in this case, it would appear that cultural reform and structural reform may have a dynamic and interactive relationship. This is not a new or unique phenomenon. However, the exact nature of the dynamics and any associated directional relationship between these two concepts is unclear and requires further exploration. Unfortunately, the identification of these relationships is outwith the scope of this current study, but may be of interest for future studies. Suffice to say, the author has attempted to manage some of the complexity by considering the collective nature of cultural and structural reform as they have evolved since privatisation.

In continuing, while examining extant research on the concept of organisational culture, much discussion surrounds both the definition of culture and the characteristics of culture, e.g. Schein (1985); Barney (1986); Spender (1989); Kanter (1991) Hampden - Turner and Trompenaars (1994). Considering the large volume of materials that have been written on the concept, few methods of culture categorisation have been forthcoming. One of the most widely used examples of an organisations behaviour is espoused by Miles and Snow (1978) who contextually categorise organisations in terms of their ability to cope with change. Here, the four categories of organisations i.e. the defender; prospector; analyser; and the reactor organisations, assist

in determining the dominant culture of firms. Of equal importance, Greiner (1972) identifies organisations as they grow in terms of "five phases of growth" and associates the size of an organisation (from small to large) in relation to its age (from a young organisation to a mature organisation). Greiner identifies the type of strategic change that firms might expect to encounter as they evolve and grow. There are a number of other relevant examples, however, against this backdrop, although suggestions allude to the assumption that a particular culture can indeed permeate a whole organisation, it is recognised that subcultures within organisations importantly exist. Within the context of this current study, the significance of reporting lies in identifying the characteristics and key trends of organisational behaviour in terms of cultural change that have evolved within the incumbent since privatisation.

Similarly, the issue of organisational structure has been an important topic in corporate level strategic decision making. On the one hand, it is widely recognised that the restructuring of an organisation follows from the development of strategy (Chandler (1962); Mintzberg (1979b); Kanter (1983); Pugh (1984); Galbraith and Kazanjian (1986); Jarillo (1993). While on the other hand, some would disagree with this statement and suggest that due to the complex nature of both strategy and structure, that strategy arises after people and process issues have been addressed (e.g. Prahalad and Hamel (1994). For the purposes of this study, the evolving natures of both the structural and cultural changes of the incumbent are of interest and in terms

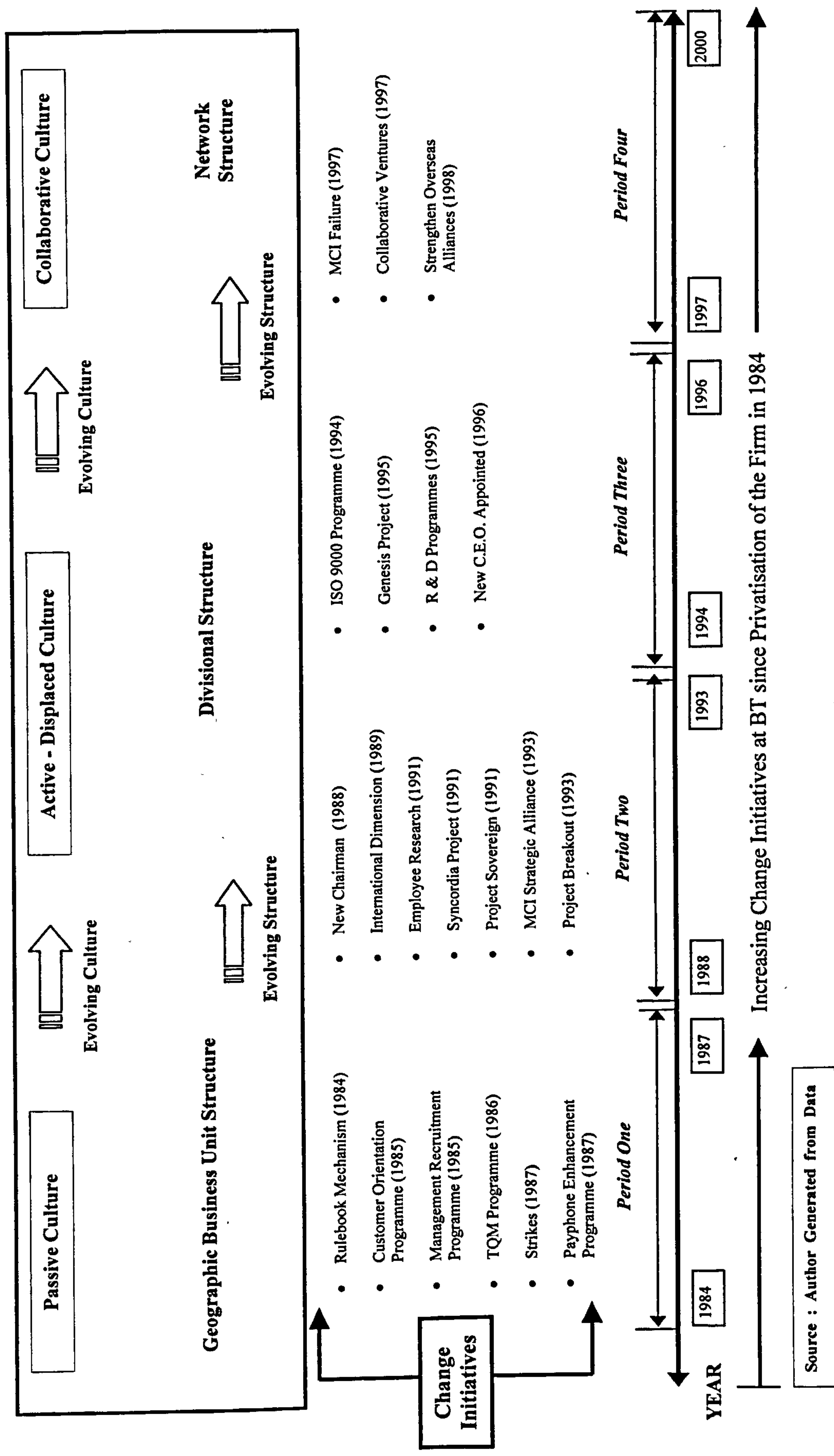
of clarity, these will be discussed together in relation to the change initiatives implemented since privatisation. Therefore, in the light of corporate level strategic decision making at the incumbent, Figure 6.10 shows the evolution of the culture and structure of the firm, as change initiatives are implemented throughout the post-privatisation period.

Following privatisation of the firm in 1984, the culture of the firm was one that can be best described as a **"Passive Culture"**. This culture was inherited from that of the UK Civil Service, and it permeated the incumbent organisation, completely. Respondents reported that this passive culture was characteristically underpinned by :-

- an organisation high in employee numbers;
- a sense of "jobs for life" for employees, permeating the organisation;
- a submissive and widely - accepted control structure;
- an organisation that was considered long, fat and inefficient;
- an organisation with a monopolistic outlook and a public sector mentality;
- an organisation which was driven by engineering, administration and highly bureaucratic operating procedures.

Hence, as the change initiatives outlined in Figure 6.10 were implemented by the incumbent throughout Periods One and Two, management attempted to introduce significant behavioural change within the organisation. What is

Figure 6.10 Evolving Characteristics of Key Cultural and Structural Changes at BT since Privatisation in 1984



important here, is that this passive culture was embedded within the fabric of the organisation and if left alone, would remain infinitum.

Against this backdrop, a more commercial culture was sought and subsequently evolved over a ten year period.

Such strategic change cannot be underestimated in terms of its impact on organisational structure. As the incumbent continued to diversify into a number of alternative areas of telecommunications businesses, including, design, manufacturing and retailing of telecommunications products, a strategic business unit structure (SBU) as described by Hall (1978) evolved. In this vein, Figure 6.10 illustrates the evolving nature of organisational structural change, whereby during this initial post-privatisation period, the firm was moving towards what is termed by respondents as a **"Geographic Business Unit Structure"**.

The creation of this structure allowed a Directorate at the core of the firm to delegate responsibility and accountability for revenue generation, to a number of fundamental - district trading blocks. Each of these twenty-eight trading blocks, covered large independent geographic areas and controlled the firm's business operations. During this period, overseas activity generated less than 0.5% of the firm's revenue and was treated as one area, although there were three international business units, dealing with the various aspects of the firm's operations - outside the UK. Combined with

commercially driven policies, respondents reported that this structure highlighted a number of emerging organisational characteristics: -

- a requirement for less bureaucracy;
- allowed the creation of greater autonomy and decentralised decision making;
- introduced employee empowerment;

- and -

- focused on customer requirements.

This structure had arisen in an attempt to develop a more commercially oriented management structure through the creation of large independent geographic districts with decentralised responsibility. It was reported that these geographic business units managed the planning, co-ordinating and control of resources for delivering focused customer services to their respective areas. The evolution of this structure was therefore shifting from the previous authoritarian and heavy management structure towards a flatter and flexible control structure. This restructuring ensured that a solid attempt was made to move away from the inward looking, docile, hierarchical, mechanistic, Civil Service driven structure and begin to develop an outward looking, competitive, and creative learning organisation.

It should be pointed out that there was considerable resistance to change from the vast majority of employees and this was seen to be due primarily to the high level of uncertainty that was associated with both the concept - and -

the implementation of change. Nonetheless, respondents acknowledged that significant change was seen as being both necessary and indeed being brought about to cope with both - increasing market liberalisation - and the shift in status to a private sector organisation.

Against this backdrop of cultural and structural changes, what can be seen evolving, is the firm attempting to create the conditions for success, by altering the paradigm that underpinned the shared assumptions that govern how activities within the incumbent could achieve the evolving objectives of the organisation. Consequently, a new paradigm was seen to emerge in this commercial culture orientation of the firm, and by 1994, the passive culture of the pre-privatised firm had been eroded, with little evidence of its existence remaining. Hence, a number of important characteristics were emerging from this less formal, outward looking, creative, independent and organically evolving **"Active - Displaced Culture"**. Respondents reported that this culture was underpinned by a number of characteristics : -

- looser accountability and reporting;
- an evolving flexible and creative organisational ambience;
- consumer demands;
- evolving organisation and market structures;
- an organisation with a competitive outlook and a private sector mentality;
- an organisation which was being driven by technology;
- harmonising and effectual management policies;

- the evolving status of the privatised organisation;
- and -
- unprecedented success.

Miles et al (1992) would class many of the above characteristics as environmental trends, which according to respondents, resulted in altering the organisational form. However, as can be seen from these characteristics, some would appear to relate to the internal environment - within the incumbent - while others being associated with the external environment - outside the incumbent. In this case, this distinction of internal and external environmental trends does indeed have a significance - in understanding the thinking of corporate level decision making within the incumbent, in terms of the behaviour of the firm. These characteristics therefore identify emerging trends of fragmented change - with varying levels of consistency and success in each of the areas of the business; more chaotic change - with great confusion and disorder in change mechanisms; more management by muddling through - with less structured change. This evolving change was transforming the organisation, away from command and control, towards what is termed by Senge (1990) as "a learning organisation".

Respondents reported that, evolving change within the incumbent and within the external environment, were now becoming accepted phenomena and as can be seen from Figure 6.10, a further restructuring of the organisation resulted in the creation of a "**Divisional Structure**". This structure was based around the creation of seven divisions, which consisted of : - Network and

Information Services Division; Engineering and Procurement Division; UK Communications Division; British Telecom International Division; Overseas Division; International Products Division and British Telecom Enterprises Division. This reengineering of the organisation was seen to have been necessary in order to address internal and external concerns which directly related to :-

- growing competition;
 - an increasing globalisation of business;
 - creating and capitalising on growth opportunities;
 - stimulating demand for new products and services;
- and -
- quality, cost and efficiency issues of service delivery.

With this in mind, this restructuring therefore emphasised a number of emerging characteristics of the evolving organisation, including, a reduced workforce since privatisation of more than 100,000 employees; a growing customer focus; a requirement for fewer levels of management; an increasing internal rate of change to cope with market conditions; and a requirement for greater flexibility and co-ordination of resources.

The evolution of this divisional structure was seen to be in direct response to the emerging business needs of a restructuring telecommunications industry, with changing bases of competition and growing demands of the customer. In

hindsight, these industry changes were growing at a faster rate of change than the incumbent's evolving culture and structure could cope with.

In the light of continuing liberalisation in the UK, European and Global telecommunications markets, by 1996, a new C.E.O. (Sir Peter Bonfield) had been appointed at the incumbent and further alterations to the organisational paradigm were at the core of BT's strategic thinking. During this following phase of change, the development of strategy at BT would appear to have been conducted within a dynamically evolving paradigm, which was once again, driven by a shift in corporate vision. The firm was recognising from competitor behaviour, that the "go it alone" growth strategy of BT in penetrating foreign markets by acquisition, was seen to be severely hampered by : expensive investments - in terms of resource costs; the difficulties and failings associated with gaining access to foreign markets; and extremely time consuming - in terms of the duration required to identify, negotiate and acquire operations and to achieve successful returns.

Therefore, during the latter part of Period Three, respondents reported that the firm embarked upon a growth strategy of market development through the creation of a series of international strategic alliances both within the UK - and - overseas. Hence, with rapidly evolving change within the industry, there was a need to manage the multidimensional aspects of a global firm. This refocusing of the organisation required reassignment of responsibilities, and a realignment of relationships with allies, competitors, and potential partners.

However, respondents did acknowledge that, due in the main to globalisation, market liberalisation and technological advances, there was both - a need to continue to change - and - a corporate desire to introduce further change to the firm's culture and evolving organisational structure. In this sense, the evolving change initiatives implemented, brought evolving visions and mindsets which continued to alter the firm's purpose, direction and scope of business. In this vein, the behaviour of the incumbent was therefore changing and as a consequence, there was a further significant cultural shift of the firm. Hence, Figure 6.10 shows the cultural evolution occurring at BT during Periods Three and Four with what the author has termed a "**Collaborative Culture**" emerging.

Respondents reported that this evolving collaborative culture was underpinned by a number of characteristics, including : -

- visionary leadership;
- increasing market liberalisation;
- organically evolving constant change in the firm;
- changing consumer demands;
- inter-division dependence;
- integrative and creative management practices;
- technological advancements;
- competitor and regulatory behaviour;
- and -
- evolving market structures.

With this in mind, and based on the implementation of key change initiatives, the firm had been developing the capability to achieve an integrative co-operation from product, divisional and geographical groups from across the organisation. Furthermore, with a continuous improvement philosophy evolving, constant change prevented the establishment of any entrenchment of "bad or inappropriate practices". Therefore, emerging from this cultural behaviour, was the need to ensure that strategic alliancing produced synergistic opportunities that capitalised on the firms core competencies and competitive advantages.

Notably, this collaborative approach also allowed the firm to benefit from : - developing the skills and know-how to increase shareholder value; gaining critical mass for positioning and competing within a global market; targeting and investing in businesses which were shaping the future direction of the industry; spreading the business risk and create a more balanced portfolio for meeting market needs; and to strategically position the firm for entering and exiting technologies and markets.

In examining the evolving nature of the BT organisation structure, there are many theoretical definitions and types of organisational structures. However in practice, organisations can have peculiarities which render generalised structures to seem inappropriate and redundant. The evolving structure of BT would appear to fall within this category. Figure 6.10 indicates that throughout Period Three and particularly in Period Four, the evolving structure of the firm continued evolving, with a number of change initiatives

being implemented. Hence, within the confines of this study, Bartlett and Ghoshal (1989) identified the "Transnational Corporation" which, to some degree, has a number of characteristics which resemble the evolving BT integrated network structure. With this in mind, by 1996, international activity within the global telecommunications industry was growing at a significantly rapid pace, with a number of former PTO's expanding their respective activities through the setting up of joint ventures, mergers and partnerships. Consequently, as it is extremely difficult to categorise an exact structural definition of the emerging BT structure, Lorenzoni and Baden-Fuller (1995) identified the clustering of firms into groups of two or more organisations as "Inter-Firm Networks". In this vein, respondents reported that by 1998, with significant structural changes occurring in the industry, a number of stimuli underpinned the emergence of a "**Network Structure**" within the incumbent.

In terms of the evolving stimuli, respondents acknowledged that the following played a central role in the emerging network structure :-

- an evolving vision and organisational goals.
- the evolving nature of the firm's strategic focus;
- evolving external catalysts;
- evolving internal catalysts;
- the firm's performance over previous Key Periods;

In the face of these stimuli, structural change was seen as being necessary to create a balanced and stable paradigm for the organisation. Consequently,

this structural shift towards a network structure was seen to have a number of emerging characteristics, including allowing : - information to flow freely amongst inter-dependant units i.e. ideas, products, resources, people, etc.; the evolution of a knowledge and learning model, rather than the previous ownership model, with knowledge being developed jointly and shared world-wide; and to recognise and cultivate centres of excellence in order to avoid duplication of costs.

In concluding this section of the study, data was presented which identified the evolving behavioural nature of the incumbent as they sought to develop a sustainable change culture within the organisation. Within the evolving key Periods since privatisation, the stable belief system that existed, has challengingly evolved in terms of the creation of an alternative organisational paradigm and this has been reflected in the firms behaviour. Against this backdrop, Figures 6.9 and 6.10 were generated in an attempt to identify the nature of behavioural changes that took place at the firm since privatisation. In this vein, the impact of corporate level strategic decision making was seen to stimulate the implementation of a number of change initiatives which stimulated cultural and structural changes at the firm, over the four key Periods.

Hence, significant behavioural changes were seen to evolve at the incumbent with the culture and structure of the firm shifting from what was termed a "Passive Culture" and a "Geographic Business Unit Structure" at privatisation, towards a culture which was characterised

by the term "Active - Displaced Culture" and a "Divisional Structure" during Periods Two and Three. Thereafter, Period Four saw the firm enter into a growing number of involvement's and operations through the expansion route of joint venturing, co-operative agreements, collaborative ventures and global strategic alliances. With this in mind, following the implementation of further change initiatives, an evolving "Collaborative Culture" and an associated "Network Structure" were seen to emerge. The evolution of this network structure was seen as being necessary to address the issues of globalising the firm and in terms of growing the firm's revenue streams.

A point of note, although the evolving organisational structures have been shown to emerge over a number of key Periods, their respective characteristics were identified by strategists of the firm and subsequently, the author has classified these within formally defined theoretical structures. Respondents intimated that these structures were the result of both natural evolution within the firm, and formal strategic planning processes. Whether the evolution of these structures and cultures is the result of "management by muddling through" is difficult to determine from the collected data. For the purposes of this study, what is of historical note, is that these organisational behavioural changes have been identified and collated. However, the exact nature of organisational dynamics in relation to behavioural change, requires further enquiry.

On examining the pattern of development over the four key Periods, a number of researches have viewed the behaviour of the incumbent firm, as change via "logical incrementalism" while evolving, and as "transformational or revolutionary change" while comprehensively embedding within the fabric of the organisation (e.g. Lindblom (1968); Glueck and Jauch (1984); Johnson (1987); Quinn (1989); Mintzberg et al (1998b). Consequently, the results here show some of the complexities of strategic decision making in terms of the impact on the evolving nature of organisational behaviour of a former public sector owned, telecommunications network operator. Furthermore, from the evidence presented here, internal and external environmental complexities make the expectations of strategic decisions rather difficult to predict. Hence, in a rapidly changing and constantly evolving telecommunications industry, it is little wonder that incumbent operators seek stability from their surroundings. In this vein, the evolving organisational behaviour of such incumbents will provoke constant researcher enquiry and learning from strategic decision making.

6.2.1.7

Addressing Study Proposition 9

Following the identification, of the evolving nature of key aspects of behavioural change occurring at BT since privatisation, the study now considers the conceptual nature of corporate level strategic decision making at the incumbent. Challengingly therefore, based on an examination, analysis and evaluation of collected data for this particular case, this section of the study focuses on addressing Study proposition 9. Hence, to ensure clarity of discussion, study Proposition Nine is now restated.

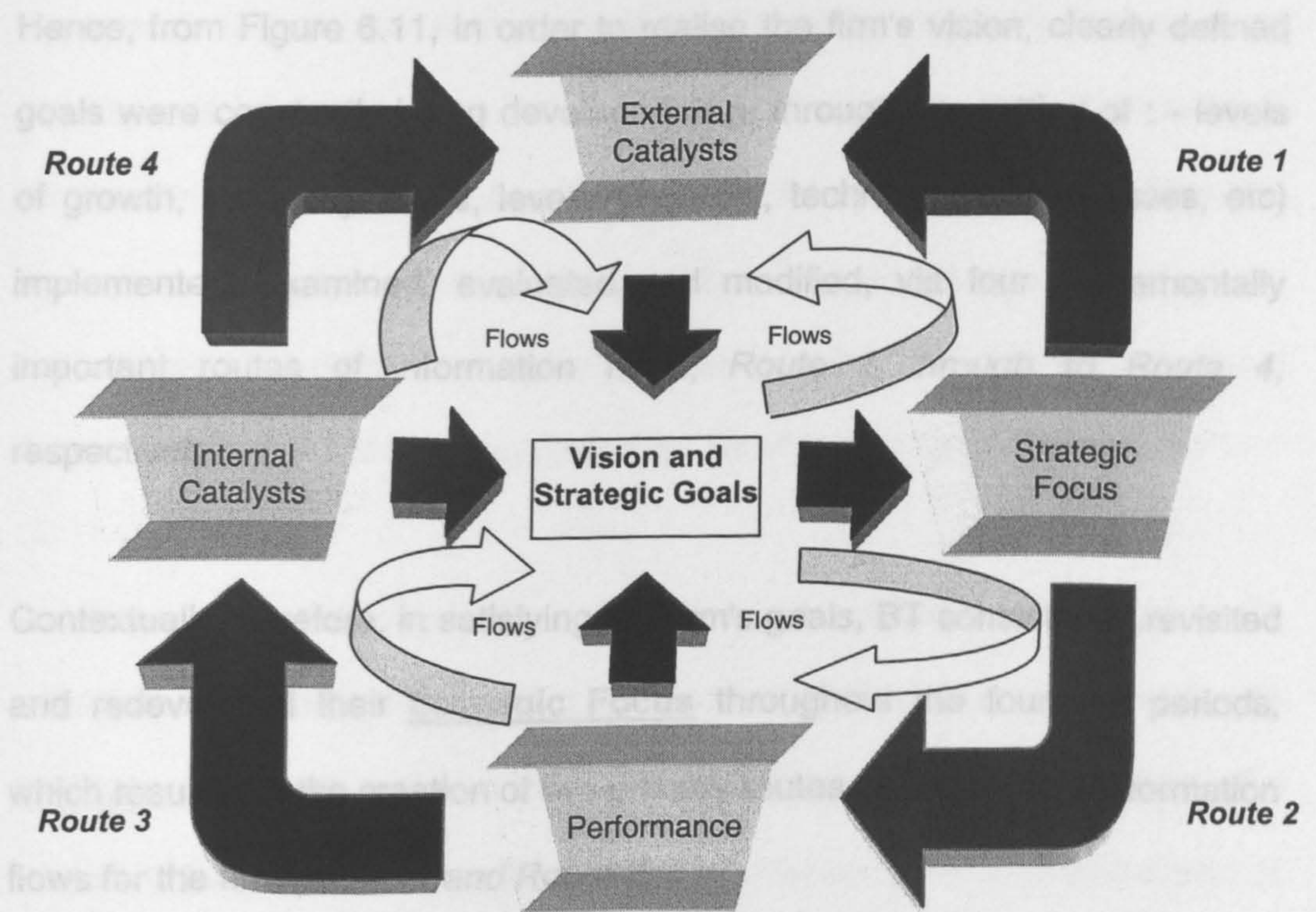
Study Proposition 9

This study seeks to theorise findings on the conceptual nature of corporate level strategic decision making, with a view to assisting our understanding on the behavioural nature of strategy development from the perspective of BT.

In proceeding therefore, this section is designed to examine a number of important conceptual issues, whereby the results that have been identified in this Chapter, are used to develop a theoretical framework of key characteristics of strategy development. Hence, this framework is deterministically used to create a richer and clearer understanding of strategy development by the incumbent operator within the evolving UK telecommunications market - which appears to be lacking in extant research. Furthermore, this framework may be used to assist understanding of strategic behaviour of similar firms that operate within the European and global telecommunications industries.

Against this backdrop, there are many roads that lead to strategic decision making and indeed, there is a plethora of research on strategic planning processes (Vancil (1976); Hofer and Schendel (1978); Quinn (1980); Mintzberg et al (1998a); Johnston and Scholes (1999); etc). However, as far as the UK telecommunications industry is concerned, little is known of strategic decision making. In this vein, in order to assist our understanding of the conceptual and the evolving nature of key strategic decision making at BT since privatisation, inductive reasoning has been used to generate Figure 6.11.

Figure 6.11 Characteristics of Evolving Strategic Decision Making at BT Since Privatisation



Source : Generated from Data

From figure 6.11, we can see that at the heart of all strategic decisions at BT, was the creation and evolution of the firm's vision. The heads of the solid black arrows indicate the impact and direction of strategic decisions, which are generated at the arrow tails. The respective impact of the arrowheads is thereafter fed back to the centre of the diagram (vision and strategic goals of the organisation) via one of the four "Routes". Similarly, the heads of the white arrows indicate the direction and flows of signals and information resulting from the strategic decisions, and these examination and evaluation signals are fed back to the centre of the diagram (vision and strategic goals of the organisation), again via one of the four "Routes".

Hence, from Figure 6.11, in order to realise the firm's vision, clearly defined goals were constantly being developed (e.g. through the setting of : - levels of growth, efficiency levels, levels of quality, technological successes, etc) implemented, examined, evaluated and modified, via four fundamentally important routes of information flows, *Route 1 through to Route 4*, respectively.

Contextually therefore, in satisfying the firm's goals, BT consistently revisited and redeveloped their **Strategic Focus** throughout the four key periods, which resulted in the creation of two primary routes of signals and information flows for the firm (*Route 1 and Route 2*).

As the firm's strategic focus evolves, the firm's behaviour changes in terms of their actions, e.g. development of products and services, diversification, market development, change initiatives, etc. Consequently, BT's actions signal the transmission of information to the environment outside the firm (indicated by *Route 1* in the above figure) which results in stimulating the behaviour of external stakeholders within the telecommunications industry, e.g. competitors, the regulator, technology firms, potential market entrants, etc. Recognition of these stimuli by industry stakeholders, creates a number of evolving External Catalysts, e.g. further deregulation, globalisation, technological advancements, increasing competition, competitor positioning/repositioning, etc. Against this backdrop, industrial behaviour impacts directly on the evolving nature of external catalysts and as such, signals and information are fed back to the incumbent and considered in terms of the existing vision and goals of BT. As a consequence, BT revisits these and if required, revises and modifies their vision and/or their goals, accordingly. This dynamic process can have far reaching consequences and does not stop, but continues cycling in an iterative manner around *Route 1*.

As the evolving strategic focus of BT is developed and implemented, information is constantly signalled via *Route 2* of Figure 6.11, indicating the Performance levels achieved by the firm's strategic focus. This is reflected in relation to the creation of any successes associated with the implementation of change initiatives through the development of firm - specific competencies in all areas of the incumbent's business, for example : - cost control, service

delivery, stimulating and meeting demand, penetrating markets, technological developments, etc,. It should be noted, that the performance was reported in terms of financial and non-financial objectives and indicators. Additionally, such feedback signalled a plethora of information to be generated on key areas of performance, which as a consequence, is seen as being essential in creating and shaping the firm's future vision and goals.

Consequently, these signals assist in enhancing the possibility of early capitalisation in a number of areas for BT, e.g. potential threats from both existing competitors within the market and from new market entrants, potential opportunities that arise, the status of evolving core competencies, investment performance, etc.

In relation to Figure 6.11, any important outcome of the success - or otherwise, of BT's performance, leads to the creation of information flows via *Route 3*, with signals being transmitted through the development of **Internal Catalysts**, e.g. customer loyalty, infrastructure developments, cultural and structural changes within the firm; technological innovations, branding, collaborative ventures, etc. This route of information creates a path for feeding back vital data on competitive advantages and allows the firm to assess these in terms of their existing corporate vision and associated goals. These internal catalysts therefore stimulate the incumbent's strategic behaviour and provide an opportunity for the firm to introduce mid-course corrections by generating alternative strategic decisions. As a major player in

the telecommunications industry, in addition to the direct impact of these internal catalysts on BT's vision and associated strategic goals, signals flow via *Route 4* of Figure 6.11 and information is also fed back into the industry environment. In this case, External Catalysts are generated and these powerful catalysts continually shape and reshape the industry. Consequently, these external catalysts reflect issues that relate to, for example, technological advances and approaches developed by the incumbent, the creation of new market segments, alternative services being developed and those being offered to customers, key BT successes and failures, domestic and global positioning, etc.

These internal catalysts therefore can be seen to directly affect the external catalysts, which therefore impacts and stimulates behavioural changes in industry stakeholders, e.g. competitor positioning, the regulator, product and service offerings of others, technological advancements, collaborative agreements, etc. Consequently, this stimulation of evolving external catalysts, signals corresponding environmental changes to the incumbent and associated changes are therefore considered and contemplated in any subsequent strategic decision making in terms of the incumbent's evolving vision and/or strategic goals.

In concluding this section of the study, within an evolving telecommunications industry, strategic decision making is clearly dynamic and complex in nature. Ansoff (1990) and Porter (1990)

suggest that a firm's success is related to its ability to act upon such signals - both weak and strong. The incumbent has picked up and acted upon many feedback signals from its environments and some of these have had significant consequences on the firm's behaviour. The possibilities of a solution of throwing money at a problem and expecting positive results has little chance of success in an emancipating industry that has over the past fifteen years, rapidly transformed and become highly competitive. For a former monopolistic telecommunications operator, the dynamic and interactive natures of strategic decisions and any associated successes, have far reaching implications on the behaviours of the firm, the regulator, competitors and indeed, the telecommunications industry as a whole. The dynamic explanations of strategic behaviour and strategic success have been elaborated upon by a number of theorists (e.g. Pascale (1990) and Miller (1990); Stacey (1993); Mintzberg et al (1998b); Hamel et al (1998)) and to some extent, the incumbent has been successful in transforming the organisation. In this case, the incumbent has generated a number of key strategic decisions that have evolved over four key periods and demonstrably, Figure 6.11 conceptualises these within a strategic decision making framework.

Against this backdrop, in the face of adverse environmental conditions, evolving external catalysts and stimuli, BT attempted to strategically position the firm as a leading global player in rapidly expanding

telecommunications markets. According to Porter (1990) the incumbent would appear to have emerged as a globally competitive organisation in terms of success. However, within such a dynamic environment, as the incumbent attempts to stabilise and control their respective markets through strategic decision making, the sustainability of their past market position becomes diluted, in the highly complex evolving market. Hence, we see firm behaviour evolving from what can be termed a former monopolistic market structure, towards a more dynamic and competitive structure. As yet, this restructuring industry and it's associated behaviour remains unclassified, however, principal dynamic characteristics are indeed noted.

In this vein, in an attempt to understand the dynamics involved in strategic decision making, Figure 6.11 is proposed as a means of coping with the complex and evolving nature of strategy development which appears to be missing in extant research. This framework can therefore be used to understand strategic decision making by similar organisations from both the telecommunications and other industries.

6.3 Chapter Summary

This study addresses a number of important issues which assist in pushing forward the frontiers of knowledge in the specific area of the evolving strategic behaviour of a former UK telecommunications monopoly player. In this vein, the central focus of this research was an historical collation of the strategic behaviour of BT since UK telecommunications privatisation.

In summary, this chapter presented the findings of the analysed data and discussed their relevance to extant theory. The emphasis was placed on identifying the important issues from the empirical evidence, in terms of the nine research propositions that emanated from the research aim. On reflection, findings from this chapter addressed the three research objectives and as a consequence, the following are noted : -

- 1). identified those key periods in time when BT developed corporate level strategy since UK telecommunications privatisation of the incumbent;
- 2). described the nature and range of key primary factors leading to corporate level strategic behavioural change at BT since privatisation;
- 3). historically collating those key precipitating primary factors occurring at BT since privatisation with a view to understanding their dynamic nature;

- 4). to conceptually portray those key primary factors on industry development, from the perspective of the incumbent, with a view to theoretically portraying their dynamic behaviour;
- 5). identified and described the nature of the strategic focus of corporate level decision making by BT throughout the key periods in time;
- 6). collated and explored the historical evolution of the strategic focus of corporate level decision making by BT since privatisation, with a view to understanding the firm's evolving strategic behaviour;
- 7). identified, described and collated the evolution of those key corporate level strategies, in terms of their impact on key aspects of behavioural change of the incumbent firm;
- 8). theorised findings on the conceptual nature of corporate level strategic decision making, with a view to assisting our understanding on the behavioural nature of strategy development from the perspective of BT.

This study now continues by reporting the study conclusions.

Chapter 7

Study Conclusions

7.0 Study Conclusions

7.1 Introduction

This was an interesting insight, as well as a complex, topic to research. The development of strategy since the onset of deregulation within the UK telecommunications market has been of extreme interest to many researchers, from both a theoretical and practical viewpoint. The heart of this investigation is not to criticise corporate strategists or indeed corporate level decision making, but to uncover and historically collate the key corporate level strategic decisions that were made by the incumbent since privatisation.

This Chapter therefore begins by identifying the study conclusions in terms of the three research objectives that were determined at the beginning of Chapter 4, and thereafter, a Chapter Summary is included.

7.2 Conclusions

At the outset of this study, little was known of the evolving strategic behaviour of a former monopoly UK telecommunications operator and in the light of this, the main study aim of this research was identified as : -

“an historical examination, analysis and collation of the behavioural nature of the evolving corporate level strategies developed by the UK telecommunications incumbent (British

Telecommunications plc) within the dynamic UK telecommunications market, since privatisation.”

With this in mind, many important issues that related to this aim were examined, collated, presented and discussed in the preceding Chapter. A number of conclusions can therefore be drawn and these will now be addressed in terms of the three study research objectives.

7.2.1 Research Objective 1 : Conclusions

In addressing the conclusions that relate to this particular research objective, in order to ensure clarity, research Objective 1 is restated : -

“To explore the behavioural nature of the evolving corporate level strategies of the UK telecommunications market leader (BT) since privatisation, which has so far been ignored by previous research”.

In the light of this objective, the following conclusions are drawn : -

1. The definition of strategy, used by BT was similar to that of extant research. However, the incumbent placed a greater emphasis in the evolving organisational vision and associated organisational goals playing a central role in strategic decision making.

2. Strategy was developed at the firm in three levels, the corporate level, the business level and the functional level.
3. Since corporate level strategic decisions were the important decisions for this study, corporate level strategy was developed at the incumbent during Four Key Periods and these were presented in Figure 6.2, and these addressed the issue of when corporate level strategy was developed at the incumbent.
4. Figure 6.5 was generated in order to describe, collate and explore the evolving corporate level visions and associated key strategic goals over the four key Periods, since privatisation of the incumbent in 1984.
5. The incumbent defined both the organisational vision and organisational goals and there were distinct similarities with theoretical definitions. The nature of the firm's behaviour was demonstrated by a phased approach to the development of key strategic goals (contained within periods) which underpinned the evolving strategic vision of the firm, and from the firm's perspective, these goals took account of the key catalysts which stimulated strategic change. Of note here, were the emerging patterns of firm behaviour which showed that the thrust of BT's goals were inextricably linked to the firm's evolving vision and it would appear that it was the evolving vision of the firm which was one of the stimulators of strategic change.

6. Extant research lays some importance on firms having a clear strategic vision, however, from the results presented here the following two conclusions are observed. **Firstly**, the emphasis of achieving a firms' vision cannot be underestimated and in this sense, the vision would indeed appear to be the central focus of the firm's strategic actions, with lesser importance being given to key strategic goals. **Secondly**, that a firm may have a strategic vision, but in terms of the rapidly evolving telecommunications industry, the life expectancy of their vision is likely to last a duration of between four and five years.

7. Little mention was made of the organisation's mission statement, apart from its use in terms of portraying a caring and ethical organisation through its publication in the firm's Annual Reports. This is both interesting and significant, since most extant research places a heavy emphasis on the requirement of a mission statement and its central role in underpinning organisational behaviour. Also, theorists do indeed point towards a firm's mission statement as identifying the purpose and scope of the organisation and although BT's does, the firm appears to pay lip service to any further importance. This is indeed a significant finding and it would be interesting to uncover the role of the firm's evolving mission in terms of the employees' perspective. This may disclose behavioural trends which underpin either productive or indeed, unproductive behaviours. Whether this trait is indicative of others organisations of a similar ilk, requires further investigation.

8. In terms of the evolving strategic decisions that were made by the incumbent over the four key Periods, the term strategic focus was used extensively by the respondents. This was defined as :

Strategic Focus
"the directions for investment for key strategic decisions that were made by the firm."

9. Figure 6.6 was generated in order to collate and explore the historical evolution of the firm's strategic focus with a view to understanding the firm's evolving strategic behaviour.

10. From the evolving strategic behaviour of the firm, the impact of market liberalisation and privatisation was shown to sharpen the organisational focus of BT, towards greater commercial orientation and financial accountability. In this vein, a growing number of telecommunications firms were seen to be reconsidering their respective service offerings, in order to address the growing global demands of business and consumer needs. With this in mind, to become a leading global telecommunications firm, incumbent operators such as BT, are becoming involved in organisational growth through acquisitions, and indeed, actively seek suitable joint venture, merger and strategic alliancing partnering opportunities - on a global scale.

11. A further conclusion related to the conceptualisation of the evolving nature of BT's strategic focus since privatisation of the incumbent in

1984, Figure 6.7 was developed. Hence, as this study sought to grasp an understanding of the evolving nature of strategic decision making at BT since UK telecommunications privatisation, these decisions were shown to be clearly : - voluminous, complex, and iterative. Demonstrably therefore, this theoretical conceptualisation of the historical evolution of the strategic focus of corporate level decision making by BT since privatisation adds to the debate in understanding a firms' evolving strategic behaviour.

12. In attempting to understand the nature of the behavioural changes that took place at BT, it was important to clarify the forms of changes that occurred within the firm over the previously identified periods. Conclusions alluded to behavioural change being constantly sought in three key areas. These areas were identified as, the creation of core competencies; the development of competitive advantage; - and - the creation of a sustainable change culture.

13. The BT definitions of core competence and competitive advantage were examined and both concurred with theoretical definitions from extant research. Consequently, in order to identify the evolving natures of core competencies and competitive advantages at BT since privatisation, Figure 6.8 was generated. Furthermore, an analysis of data led to the identification of the following four key trends : -

- (i). Technological competencies appear to be extremely important to the firm, in achieving sustainable long-term competitive advantage;
- (ii). Constantly reviewing and creating competitive costing structures and competitive pricing structures appear to be fundamentally important to customer loyalty and towards sustaining competitive advantage for the firm;
- (iii). Developing competencies in penetrating foreign markets appear to be critical to long term organisational success;

- and -

- (iv). Developing new products and services appear to be at the heart of sustaining competitive advantage.

14. In terms of behavioural change, the incumbent instigated a series of change initiatives. These change initiatives were implemented in an attempt to *alter the culture* and at times, *alter the structure* of the firm, as well as meet the firm's goals. Figures 6.9 and 6.10 were therefore generated in order to identify the key evolving characteristics stimulating behavioural change at BT over the four key Periods. In terms of understanding organisational behavioural change, the implementation process was considered extremely important and it is therefore recommended that the implementation process adopted by the incumbent throughout the four key periods requires increased research attention.

15. The organisation's future was increasingly becoming dependent on revenue streams from outwith the UK, hence, key characteristics for success in international strategic alliances. It may be the case that there is a requirement to develop a high calibre of multinational managers with an international cadre of experiences which includes: language fluency; cultural and technical literacy; and who can “think globally but act locally”.

16. Of further note, was the conclusion that the firm sought to develop a sustainable change culture within the organisation. Hence, significant behavioural changes were seen to evolve at the incumbent with the culture and structure of the firm shifting from what was termed a "Passive Culture" and a "Geographic Business Unit Structure" at privatisation, towards a culture which was characterised by the term "Active-Displaced Culture" and a "Divisional Structure" during Periods Two and Three. Thereafter, Period Four saw the firm enter into a growing number of involvements and operations through the expansion route of joint venturing, co-operative agreements, collaborative ventures and global strategic alliances.

Following the implementation of further change initiatives, an evolving "Collaborative Culture" and an associated "Network Structure" were seen to emerge. Respondents intimated that these structures were the result of both natural evolution within the firm, and formal strategic planning processes. Whether the evolution of these structures and

cultures is the result of "management by muddling through" is difficult to determine from the collected data. For the purposes of this study, what is of historical note, is that these organisational behavioural changes have been identified and collated. However, the exact nature of organisational dynamics in relation to behavioural change, requires further enquiry.

On examining the pattern of development over the four key Periods, a number of researches (in general) have viewed the behaviour of the incumbent firm, as change via "logical incrementalism" while evolving, and as "transformational or revolutionary change" while comprehensively embedding within the fabric of the organisation. Consequently, the results here show some of the complexities of strategic decision making in terms of the impact on the evolving nature of organisational behaviour of a former public sector owned, telecommunications network operator.

Furthermore, from the evidence presented here, internal and external environmental complexities make the expectations of strategic decisions rather difficult to predict. Hence, in a rapidly changing and constantly evolving telecommunications industry, it is little wonder that incumbent operators seek stability from their surroundings. In this vein, the evolving organisational behaviour of such incumbents will provoke constant researcher enquiry and learning from strategic decision-making.

7.2.2 Research Objective 2 : Conclusions

In addressing the conclusions that relate to this particular research objective, and in order to ensure clarity, research Objective 2 is restated : -

"To collate the historical evolution of those crucial company and industry specific factors, from the perspective of BT, that influenced the process of corporate level strategy development within the firm, that has been ignored by previous research".

This objective addressed the issue of *why* corporate level strategy was developed at BT during the four key Periods, hence, in the light of this objective, the following conclusions are drawn : -.

- 1. The term "Catalysts" were used to identify the key stimuli that drove strategic change at the incumbent over the four key Periods. These catalysts were identified as internal catalysts (stimulated by internal events) external catalysts (stimulated by external events) and catalysts which were simultaneously stimulated by both internal and external events. Extant research tends to categorise these stimuli as driving forces for change with little emphasis being placed on the internal catalysts. However, this study concludes that the internal catalysts, the external catalysts and the simultaneously evolving internal/external catalysts stimulate corporate level strategic change at the incumbent throughout the four key Periods, and the incumbent places great emphasis on internal catalysts.**

2. These external catalysts were defined as : events, issues and trends that occur in the external business environment that we (BT) have little or no direct control over. These catalysts require serious consideration in strategic decision making and were the main reasons that stimulated strategic change throughout the key periods since privatisation.
3. On the issue of *why* BT developed corporate level strategy during the four key periods, since the firm was privatised. Figure 6.3 was generated in order to outline the respondent's perspective on the evolving nature of key catalysts driving corporate level strategic change at British Telecommunications since privatisation.
4. Distinct catalysts would appear to have been continually shaping the UK, European and global telecommunications industries, whether they were generated internally, externally or simultaneously acting together. Further research could be conducted to ascertain if other firms within the industry concurred with the BT perspective.

7.2.3 Research Objective 3 : Conclusions

In addressing the conclusions that relate to this particular research objective, and in order to ensure clarity, research Objective 3 is restated : -

"To extend our knowledge of corporate level strategy within conceptual and contextual frameworks, in terms of unfolding dynamic and evolving European and UK telecommunications market structural developments beyond the current limits of extant theory from the perspective of the incumbent within this industry".

In the light of this objective, the following conclusions are drawn : -

1. Unfortunately, extant research indicated that practitioners had paid scant attention to evolving market structures. Hence, an examination was conducted of the liberalisation process of privatised network services in order to develop an appropriate model of the impact of change on the liberalisation process within the European Community. An evolving model was therefore generated of the European telecommunications industry - Figure 6.4, and in this case, this market structure remains unclassified.
2. From this model, it is possible to extrapolate towards the future, and depending on the innovative and integrative effects of computers, telecommunications and video over the forthcoming decade, there is a strong possibility that some smaller players in the European market will

be squeezed out by both large autonomous organisations and conglomerate multinational enterprises.

3. A further conclusion suggests that to become a leading global telecommunications enterprise, organisations are increasing their international presence; forming strategic partnerships; identifying opportunities for strategic acquisitions; and providing a variety of technologically integrative products and services that span the globe.
4. Former monopoly network operators are sharpening their focus on growth, by concentrating on cross-border activities and by restructuring, their respective communications services groups, in order to address business customers and end consumers, on a global basis. The consequences of this are that network technologies are becoming increasingly important towards the attainment of firm-specific competitive advantage, and indeed in the achievement of corporate strategy objectives. To this end, if markets become too liberated and move largely towards open competition status, then the franchise value of the incumbent service provider will be reduced. This in time will threaten the success of liberalisation and its associated policies. This model adds to the debate of industry structures and in particular, recognises the complex nature of the telecommunications industry. Furthermore, the model identifies the dynamic nature of the evolving European telecommunications market and conceptually depicts those factors directly influencing industry change.

5. Finally, the study concluded that the conceptual and evolving nature of key strategic decision making at BT since privatisation, could be portrayed within a framework and this was presented as Figure 6.11. This framework may be useful in understanding strategic decision making by similar organisations from both the telecommunications and other industries.

7.3 Chapter Summary

In concluding this section of the study, it has been demonstrated that the background theory contained a number of knowledge gaps, particularly in the area of corporate level strategic decision making of a former UK monopoly telecommunications operator. This research therefore provides new and fresh data that enables an assessment of existing theories and a development of a grounded framework, which was subsequently used during data analysis. Hence, this study can be seen to identify the nature of corporate level strategies developed and adopted by a major European telecommunications incumbent (BT) in the light of telecommunications privatisation in the UK. One final point of note, generally, few people within an organisation are involved in corporate level strategic decision making and within this case therefore, there tended to be little reflection on the historical evolution of strategic decisions. Throughout the Results and Discussion Chapter, the pictorially and diagrammatically represented data of evolving

strategic behaviour are seen to give visibility to a rather sensitive, confidential and hidden set of data.

Having concluded this section of the study, attention now turns to the contribution that this study makes towards the development of the discipline.

Chapter 8

Contribution of Study

8.0 Contribution of Study

8.1 Introduction

There are many interpretations as to what constitutes originality in a Doctoral Thesis. Indeed, Phillips (1992) identifies nine definitions that are considered acceptable in terms of originality and significant contribution. These are identified as :

1. Carrying out empirical work that hasn't been done before.
2. Making a synthesis that hasn't been made before.
3. Using already known material but with a new interpretation.
4. Trying out something in this country that has only been done in other countries.
5. Taking a particular technique and applying it in a new area.
6. Bringing new evidence to bear on an old issue.
7. Being cross-disciplinary and using different methodologies.
8. Looking at areas that people in the discipline haven't looked at before.
9. Adding to knowledge in a way that hasn't previously been done before.

On originality, Phillips and Pugh (1994) go further and state : -

"It is sufficient for the student to contribute only an incremental step in understanding." (p62).

Against this backdrop, this Chapter addresses the issue of any contribution that this study makes towards furthering knowledge. In this respect, on

evaluating the importance of this study to the development of the discipline of strategic behaviour, this Chapter begins by considering the study contributions in the areas of: - industry restructuring; evolving strategic focus; and international strategic alliancing. Subsequently, contributions in the area of methodological issues associated with sampling are addressed.

8.2 Contribution to Knowledge

As an historian, this study is seen as an historical collation and analysis of corporate level strategic decision making, of the largest UK telecommunications operator since privatisation. Hence, the background theory to the subject of the evolving nature of strategic behaviour of a leading UK telecommunications organisation was considered within the literature of Chapter 2. In terms of this extant research, determinations of the Study Conclusions, indicate that a different situation now faces researchers in this area.

Hence, this study can be seen to be carrying our empirical work that has not been documented before, by :

1. In my opinion, this work has assisted in uncovering and collating the nature of key corporate level strategic decisions of a major European telecommunications incumbent (BT) in the light of telecommunications privatisation in the UK, which were previously under-researched and unknown.

2. The results of this study draw attention to a clearer understanding of those primary factors, which brought about corporate level strategic change throughout key periods, by diagrammatically plotting their evolution.
3. With respect to methodological approaches, in my opinion, there is the possibility of methodological advancement, in terms of considering the methodology used for this current study. Hence, this approach of "iterative sampling" could be of considerable interest to those seeking to investigate future studies of a similar or wider nature.
4. This study has assisted in the exploration, identification and collation of the evolving behaviour of the incumbent in achieving corporate level success throughout the period since UK telecommunications privatisation, in terms of classifying key aspects of behavioural change.
5. It seems to me that there is an opportunity to use the results from this study in order to further knowledge in terms of comparing and contrasting the strategic evolution of other telecommunications organisations within the UK, European and global telecommunications industries.
6. In my opinion, it would be useful to extrapolate findings, in order to ensure that theories that do result from this study are grounded in real-

world patterns, which appear to be lacking in extant research across industries.

Furthermore, in terms of using already known material but with a new interpretation, with respect to the evolving European telecommunications market structure, a Conference Paper was developed and subsequently presented. This paper was entitled : -

"Restructuring in European Telecommunications: A Theoretical Model of the Evolving Market." Paper presented at the International New England Business Administration Association Conference, New Haven, Connecticut, USA (April 28 - 29, 2000).

Authors : Lal, D., Pitt, D. C. and Beloucif, A.

Following presentation of this paper, a Journal publication resulted and is referenced as : -

Lal, D., Pitt, D. C. and Beloucif, A. (2001). "Restructuring in European Telecommunications: Modelling the Evolving Market." *European Business Review, Issue 2/3.*

In adding to the body of knowledge that exists in the area of an evolving strategic focus of a former UK monopoly telecommunications operator a Conference Paper was developed and presented at the British Academy of Management, Conference 2000 and is referenced within the Conference proceedings as : -

Lal, D., Pitt, D. C. and Beloucif, A. (2000). "*Strategic Focus in UK Telecoms: The BT Experience.*" Paper presented at

The British Academy of Management Conference,
Edinburgh, UK (September 12 - 15).

The expansion method of International strategic alliancing has been a growing form of organisational behaviour in the telecommunications industry. Hence, in order to address the issue of key determinants of success, a theoretical framework was developed and presented as a Conference Paper.

The paper is entitled : -

"Theorising in International Business: A Framework for Strategic Alliancing." Paper presented at the Association For Global Business Conference, Orlando, Florida, USA (November 15 - 20, 2000).

Authors : Lal, D., Pitt, D. C. and Beloucif, A.

Following presentation of this paper, a Journal publication resulted and is referenced as : -

Lal, D., Pitt, D. C. and Beloucif, A. (2000). "Theorising in International Business: A Framework for Strategic Alliancing." *Journal of Current Research in Global Business, Vol. 2, November.*

A further contribution has emerged from this thesis in the form of a Book Chapter. The Chapter is entitled : -

"BT Corporate Experience and Visions 1990 - 2000,"

Chapter Authors : Levine, N., Pitt, D. C. and Lal, D.

The Book is referenced as : - Madden, G. and Savage, S. J., (2001, (forthcoming)). "The International Handbook of Telecommunications Economics" Volume III (eds.). Edward Elgar Publishing.

This study now continues by considering the recommendations that emanate from this section of the study.

Chapter 9

Recommendations

9.0 RECOMMENDATIONS

9.1 Introduction

In the light of the previous eight chapters, this study can be seen to contribute to a series of thoughtful observations that do indeed question the validity of previous works and theories. Consequently, in pushing forward the frontiers of knowledge, this Chapter seeks to identify those particular areas of research that require further exploration, description and explanation. With this in mind, on evaluating the importance of this study to the development of the discipline of organisational strategic decision making and organisational behaviour, this Chapter begins by considering study limitations and delimitations, following which recommendations of areas of further research are proposed.

9.2 Study Limitations/Delimitations

Due to the nature of this study focusing on an historical collation of the evolving strategic behaviour of BT since UK telecommunications privatisation, a number of study limitations existed. These specifically refer to restrictions in the study over which the researcher had little or no control.

These are identified as follows: -

- the limit of the sample frame, to one company, due to ethical concerns;

- the requirement for confidentiality of data;
- limitations imposed on method selection;
- the restriction over populations to which the results of the study can be generalised;
- time constraints;
- The key terminology required in this instance, is a limiting factor, which is outwith, the control of the researcher.

While a restriction placed on this study by the researcher, is a delimiter, access issues must be included in order to clearly identify the problems associated with a 2.5 year long approach towards potential interviewees at BT, in order to gain the required access to those persons that could assist in the achievement in the overall aim for this research. The researcher has seen the precise natures of these factors, to be relevant, valid and reliable.

9.3 Areas for Further Research

This study has highlighted a number of potential opportunities for further researcher investigation and therefore it would be particularly appropriate to recommend areas that require further inquiry. Hence, it is recommended that researcher attention centre on the following areas :

1. There would appear to be plentiful literature written on the respective topics of telecommunications and strategy, however, little appears to be written on the in-depth integration of these two topics, using empirical evidence. Hence, it is recommended that further researcher inquiry focus on country specific strategy development in telecommunications markets outside the UK.
2. In relation to the theoretical representation of "The Evolving Model of the European Telecommunications Industry" (Figure 6.4) it is recommended that this model be used as a basis for examining the evolving market characteristics of other UK deregulated industries.
3. The term, strategic focus, was used to describe the behaviour of BT and consequently, a model outlining "The Evolving Strategic Focus at BT Since UK Telecommunications Privatisation" (Figure 6.7) was generated. As this would appear to be a useful term, it is therefore recommended that this model be tested for similar evolving behaviour, by exploring the behaviours of other global telecommunications firms.
4. One of the findings of this study pointed towards the lack of emphasis of organisational mission by the incumbent in terms of behavioural change. It is therefore recommended that the behavioural impact of the firm's evolving organisational mission be examined from the perspective of employees. This would assist in a clearer understanding of the nature of some of the intangible issues associated with strategic behavioural change and organisational success.

5. Of further interest, are the respective processes of strategic change initiatives in terms of the evolving cultural changes and structural changes. It is recommended that the behaviour of other deregulated telecommunications firms be examined in order to determine whether similar or alternative aspects of behaviour emerge.
6. In terms of international strategic alliancing, it would be useful to test the usefulness of the model presented in Lal et al (2000) and compare and contrast the evolving nature of key characteristics in other firms and industries. This would greatly assist in furthering knowledge in understanding the evolving key success factors of international strategic alliancing.
7. One of the key areas open for further investigation, is how the inter-relationships between the companies within alliances affect other alliance activities within the industry. The telecommunications industry is becoming a network of alliances, where the firm more often than not, is part of several strategic co-operation agreements at any one time. A question that should be raised in further studies is how conflicting interests can arise through indirect linkages through alliances and subsequently, how are these managed.
8. Based on the theoretical model of "Evolving Strategic Decision Making at BT Since Privatisation" (Figure 6.11) it is recommended that this model is tested on other organisations within the telecommunications industry and

subsequently tested on organisations outside of the telecommunications industry. This would assist researcher understanding of the evolving nature of interactive relationships during strategic decision making.

Although other areas exist, these eight areas are highly recommended for further study. One final note, this concludes an exciting and constantly stimulating adventure that I hope will become part of the fountain of knowledge for the next generation of budding researchers.

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Appendix 1

Questionnaire Checklist For Initial Interview (Pilot)

- Open up with an initial greeting and attempt to relax both interviewee AND myself.
- Outline main research aim and involvement of Sir Iain Vallance and the reliability of information re: the possibility of seeing minutes of key meetings and plans.
- Must ensure that I keep focused on the key issues and questions re: central focus of enquiry.

Question

Since when did you begin your career with BT?

Response

Question

At what level within the organisation were you appointed?

Response

Question

What roles and functions have you performed at BT since your initial involvement?

Response

Question

Strategy development structure within BT, is there currently a structure and/or hierarchy of strategy development within the firm?

Response

Question

Could you define your and BT's current meaning of corporate level strategy?

Response

Question

Are there other levels of strategy in the firm? If so, what are these and how have they evolved since UK telecommunications privatisation of BT?

Response

Question

As planning is conducted at the corporate level within the company, is there a corporate planning process that BT currently adopts?

Response

Question

How is strategy currently developed at the corporate level within BT?

Response

Question

Since when have you been involved in the development of strategy? (Both directly and/or indirectly)

Response

Question

Can you identify key periods on "this" timeline, when corporate level strategy was developed since UK telecommunications privatisation of BT, and indicate some of the main reasons for these being key periods? (Blank timeline shown to Tony, and his response was indicated on the attached timeline).

Response

Question

From a strategic perspective, what is your interpretation of a "vision"?

Response

Question

What is BT's interpretation of a "vision"?

Response

Question

Has BT's vision changed since UK telecommunications privatisation of BT?

Response

Question

If so, can you identify when it changed and what it changed to?

Response

Question

From a strategic perspective, if the vision changed, why was it changed?

Response

Question

How will BT's vision for the future be achieved?

Response

Question

What have been the key catalysts that have brought about visionary change at BT since UK telecommunications privatisation of BT? Could you please outline these on the timeline?

Response

Question

From a strategic perspective, have BT's strategic goals change since UK telecommunications privatisation of BT? If so, how have they changed (seek detail here). Outline on timeline

Response

Question

What are the key catalysts that have brought about changes in BT's goals since UK telecommunications privatisation of BT? (Use timeline here to indicate evolution - why/when).

Response

Question

Can you outline the strategies that BT is currently adopting?

Response

Question

Can you outline the strategies that BT has adopted since UK telecommunications privatisation of BT?

Response

Question

What are the key catalysts that have brought about strategic changes since UK telecommunications privatisation of BT?

Response

Question

What are the key external trends that have been bringing about strategic change at BT since UK telecommunications privatisation of BT?

Response

Question

What impact have these trends had on BT's strategic decisions making? (Specifically on process and content).

Response

Question

Why have these come about, and how have you been planning for these and similar decision making?

Response

Question

Does vision drive strategy or strategies drive vision within BT?

Response

Question

Who has developed the current BT vision?

Response

Question

How has this vision come about?

Response

Question

How was it developed since UK telecommunications privatisation of BT?

Response

Question

How often does the strategic team meet?

Response

Question

How long do meetings tend to last? (Approximately).

Response

Question

How do you define the term "core competency"?

Response

Question

Is BT's definition of core competence - the same? If not, what is the firms' definition?

Response

Question

What are BT's current core competencies?

Response

Question

Can you outline BT's evolving core competencies since UK telecommunications privatisation of BT?

Response

Question

How were these core competencies achieved and how is/was success measured?

Response

Question

How do you define the term "competitive advantage"?

Response

Question

Is BT's definition of competitive advantage - the same? If not, what is the firms' definition?

Response

Question

What are BT's current competitive advantages?

Response

Question

Can you outline BT's evolving competitive advantages since UK telecommunications privatisation of BT?

Response

Question

How were these competitive advantages achieved and how is/was success measured?

Response

Question

How do you define "International Strategic Alliancing"?

Response

Question

Is BT's definition of International Strategic Alliancing - the same? If not, what is the firms' definition?

Response

Question

Do you or does BT make a distinction between International Strategic Alliancing and Strategic Alliancing?

Response

Question

Why is BT becoming involved in International Strategic Alliancing?

Response

Question

Can you outline BT's evolving International Strategic Alliances since UK telecommunications privatisation of BT?

Response

Question

How important is International Strategic Alliancing to BT? Is International Strategic Alliancing likely to continue at BT?

Response

Question

How is success measured/achieved in International Strategic Alliancing at BT?

Response

Question

How do you define "Organisational Culture"?

Response

Question

Is BT's definition of Organisational Culture - the same? If not, what is the firms' definition?

Response

Question

Can you outline BT's evolving culture since UK telecommunications privatisation of BT?

Response

Question

Why has BT been changing its culture?

Response

Question

How difficult has it been to achieve success in cultural reform at BT since privatisation?

Response

Question

How is success measured/achieved in terms of cultural change at BT?

Response

Question

Do you or does BT make a distinction between the evolving culture in International Strategic Alliancing and the culture of domestic Strategic Alliancing?

Response

Question

Has BT's organisational structure changed since privatisation?

Response

Question

If so, why has BT's organisational structure changed since privatisation?

Response

Question

When did BT's organisational structure change since privatisation?

Response

Question

How has BT's organisational structure changed since privatisation?

Response

Question

How does BT measure success in restructuring?

Response

Question

Would be appropriate to contact the respective candidate for any further information, in the future?

Response

Question

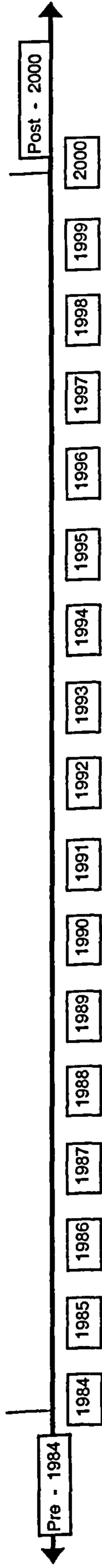
Are there any questions that you would like to ask me?

Response

- **Send a copy of my results - once completed.**
- **Thank interviewee for their courtesy, assistance and time.**
- **Note time of completion of interview**

Appendix 2

Sample Time Line Used During Interview Sessions



YEAR

Source : Author Generated

Appendix 3



THE
ROBERT GORDON
UNIVERSITY
ABERDEEN

18th September 1997

Sir Iain Vallance,
Chairman,
British Telecommunications plc.,
BT Centre,
81 Newgate Street,
London
EC1A 7AJ

FACULTY OF MANAGEMENT
ABERDEEN BUSINESS SCHOOL
THE OFFSHORE MANAGEMENT CENTRE

Viewfield Road
Aberdeen
AB15 7AW
United Kingdom

Tel: 01224 263102

Fax: 01224 263100

University Switchboard: 01224 262000

Dear Sir Iain,

I am a lecturer in International Business and Corporate Strategy at Aberdeen Business School, which is a Department within The Robert Gordon University, in Aberdeen. Over the past five years, I have been conducting research with a strategic focus, in a number of areas, including the general area of telecommunications. Consequently, since January 1995, I have been working in conjunction with Professor Douglas Pitt, of Strathclyde University, in Glasgow, towards my Doctorate. The specific area of my study relates to the topic : **"A conceptual model analysis and evaluation of the developing strategic direction of the UK voice telecommunications network market since deregulation."**

The breadth of this study covers an examination, analysis and evaluation of the developing voice telecommunications market within Western Europe, and I have contacted most European Governments in order to gain a clearer understanding of the respective country's telecommunications industry, as well as a general overview of the European telecommunications market structure. This general overview of the European marketplace, has given me the necessary background to allow me to concentrate on my central focus of the UK telecommunications market.

At the moment my research is in the final stages, whereby I am in the process of examining the developing strategic direction of the UK voice telecommunications market since deregulation. In order that my research in this area can continue, I am writing to ask for your assistance, by granting me an interview with preferably yourself, but if this is not possible, then with another member of your senior management team that has come through, and has knowledge of, the developing strategic direction of both BT and the UK marketplace, since deregulation. I expect my findings to be of considerable interest to you from both theoretical and practical viewpoints, as I would hope to demonstrate the development of a model(s) of the impact of corporate level strategic decisions on the UK telecommunications market since market liberalisation, from BT's perspective.



INVESTOR IN PEOPLE

General Manager
Sharon McCarten
BCom MBA



THE
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AB10 7QE
United Kingdom

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Fax: 01224 263838

e-mail: aberdeen.business.school@rgu.ac.uk

Professor Pitt is the Dean of Strathclyde Business School, and as a mentor, has a substantial knowledge-base and background in the area of telecommunications. He is both fully supportive and has been keeping tight control of all aspects of this project, including any need for confidentiality. Professor Pitt can be contacted at :- Professor Douglas C Pitt, Dean, Strathclyde Business School, Strathclyde University, Graham Hills Building, 40 George Street, Glasgow G1 1BA.

Telephone : 0141 -552 -4400 ext. 4384/5., Fax : 0141 -552 -4372., Mobile : 0410 -464 -472.

In 1993, I wrote a paper in conjunction with two of my former colleagues, Professors Neil Hood and Stephen Young of Strathclyde University, entitled "Internationalisation in European telecommunications utilities : trends, prospects and the UK case," and I enclose a copy of this paper for your information. As part of the empirical data for this paper, I had the pleasure of meeting with your Gerry Spencer, (Global Applications and Marketing Manager), who was most helpful in developing my understanding of the UK telecommunications market at that time.

I do hope that you will assist me with my empirical studies towards my doctorate, and undoubtedly, a copy of all of my findings will be sent to you as soon as my analysis has been completed. I expect completion of this project by July 1998. In order to complete this final part of my study, I will be available to travel to your Head Office in London at any time over the next three weeks.

If you have any questions regarding this study, please do not hesitate to contact me by telephone, fax or writing to the above address, in order that they can be fully answered.

Looking forward to your reply.

David Lal



INVESTOR IN PEOPLE

Head of School
Hector Douglas
MBA FCCA DipComm

Appendix 4



THE
ROBERT GORDON
UNIVERSITY
ABERDEEN

5th January 1998

Sir Iain Vallance,
Chairman,
British Telecommunications plc.,
BT Centre,
81 Newgate Street,
London
EC1A 7AJ

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THE OFFSHORE MANAGEMENT CENTRE

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Tel: 01224 263102

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University Switchboard: 01224 262000

Dear Sir Iain,

I am a lecturer in International Business and Corporate Strategy at Aberdeen Business School, which is a Department within The Robert Gordon University, in Aberdeen. Over the past five years, I have been conducting research with a strategic focus, in a number of areas, including the general area of telecommunications. Consequently, since January 1995, I have been working in conjunction with Professor Douglas Pitt, of the University of Strathclyde, in Glasgow, towards my Doctorate. The specific area of my study relates to the topic : **"A conceptual examination, analysis and evaluation of the developing strategic direction of the UK voice telecommunications network market since deregulation."**

The breadth of this study covers an examination, analysis and evaluation of the developing voice telecommunications market within Western Europe, and I have contacted most European Governments in order to gain a clearer understanding of the respective country's telecommunications industry, as well as a general overview of the European telecommunications market structure. This general overview of the European marketplace, has given me the necessary background to allow me to concentrate on my central focus of the UK telecommunications market.

At the moment my research is in the final stages, whereby I am in the process of examining the developing strategic direction of the UK voice telecommunications market since deregulation. In order that my research in this area can continue, I am writing to ask for your assistance, by granting me an interview with preferably yourself, but if this is not possible, then with another member of your senior management team that has come through, and has knowledge of, the developing strategic direction of both BT and the UK marketplace, since deregulation. I expect my findings to be of considerable interest to you from both theoretical and practical viewpoints, as I would hope to demonstrate the development of a model(s) of the strategic decision making process(es) of UK telecommunications since market liberalisation, from BT's perspective.



INVESTOR IN PEOPLE

General Manager
Sharon McCarten
BCom MBA



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Telephone : 0141 -552 -4400 ext. 4384/5., Fax : 0141 -552 -4372., Mobile : 0410 -464 -472.

In 1993, I wrote a paper in conjunction with two of my former colleagues, Professors Neil Hood and Stephen Young of Strathclyde University, entitled "Internationalisation in European telecommunications utilities : trends, prospects and the UK case," and I enclose a copy of this paper for your information. As part of the empirical data for this paper, I had the pleasure of meeting with your Gerry Spencer, (Global Applications and Marketing Manager), who was most helpful in developing my understanding of the UK telecommunications market at that time.

I do hope that you will assist me with my empirical studies towards my doctorate, and undoubtedly, a copy of all of my findings will be sent to you as soon as my analysis has been completed. I expect completion of this project by July 1998. In order to complete this final part of my study, I will be available to travel to your Head Office in London at any time over the next three weeks.

If you have any questions regarding this study, please do not hesitate to contact me by telephone, fax or writing to the above address, in order that they can be fully answered.

Looking forward to your reply.

David Lal



Head of School
Hector Douglas
MBA FCCA DipComm

Appendix 5



Telephone (0171) 356 5229
International +44 171 356 5229
Facsimile (0171) 356 6640
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Anne Heal
Head of the Chairman's Office

Mr David Lal
Aberdeen Business School
The Robert Gordon University
Kepplestone Mansion
Viewfield Road
Aberdeen
AB15 7AW

14th January 1998

Dear Mr Lal

Thank you for your letter to Sir Iain Vallance asking whether he or a senior colleague might be able to be interviewed in support of your research. I am replying in his absence on business.

We would, in principle, be more than happy to assist you in your research and would suggest that you meet with two or three of our senior managers within the Business Strategy and Regulatory Affairs Directorates. I am afraid Sir Iain will not be available during the period you mention.

If you would confirm that this meets your requirements, I will ask Tony Harris, Director of Strategy and Business Planning, to contact you and finalise arrangements. Perhaps you would be kind enough to call me at the above number and Tony will then be in touch.

Yours sincerely

ANNE HEAL
Head of Chairman's Office

Appendix 6

Additional Questions For Interviews Following Pilot Study

Question

What has the impact of UK competition policy been on BT's strategic decision making since privatisation?

Response

Question

What have the been the benefits of UK deregulation to BT and the telecoms market (UK and Worldwide)?

Response

Question

What are the regulatory issues that had a negative effect on BT since privatisation?

Response

Question

How has the evolving/developing regulation of the UK telecoms market affected the UK/European market structure since privatisation?

Response

Question

Can you identify the key catalysts that have brought about UK/European market structural change since the privatisation of BT?

Response

Question

Are there any other issues that have been affecting UK telecoms market structural change?

Response

Question

How is the current market (UK/EUROPEAN/WORLDWIDE) perceived by BT?
What about the future?

Response

Question

How will regulation/deregulation/re-regulation affect UK and Europe in the new millennium?

Response

Question

Can you classify the current regulatory structure in the UK/Europe/Worldwide?
What about the future?

Response

Question

Can you elaborate on the impact of deregulation since privatisation on BT's strategy development process?

Response

Question

There are 10 school's of thought on how strategy is developed. Can you comment on how you see BT's interpretation of these and if BT could eventually classify its own process?

The design school, where strategy is a conceptual process.

Response

Question

The planning school, where strategy is a formal process?

Response

Question

The positioning school, where strategy is seen as an analytical process?

Response

Question

The entrepreneurial school, where strategy is a visionary process?

Response

Question

The cognitive school, where strategy is seen as a mental process?

Response

Question

The learning school, where strategy is seen as an emergent process?

Response

Question

The power school, where strategy is seen as a negotiated process?

Response

Question

The cultural school, where strategy is seen as a cultural process?

Response

Question

The environmental school, where strategy is seen as a reactive process?

Response

Question

The transformational school, where strategy is seen as an episodic process?

Response

Question

How has the machinery developed for strategy development at BT since privatisation?

Response

Question

Can BT's strategy development be described as reactive, proactive, or some other? Please explain.

Response

Question

Can you explain the retaliatory action of BT on the regulators actions since privatisation?

Also, comment on the impact of the regulator on BT's long term strategy, has the BT perspective changed?

Response

Question

Who will the primary strategic coalition/alliance be with? I.e. between BT and whom?

Response

Question

How will BT craft its new alliance structures in the global New World telecommunications order?

Response

Question

What are the key issues associated with success in International strategic alliancing for BT?

Response

Question

How will BT develop the skills/expertise in generating success in International strategic alliancing?

Response

Question

What is the future strategic direction of the telecoms market and indeed, BT's direction?

Response

Question

How is/will the CEO's vision on the future be disseminated - How will empowerment in all parts of the organisation take place?

Response

Question

What is BT's perspective of the "Bellhead - Vs - the Netheads" battle with Internet service provision?

Response

Question

Who will handle the Universal Service Obligation (USO) in BT's brave new world?

Response

Question

Will the local loop remain a bottleneck issue? What is the future of the local loop from BT's perspective?

Response

Question

Will this require a new "culture or inclusion"?

Response

Question

How will the “new psychological contract be developed” internally, within the organisation?

Response

Question

In the new multi-national environment, will corporate decision-making structures reflect multi-national characteristics? Will the Board become more multi-national as corporate watchers suggest? Will the top team become more multi-ethnic and display “requisite variety?”

Response

Question

What will be the role of government and the regulatory agencies in the new information order?

Response

Question

What business will BT be in the forthcoming decade?

Response

Question

BT say that they will be taking "an investment banker's" approach to investment decisions - closer working relationships with service providers - is this the backdoor to vertical re-integration or the backbone of new strategic alliances?

Response

Question

How does BT view their competitors and their own competitive positioning in the marketplace, both currently and in future?

Response

Question

Do they benchmark their strategic performance with other operators? If so, what criteria/measurements are used?

Response

Question

What performance has been achieved and how has it changed since Privatisation?

Response

Question

Do they benchmark their performance with companies in other sectors?

Response

Question

What performance has been achieved and how has it changed since Privatisation?

Response

Appendix 7



THE
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21st March 1998

Mr Richard Bell,
Director, (Change Management & Quality),
BT Centre,
81 Newgate Street,
London
EC1A 7AJ

Ray,

Following our recent meeting regarding my Doctoral research, I would like to take this opportunity to thank you for giving up so much of your valuable time to discuss this research, and for the warm and courteous hospitality shown to me.

From my viewpoint, our meeting was extremely fruitful, and has undoubtedly complemented both my experience to - date, as well as, my conceptual and contextual knowledge on both BT and the developing UK telecommunications market structure.

I know that my supervisor Professor Douglas Pitt would also like me to thank you on his behalf, for your co-operation.

Ray, many thanks.

Yours sincerely

Appendix 8

Sample of transcribed data extract - from initial interview

<u>RESPONDENT</u>	<u>POSITION</u>	<u>INTERVIEW DATE</u>	<u>INTERVIEW LOCATION</u>
Tony Harris	Director of Strategy and Business Planning	Friday 6th February 1998 9.30am -12noon	BT Central Office, Newgate Street, London

TS

*Good morning, David, I'm Tony Harris, er, and I am the director for strategy and business planning for BT [non-verbal - Tony and I shake hands and exchange Business Cards].

Researcher

Good morning Mr Harris, my name is David Lal and I'm studying towards my doctorate at the..... [Interruption by Tony]

TS

Please, please David, call me Tony, I eh, there is no need to be absolutely formal, can I get you some tea or coffee? Did you have a pleasant flight from Scotland? I always find it refreshing to fly early in the morning, I'm more productive when I wake early in the morning than when I arrive at eight.

Researcher

Thank you Tony, yes the flight was rather pleasant, um, Tea would fine please.

Tony nods his head and leaves the room to inform his Secretary to bring some tea.

I stand pondering and look at the view over London from Tony's seventh floor Office.

I go into my briefcase and remove my Questionnaire Checklist, my audio recorder (Olympus Pearlorder), a pen, a pencil and a notepad.

Tony returns within one minute.

I begin taking written notes.

TS

David, please take a seat..... [Tony sits at a low-level coffee table and I sit next to him] I received a call from Chairman (non-verbal - Sir Iain Vallance) and... er... I do believe that I should be as open as one can be, in relation to your questions for your study, hmm, I did receive a copy of the areas of your interest and I ...er.... quite frankly am extremely interested and er.... quite fascinated by your interest in this area, I did receive a copy of your Conference Paper (non-verbal - Internationalisation in European Telecommunications utilities: trends, prospects and the UK case. paper presented at the European International Business Association 19th Annual Conference, (December) Lisbon, Portugal) from Chairman's Office and I like your interpretation of the UK telecommunications market structure, mm how do you ... emwish to conduct this interview session?

Researcher

Thank you Tony for your kind comments, some of the issues from that particular paper will indeed come up in this interview. I have a number of questions and I ... [cough] .. um ... excuse me, the main aim of my interview today, is to allow me to gather

Researcher (continued)

sufficient information on the evolving strategic behaviour of BT since privatisation. Following my communiqués with... um... Sir Iain Vallance, he is keen that I collate as much accurate information..um.. on the nature of strategic changes that have occurred and the underlying reasons as to why particular actions have been taken by BT. I think that it would be best if I could go through my checklist of questions and if you don't mind, ... um if I could ... um take some notes of your responses and
[Interruption by Tony, who stares at the tape recorder]

TS

Er .. actually David, I don't mind if you take notes ... [pause, and Tony lifts his eyebrows and points with his eyes at the tape recorder] ... rather than tape record the interview, I would feel more comfortable, er ...you understand!

At this point, I recalled that prior to the interview, I had considered the issue of the establishment of both - trust - and an appropriate rapport with interviewees. From the interviewer's perspective, every attempt was being made to involve the interviewee to interact, (through both verbal and non-verbal communication), with the interviewee responding positively. His initial introduction, warmth, and open behaviour, led me to believe that a suitable rapport had been established, which I sought to continue building on throughout the remainder of the interview.

Researcher

No problem Tony [I pick up the tape recorder and put it into my briefcase] [Interruption by Tony].

TS

Good, good [Tony nods].

Researcher

As you know, I am studying towards my doctorate at the moment and my study aim is to historically examine, analyse and collate the behavioural nature of the evolving corporate level strategies developed by British Telecom within the dynamic UK telecommunications market since privatisation." [Pause for breath]. Sir Iain Vallance is also very keen to have me conduct this study and has indicated considerable support. Also, Sir Iain has nominated yourself .. em .. as part of my sample frame. So... that is mainly why I am here today.

If I could begin by asking, when did you begin your career with BT?

TS

Hm ... the brief that I have been given, which came from Chairman's Office, is that I should co-operate with you as fully as possible, with no holes barred. So, when did I begin here? ... It was around 1988 when I was first appointed with BT - and - well, we have gone through a considerable amount of changes in that time, we are a rather different animal now. [Various positive head movements are performed by Tony].

Researcher

At what level within the organisation were you first appointed?

TS

I was appointed at Director level and I have remained at this level throughout my time here, although my role has since broadened and I am now responsible on a global scale.

Researcher

In terms of the strategy development structure within BT, is there currently a structure and/or hierarchy of strategy development within the firm?

TS

Yes, strategy is developed at three main levels within BT.

At the Corporate level, the Directors primarily develop strategy, although we do have considerable input from our teams. At the Business level, strategy is primarily developed by Business Managers (in conjunction with Board members directly responsible for that specific area of our business) within each area in which we operate.

At the Operational level, strategy is developed by those teams of people within sectors of our business, at the specific functional operational levels in our organisation.

We do things differently now, ... [pause] ... we, we are a much more business oriented organisation now, compared with when I first joined the firm .. [pause] ... our thinking and approach towards the marketplace is now more customer focused.

Researcher

Could you define your and BT's current meaning of corporate level strategy?

TS

Sure David, strategy at the corporate level and ... um ... indeed at all levels in the organisation, we take strategy and strategic issues very seriously, and ... er ... at the corporate level strategy

TS (continued)

is taken to mean the general directions that we require our businesses to take, in order to achieve our global vision and our objectives, ... er ... so corporate strategy is really the development of our long-term plans in order to realise our vision.

Researcher

As planning is conducted at the corporate level within the company, is there a corporate planning process that BT currently adopts?

TS

Er ... yes, yes David, we do indeed have a corporate planning process within the firm and it is quite an established process, although there have been a ... er ... number of ... er ... changes that have been made to the team, .. er ... that is the corporate team, ... er ... that are now involved in the process, ...er ... the team has changed quite considerably since ... er ... my involvement in '88, we meet on a regular basis ... er... usually one brief meeting each week, with a lengthy ... er ... scheduled meeting every month, our main ... er ... function is to review our current position and strategies and to redevelop and reform these ... er ...strategies in order to position and ... er ... reposition our businesses within the ... er ... the marketplace.

Researcher

And ... um ... you are directly involved with the development of corporate level strategy within BT?

TS

Mm ... yes, I am directly involved, and as Director of strategy and business planning I have been directly involved at the corporate level of strategic decision-making for the firm since ... er ... '88.

Researcher

Can you identify key periods on "this" timeline, when corporate level strategy was developed since deregulation, and indicate some of the main reasons for these being key periods? [Blank timelines shown to Tony for his response to be indicated on the timelines].

Tony looks at the timelines [Researcher interrupts...]

Researcher

I was wondering if it would be appropriate, if you could indicate on these diagrams, ..er.. the key periods?

Tony goes to a filing cabinet and brings out a number of files/documents of documents, materials and minutes of meetings].

[As Tony sits down, his Secretary arrives and delivers tea and doughnuts - then leaves the room, we have tea, chat about each other's careers. Tony browses through the documents, picks and lays a number of them to the side, on the table. The interview continues after approximately 12 minutes].

TS

[Tony browses through the separated documents and begins to write on the timelines and espouses the following rhetoric:]

Before I joined the firm, there was a different structure to how we conducted business, and I am about to tell you how it was before I started in '88, well, from 1980 - 1988 there were 3 - 4 people in the group that developed strategy for the firm, during that period in the history of BT, there was an - old man river - view of the firm, where cash was seen to be coming into the firm, and investments and growth were not seen as a major concern, there was an underlying Civil Service approach to the business, with a major emphasis on a - jobs for life - philosophy, following privatisation the goals of the firm focused on quality of service provision and growth in revenue, and strategy was therefore developed around these two major long-term goals.

Researcher

How is strategy currently developed at the corporate level within BT?

TS

Corporate strategy is developed currently by the team of ten Directors plus Sir Iain, .. er.... and it is based around a vision, the CEO's vision (Chief Executive Officer's) which relates to our current challenge, whereby now that BT is the world's fourth largest telecommunications operator, how do we achieve our vision and become the world's most successful telecommunications group? Therefore we currently review our strategy and, for example, address a wide-range of business issues and opportunities, for example, Multimedia, Mobile etc., in greater depth, so BT's future strategy - for the foreseeable future

TS (continued)

- is based around this vision, and our future corporate level strategy is now focused on a number of key areas:

Researcher

From a strategic perspective, how will BT's vision for the future be achieved?

TS

Achieving BT's Vision is based around this approach [A diagram was drawn and explained by Tony, which is presented later in this section of the study]

Researcher

Presumably, vision and strategy are symbiotic and systemically created - allowing for "mid-course" corrections?

TS

In one sense, they are symbiotic, and in another, they aren't. Our corporate strategy is driven by our vision, and our strategy does change, as external environmental forces can put significant pressures on our systems to change direction.

In order for us to stay on course to achieve our vision. It does mean that we must realign our strategy at interim periods, but we do try and be proactive and anticipate likely events..... [Tony pauses and rubs his chin for a few seconds]

TS (continued)

In the past we have been reactive to some extent, like for example the revamping of our payphones, this was as a direct result of the launch of the Mercury payphone in the late 1980's. We did change course with our existing strategy but our vision remained fixed at the forefront of our minds. The problem required tackling, and we decided, it would be better tackled sooner rather than later..... [Pause] ...Mm....

Resource in the region of £200 million was invested into the revamping of our payphone business. This has paid significant dividends, as it generates a significant level of revenue.

The interview continued in a similar vein and notes were recorded in a similar manner.

Appendix 9

Appendix 9

Example of Open Coded text

Table OT441

Respondent	Respondent Code	Role Code	Time Period	Coded Text	Text Code
Tony Harris	TS	DSBP	T4	<ul style="list-style-type: none"> • The traditional telecommunications business enjoying significant growth; • Internet bringing about a paradigm shift; • Constant refocus on the business; • Aligning the organisation to a new business model; • Winning the 'Battle of Dreams'; • Balancing the 'Sweet and Sour'; • To strengthen our International strategic alliances; • Need to move to a Transnational Model to exploit our knowledge network; • Develop the capabilities required for the new markets; • Requirements to build a business of tradable investments to maximise shareholder value and maintain our competitive edge; 	P4T

(Source : Author generated)

Example of Open Coded text

Table OR451

Respondent	Respondent Code	Role Code	Time Period	Coded Text	Text Code
Ray Bell	RL	DSIC	T4	<ul style="list-style-type: none"> • Globalisation • Internet explosion • Mobile growth • Convergence • Technology • Liberalisation • Falling prices • Multimedia • More demanding customers • Falling costs 	P5R

(Source : Author generated)

Appendix 9 (Continued)

Example of Open Coded text

Table OP941

Respondent	Respondent Code	Role Code	Time Period	Coded Text	Text Code
Peter McCarthy-Ward	PMW	GMRA	T4	<ul style="list-style-type: none"> • Focus on customers and markets not products (Outward In not Inward Out). • Build specific value propositions. • Establish separate businesses for each tier in the model so that they can develop their own culture, skills profile and remuneration structure. • Grow wholesale traffic in order to protect assets. • Become the standard of the transaction world ("BT Inside"). • Establish market leadership in "E-Commerce". 	P9P

(Source : Author generated)